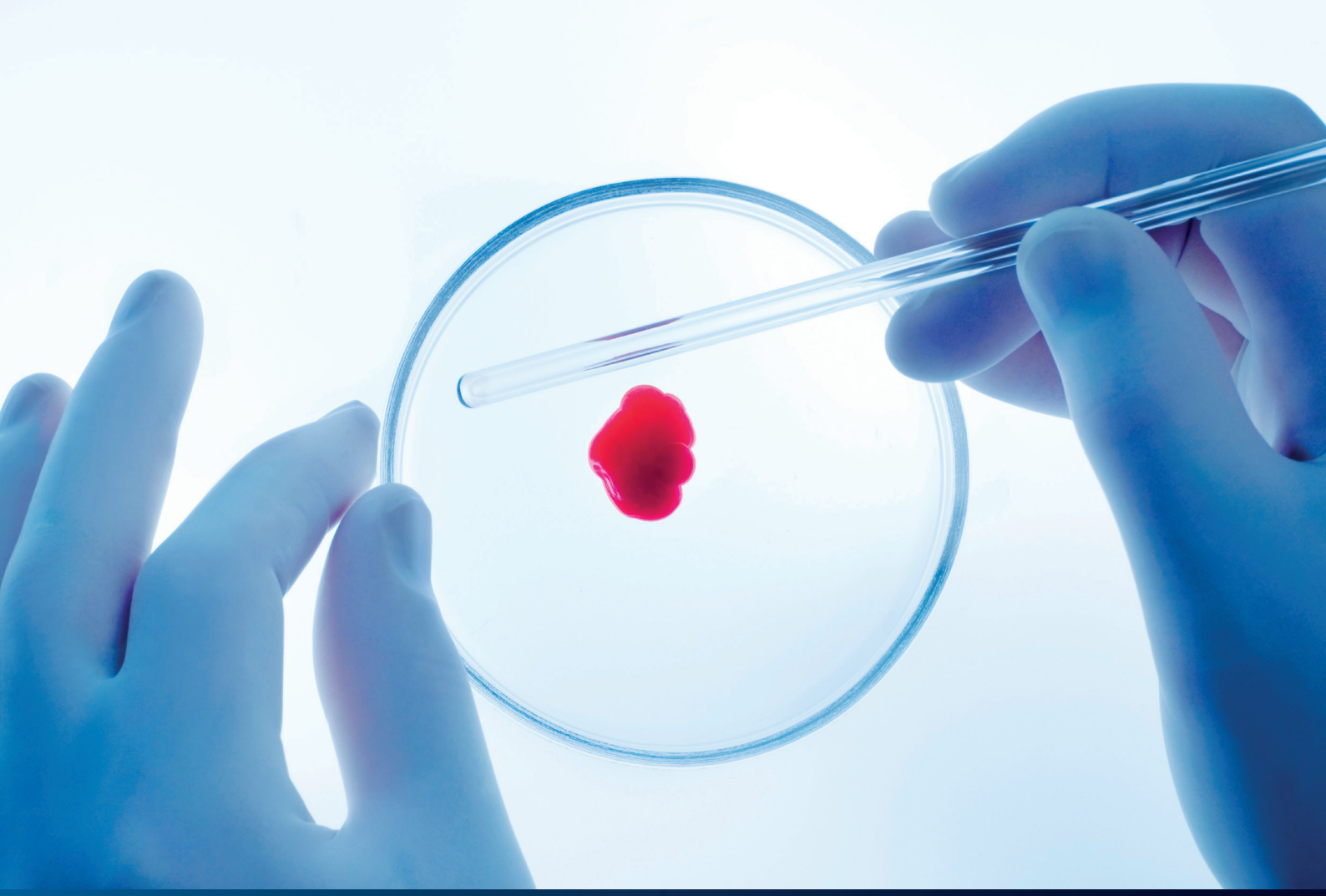

2016 **REFERENCE** DOCUMENT

erytech

erytech

A French joint stock company (société anonyme) with share capital of €873,264.80
Headquarters: Bâtiment Adénine
60 Avenue Rockefeller
69008 Lyon
Lyon Trade and Companies Register 479 560 013

2016 REFERENCE DOCUMENT

CONTAINING THE

ANNUAL FINANCIAL REPORT

AND THE MANAGEMENT REPORT

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

In application of its general regulations, in particular Article 212-13, this reference document has been filed with the French Autorité des marchés financiers (the "AMF") on March 31, 2017 under number R. 16-039. This document cannot be used to support a financial transaction unless accompanied by a prospectus supplement approved by the AMF.

It was prepared by the issuer and is the responsibility of its signatories.

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 the ERYTECH Pharma website (www.erytech.com).

This document is a free non- binding translation, for information purposes only, of the French language "Document de Référence 2016" as submitted to the AMF on March 31, 2017. 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 activity report and the financial statements.

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NOTE

In this reference document (the "Reference Document"), the terms "ERYTECH" or "Company" or "Parent Company" mean ERYTECH Pharma, a limited liability company headquartered at 60 Avenue Rockefeller, Bâtiment Adénine, 69008 Lyon, France, registered with the Lyon Trade and Companies Register under number 479 560 013. The term "Group" means the Company and the company ERYTECH Pharma, Inc. headquartered at Riverfront Office Park, One Main Street, Suite 1150, Cambridge MA 02142, USA, a subsidiary of the Company.

The Reference Document presents the annual financial statements for the Company, prepared in accordance with accounting standards applicable in France for the financial year ending December 31, 2016, as well as a set of financial statements for the same year, prepared in accordance with 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 the Reference Document:

- the consolidated financial statements for the financial year ended December 31, 2015, the company financial statements, and the corresponding statutory auditor's reports, appear in Section 20 of the 2015 Reference Document registered by the Autorité des marchés financiers ("AMF") on April 29, 2016 under No. R. 16-039;
- the consolidated financial statements for the financial year ended December 31, 2014, the company financial statements, and the corresponding statutory auditor's reports, appear in Section 20 of the 2014 Reference Document registered by the AMF on June 4, 2015 under No. R. 16-048;

the key financial information and analysis of the financial condition and results of the Company shown in Sections 3, 9, and 10 of the 2015 Reference Document registered with the AMF on April 29, 2016 under No. R. 16-039.

The 2014 and 2015 Reference Documents 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 regarding the Company mentioned in the Reference Document is taken from the IFRS consolidated financial statements. Additionally, the Reference Document contains statements about the Group's objectives, as well as its areas of focus 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 to which reference is made in Reference Document can be found in Appendix G.

WARNING

The goals and directions for development presented are not historical data and must not be interpreted as being guarantees that events and data stated shall occur, that scenarios have been verified, or that objectives shall be reached. Inherently, these objectives may not be achieved 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 Regulation of the AMF.

The Reference Document furthermore contains information pertaining to the Group's activities, as well as to the market and industry in which it operates. Some of this information originates from sources external to the Group and has not been verified independently by the Group.

Investors are requested to carefully weigh the risk factors described in chapter 2 - "Risk factors" – of the Reference Document before making their investment decision. The occurrence of all or part of these risks may have a negative impact on the Group's activities, circumstances, financial results, or the achievement of its objectives. Additionally, other risks that have not yet been identified or considered by the Group to be significant could have the same negative effect and investors could thus lose all or part of their investment.

INTRODUCTION

Profile

Erytech is a late stage biopharmaceutical company that develops innovative therapies for rare forms of cancer and orphan diseases.

The innovative approach by Erytech consists of acting on the tumor's environment and "starving" it, so that the cancerous cells no longer have access to the growth factors that are necessary for them to live and proliferate.

In order to extend the field of application of our ERYCAPS platform, whose technology is based on the encapsulation of therapeutic agents within erythrocytes, red blood cells, we developed a range of products intended for markets for which medical needs remain unsatisfied. Our initial objective remains the treatment of forms of acute leukemia: acute lymphoblastic leukemia ("ALL") and acute myeloid leukemia ("AML").

Development model

Our Mission

Our mission is to help patients to feel better and live longer.

Our Vision

Our goal is to become the leading biopharmaceutical company focused on innovative therapies thanks to our ERYCAPS platform to treat rare forms of cancer and other orphan diseases.

Our Strategy

To finalize the development of our main product, eryaspase/GRASPA, to obtain its marketing authorization for the treatment of ALL in Europe and the United States, and to extend its clinical development to other indications in oncology and in other countries.

To consolidate our ERYCAPS platform to develop new innovative therapeutic solutions targeting rare forms of cancer and other orphan diseases.

Our Values

The company's principles are based on the following values as a result of collective brainstorming conducted in 2015:

- Vision, innovation and entrepreneurship
- Excellence, engagement and responsibility
- Communication and open-mindedness
- Teamwork
- Personal development

Management team

Gil Beyen

Chairman and 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 led the Life Sciences division at Arthur D. Little in Brussels. He holds a master's degree in bioengineering from the University of Louvain (Belgium) and an MBA from the University of Chicago (USA).

Jérôme Bailly

Qualified Person and Director of Pharmaceutical Operations. Before joining the company in 2007, Jérôme was the Director of QA/Production at Skyepharma and Laboratoire Aguettant. Jérôme holds a doctorate in pharmacy and a degree in chemical engineering, specializing in biopharmaceutical engineering and cellular production from École Polytechnique de Montréal.

Iman El-Hariry

Medical Director. Iman El-Hariry, MD, PhD, is an oncologist and has over 15 years of product development experience in the biopharmaceutical industry. She served as VP Clinical Research at Syntha Pharmaceuticals in Boston, Global Head Oncology at Astellas APGD in Chicago and Group Director at GSK Clinical Oncology in London. Iman is a graduate of the faculty of medicine in Alexandria, Egypt, and holds a doctorate from the Imperial College of Science and Medicine in London, United Kingdom. As Medical Director if ERYTECH Inc., based in Boston, Dr. El-Hariry is in charge of international clinical and medical development and regulatory issues.

Eric Soyer

Financial Director and Director of Operations, PhD, Eric Soyer has over 20 years of experience in financial and operation management roles at public and private companies, both new and established. Over the course of the last eight years, he has been Financial Director of the company EDAP-TMS and Managing Director of the French Branch of the group, Financial Director and Director of Information Systems of a leading French company of retirement homes and home health agencies, and Financial Director and Legal Director of a large French insurance company. He began his career as a financial controller within the Michelin Group. Eric Soyer received his Executive M.B.A. from HEC Paris, an M.B.A. from University of Kansas in the United States and graduated from ESC Clermont in France.

Jean-Sébastien Cleiftie

Jean-Sébastien Cleiftie, the Business Development Director, has more than 15 years of experience in drug development, risk capital and business development in licensing, in the US and in Europe in particular, as well as Associate Vice-President, Global Business Development & Licensing at Sanofi in Paris, and Shareholdings Manager at Innoven Partners. Jean-Sébastien Cleiftie is the holder of a DEA in immunology, a Master's in biological and medical sciences from Université Paris V and an MBA from Cornell University in the United States.

Alexander Scheer

Alexander Scheer, Scientific Director, has more than 15 years of experience in R&D in the area of life sciences, in particular as Research Manager of the Pierre Fabre group where he mainly worked in the fields of oncology and the central nervous system, *Director Global Research Informatics & Knowledge Management R&D* and *Project Leader Neglected Diseases* at Merck Serono in Switzerland and *Head of Molecular Screening and Cellular Pharmacology Department*, *Group Leader of Biochemical Pharmacology* and *Research Scientist* at Serono. Alexander Scheer holds a Master's in biology and a Master's in chemistry from the University of Gottingen in Germany as well as a Doctorate in chemistry and biology from the German Cancer Research Center.

1 PRESENTATION OF THE GROUP

1.1 General and historic presentation

1.1.1 General presentation

ERYTECH was founded in 2004 to develop and market innovative therapies for acute leukemia and other cancers for which medical needs remain unmet. The innovative approach by ERYTECH consists of acting on the tumor's environment and "starving" it, so that the cancerous cells no longer have access to the growth factors that are necessary for them to live and proliferate.

ERYTECH's lead product eryaspase, named GRASPA®[1] in Europe and Israel, is positioned in the treatment of acute leukemia, a cancer of the blood and bone marrow, the proliferation of which is rapid and requires urgent treatment. The two most frequent forms are Acute Lymphoblastic Leukemia (or "ALL") and Acute Myeloid Leukemia (or "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.

Eryaspase/GRASPA® has convincing clinical results obtained in several clinical trials. Based on clinical results and the progress of the preparation of the file for requesting marketing approval ("MA"), the Company expects to file a new MA request in Europe for ALL with the European Medicines Agency (hereinafter "EMA") by the end of the third quarter of 2017.

Eryaspase, developed on the basis of technology belonging to ERYTECH, consists of an enzyme, L-asparaginase, encapsulated in red blood cells. L-asparaginase is an essential weapon in the treatment of acute leukemia. The enzyme has the property of being able to stop the supply to leukemic cells of asparagine, a naturally occurring substance in the blood that is essential for their growth. The existing treatments, based on free-form L-asparaginase, causing the death of cancer cells, have demonstrated their effectiveness in children with ALL; approximately 90% of those having received treatment enter remission and have a high probability of recovery. However, their use is considerably limited by their serious side effects (for example, allergic and immune reactions, coagulation problems, pancreatitis). Clinicians cannot administer them to most adult and older patients, who often cannot tolerate free-form asparaginase.

Worldwide sales of the three forms of existing treatments based on L-asparaginase are estimated at over $400 million.[2] Other leukemia patients, i.e. adults and older adults with ALL as well as children allergic to free-form asparaginase, and nearly all patients with AML (more than 80% of patients with acute leukemia) have little or no access to these drugs because they are often too weak to tolerate them.

Through the encapsulation of asparaginase in red blood cells using ERYTECH's proprietary technology, eryaspase is uniquely positioned to provide a solution to the significant unmet medical needs of 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-

1 GRASPA® is the brand name approved in Europe for ERY-ASP. It has been licensed to Orphan Europe (Recordati Group) for marketing of the product in ALL and AML in Europe and to TEVA for marketing the product in ALL in Israel.
2 Source: Jazz Pharmaceuticals, Baxalta/Shire, ERYTECH

asparaginase and simultaneously preventing the immune system from eliminating L-asparaginase, and thus from 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 the asparagine which could feed leukemic cells.

Eryaspase has the potential to become a reference drug in the treatment of acute leukemia: through eryaspase, fragile patients who currently do not have the possibility of treatment with free-form L-asparaginase due to their state of general health and the induced side effects, and who, as a result, have fewer chances of survival, can now be treated. For patients who are unable to receive the current treatments based on L-asparaginase, eryaspase aims to provide an effective alternative with a considerably improved tolerance profile.

ERYTECH has completed its clinical studies in Europe for GRASPA® for ALL and obtained compelling results in terms of efficacy and tolerance in: (a) the results of a Phase I/II study in children and adults with a relapse of ALL, (b) the results of a Phase II study performed on patients over 55 years of age with ALL, and (c) the positive results of a Phase II/III study (in adults and children in relapse). The Company would have to submit an MA request with the EMA in Europe by the end of the third quarter of 2017.

In November 2012, ERYTECH signed a marketing and exclusive licensing agreement with Orphan Europe, a subsidiary of the Recordati Group specialized in orphan drugs, a leading European pharmaceutical group, to distribute eryaspase under the brand name GRASPA® in 39 European countries. With the establishment of this partnership, GRASPA® may be commercialized efficiently as soon as the necessary approvals are obtained in all European countries; pursuant to this agreement, ERYTECH will receive a substantial part of the profits. ERYTECH has also signed a marketing and exclusive licensing agreement with Abic Marketing Limited, a subsidiary of the Teva Group (hereinafter "Teva"), to distribute GRASPA® in Israel.

The Company has a production unit based in Lyon and qualified as an "Établissement Pharmaceutique" and "Établissement Exploitant", which makes it possible to serve the European and Israeli markets.

ERYTECH is developing possible new indications for eryaspase outside the field of leukemia. Initial pre-clinical and clinical results suggest that eryaspase could also be effective against certain solid tumors for which therapeutic options are currently limited. ERYTECH completed a Phase IIb study of pancreatic cancer launched in 2014, the primary results of which are positive, and the complete data will be presented in the third quarter of 2016. In addition to the existing candidate-products which are intended to starve tumors through the use of red blood cell-encapsulated enzymes, ERYTECH is exploring other uses of its ERYCAPS technological platform in order to develop vaccines against cancer and enzyme replacement therapies.

Furthermore, the Company has a pipeline of potential products targeting orphan diseases that constitute medium and long-term sources of growth for the Company and/or partnership options. In the longer term, the ERYTECH technology can be used to 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 patient survival and quality of life.

1.1.2 History

2004 ERYTECH is a product of a meeting between its two co-founders, Dr. Yann Godfrin and Mr. Pierre-Olivier Goineau in March 2004.

It started its activity within the Créalys incubator before being registered in October. Over the course of 2004, ERYTECH:

- Received €40,000 in grants for its "ERYTECH Pharma" project and was awarded a prize by the French Ministry of Research in the Creation category;
- Filed its first patent involving encapsulation technology;
- Set itself up in the BioParc Lyon-Laennec nursery and conducted an initial round table with Business Angels, while being surrounded by external scientific experts; and
- Obtained the status of Young Innovative Company.

2005
- It obtained a grant of €450,000 from the Ministry of Research and 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];
- It conducted its first ERYTECH clinical trial: a phase I/II trial in the treatment of ALL with GRASPA® was authorized by l'AFSSAPS (which became the French Agence Nationale de Sécurité du Médicament et des produits de santé [National Agency for Drug and Health Product Safety], hereinafter "ANSM");
- The Company raised €750,000 from its shareholders, Cap Décisif, Amorçage Rhône Alpes, and two new business angels from the health sector; and
- Two new patents associated with new candidate-products were filed.

2006
- More than twenty clinical investigation centers were opened in France to conduct the first ERYTECH trial in leukemia;
- The company obtained the classification of its medicinal product from the EMA from its first Orphan Drug Designation (ODD) for GRASPA® in the treatment of ALL and obtained "SME" status;
- The company received a significant grant of €450,000 from BPI France to finance the development of GRASPA®; and
- The company raised €12 million in funds from its historic shareholders, AGF Private Equity (which became IDInvest Partners), Auriga Partners, and Axa Private Equity.

2007
- Expansion of the team with the hiring of researchers, a Medical Director, a Regulatory Director, and Quality-Assurance Director (*see section 3.2.3 of the Reference Document);* and
- Approval from the Belgian health authorities to treat patients in Belgium as part of the Phase I/II trial already authorized in France.

2008
- The company uses a production facility, thereby strengthening the handling of its technology and production costs;
- Completion of recruitment in the phase I/II pancreatic clinical trial that began in

2006; and

- The company obtained a repayable aid of €735,000 from BPI France to finance the Phase I clinical trial for GRASPA® in pancreatic cancer (*see section 1.8.1 of the Reference Document)*.

2009

Europe
- The ERYTECH production facility obtained the "Pharmaceutical Facility" classification, validating its level of health and safety in accordance with the EMA rules and ISO certification 9001;2008;
- Authorization from AFSSAPS to start a Phase I clinical trial to test GRASPA® in patients with pancreatic cancer and to begin new clinical trials in the treatment of ALL following the results of the Phase I/II clinical trial: (i) A Phase II clinical trial for the initial treatment of adult patients older than 55 years of age and (ii) a type II/III clinical trial for the treatment of child and adult patients under 55 years of age who have relapsed; and
- A grant from the EMA of a second ODD status to GRASPA® in pancreatic cancer.

USA
- Signing of two agreements with the American Red Cross ("ARC"), the largest blood bank in the world, allowing ERYTECH to increase its visibility with American companies and prepare the completion of clinical trials in the US:
  - 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 the regulations of the Food and Drug Administration ("FDA") and personnel dedicated to produce GRASPA® in the United States.

2010

Europe
- Following three clinical trials and the recruitment of the last patient in the Phase II study in the treatment with GRASPA® of patients older than 55 years of age with ALL.

USA
- Grant by the FDA of the ODD to GRASPA® in the treatment of ALL and the singing of 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
- Recruitment of the last Phase I patient for pancreatic cancer; and
- The conclusion of two key agreements: a partnership agreement with Teva Group to market GRASPA® in Israel and a long-term contract to provide asparaginase with the German pharmaceutical laboratory medac GmbH (*see also section 1.8 of the Reference Document*).

USA
- Filing an IND application with the FDA to start a Phase I clinical trial with GRASPA® for the initial treatment of adults over 40 years of age with ALL.

2012

- Gil Beyen, the co-founder and Managing Director of TiGenix for 12 years, became Chairman of the Supervisory Board in August. *(See also Section 4.1.1 of the Reference Document)*

Europe
- The company obtained an aid of €7 million as part of the TEDAC research and development project (*see section 1.8.1 for the procedures of this contract).*
- ERYTECH's production unit obtained the designation of "Operating Facility"; and
- The conclusion of a key partnership agreement with Orphan Group (Recordati group) for the development and marketing of GRASPA® in Europe (*see also Section 1.8 of the Reference Document*).

2013
- The Company was listed on the stock market on April 30, 2013 on the regulated market NYSE Euronext Paris, compartment C, through the raising of €17.7 million (without issuing fees); and
- Mr. Gil Beyen became Chief Executive Officer and the company became a company with a Board of Administration.

Europe
- Grant from the European Union of the orphan drug designation for AML to eryaspase/GRASPA®;
- Authorization from ANSM to start a Phase IIb clinical trial in AML;
- Two favorable opinions were given by the committee of independent experts (the Data Safety Monitoring Board or "DSMB"): the first regards the conduct of the Phase III clinical trial of eryaspase/GRASPA® in adults and children with ALL who relapsed and the second regards the Phase IIb clinical trial in eryaspase/GRASPA® in AML.

USA
- Authorization by the FDA to start a Phase Ib trial with eryaspase in ALL;
- The ANSM delivered the patent protecting ERYTECH's technology, granting it exclusivity until 2029 with the potential for extension into 2034.

2014
- Raising of €30 million and the welcoming of new shareholders following a reclassification with European institutional and American investors specialized in the field of healthcare.

Europe
- The Company launched a Phase II study in pancreatic cancer with its eryaspase product;
- Authorization from several European countries for its AML study, allowing ERYTECH to increase patient recruitment and obtain a second position opinion from the DBSM;
- The addition of a new candidate drug "Affameur de tumeurs" [Tumor starvation inducer], erymethionase, to its oncology portfolio;
- Announcement of positive results for its Phase III clinical trial with eryaspase/GRASPA® in the treatment of ALL;

USA
- Opening of main centers of patient recruitment for the Phase I/II study (Chicago, Duke, Columbus) and the treatment of the first patients; and
- The issue of a new patent in the United States, in the area of asparaginase.

2015
- The Company established a *Level 1 American Depositary Receipt ("ADR") program in January* on the American over-the-counter ("OTC") market, for which the Bank of New York Mellon is the custodian. Each American

Depositary Share represents one ERYTECH Pharma share as traded on Euronext Paris;

- *Change in management*: resignation of Pierre-Oliver Goineau, co-founder and Deputy Managing Director in January and the appointment of Luc Dochez as independent director (in March), Dr. Iman El Hariry as Medical Director (in July), and Eric Soyer as Financial Director and Director of Operations (in September);
- *Intellectual property:* Strengthening of the patent portfolio in the US with two new patents being delivered and two patents benefiting from the extension of their term of protection (*Lysis/Resealing Process for Preparing Erythrocytes*" and "*Medicament for the Treatment of Cancer of the Pancreas*") (*see section 1.7.1 of the Reference Document)*;
- *Issue of positive opinions:*
  - Two positive opinions for the tolerance of the product eryaspase for the first cohort of patients with ALL treated in the Phase I study in the United States and for the first three patients treated in combination with Folfox in the Phase II pancreatic cancer study (in June);
  - Two positive opinions from the DSMB for its Expanded Access Program in ALL (in May) and on the tolerance of the eryaspase product in the Phase II study on pancreatic cancer following the treatment of 24 initial patients (in July);
- *Presentation of results:*
  - Presentation of the complete results of Phase III of GRASPA® in ALL and an update on Phase IIb in AML in the annual conference of the American Association for Cancer Research (AACR) held in Philadelphia (United States) in April and the complete results of Phase III of GRASPA® in ALL and an update on Phase IIb in AML at the ASCO in June;
  - Presentation of additional data from the pivotal Phase 2/3 study with GRASPA® in December, in addition to the data that already supported the potential benefit of GRASPA® in combination with chemotherapy in the treatment of ALL.
- *Submission of an MA* with the EMA for GRASPA for the treatment of patients with ALL in September (withdrawn in November 2016);
- *Conclusion of a private placement* in December of common shares of approximately €25.4 million (excluding issue costs) from European and US investors.

2016

- *Change in management*: resignation of Mr. Godfrin, co-founder of the company and Managing Director (in January) and appointment of Ms. Allenne Diaz in September as censor (Ms. Diaz would have to join the Board of Directors as administrator in 2017[3]) and of Mr. Alexander Scheer to the role of the company's Scientific Director, and of Mr. Jean-Sébastien Cleiftie to the role of Business Development Director in October;
- *Intellectual property:*
  - Notice of acceptance from the United States Patent and Trademark Office

[3] The Board of Directors of 8 January 2017 terminated Ms. Allenne Diaz's mandate as censor and appointed her, provisionally, as administrator with a view to her ratification for the next General Shareholders' Meeting.

("USPTO") for patent request no 12/672,094 entitled "*Composition and Therapeutic Anti-tumor Vaccine*" (in March) and issue by the USPTO of the patent "*Composition and Therapeutic Anti-tumor Vaccine*", covering the use of the proprietary ERYCAPS platform for the development of immunotherapy products (in September);

- The patent entitled "*Medicament for the Treatment of Cancer of the Pancreas*", which cover the use of eryaspase (GRASPA®) for the treatment of pancreatic cancer, was delivered in Japan and South Korea (in September);

- *Phase II study in pancreatic cancer:*
  - The company receive a positive opinion in January from the DSMB on the eryaspase product in the Phase II study on pancreatic cancer which did not give rise to any tolerance or innocuity problems;
  - In May 2016, the Company announced it received a three-month deadline extension from the EMA as part of the instruction of its MA request.
  - In its clinical plan, the company announced in September it had completed its recruitment objective of patients in the Phase II clinical study in pancreatic cancer, with 141 patients being included (after it announced it had passed its initial recruitment objective of 90 patients in May). The company announced it expected its first results at the start of 2017;
- *Phase II study in ALM:* On August 29, 2016, the Company announced it had completed the intended recruitment in Europe of 123 patients of the Phase IIb clinical trial in AML. The Company announced it expected to publish some preliminary results by mid-2017;
- *Phase I study in ALL in the United States and request for MA in Europe;*
  - Treatment of the second cohort of patients in the Phase I study in the United States, with the recommended dose for Phase II having to be confirmed in 2017;
  - Announcement of the withdrawal of the European request for market approval for GRASPA in ALL with a view to a new submission in the third quarter of 2017;
- *Opening of offices in the United States* in Cambridge, MA, and completion of the recruitment of its American team specialized in clinical developments (in September);
- *The development of two new product candidates* erymethionase and eryminase as well of the use of the ERYCAPS technology platform in immuno-oncology and enzyme replacement therapy (in November);
- *The signing of a collaboration agreement with Invetech*, a leader in engineering medical and automated system equipment so as to develop the growth capacity of its encapsulation platform and ERYCAPS production (in November); and
- *The conclusion of a private investment* of €10 million from American and European investors (in December).

2017

Since December 31, 2016, the Company has announced:

- Its collaboration with the Fox Chase Cancer Center to make progress with its platform in the area of rare metabolic illnesses;
- Positive Phase IIb results for its clinical study with eryaspase/GRASPA® in the treatment of metatastic pancreatic cancer.

-

1.2 Strategy and positioning

1.2.1 Group strategy

The Company's objective is to become the leading biopharmaceutical company in the development, production and marketing of innovative therapies based on its **red blood cell-encapsulation platform**, ERYCAPS, in order to treat rare forms of cancer and other orphan diseases. Our medium and long-term development plans focus on the following concomitant objectives: developing GRASPA® in ALL and in other indications, expanding our activities inside and outside Europe, and developing our technological platform toward other modes of action and other therapeutic uses. The key elements of this strategy are listed below and will be implemented as and when results come in from preclinical and clinical trials and we obtain the necessary financing.

- **Completing the development and obtaining the marketing approvals in Europe for GRASPA® in the treatment of ALL**

By the end of the third quarter of 2017, the Company intends to submit an application for a MA to the EMA for GRASPA® as a treatment, in combination with chemotherapy, for adult and pediatric ALL patients in relapse, and for the treatment of adult and pediatric ALL patients with hypersensitivity to asparagine.

Should an MA be obtained in Europe, Orphan Europe (Recordati Group) will be responsible for the marketing launch of GRASPA® in Europe. The Company will also seek to broaden the potential use of GRASPA® for the treatment of ALL in Europe and the United States, especially in first-line treatment. Accordingly, the Company intends, in the third quarter of 2017, to discuss its future development plans in this indication with U.S. health agency regulator the FDA.

- **Progressing rapidly in the clinical development of eryaspase for other indications**

In 2016, the Company completed the recruitment of the Phase II eryaspase clinical trials for the treatment of pancreatic cancer and AML, and ERYTECH Pharma expects to publish in late 2017 the preliminary results of the trial currently underway in ALL and, in particular, announced positive results in the treatment of pancreatic cancer at the end of March 2017. Based on these encouraging results in the treatment of pancreatic cancer, the Company could envisage launching Phase III in 2018. Depending on the terms of the protocol yet to be defined for Phase III, this new clinical study will certainly lead to the adjustment and development of its clinical structure and its production capacity, in Europe and the United States, which could require further financing. The Company currently estimates, while awaiting the finalization of the clinical protocol, that a Phase III trial in pancreatic cancer would require at least €40 million financing.

In parallel, the Company plans to launch other clinical trials for other types of cancers. In particular, the Company has identified development potential for certain forms of Non-Hodgkin Lymphoma (NHL) but is continuing to assess the potential in this indication before deciding any clinical development..

- **Obtaining approvals to market and sell eryaspase in the United States**

The objective of the Company is to rapidly obtain MA for eryaspase in the United States, firstly for the treatment of double-allergic ALL patients and, subsequently, for a larger population of ALL patients, based on the results of its current global pivotal clinical trials. The Company has begun clinical trials of eryaspase in the United States for the treatment of adults with ALL, and has also planned to seek regulatory approval to market eryaspase in the United States for other indications, including AML and solid tumors. The Company has retained all rights to commercialize its candidate products in the United States. Although it believes it is in a position to market its candidates itself, if approved in the United States, thanks to a targeted sales force, the Company may consider collaborations with third parties for the distribution and marketing of the approved products.

- **Leveraging the ERYCAPS platform to develop new, innovative drugs targeting rare forms of cancer and other orphan diseases**

In addition to L-asparaginase, the active ingredient in eryaspase, the Company intends to leverage the broad scope of application of its ERYCAPS platform in order to develop new candidate drugs that use other therapeutic drug substances. On the basis of its pre-clinical research, the Company has identified two other enzymes, methionine-γ-lyase (MGL) and arginine deiminase (ADI), which can be encapsulated in red blood cells in order to induce tumor starvation. The Company plans to launch a Phase I clinical trial in Europe on administering encapsulated MGL to cancer patients. The Company is also planning to expand its product pipeline and include other therapeutic approaches, such as cancer vaccination and enzyme replacement therapies. In order to support this strategy, the Company intends to continue to seek robust worldwide intellectual property protection for its platform technology and the resulting drug candidates.

- **Exploring opportunities for collaboration and licensing agreements**

The Company will seek to maximize the value of its proprietary technology platform through the combination of in-house development and carefully selected partnership opportunities. In certain cases, the Company may decide to continue the development and market activities by strengthening its in-house capacities and, in the cases where it would be more appropriate, it will evaluate and pursue collaboration agreements with third parties for the development and marketing of its drug candidates for specific indications and regions. The Company believes that it will benefit in this regard from the experience acquired during the negotiations of the exclusive distribution contracts with Orphan Europe (Recordati Group) and TEVA for ALL and AML respectively in Europe and Israel. The Company may also explore other opportunities for co-development or for licensing its **technology** platform to third parties or via the creation of spin-off companies.

1.2.2 Advantages and strengths of the Group

ERYTECH has all the necessary strengths to establish itself as a mature biotechnology company with revenues from partnership agreements for the distribution of a drug to the doorstep of the market and a pipeline of promising products and indications:

- **ERYCAPS, a proprietary platform that offers unique positioning to respond to an unmet medical need**

In order to respond to the unmet medical need of fragile patients suffering from acute leukemia, the Company has developed an innovative technology platform known as

ERYCAPS, designed to use red blood cells in order to boost the efficacy of the administration of active ingredients with a lower risk of side effects by trapping these active ingredients within red blood cells using the principles of reversible hypotonic and hypertonic osmotic stress. This platform technology uses red blood cells from different donors with specific blood groups which are compatible with the blood group of the patients that will be receiving the treatment. The Company is supplied by blood banks with transfusion-grade, standard packed red blood cells. The red blood cells are submitted to osmotic stress in order to open and close the pores at the surface of the cells and thus allow the therapeutic compounds to be added and trapped within the cell. This encapsulation process (as described in Section 1.3.1) offers many advantages over therapeutic compounds in free form. By protecting the therapeutic compound against detection by the organism's immune system, the encapsulation is designed to reduce potential allergic reactions and allow the therapeutic compound to remain in the body longer. The cellular membrane also protects the body against the direct toxicity of the active ingredient, which should have the effect of reducing the incidence of side effects. In the case of L-asparaginase, it has been demonstrated that encapsulation extends the half-life of L-asparaginase in free form by a period ranging from one to approximately thirty days, which should reduce the number of injections necessary during treatment as well as the overall dose. The Company believes that these properties make eryaspase a promising treatment for patients who cannot tolerate the administration of current treatments based on free-form L-asparaginase.

The Company believes that its ERYCAPS platform technology is an innovative approach offering a number of key advantages:

- a longer period of activity.
- a reduced risk of side effects.
- high reproducibility with a rapid turnaround on the commercial scale.
- stability and ease of administration.
- broad scope of application.

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

ERYTECH is positioned as a treatment for acute leukemia, which represents the most common forms of leukemia, and accounts for about 50,000 new cases diagnosed per year in Europe and the United States[4]. Medical needs are considerable, given the very poor prognosis for most patients with this type of cancer. Children with ALL, who account for approximately 12% of new cases of acute leukemia, have a 5-year survival rate of over 90% thanks to L-asparaginase-based treatment[5]. All other patients, adults and older adults, as well as relapsed patients, typically cannot tolerate this treatment, despite efforts over decades to adapt it. Adult and older adult patients with ALL have a 5-year survival rate of 15% to 30%[6], one of the lowest rates of all cancers. Existing asparaginase-based treatments generate sales estimated at over $300 million[7], largely in children. However, the existing forms of treatment based on L-asparaginase actually target only a limited number of patients with acute leukemia, and the Company believes that a large number of other patients could benefit from a perfected L-asparaginase-based treatment.

4 Source: American Cancer Society, RARE Cancer Europe, 2016
5 Source: American Cancer Society, RARE Cancer Europe, 2016
6 Source: American Cancer Society, RARE Cancer Europe, 2016
7 Source: sales and estimations, Jazz Pharmaceuticals; Baxalta/Shire; Kyowa Hakko Kerin 2015

- **Convincing clinical results eryaspase (GRASPA®): Efficacy and tolerance**

ERYTECH has completed three clinical studies in Europe, in which 100 patients with ALL were treated with GRASPA®. ERYTECH expects to file an application for MA with the European Medicines Agency (EMA) to market GRASPA® on the market for ALL by the end of the third quarter of 2017, based on those three studies (including one Phase I/II and one Phase II/III study) in adult and pediatric patients with ALL in relapse and one Phase II study carried out in patients aged over 55. This first study, in children and adults with ALL in relapse, demonstrated good tolerance of the product and identified the appropriate dose. It also demonstrated that an injection of GRASPA® can result in the same depletion of asparagine as up to 8 injections of the free form of L-asparaginase. It was followed by a Phase II/III study in the same type of patients. The analysis of the data from the clinical trial, named GRASPIVOTALL or GRASPALL2009-06, after one year of follow-up shows that the trial is convincingly achieving its primary objectives and its secondary objectives confirm a favorable clinical efficacy of GRASPA®. The study also shows favorable results in patients with a history of allergy to L-asparaginase. The third study is a Phase II study in ALL patients aged over 55 years as the first line of treatment. The study showed that, in this category of fragile patients who often cannot be treated with L-asparaginase in induction, GRASPA® was well-tolerated and resulted in complete remission for 70% of patients completing their induction. The Company benefits from the framework of an Expanded Access Program (EAP) in ALL in France in Phase 2.

In 2013, ERYTECH launched a Phase IIb clinical study in AML. The recruitment of patients for this study was completed in 2016.

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

ERYTECH has entered into two major partnerships for the marketing of GRASPA® in 39 European countries with Orphan Europe (Recordati Group) and in Israel with Teva. Due to the innovative nature of GRASPA®, its ability to respond to unmet medical needs, and its progress in clinical development, ERYTECH was able to obtain favorable terms, particularly with regard to the sharing of future revenues (representing up to 45% of the net 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, among other things, for the payment of €5 million on signing, sharing in the development costs for GRASPA® in AML, and future payments of up to €37.5 million, subject to the achievement of regulatory and sales milestones. ERYTECH will receive a payment for product delivered, and royalties on the sales made by Orphan Europe (Recordati Group) with GRASPA®, for a total of up to 45% of the net sale price.

Separately, another Recordati Group company has subscribed to convertible bonds issued by the Company and that were converted into an equity stake in the Company's share capital worth €5 million at the time of the initial public offering.

- **Favorable conditions for market access: Orphan drug designation, current medical practice and expected medical needs**

Eryaspase/GRASPA® has obtained orphan drug designation in ALL, AML, and pancreatic cancer in Europe from the EMA, and in the United States from the FDA. ERYTECH will

therefore be able to take advantage of research subsidies, tax credits, and a marketing procedure with shorter lead times and reduced costs, and will benefit from exclusive marketing after obtaining the marketing approval for the product for 7 and 10 years, in the United States and Europe, respectively. L-asparaginase-based treatment has been included in almost all European and American chemotherapy protocols since the 1970s for pediatric ALL patients. eryaspase/GRASPA® will be incorporated into or added to current medical regimens. As a result, ERYTECH anticipates a rapid adoption of eryaspase/GRASPA®. Moreover, these same clinicians treat AML patients and, for this indication, eryaspase/GRASPA® will capitalize on the clinical experience of these prescribers. The marketing of eryaspase/GRASPA® will require reasonable promotional and sales resources, given the specialized positioning of the drug (clearly identified and relatively few prescribers, hospital treatment or special care center).

- **Protected and industrialized technology: Operating Pharmaceutical Company Status**

ERYTECH's encapsulation technology is internationally protected by 13 patent families filed 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 blood cells used. More than 1,000 bags of eryaspase have already been produced and transfused in five 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 regulated status of "Etablissement Pharmaceutique" and "Etablissement Exploitant" from ANSM to produce eryaspase/GRASPA® for the European and Israeli markets. The current production capacity is sufficient to meet the needs of the various clinical trials scheduled and for approximately the first two years of commercialization in Europe.

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

The US market is virtually equivalent to that of Europe in terms of number of patients with acute leukemia and is the natural progression in the development of eryaspase. After obtaining authorization to launch the Phase I clinical trial in adult patients with ALL as a priority, the second cohort of patients was treated in 2016 and the recommended dose for Phase II must therefore be confirmed in mid-2017. The Company is relying on studies already conducted in Europe and will also rely on the other studies that will be launched in the United States in order to obtain regulatory approvals for ALL treatment and for other indications like AML and solid tumors. The Company retains all rights to commercialize its candidate products in the United States. Even though the Company believes that it is able to market its product candidates itself, once the MA in the United States has been issued, thanks to a small and targeted sales force, it may consider agreements with third parties for the distribution and sale of its approval products. Moreover, ERYTECH has established a close partnership with the American Red Cross of Pennsylvania (Philadelphia, USA) to produce, under the Company's supervision, the batches needed for clinical studies (*see Section 1.8.3.1 of the Reference Document*). As part of its clinical trials in the U.S., the Company envisages, and is investigating the possibilities for, long-term sustainable supply of packed red blood cell throughout the United States.

- **A promising pipeline: Solid tumors and other orphan diseases**

Asparagine has been shown to also be an essential nutriment for several other types of cancer. In partnership with the MD Anderson Cancer Centre (Houston, USA), one of the most

renowned hospitals in the world for the treatment of cancer, ERYTECH analyzed various types of solid tumors and determined that asparaginase could effectively combat solid tumors and lymphomas. The first milestone for developing eryaspase for solid tumors was achieved with a positive Phase I study in patients with pancreatic cancer, which demonstrated good tolerance of the product even at high doses. In 2016, the Company completed the recruitment of the 141 patients expected in this Phase II trial. The positive initial results were announced at the end of March 2017 and the company intends to present the complete results over the course of 2017.ERYTECH is also preparing to launch Phase II/III clinical studies on other indications, including on non-Hodgkin lymphomas.

The efficacy of the technology to induce tumor starvation has been demonstrated mainly with L-asparaginase, but it is possible to encapsulate other enzymes that starve tumors in red blood cells, such as methionine-γ-lyase (MGL) and arginine-deiminase (ADI). In the TEDAC program, we are developing these as new product candidates erymethionase and eryminase.

In addition, the ERYTECH technology platform is versatile and can encapsulate other enzymes and molecules, opening possibilities to develop cancer vaccines and enzyme replacement therapies, for example.

We have used our ERYCAPS platform to develop a pipeline of drug candidates to treat rare forms of cancer and other orphan diseases. The following table shows our pipeline of products:

Type of action	Product Candidate / Program	Substance	Indication	Research	Preclinical	Phase 1	Phase 2	Phase 3 / Pivot	MA	Status / Milestones	Commercial rights & Partnership
Starving of tumors	eryaspase (GRASPA®)	Asparaginase	ALL	EU						MAA filing expected Q3 2017	RECORDATI Europe TEVA Israel (initially only in the ALL) erytech In rest of world
				USA:						Phase I recruitment completed; Dose ranging for Phase II	
			AML	EU then EU/USA						Phase II recruitment completed	
			Pancreatic cancer	EU then EU/USA						Recrutement now completed; Results expected in H1 2017	erytech
			NHL (Non-Hodgkin Lymphoma)	Global						Ongoing preclinical studies	
	ery-methionase	Methionine-γ-liase	TBD							Discussions with KOLs Trial design in progress	
	eryminase	Arginine deiminase	TBD							Ongoing development Preclinical	
Immunotherapy	ERYMMUNE	Specific tumoral antigens	TBD							Ongoing development Preclinical	
Replacement enzyme	ERYZYME	Therapeutic enzymes	TBD							Ongoing development Preclinical	

- **An experienced and highly complementary team**

ERYTECH is led by Gil Beyen, Chief Executive Officer of the Company, who brings strong expertise in international development and pharmaceutical partnerships, Iman El-Hariry, Chief Medical Officer and oncologist with more than 15 years of experience in product development in the pharmaceutical industry, Jérôme Bailly, Deputy General Manager, Qualified Person and Director of Pharmaceutical Operations, who is a Doctor of Pharmacy and holds a degree in chemical engineering with a specialism in pharmaceutical engineering, and Eric Soyer, Chief Financial Officer and Chief Operating Officer, who has more than 20 years of experience in management positions in the financial and operational departments of both new and established public and private companies. The Company relies on a talented team of 45 professionals with diverse, complementary backgrounds and skill sets that are fully in line with ERYTECH's development objectives. Alexander Scheer has more than 15 years of experience in R&D in the life sciences sector. Before joining ERYTECH, he held the office of Research Director of the Pierre Fabre Group, where he mainly worked in the fields of oncology and the central nervous system. Jean-Sébastien Cleiftie has more than 15 years of experience in developing medicines, in risk capital in the life sciences sectors, and in business development and licensing in the United States and Europe. Before joining ERYTECH, he was the Associate Vice-President of Global Business Development & Licensing at Sanofi in Paris, where he managed licensing operations in multiple therapeutic fields as well as activities in financial evaluation and other strategic projects.

- **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 have been 4 transactions finalized or that are in progress in the L-asparaginase market in particular: Shire's project for a hostile takeover of Baxalta for $32 billion, the acquisition of OPI (France) by EUSA (UK) for €110 million in 2007, the acquisition of a portfolio of products from Enzon (US) by Sigma Tau (Italy) for $327 million in 2009, and the acquisition of EUSA by Jazz Pharmaceuticals (US) for $700 million in 2012. In this context, ERYTECH's objective is to create significant strategic value with eryaspase/GRASPA® and its technological platform.

1.3 ERYTECH's encapsulation technology

1.3.1 The innovative approach to encapsulating 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 approximately 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; and

the body is protected against attack from its contents, and as a result, there are fewer side effects.

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 a red blood cell into a cellular bioreactor. A 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 targeted.

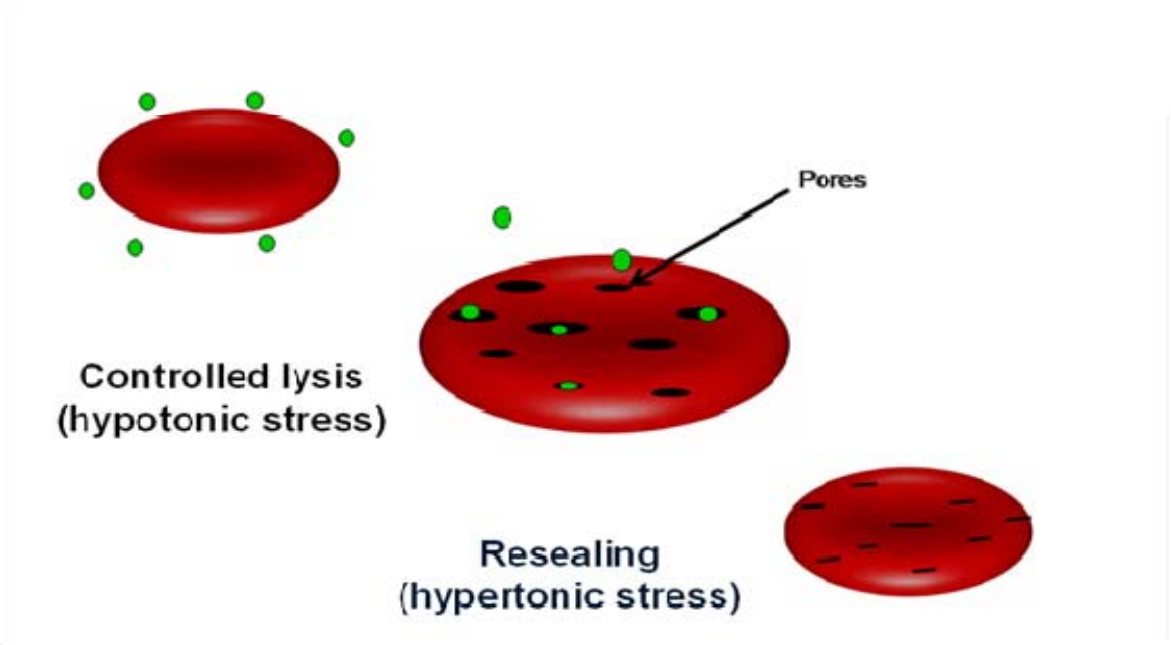
In addition, on the basis of the Company's pre-clinical studies and the first clinical experience in blood oncology, the Company believes that a variety of other therapeutic molecules can be encapsulated in red blood cells in order to starve cancer cells, both in blood cancers or in solid tumors, and to develop cancer vaccines and enzyme replacement therapies (see Section 1.5.5 Other ERYCAPS development projects).

1.3.2 Automated and strong industrialized encapsulation process

The ERYCAPS platform uses the Company's proprietary technology to trap active ingredients within red blood cells using the principles of reversible hypotonic and hypertonic osmotic stress. To allow therapeutic compounds to enter the red blood cells, the cells are subjected to a hypotonic solution that causes them to swell and the pores of the cellular membrane to dilate until they reach a critical volume, at which point 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. As soon as the desired concentration level of molecules is reached within the red blood cells, the cells are plunged into a hypertonic solution to restore their isotonicity. This procedure draws water outside the cell, thus closing the pores, and makes the membrane impermeable to the macromolecules. Only permeability to very small elements (less than 200 Daltons) is retained. The molecule is thus permanently encapsulated.

The capacity of a red blood cell to dilate, known by the term osmotic fragility, is not uniform and varies depending on the batch of red blood cells. When the Company receives a package of red blood cells from a blood bank, it identifies the key hematological parameters, including the osmotic fragility of the blood sample. Depending on the osmotic fragility measured, the Company is able to calculate the specific amount of osmotic pressure to apply in order to obtain the desired concentration of active substances to be encapsulated, which ensures that quantifiable levels of active substances can be captured in each production batch. This procedure thus reduces the variations in the amount of active substances in each production batch.

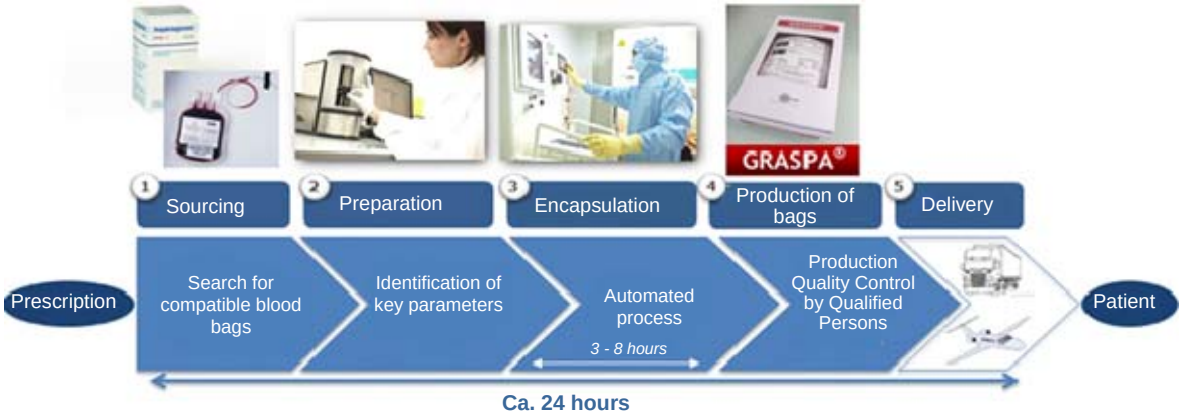
Principle of the encapsulation process



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 core of the ERYTECH patented process (*see section 1.7 of the Reference Document*).

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 blood cells used. The delivery of eryaspase, the first product developed by ERYTECH on the basis of the ERYCAPS technology, to patients which includes the phase to encapsulate L-asparaginase in the red blood cells, generally takes approximately 24 hours from the end of production until shipping of the product to the hospital. More than 1,000 bags of eryaspase/GRASPA® have already been produced and transfused during the 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 (at a temperature of 2-8 °C) and 6 hours (at ambient temperature). This allows hospital personnel to perform the necessary blood transfusions at an optimal time and to retain control of the treatment administration procedure. On the basis of the stability studies the Company has performed, it believes that it is able to extend the shelf life of eryaspase to at least 5 days;
- reproducibility: loaded erythrocytes of a consistent quality are produced, regardless of the initial characteristic and the origin of the red blood cells used. Various control steps ensure the quality of the product before release by the head pharmacist;
- its safety: supply of transfusion-quality red blood cells from blood banks operating in accordance with the highest quality standards and quality control processes which are strengthened at each stage of production.

ERYTECH Pharma intends to optimize the manufacturing process of its products and to automate its production system. *Refer to section 1.8.3.2.*

The ERYTECH production unit is based in Lyon and there are 20 employees dedicated to production. Production meets the highest pharmaceutical production standards (cGMP). In particular, product batches are fully traceable, from blood collection and the separation of red blood cells performed by the blood banks that supply ERYTECH to the patient. The Company has “Etablissement Pharmaceutique” and “Etablissement Exploitant” status, which allows it to operate on the European market.

1.3.3 Organized production in the United States for future clinical trials

In anticipation of clinical trials in the United States, ERYTECH has deployed a qualified production unit in Philadelphia in partnership with the American Red Cross (“ARC”). The 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 the service provider for the production of GMP (Good Manufacturing Practice) batches of eryaspase for clinical trials. 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 to eryaspase, and allows ERYTECH to produce the quantities needed for clinical trials planned in the United States.

In 2016, the company announced the opening of a second production facility in Philadelphia in the United States.

1.4 The market

1.4.1 Acute leukemia: A significant unmet medical need

1.4.1.1 Bone marrow cancer

Leukemia is a cancer of the bone marrow cells, sometimes referred to as blood cancer. Leukemia is characterized by an abnormal and excessive proliferation of white blood cell precursors which, left untreated, invade the bone marrow and then the blood.

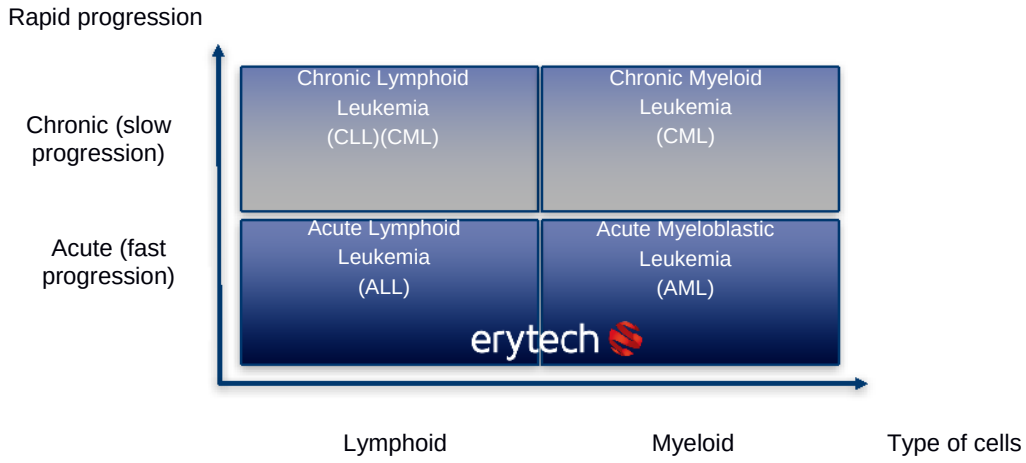
Leukemia is categorized according to its speed of development and the type of cells that proliferate:

Acute leukemia (AL) is characterized by the rapid proliferation of abnormal cells in the 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.

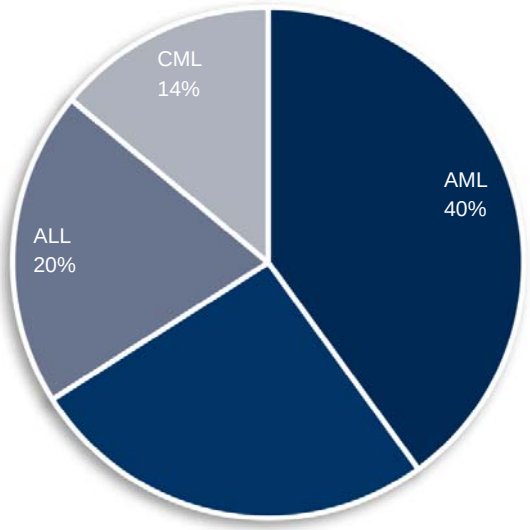
The cancer cell lineage can be either lymphoid precursors (which, in their normal state, participate in the defense of the body and form white blood cells) at the onset of lymphoblastic leukemia, or it can be myeloid cells for myeloid leukemia.

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

The 4 categories of leukemia



Breakdown of cases of leukemia by cell type



Source: PETRI Study

1.4.1.2 An increasing number of patients worldwide

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

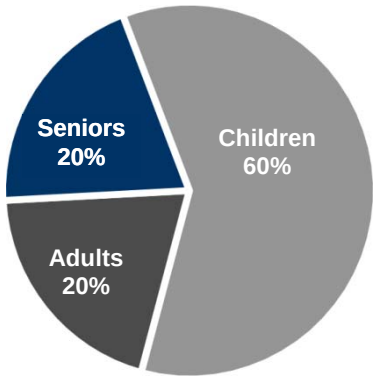
Around 6,000 new cases of ALL are diagnosed in the United States[8] and at least as many in Europe, which corresponds to an estimated age-adjusted incidence of about 2 new cases per 100,000 people each year[9].

AML has an age-adjusted incidence approximately twice as high, which is around 4 new cases per 100,000 people each year, representing approximately 17,000 new cases in Europe[10] and 20,000 in the United States[11].

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 older adults (>55 years old).

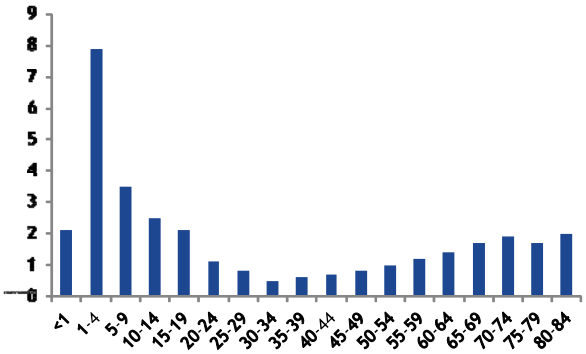
Breakdown of ALL patients by age and disease incidence according to age

Breakdown by patient type



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

Incidence according to age



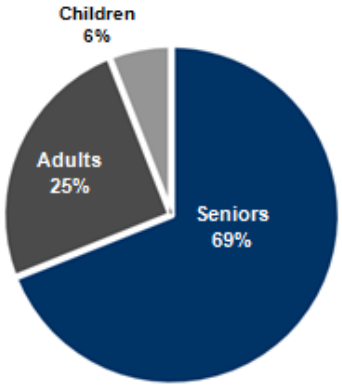
Source SEER Cancer Statistics 1975-2007

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

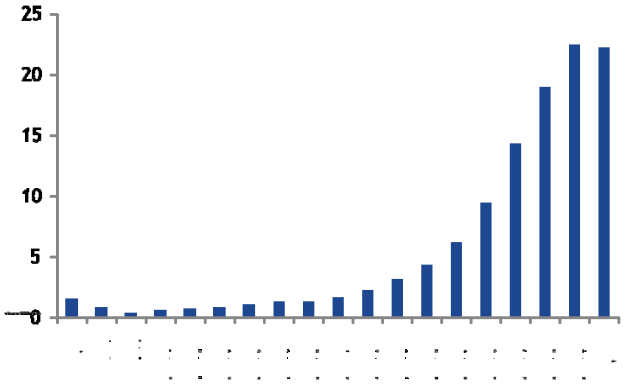
Breakdown of AML patients by age and disease incidence according to age

Breakdown by patient type Incidence according to age

8 Siegal et al., CA Cancer J Clin, 2013.
9 Dores et al., Blood 2010; SEER Cancer Statistics.
10 Rodrigues-Abreu et al., Annals of Oncology, 2007.
11 Siegel et al., CA Cancer J Clin, 2013 RARE Cancer, American Cancer Society.



Source: SEER-17, 2001 to 2007



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

The exact causes of leukemia are not completely known, but different studies[12] have shown that the following conditions increase the risks:

- radiation;
- benzene, formaldehyde and dioxins;
- tobacco;
- anticancer chemotherapy; and
- some genetic disorders.

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

1.4.1.3 A lower 5-year survival rate for adults and older adults

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

The 5-year survival rates for ALL vary significantly between young patients (children and young adults), which today achieve a 5-year survival rate of around 90%[13], and older patients (adults and older adults), who have a low 5-year survival rate (15%-30%).

The development 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 low tolerance for intensive chemotherapy because of their general health.

Especially for these patients as a priority, clinicians have a great need for new treatments with a better safety profile. ERYTECH is developing a new product, eryaspase/GRASPA®, to respond to this need.

12 Rodriguez-Abreu et al., Annals of Oncology, 2007.
13 Source: Cancer Statistics Review 1975-2005

In AML, because of the damaging effects of induction treatments, the mortality rate from high intensity chemotherapies varies from 5% to 15% in young patients with AML and from 20% to 50% in elderly patients. Because of the aggressive nature of the treatment, a significant percentage of patients over 65 opt for palliative care only, which highlights the unmet medical need for effective and safe treatments for AML.

1.4.2 L-asparaginase: a decisive drug in the treatment of acute leukemia

1.4.2.1 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 a 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, taken primarily by mouth for about two to three years.

1.4.2.2 The crucial role of L-asparaginase in patient remission

Asparagine is an amino acid naturally produced by cells for their own use in protein synthesis. This amino acid is produced in excess by healthy cells and 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 able to destroy the asparagine and deprive the cancer cells of an important nutrient, resulting in death of the cells.

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

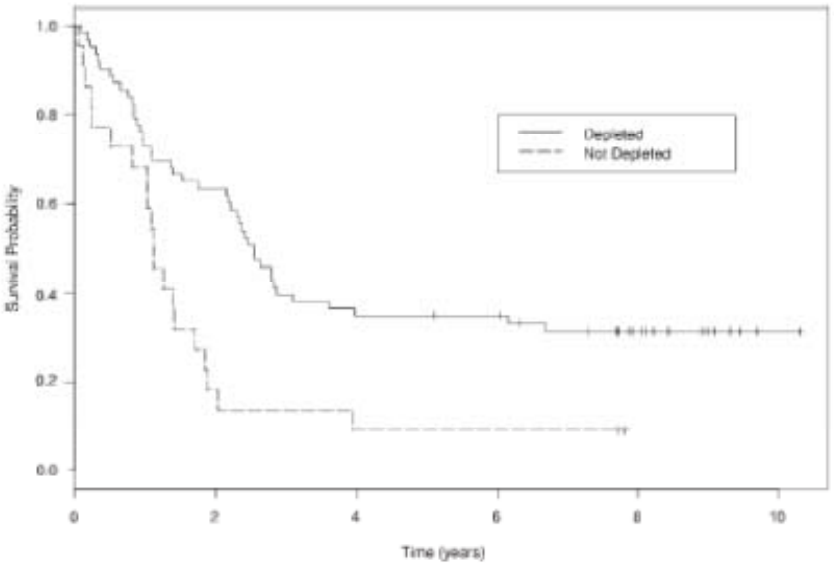
L-asparaginase was introduced into standard ALL treatment in the 1970s. Its use has revolutionized pediatric protocols by improving complete remission rates and duration of remission. It benefits from significant therapeutic hindsight both with regard to its efficacy and its tolerance[14].

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. Current clinical practices are based on systems of intensive use of L-asparaginase (as many doses as early as possible and for as long as possible). Indeed, it has been shown that the longer the tumor cells are deprived of asparagine, the higher the chances of complete and maintained remission are, and the longer the remission is sustained[15].

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 this was not possible. The graph shows the survival of 63 adult patients with ALL who obtained a good level of asparaginase activity following treatment with asparaginase, as compared to a group of 22 patients for whom asparaginase activity was not sufficiently suppressed (depleted) during treatment.

Survival rates for ALL by asparagine depletion level



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

14 Stock et al., Leukemia & Lymphoma, (2011)
15 Silverman et al. Blood 2001

L-asparaginase has been used in AML only in a very fragmentary fashion to date. It has an MA for AML in certain countries only (e.g. Canada), and is used in certain 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 conducted on 195 AML patients demonstrated the efficacy of L-asparaginase[16] in addition to the cytarabine-based reference treatment.

The significant risks of side effects for this patient population, who are often elderly and in fragile health, are a major obstacle to the use of L-asparaginase.

In addition, in vitro experiments have demonstrated the efficacy of L-asparaginase on over 60% of several biological samples from different AML subtypes (M0, M1, M4 and M5), comparable to the results obtained on biological samples of ALL. It is estimated that approximately 50%-70% of patients could respond to an L-asparaginase treatment[17].

In addition, the Company has a license with the U.S. National Institutes of Health (NIH) on the rights to a diagnostic test to measure the presence of asparagine synthetase (ASNS), an enzyme that produces asparagine, in order to determine tumor sensitivity to asparaginase in relation to treatment with eryaspase. We are currently using this diagnostic test on biopsy samples collected in Phase IIb of the clinical trial on AML patients.

- **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 around 5% of ALL in children and around 20% to 25% of ALL in adults. Its frequency increases with age.

ALL patients with the Philadelphia chromosome (known as Ph+, “Phi positive”) are treated primarily with monoclonal antibodies, particularly tyrosine kinase (BCR-ABL) inhibitors like imatinib, which is sold by Novartis under the Gleevec®/Glivec® name, and dasitinib, sold by BMS under the name Sprycel®. However, clinical trials have demonstrated the lack of efficacy of imatinib and dasitinib in ALL patients without the Philadelphia chromosome.

The remaining ALL patients, i.e. the majority of patients (~80%) do not have the Philadelphia chromosome (known as Ph-, “Phi-negative”). The lymphoblasts of these patients 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.

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

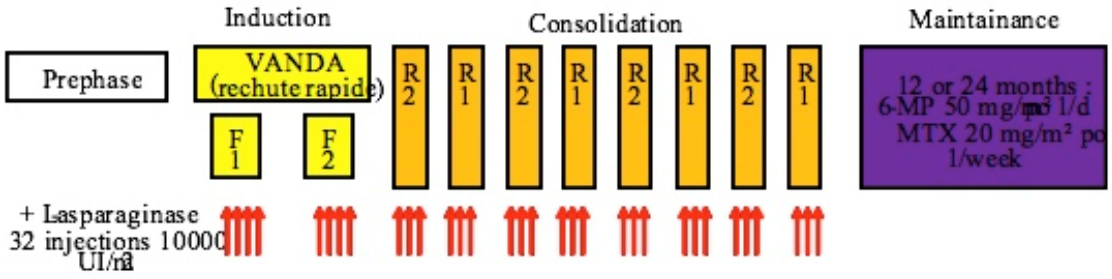
16 Capizzi & White, The Yale Journal of Biology and Medicine, 1988

17 Okada et al., Br J Haematology, 2003, L-Asparaginase Sensitivity and Asparagine Synthetase Expression In Primary Tumor Cells From AML Patients Willy Berlier

	Induction	Consolidation	Intensification	Maintenance
Possible treatments	Cytarabine Methotrexate (MTX) Prednisolone Vincristine (VCR) Doxorubicin Dexamethasone 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

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)



- **AML treatment**

Acute myeloid leukemia (AML) is a form of cancer that affects bone marrow cells that produce the blood components (red blood cells, white blood cells and platelets). Left untreated, it is rapidly fatal because of the risk of infection and bleeding. It is potentially curable with intensive chemotherapy regimens, and the risks of relapse are lower if a bone marrow transplant can be performed, but at the expense of mortality risks related to the transplant, which increase with age. The chances of remission and the risks of relapse vary in relation to age and abnormalities of the karyotypes of leukemic cells.

There are several categories of AML based on the appearance of leukemic cells viewed under a microscope (cytology) and the analysis of leukemic cell chromosomes.

Numerous treatment protocols have been developed taking this variety of subtypes into account.

Left untreated, AML causes rapid death by infection, bleeding or respiratory and brain disorders due to a significant increase in white blood cells. The goal of treatment is for abnormal blasts to disappear from bone marrow and to increase neutrophils, platelets and hemoglobin in the blood. This state is referred to as “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 all-trans retinoic acid molecule, 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).

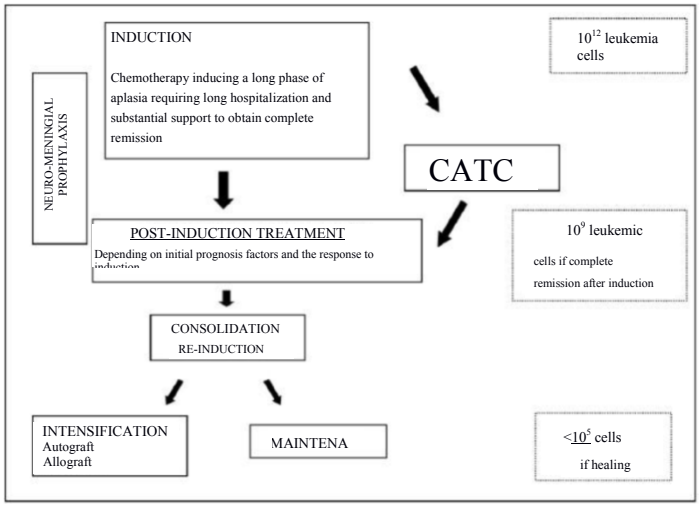
In AML patients aged 18-65, intensive chemotherapy can be proposed with several phases: an induction phase, a consolidation phase and finally maintenance treatment including either an autograft, a bone marrow allograft or further courses of chemotherapy.

- Induction. The objective is to achieve remission. The standard used is based on an infusion of cytarabine for 7 days associated with an 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 additional hospitalizations for varying lengths of time. 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 of age 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 65, 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. As is the case for young subjects, post-induction treatment is associated with an anthracycline that is different from that used in induction, with novantrone, or with the use of another interposing treatment such as amsacrine. Hematopoietic growth factors could reduce the toxicity of the treatment. Maintenance treatment follows 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

Like the lymphoblasts in the case of ALL, most of the myeloblasts need circulating asparagine to grow and proliferate, even though it is believed that the myeloblasts in AML do not respond as well to L-asparaginase as the lymphoblasts in ALL. The medical rationale for the use of L-asparaginase for 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, where it is rarely used.

1.4.2.3 Limitations of direct administration of L-asparaginase

In clinical practice, ERYTECH estimates that one third of ALL patients – mostly older adults 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:

i. Allergic reactions, including anaphylactic shock and hypersensitivity;
ii. 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;
iii. 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;
iv. Liver damage from elevated liver enzymes that requires regular monitoring;
v. Brain damage resulting in a state of confusion or clear coma.

Clinicians consider that the risk of serious intolerance has been identified in adult and senior patients with ALL and in patients in relapse. There is indeed an increased risk of liver, pancreatic, and nervous system toxicity, as well as hypersensitivity and bleeding disorders in these fragile patients.

1.4.2.4 The current market for L-asparaginase

ERYTECH believes that the current market for the different forms of asparaginase is around $400 million worldwide[18] even though these different forms of treatment actually target only

18 Source: Jazz Pharmaceuticals and Erytech

a small number of patients with acute leukemia. ERYTECH believes that a large number of other patients could benefit from an improved treatment based on L-asparaginase. 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 market for L-asparaginase consists mainly of 3 products: native L-asparaginase (Kidrolase®, Leunase®, asparaginase medac®), Oncaspar®, and Erwinase®, which represent different formulations and/or different production processes. As a result, these products have distinct profiles, particularly in terms of duration of activity, frequency of injections, and side effects.

The native form (Kidrolase®, Leunase® or asparaginase medac®) is the first L-asparaginase. It was first brought to market in France in 1971. Erwinase® and Oncaspar® were brought to market 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.

The main L-asparaginase-based drugs are described briefly below:

- **Native L-asparaginase**

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

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.

The 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 name Kidrolase®, and by the German company Medac under the brand name L-asparaginase medac.

In the United States, the native form (Elspar®) was recently withdrawn from the market because of production problems and because of competition with the pegylated form (Oncaspar®).

- **PEG-asparaginase**

PEG-asparaginase is an L-asparaginase from E. coli, pegylated (attachment of a polyethylene glycol group to the enzyme) so as to reduce its toxicity, including immune and allergic reactions, and to extend 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, the incorporation of PEG-asparaginase in chemotherapy for adults is still uncommon because of the side effects feared by clinicians.

The only form of PEG-asparaginase authorized on the market is Oncaspar®. This injectable drug is registered in the United States and was registered for use in the European Union in

January 2016. It was developed by Enzon, a company acquired by Sigma-Tau in November 2009. Oncaspar® was previously distributed in Europe by medac; Sigma-Tau assumed direct marketing in August 2012. Baxalta purchased the Oncaspar® product from Sigma-Tau in 2015.

ERYTECH estimates that approximately one third of current sales of L-asparaginase are related to the use of PEG-asparaginase. Worldwide sales of Oncaspar® totaled over $200 million[19] for 2016.

- **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 in the United States under the brands Erwinase® and Erwinaze® respectively. The product has been available in some European countries since 1985 and is available in the United States where it was approved again in November 2011.

Worldwide sales revenue of Erwinase® published by Jazz Pharmaceuticals for 2016 was $201 million.

The product is positioned as a 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) experienced by patients to the form produced with E. coli are specific to that form in particular, and do not target L-asparaginase derived from Erwinia chrysanthemi. However, the treatment based on Erwinase® can itself generate an immune response with development of anti-Erwinase antibodies.

The differences in half-life among the different preparations have the effect of a more frequent administration of Erwinase® over the form derived from E. coli.

In the United States, for ALL patients who have just been diagnosed and for ALL patients in relapse or who are resistant, physicians generally prescribe Oncaspar as a first-line treatment, or Erwinaze if Oncaspar cannot be tolerated by the patient. In Europe, depending on the country, either the native L-asparaginase or Oncaspar are generally used for the initial treatment of ALL patients who have just been diagnosed, or for patients in relapse or who are resistant, with Erwinaze also used when one of these forms of L-asparaginase cannot be tolerated by the patient.

To the Company's knowledge, the following new forms of asparaginase are under development:

i. Medac, a German company based in Hamburg, is developing a recombinant L-asparaginase under the name Spectrila and received a favorable recommendation from the EMA in November 2015. This favorable recommendation was followed by the granting of a centralized MA in January 2016. Phase II and III results have shown an efficacy, a life span, and a side-effect profile quite similar to native L-asparaginase[20].
ii. Medac is also developing a pegylated form currently in Phase I/II; and
iii. Jazz Pharmaceuticals is developing a pegylated recombinant form of its Erwinia L-asparaginase currently in Phase I.

19 Baxalta/Shire Annual Results 2016
20 Borghorst et al., Pediatric Hematology and Oncology, 2012

The L-asparaginase market has seen four major transactions finalized or in progress which are part of a more general trend in interest from pharmaceutical groups in rare and orphan diseases. ERYTECH believes that these transactions were performed based on particularly attractive valuations:

i. In June 2016, the pharmaceutical company Shire, listed on the London Stock Exchange, purchased Baxalta, a company that specializes in the treatment of rare diseases, for $32bn.
ii. In June 2012, Jazz Pharmaceuticals acquired EUSA for $650 million in cash plus a $50 million earn-out based on certain deferred sales objectives. The transaction values EUSA at about 3x the sales expected by the company for 2013 ($210 million to $230 million). Erwinaze® is the principal product of EUSA and represents approximately two thirds of sales (revenues of $125 million expected at the time of the acquisition; $131.9 million registered in 2012, the year after the marketing approval in the United States; $200 million in 2014).
iii. 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 four marketed drugs, Oncaspar®, Adagen®, DepoCyt®, and Abelcet®, as well as a site in the United States. These four products recorded total sales of over $200 million in 2015, including approximately $100 million for Oncaspar®.
iv. In March 2007, EUSA acquired the French company OPi specializing in rare and orphan diseases for €110 million. OPi held a portfolio of specialty products including Kidrolase® (L-asparaginase derived from Escherichia coli) and Erwinase® (crisantaspase, L-asparaginase derived from Erwinia chrysanthemi) as well as monoclonal antibodies at various stages of pre-clinical and clinical development. OPi posted sales revenue of €18 million in 2006 and was profitable for the second consecutive year.

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:

i. Amgen, which is developing blinatunomab, product in development purchased with Micromet in January 2012. Blinatunomab is currently marketed in the United States and Europe for line-B adult and childALL patients in relapse or who are resistant to existing treatments. This product is also in Phase 3 for adults as an initial intention (first-line). Blinatunomab completed Phase II for the treatment of patients with Diffuse Large B-Cell Lymphoma.
ii. Pfizer is developing inotuzumab ozogamicin, which received orphan drug designation in 2013, in the United States and Europe, as well as disruption treatment designation in 2015 in the United States, for the treatment of patients with ALL. The product candidate is currently in undergoing regulatory review in Europe and in the US for use in with line-B ALL patients in relapse or who are resistant to existing treatments (in first-line treatment and in second-line treatment). In addition, this product candidate is in Phase 2 in the treatment of patients with Diffuse Large B-Cell Lymphoma (in first line) and in the treatment of patients with chronic myelocytic leukemia (in second line).

iii. Marquibo®, a new formulation of Vincristine developed by the American company Talon Therapeutics, was approved in the US in 2012. Talon was acquired by Spectrum Pharmaceuticals in 2013.
iv. New approaches based on modified T-cells under development by companies such as Juno Therapeutics and Novartis have shown promising Phase 1 results.

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

1.5 Treatments developed by ERYTECH

1.5.1 eryaspase/GRASPA®: An innovative treatment entering the market in ALL

Noting a real need for an L-asparaginase-based drug, ERYTECH developed the product eryaspase/GRASPA®. Eryaspase/GRASPA® consists of a red blood cell encapsulated L-asparaginase. Encapsulation allows L-asparaginase to destroy asparagine within the red blood cell without causing allergic reactions and reducing other side effects. eryaspase/GRASPA® offers prolonged therapeutic efficacy in comparison with other forms and a considerably improved tolerance profile allowing the treatment of fragile patients.

ERYTECH has conducted five clinical trials since 2006, four of which in ALL, in order to establish the efficacy and safety of use of eryaspase/GRASPA®.

Based on the clinical studies concluded, ERYTECH will renew its request for MA for the centralized procedure for Europe by the end of the third quarter of 2017 for ALL.

In the meantime, ERYTECH launched an open trial in 2014 in order to obtain expanded access (Expanded Access Program or EAP) to give access to GRASPA® to patients who are allergic to all current forms of asparaginase. To date, 17 patients have been treated with several doses of GRASPA® and the Company has received a positive opinion from the DSMB at the end of the tolerance analysis on the first seven patients treated.

The EMA and FDA have granted the status of orphan drug to eryaspase/GRASPA® in ALL, which gives it marketing exclusivity after it obtains marketing approval on the product for 7 and 10 years in the United States and Europe respectively.

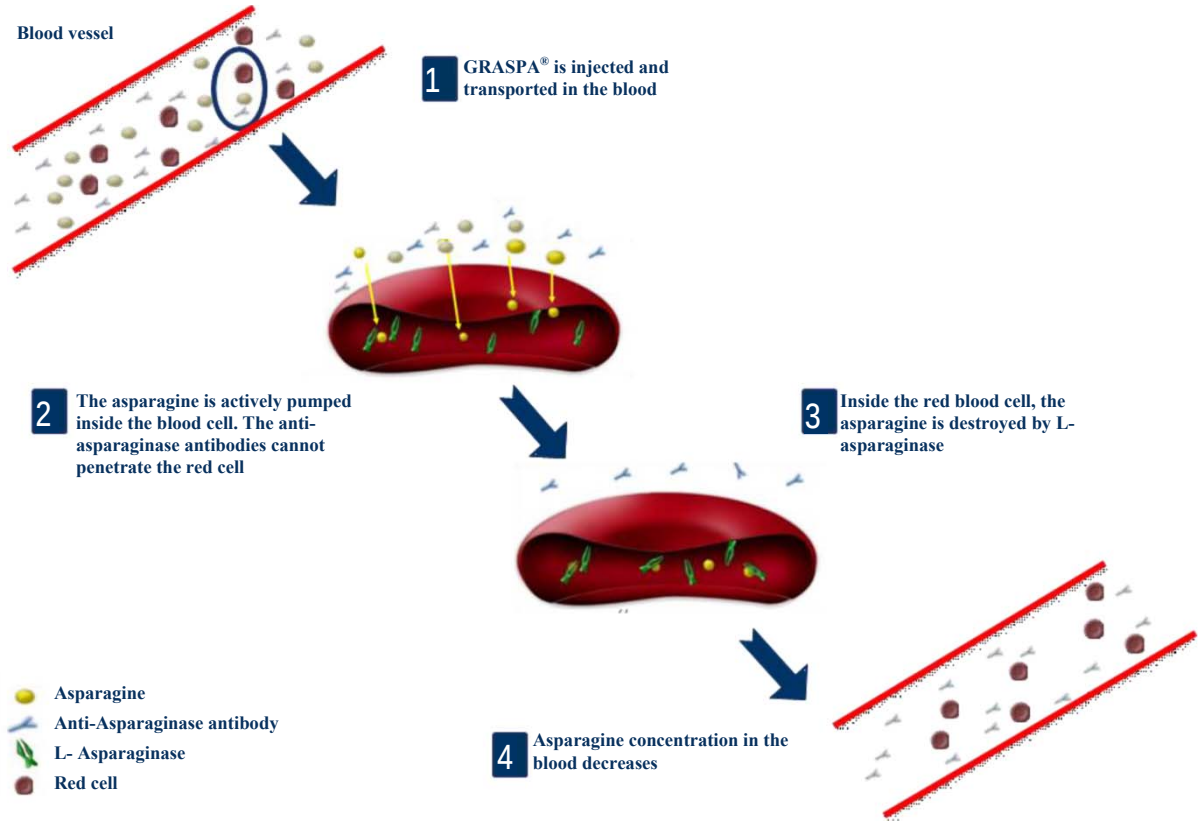
1.5.1.1 L-asparaginase encapsulated for greater efficacy and improved safety

Eryaspase/GRASPA® consists of the encapsulation of the enzyme L-asparaginase. The red cell membrane protects the L-asparaginase from the antibodies that are present in the patient's blood and which 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 red blood cells are biocompatible vehicles with a half-life of around one month in the body. This half-life, coupled with the protection of the cellular membrane, allows the therapeutic active substances that have been encapsulated in the cell to remain longer in the body, thus increasing the duration of their therapeutic effect and their potential efficacy with lower doses and fewer injections.

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, eryaspase/GRASPA® will be able to be administered to fragile patients who cannot receive the current forms of L-asparaginase and will 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[21]. The enzyme encapsulated in the cell, L-asparaginase, can then degrade 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.

Mode of action



21 Ataullakhanov 1985

1.5.1.2 Clinical results and ongoing clinical programs for acute leukemia

Clinical development program for acute leukemia

As at December 31, 2016:

Clinical trial	Status	Number of patients included in the study
Phase I/II study in adults and children with relapsed ALL (Europe)	Completed	24
Phase II study in patients over the age of 55 for first-line treatment (Europe)	Completed	30
Phase II/III study in adults and children with relapsed ALL (Europe)	Completed	80
Phase I/II study in adults over the age of 40 with ALL (in the United States)	In progress	12-18
Phase IIb study in patients over the age of 65 with AML (Europe)	Recruitment ended	123
Expanded Access Program for ALL in children and adults not eligible for other forms of asparaginase (France)	Ongoing	N/A
Total		269 - 275

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**

Between 2006 and 2009, ERYTECH conducted a Phase I/II randomized, multi-center (France and Belgium) clinical trial of GRASPA® in comparison with the reference treatment (free L-asparaginase – Kidrolase®) on 24 patients – children and adults with ALL in relapse. The study has demonstrated the safety of use 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 up to 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 reduced coagulation disorders).

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 assess the efficacy profile of GRASPA® in comparison with the standard treatment through the duration of activity of the asparaginase, as well as the tolerance of the product through the study of side effects related to the encapsulated L-asparaginase GRASPA®.

The protocol for the clinical trial consists of treating a portion of the adult patients or children in ALL relapse, using the standard treatment, i.e. chemotherapy combined with free asparaginase Kidrolase®, then the rest of the patients with chemotherapy associated with

GRASPA®. Patients were randomly distributed into 4 groups of 6 people: three groups received three gradual doses of GRASPA® (50, 100 and 150 IU/kg)) 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 of 18.6 days after the first injection dosed at 150 IU/kg, 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 product dosage administered.

The table below presents the main clinical results of the Phase I/II study in adults and children with relapsed ALL during the first treatment cycle.

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%)	3 (16%)
Liver problems	3 (50%)	7 (38%)
Hypoalbuminemia	2 (33%)	0 (0%)
Coagulation disorder	4 (67%)	3 (17%)
including clinical thrombosis	1 (17%)	0 (0%)

Source: Domenech e.a, BJH 2010

The injections of GRASPA® in dosages of 50 IU/kg were too weak to result in depletion of the L-asparaginase, even though injections with higher dosages resulted in sufficient depletion in 85% and 71% of the patients who received dosages of 100 and 150 IU/kg respectively. The patients in the groups that received the two highest doses presented rates of complete remission of 77% and 64% respectively.

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

In 2008, ERYTECH conducted a Phase II, dose-escalation clinical trial on GRASPA® as a first-line treatment in 30 patients over the age of 55 with ALL and without the Philadelphia chromosome (Ph- ALL). These clinical trials confirmed a favorable tolerance profile for GRASPA® in a particularly fragile population of older adult patients, and an absence of clinical allergies and of pancreatitis. Moreover, this trial showed that GRASPA® (100 IU/kg) resulted in complete remission for 77% of patients with a median survival improved by six 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 IU/kg) 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 three-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 three to four weeks and then every two to three months to collect data pertaining to patient survival.

Study results:

The following table shows the main results of the Phase II clinical trial by dose of GRASPA® administered:

Clinical results of the Phase II study in patients over the age of 55 with ALL as a first-line treatment

	GRASPA® 50 (n=3)	GRASPA® 100 (n=13)	GRASPA® 150 (n=14)
	N (%)	N (%)	N (%)
Clinical allergies	0 (0%)	0 (0%)	0 (0%)
Clinical pancreatitis	0 (0%)	0 (0%)	0 (0%)
Pancreatic enzyme elevations	1(33%)	2 (15%)	3 (21%)
Thrombosis/stroke	1(33%)	1 (8%)	2 (14%)
Reduction of ATIII	2 (67%)	3 (23%)	7 (50%)
Complete remission	2/3 (67%)	10/13 (77%)	9/14 (64%)
Median survival	-	15.6 months	9.5 months

Source: Hunault – Berger e.a., ASH abstract #1473, 2012

- **Phase II/III clinical trial in adult and pediatric patients in relapse in ALL**

The GRASPIVOTALL study (GRASPALL 2009-06) is a controlled, multi-center Phase II/III clinical trial performed on 80 children and adults with relapsed or resistant acute lymphoblastic leukemia (ALL). The study is a three-arm trial. The first two compare GRASPA® with native E. Coli L-asparaginase, both in association with standard chemotherapy (COOPRALL), in a randomized study with a proportion of one to one in patients without a history of allergy to L-asparaginase. The third arm is an open study evaluating GRASPA® in patients who had allergic reactions to L-asparaginase during first-line treatments (GRASPA-s).

Analysis of the data from the GRASPIVOTALL clinical trial, after one year of monitoring, demonstrates that the study convincingly achieved its primary objectives, and its secondary objectives confirm a favorable profile for the clinical efficacy of GRASPA®. The study also shows favorable results in patients with histories of allergies to L-asparaginase.

The primary evaluation criterion of this study consisted of two objectives, in line with the opinion of the CHMP[22]: a) a higher tolerance, resulting in a significant reduction in the incidence of allergic reactions to GRASPA® compared with the control group, and b) a duration of asparaginase activity that was not lower, above the threshold of 100 UI/l, during the induction phase in non-allergic patients. The two criteria needed to be satisfied for the study to be considered positive. The main secondary objectives of efficacy involved complete remission (CR), minimal residual disease (MRD), progression-free survival (PFS), and overall survival (OS).

The primary objectives achieved were as follows:

- ✓ Statistically significant reduction in allergic reactions: none of the 26 (0%) patients treated with GRASPA® had an allergic reaction, as compared to 13 patients out of 28 (46%) treated with native L-asparaginase in the control group ($p<0.001$).
- ✓ Statistically significant increase in the duration of activity of the circulating asparaginase: in the GRASPA® group, the asparaginase levels were maintained below 100 IU/l for 20.5 days on average, with at most 2 injections during the first month of treatment (induction phase), as compared to 9.6 days in the control group ($p<0.001$).

The secondary objectives confirm a favorable profile for the clinical efficacy of GRASPA®. At the end of the induction phase, 15 patients (65%) in the GRASPA® group showed complete remission, as compared to 11 patients (39%) in the control group.

Equally promising results were seen in patients with histories of allergies to L-asparaginase. A favorable clinical profile was found in patients with histories of allergies to L-asparaginase. Only three patients had slight allergic reactions.

22 Based on the scientific opinion obtained by the Scientific Advice Working Party (SAWP)/Commission for Human Medicinal Products (CHMP) in the European Drug Agency (EMA).

These results confirm the prior observations made with GRASPA® in the randomized, progressive dosage Phase I/II in 24 patients with a relapse of their ALL, and the Phase II study in ALL patients over the age of 55 who received first-line treatment.

Summary table of the results of Phase III of the GRASPIVOTALL clinical trial with eryaspase/ GRASPA®:

	Randomized groups			HypSen group
	GRASPA®	L-ASP		GRASPA®
	N=26	N=28		N=26
Primary objectives				
Duration with asparaginase activity >100 UI/l (days)*	20.5±5.2	9.4±7.4	p<0.001	18.6±6.3
Hypersensitivity to asparaginase All grades Grade ≥ 3	 0 (0%) 0 (0%)	 13 (46%) 7 (25%)	 p<0.001	 3 (12%) 0 (0%)
Main secondary objectives				
Complete remission**	17 (65%)	11 (39%)	p<0.05	14 (54%)
Overall Survival at 6 months	92.3%	78.6%		73.1%
Overall Survival at 12 months	76.9%	67.9%		50.0%
Event Free Survival at 6 months	75.7%	60.7%		60.4%
Event Free Survival at 12 months	64.9%	48.6%		50.3%

**Measured in the total blood*
***at the end of induction*

On May 30, 2015, the Company presented the complete results of its Phase III pivotal study on GRASPA® in ALL at the 51st Annual Congress of the American Society of Clinical Oncology (ASCO).

The presentation was titled:

"Clinical activity of ERY001 (erythrocyte encapsulated l-asparaginase) and native l-asparaginase (L-ASP) in combination with COOPRALL regimen in Phase III randomized trial in patients with relapsed acute lymphoblastic leukemia (ALL)"

The main conclusions of the study presented were as follows:

i. GRASPA®, combined with chemotherapy, demonstrated the maintenance of activity for the asparaginase longer than with L-ASP for the treatment of patients with ALL. The duration of activity of asparaginase greater than 100 IU/l was 20.5 days in the GRASPA® group versus 9.4 days in the control group L-ASP (p<0.001).
ii. GRASPA® demonstrated a significant reduction in the risk of hypersensitivity reactions when compared with the L-ASP. No hypersensitivity reactions of any kind were observed in the GRASPA® treatment group, compared with 46% in the L-ASP control group (p<0.001).
iii. The prolonged activity of the asparaginase resulted in an improvement in the full remission rate. 65% of the patients in the GRASPA® group were thus in full remission after the induction phase, compared with 39% of the patients in the control group (p=0.026).
iv. The treatment was generally well tolerated, with a low risk of major incidents such as coagulation disorders (35% of the patients in the GRASPA® group compared with 82%

of the patients in the control group, and 35% of the patients in the hypersensitive group[23]), pancreatic toxicities (27% of the patients in the GRASPA® group compared with 50% of the patients in the control group, and 27% of the patients of the hypersensitive group) and hepatic toxicities (19% of the patients in the GRASPA® group versus 43% of the patients in the control group and 27% of the patients in the hypersensitive group).

v. The favorable profile of harmless effects and efficacy of GRASPA® offers effective alternative options for patients previously treated with asparaginase, particularly those who have already developed a hypersensitivity to asparaginase derived from E. coli.

vi. The plenary session was pleasantly closed by the commentator, who concluded by considering GRASPA® to be an "advance". The main role of the commentator is to give the oncology medical community constructive criticism on the research, the questions discussed, the results presented, and the ability of the publications to open new perspectives in this medical area.

On December 8, 2015, at the 57th annual conference of the American Hematology Society, the Company announced the presentation of additional data from the pivotal Phase II/III study with GRASPA®, in addition to the data that already supported the potential benefit of GRASPA® in combination with chemotherapy in the treatment of ALL.

The presentation included, in addition to the tolerance and efficacy data already reported:

i. Two-year monitoring of event-free survival (EFS) and overall survival (OS). Two-year survival data confirm the positive trend that was already observed after one year of monitoring. Median event-free survival was 11.8 months in the group treated with the native L-asparaginase, whereas that median was not yet reached in the group treated with GRASPA® after 24 months of monitoring. Median overall survival was not reached in either group. The main conclusion of this presentation is that the safety profile and favorable efficiency of GRASPA® offer an effective alternative for patients who have previously been treated with therapy that includes asparaginase.

ii. An average period of asparaginase activity above the threshold of 100 IU/L during the 20-day induction phase (±5.2 days) in the GRASPA® group versus 9.4 days (±7.4 days) in patients who received the native L-asparaginase ($p<0.001$). In addition, L-asparaginase activity was maintained for 18.6 days (±6.3 days) in patients who had a history of allergic reactions. This prolonged activity of the enzyme with GRASPA® was observed across various population subgroups (according to age, risk, and presence or absence of a history of allergic reactions). The difference between GRASPA® and the native L-asparaginase was more significant in adult or high-risk patients, since the average length of activity was 3.2 days and 6.3 days respectively with the native L-asparaginase versus 19.3 days and 20.9 days with GRASPA®.

iii. The 80 patients who were treated in the Phase II/III study had received an initial line of treatment based on L-asparaginase. One-third of these patients had developed an allergic reaction to L-asparaginase; 58% of these patients had a positive basic antibody level. In the other two-thirds, approximately 25% also had a positive basic antibody level. GRASPA® has consistently demonstrated a period of greater activity and a lower frequency of allergic reactions regardless of the basic antibody level. Five out of seven patients (71%) of those treated with native L-asparaginase who had a positive antibody

23 Percentage of patients with at least one adverse effect related to the medication during the induction phase.

level developed allergic reactions, versus one in 21 (5%) in the GRASPA® group. A positive antibody level appeared to be associated with a drop in clinical activity in all treatment groups. These data provide a further rationale to investigate GRASPA® among patients with ALL in the first line of treatment.

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

The ENFORCE 1 study is a multi-center international randomized Phase IIb study that evaluates the efficacy and safety of GRASPA® in the treatment of patients over 65 who are newly diagnosed with AML and are unable to receive intensive chemotherapy. Generally, L-asparaginase is very rarely used for this indication. 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 main goal of this study is to assess the efficacy of GRASPA® when it is added to the standard product (cytarabine in low doses). To do this, overall survival (OS) (based on a recently approved protocol amendment that replaces progression-free survival (PFS) with OS, which is considered to be a better evaluation criterion for this indication) will be analyzed between patients who have received GRASPA® in combination with low doses of cytarabine, and patients who have received only low doses of cytarabine. The recruitment of the 123 patients intended in this study was completed in 2016, 2/3 of whom will be treated under GRASPA®. The study protocol includes monitoring patients for 24 months, an analysis of the first 30 and 60 patients to analyze tolerance by a DSMB, and a third interim analysis when sixty patients have experienced a progression of their disease.

The first two reviews have been conducted by the DSMB (a committee of independent experts) on 30 and 60 patients respectively. The first analysis by the DSMB was performed in November 2013, and the second in August 2014. The committee of independent experts has issued two favorable opinions with regard to the continuation of this clinical trial after evaluation of the product's safety in the first 30 and 60 patients treated. In May 2015, the Company presented a poster on the design of the Phase IIb trial, titled: “GRASPA-AML 2012-01 study: A multi-center, open, randomized Phase 2b trial evaluating ERY001 (L-asparaginase encapsulated in red blood cells) plus low-dose cytarabine vs low-dose cytarabine alone, in treatment with newly diagnosed acute myeloid leukemia (AML) elderly patients, unfit for intensive chemotherapy”.

In addition, on January 6, 2016, the Company announced that the DSMB had conducted its third safety review of the Phase IIb ENFORCE 1 study in acute myeloid leukemia (AML). This third assessment by the DSMB involved 105 patients and, as for the first two assessments, did not identify any tolerance or safety concerns. The DSMB also noted that the inclusion of the remaining patients was not likely to change their observations regarding the main endpoints, but that it could improve the study’s statistical power. All of the 123 intended patients were recruited in this trial through more than 20 active clinical centers in France, Spain, Finland, Norway, and Italy. The first results of the study are expected at the end of 2017.

Depending on the results of this study, ERYTECH will determine the next steps in the development of this research program.

1.5.1.3 Obtaining orphan drug designation and its benefits

The regulatory authorities in Europe (EMA) and in the United States (FDA) have established specific procedures for MAs and reimbursement for drugs that treat orphan diseases in order to encourage development and innovation efforts for these diseases with a very small number of patients. In particular, the requirements for the necessary clinical studies are adjusted to take into account the small patient population and procedures for obtaining MAs are often facilitated and accelerated to meet public health needs.

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 FDA have granted the Orphan Drug Designation (ODD) to eryaspase/GRASPA® in ALL, AML and pancreatic cancer.

1.5.1.4 Marketing GRASPA®

Based on the results of the Phase II/III clinical study in adults and children in relapse with ALL, and based on the previous studies, the Company will renew its request for MA by the end of the third quarter of 2017.

The Company will seek the broadest indication possible for its MA from the health authorities. It will then be up to the health authorities to accept it or not, and to specify whether additional trials are necessary to obtain the MA (*cf. Sections 2.4.1 and 1.1.1 of the Reference Document*).

1.5.1.5 Positioning of GRASPA® on the market

GRASPA® will be marketed by Orphan Europe (Recordati Group) in 39 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, such as older adult and elderly patients who cannot receive the current forms of L-asparaginase, and with relapsed or resistant adult and pediatric patients who also cannot be treated with L-asparaginase. The use of GRASPA® can be naturally extended to other patients with the clinical experience acquired by the onco-hematologists and by capitalizing on the proven safety of use of GRASPA®.

Worldwide sales for the three existing forms of treatment based on L-asparaginase are estimated at $400 million[24]. However, these forms of treatment actually target only a limited number of patients with acute leukemia, and the Company believes that a large number of other patients could benefit from a perfected L-asparaginase treatment.

The lack of an L-asparaginase-based treatment that is approved and/or used in AML will allow GRASPA® to be positioned for first-line treatment for these patients. Clinicians have expressed strong interest in being able to use L-asparaginase in the treatment of AML and ERYTECH intends to meet this demand with GRASPA®.

24 Source: Jazz Pharmaceuticals and ERYTECH

1.5.2 Commercialization of GRASPA® in Europe and Israel

ERYTECH has signed two major partnership agreements to commercialize GRASPA® in 39 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 advance 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 hemato-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 the modification of existing ALL treatment protocols, since L-asparaginase is already included in these. For specialty products like GRASPA®, the commercial and promotional resources required, in general practice for example, are modest compared to other drugs, thereby making high margins possible.

- **European partnership with Orphan Europe (Recordati Group) for commercialization in Europe:**

On November 23, 2012, ERYTECH signed an exclusive licensing and 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 in Europe.

Orphan Europe (Recordati Group) holds a portfolio of orphan drugs already commercialized in different fields, including neonatal, pediatrics and metabolic disorders.

Orphan Europe (Recordati Group) is a leading player in the field of orphan diseases and has the medical, clinical, regulatory and commercial expertise to market and effectively commercialize 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 (Recordati Group) will market GRASPA® for the treatment of ALL and AML in 39 European countries, including all the countries in the European Union. The parties have the opportunity to discuss the extension of this agreement to other areas in Europe's periphery and to other indications.

ERYTECH is retaining production of GRASPA® at its Lyon site and will supply Orphan Europe in the various European countries where the drug will be sold. Orphan Europe (Recordati Group) has agreed not to participate in the development or marketing of competing products containing L-asparaginase for the treatment of ALL or AML.

Pursuant to this agreement, Orphan Europe (Recordati Group) paid €5 million on signing. Orphan Europe (Recordati Group) will have to pay ERYTECH up to €37.5 million in future payments based on various clinical, regulatory and commercial events, and Orphan Europe (Recordati Group) will share the clinical development costs of GRASPA® in AML. ERYTECH will receive a price for product delivered and royalties on the sales made by

Orphan Europe (Recordati Group) with GRASPA®, for a total of up to 45% of the net sale price.

Separately, another Recordati Group company subscribed convertible bonds that were converted into an equity stake in ERYTECH's share capital worth €5 million in the initial public offering on Euronext Paris in April 2013.

- **Partnership with the Teva Group for marketing in Israel:**

On March 28, 2011, ERYTECH signed a licensing and exclusive distribution agreement with the Teva Group, a global player in the pharmaceutical industry based in Israel, to distribute GRASPA® in that country in the treatment of ALL (see Section 1.8.1.2.1 of the Reference Document). Additionally, if other marketing authorizations are issued in Europe for GRASPA® in indications other than ALL, Teva may choose to extend its marketing exclusivity to such other indications in Israel. The Teva Group is a diversified pharmaceutical group with a strong strategy in innovative specialized products and particularly in therapeutic fields 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 application for approval of the drug for ALL in Israel and ensure marketing and distribution in the long term in that country. The Teva Group will make milestone payments and share net earnings of product sales in Israel.

- **Marketing strategy for other countries:**

ERYTECH retains all rights to eryaspase outside the 39 European countries covered by the partnership with Orphan Europe (Recordati Group) for ALL and AML, and in Israel with the Teva Group for ALL. In particular, ERYTECH retains all rights to commercialize eryaspase outside Europe and Israel, particularly in the United States, for the treatment of ALL and AML, and in all other indications, such as solid tumors for example, outside Israel. ERYTECH also retains all rights to develop and market its other candidate products.

Subject to obtaining the MAs, ERYTECH hopes to begin marketing activities through the creation of a targeted sale and marketing unit to commercialize its products in the United States and abroad. ERYTECH believes that this unit will allow it to target the community of physicians specializing in the treatment of patients for whom its candidate products have been developed. ERYTECH will be able to sign other marketing and distribution agreements with third parties in specific geographic areas, such as Russia, Turkey, other countries in the Middle East, and all African countries, for all its candidate products that have received an MA. In some of these countries, Orphan Europe (Recordati Group) has a right of first negotiation.

ERYTECH is also planning to develop a sales and marketing management unit in order to create and implement its marketing strategies for any products it will market directly and to oversee and support its sales teams force. The responsibilities of this unit will include developing instructional initiatives on the Company's products on the market, and the establishment of a network with opinion leaders in the relevant fields of medicine.

- **Commercial scale industrial process and secure supply**

The Company has a production unit with enough capacity to cover the needs of the European market for approximately the first two years after initial marketing. This unit meets the highest requirements of ANSM and has "Etablissement Pharmaceutique Exploitant" regulated status.

The Company has secured its supply for the main raw materials needed to manufacture eryaspase/GRASPA®:

L-asparaginase: ERYTECH Pharma and medac have signed two worldwide long-term agreements, according to which medac supplies ERYTECH with two forms of asparaginase that ERYTECH uses for the production of eryaspase/GRASPA®, for clinical trials and for the sale of eryaspase/GRASPA®, for the therapeutic indications defined by ERYTECH. Medac is a German pharmaceutical company based near Hamburg that commercializes L-asparaginase (*see also Section 1.8 of the Reference Document*).

Red blood cells: ERYTECH signed two supply contracts with Etablissement Français du Sang (EFS) and the American Red Cross, two well-known blood banks, for transfusion quality human red blood cells.

1.5.3 Development of eryaspase for leukemia in the United States

ERYTECH's objective is to develop eryaspase in the United States, which represents a significant 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 eryaspase in the United States.

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

In April 2014, ERYTECH created a subsidiary in the United States (Cambridge), ERYTECH Pharma Inc., 100% held by the parent company, ERYTECH Pharma.

In 2013, ERYTECH launched a Phase Ib clinical trial in the United States for patients over 40 years of age without the Philadelphia chromosome as first-line treatment in ALL, in combination with the standard chemotherapy (CALGB chemotherapy in the United States), in a sample of 12 to 18 patients with escalating doses (50 to 150 IU/kg).

This multi-center, non-randomized clinical trial strictly in the United States aims mainly to validate the toxicity, safety and efficacy profile of eryaspase, in combination with standard chemotherapy. This Phase Ib trial is 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 trial.

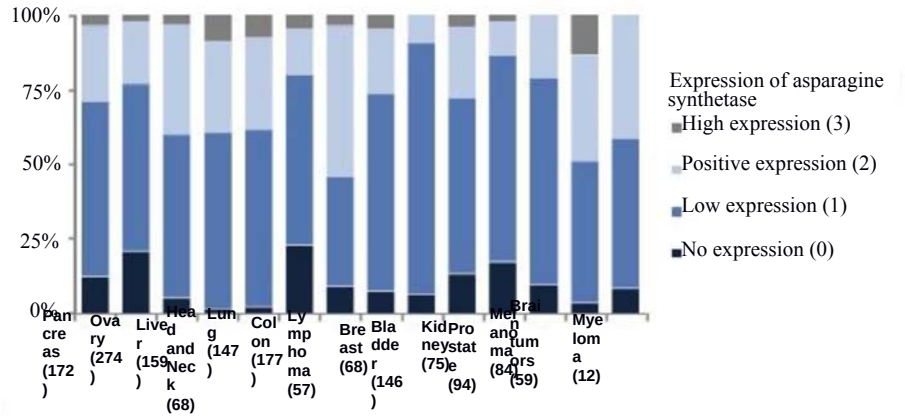
The safety data for the first cohort of three patients dosed at 50 IU/kg were reviewed in June 2015 by a steering committee consisting of members of the DSMB and investigators in the study. No safety concerns were identified and this steering committee recommended escalating the dose to 100 IU/kg. In addition, with the aim of facilitating patient enrollment,

the study was amended to lower the age for patient inclusion from 40 to 18, and remove the waiting periods between each patient. The request to modify the protocol has been submitted to the relevant Institutional Review Committees (IRC) for approval. The Company expects it shall fulfil its objective of achieving the recommended dose in mid-2017

1.5.4 Potential new indications for eryaspase: Solid tumors

As with leukemia, the rationale of treating tumor cells deprived of asparagine synthetase is also applicable to solid tumors, as long as they do not express asparagine synthetase and need to consume the asparagine contained in the 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 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. The test is currently used in clinical trials and could be developed commercially with an industrial partner.

ERYTECH has conducted a Phase I study on pancreatic cancer to demonstrate the safety of eryaspase. The clinical trial demonstrated that eryaspase was well-tolerated even at high doses. With these initial clinical results for solid tumors, ERYTECH has launched a Phase II study for pancreatic cancer and plans to expand this development to other solid tumors of interest.

ERYTECH is currently assessing the option of conducting clinical trials in one or more indication of non-Hodgkins' lymphoma.

- **Phase I and Phase II clinical trials on pancreatic cancer**

In 2011, ERYTECH finalized a Phase I open clinical trial on 12 patients with pancreatic cancer at four sites in France. The patients participating in the study were divided into four groups of three patients. eryaspase was administrated by injection of four different doses: 25 IU/kg, 50 IU/kg, 100 IU/kg or 150 IU/kg. The main objective of this study was to determine the maximum tolerance dosage of the product. The second objective of the study was to assess the safety and preliminary efficacy indicators of the product. No toxicity limiting the dose was reported, even for the strongest dose administered in the study. The treatment led to a depletion of the asparagine with a trend toward extension of the duration of depletion with a higher dose. The results of this study were used as a basis for more advanced clinical research with a dose of 150 IU/kg.

In 2016, based on the initial clinical results in solid tumors, ERYTECH continued the development of eryaspase in pancreatic cancer in a Phase II clinical trial with patients as the second line of treatment. The number of patients initially involved a total of 90 patients, reaching 139 patients at the end of recruitment, randomized at a 2:1 ratio between the standard treatment (Gemcitabine or Folfox) with or without eryaspase.

Indication: Pancreatic cancer	**Status**	**Number of patients recruited**
Phase I study (France)	Completed	12
Phase II study (France)	Recruitment completed	141
Total	153	

In the context of this clinical trial, ERYTECH is using a diagnostic test developed by the NIH which the Company holds under a license to assist it in the identification of cancer cells that might respond to the eryaspase L-asparaginase treatment and, based on the results of these tests, ERYTECH stratifies the patient population. The main evaluation criterion for this clinical trial is progression-free survival at 4 months after the start of treatment in patients whose tumors are deficient in ASNS.

The DSMB conducted safety analyses of the product in the first three patients treated with the two combinations (Gemcitabine or FOLFOX), and a third broader analysis of the product in the first 24 patients was performed by this DSMB. No safety problem was identified by the DSMB in any of these analyses. The initial goal to recruit approximately 90 patients was met and ERYTECH announced in its February 23, 2016 press release that it had decided to continue recruitment in order to increase the statistical power of the study and to better assess the treatment in sub-groups.

In its press release of March 27, 2017, the company announced positive results which meet its two main predetermined assessment criteria by showing significant progress both in terms

of progression-free survival (PFS) and overall survival (OS) in patients treated with eryaspase in combination with chemotherapy. The predetermined objective of the Hazard Ratio ("HR") was an HR of less than 0.85 for PFS or OS. This main criterion was achieved with an HR of 0.73 for PFS and 0.62 for OS. The treatment with eryaspase was generally well tolerated.

1.5.5 Other ERYCAPS development projects

ERYTECH's platform technology is versatile and opens up many possibilities for developing new drugs. The demonstration of the technology's efficacy was mainly achieved with asparaginase, but it is possible to encapsulate into red blood cells other enzymes, molecules or proteins for which long-duration therapeutic activity or rapid or precise targeting is desired.

TEDAC/ERYMETHIONASE/ERYMINASE

In addition to its pipeline of products centered on the treatment based on L-asparaginase, ERYTECH is using its ERYCAPS technology to identify other enzymes able to induce tumor starvation. ERYTECH has received grants from BPI France to finance its research program TEDAC, which is intended to identify other agents able to induce tumor starvation as well as the companion diagnostic tests. In pre-clinical studies conducted within the TEDAC program, ERYTECH has identified two other amino acids and their respective enzymes, methionine-γ-lyase (MGL) and arginine deiminase (ADI) which, according to the Company, could be promising treatments once encapsulated into red blood cells. Erymethionase, the drug candidate composed of MGL encapsulated in red blood cells, is at the end of its preclinical development. The Company continued the preclinical development of this product in 2016 and its transition to clinical development which had been planned for late 2016 is now expected to occur in 2017.

Furthermore, the Company and Fox Chase Cancer Center (FCCC) of Philadelphia signed have signed a research agreement for the preclinical development of erymethionase for the treatment of homocystinuria - a serious and rare disease, a disorder of methionine metabolism.

The Company intends to continue the preclinical development of its drug candidate eryminase for the treatment of certain serious and rare metabolic diseases.

Enzyme therapies

ERYTECH believes that its platform also offers other attractive development opportunities, beyond oncology, in enzyme therapies.

Enzyme therapy is a treatment that aims to replace a defective or missing enzyme in a patient. An important class of genetic diseases also called hereditary metabolic diseases is caused by the lack of encoding genes for enzymes involved in the conversion of substances (substrates) into other substances (products). In most of these pathologies, the symptoms associated with the enzyme deficiency will be caused either by a toxic accumulation of the substrates, or by a decrease in the ability to synthesize essential products. The potential of new medications in this area is important because a limited number of lysosomal storage diseases and, more broadly, inherited metabolic diseases have treatments, and existing therapies face significant challenges.

ERYTECH is investigating the use of its ERYCAPS technology to enable long circulating enzymatic activity or specific targeting of certain cells, as these applications may result in new enzyme therapy product development opportunities.

ERYZYME is the latest pre-clinical development that the Company has dedicated to enzyme therapies, a medical strategy that consists of administering the enzymes to patients in whom they are absent or inadequate.

Most diseases caused by insufficient enzymes are linked to genetic diseases; enzyme therapies are administered throughout the life of the patient, and this can potentially cause immune reactions that reduce the efficacy of the treatment.

Based on the results that the Company has obtained with eryaspase, the encapsulation of enzymes in red blood cells should extend their lifespan in the bloodstream, thus reducing both the frequency of administration and the possibility of immune reactions.

ERYTECH has also conducted pre-clinical research on enzymes like phenylalanine hydroxylase (PAH) for the treatment of phenylketonuria (PKU) in collaboration with the company Genzyme, and is studying other opportunities for collaboration for other potential applications of enzyme therapies.

Immunotherapy

In addition to the use of the ERYCAPS platform for enzyme encapsulation in order to increase their effect and reduce their toxicity, ERYTECH believes that it is able to expand the use of its ERYCAPS platform to develop cancer vaccines. This consists in the development of a new immuno-oncology treatment using the immunotherapy technology or ERYMMUNE by intra-erythrocyte encapsulation of tumor antigens and adjuvant(s) to activate immune cells in situ and generate an immune response. The Company should be able to provide proof of concept data for this treatment in the third quarter of 2017.

By loading red blood cells with specific antigens, and subsequently modifying the membrane of the cells to make them target specific antigen-presenting cells in the liver or spleen, ERYTECH believes it holds promising clinical research into cancer vaccination applications. 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, the immune cells. Red blood cells are processed to direct themselves toward dendritic cells which will capture them, absorb them, and thus incorporate the antigens associated with the tumor cells. This 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.

In pre-clinical studies on three different antigens loaded into red blood cells, ERYTECH has observed promising proof of concept in three different tumor models. In these studies, ERYTECH has observed a significant increase in the responses of the T Lymphocytes specific to the antigens and delays in tumor growth when the encapsulated antigens, modified to target antigen-presenting cells in the liver or spleen, were injected into mouse tumors, as compared to injections of free-form antigens.

The Company is planning to continue to develop this platform in order to validate the initial pre-clinical data and to define a development strategy for its programs in the preliminary phase. Among the possibilities, the Company may consider the creation of a spin-off company for this technology if it believes it can optimize shareholder value.

1.6 Regulations applicable to the Group

Government Regulation

Government authorities in the United States at the federal, state and local level and in other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of drug and biological products, or biologics, such as the Company's product candidates. Generally, before a new drug or biologic can be marketed, considerable data demonstrating its quality, safety and efficacy must be obtained, organized into a format specific to each regulatory authority, submitted for review and approved by the regulatory authority.

U.S. Biological Product Development

In the United States, the FDA regulates biologics under the Federal Food, Drug, and Cosmetic Act, or FDCA, and the Public Health Service Act, or PHSA, and their implementing regulations. Biologics are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources.

Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include, among other actions, the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, untitled or warning letters, product recalls or withdrawals from the market, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement, damage to reputation and/or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on the Company.

Our product candidates must be approved by the FDA through the Biologics License Application (BLA) process before they may be legally marketed in the United States. The process required by the FDA before a biologic may be marketed in the United States generally involves the following:

i. completion of a vast program of non-clinical evaluations, also referred to as pre-clinical, laboratory evaluations, pre-clinical studies in animals and formulation studies performed in accordance with the regulations in force, particularly the FDA's Good Laboratory Practices (GLP);
ii. submission to the FDA of an IND, Investigative New Drug, before the human clinical trials are launched; completion of adequate, correctly controlled trials in humans, in

accordance with the regulations in force for INDs and other regulations relating to clinical trials, which are sometimes called Good Clinical Practices (GCP), in order to establish the safety and efficacy of the candidate product in the indication proposed;

iii. submission of a BLA to the FDA;

iv. satisfactory completion of an FDA pre-authorization inspection of the manufacturing units in which the product is produced, in order to inspect the application of the FDA's current Good Manufacturing Practice (cGMP) and to ensure that the premises, methods and control procedures are appropriate to preserve the nature, dosage, quality, purity and strength of the product;

v. possible FDA audit of the pre-clinical and/or clinical study centers that generated the data provided in support of the BLA; and

vi. review and validation of the BLA by the FDA before any marketing or sale of the product in the United States.

The data to be provided in support of a BLA are generated within two distinct development phases: the pre-clinical phase and the clinical phase. The pre-clinical development stage generally involves laboratory evaluations of drug chemistry, formulation and stability, as well as studies to evaluate toxicity in animals, which support subsequent clinical testing. The conduct of the pre-clinical studies must comply with federal regulations, including GLPs. The sponsor must submit the results of the pre-clinical studies, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. An IND is a request for authorization from the FDA to administer an investigational drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for human trials. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials and places the IND on clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a product candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, we cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that could cause the trial to be suspended or terminated.

The clinical stage of development involves the administration of the product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety and assess efficacy. Each protocol, and any subsequent amendments to the protocol, must be submitted to the FDA as part of the IND. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Sponsors of clinical trials of FDA-regulated products, including biologics, are required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov. Information related to the product, patient population, phase of investigation, study sites and investigators, as well as other aspects of the clinical trial, is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved.

Clinical trials are generally conducted in three sequential phases that may overlap, known as Phase 1, Phase 2 and Phase 3 clinical trials. Phase 1 clinical trials generally involve a small number of healthy volunteers who are initially exposed to a single dose and then multiple doses of the product candidate. The primary purpose of these clinical trials is to assess the metabolism, pharmacological action, side effect tolerability and safety of the product candidate and, if possible, to gain early evidence on effectiveness. Phase 2 clinical trials typically involve studies in disease-affected patients to determine the dose required to produce the desired benefits. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected, as well as identification of possible adverse effects and safety risks and a preliminary evaluation of efficacy. Phase 3 clinical trials generally involve large numbers of patients at multiple sites, in multiple countries, from several hundred to several thousand subjects, and are designed to provide the data necessary to demonstrate the efficacy of the product for its intended use and its safety of use, and to establish the overall benefit/risk relationship of the product and provide an adequate basis for product approval. Phase 3 clinical trials may include comparisons with placebo and/or other comparator treatments. The duration of treatment is often extended to mimic the actual use of a product during marketing. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of a BLA.

Post-MAl trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In some instances, FDA may condition approval of a BLA on the sponsor's agreement to conduct additional clinical trials to further assess the biologic's safety and effectiveness after BLA approval.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected suspected adverse events or any finding from tests in laboratory animals that suggests a significant risk for human subjects. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA, the IRB, or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements, or if the drug has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board (DSMB) or committee. This group provides authorization for whether a trial may move forward at designated intervals based on access to certain data from the trial. The Company

may also suspend or terminate a clinical trial based on evolving business objectives and/or the competitive climate. Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

BLA and FDA Review Process

Following trial completion, trial data is analyzed to assess safety and efficacy. The results of pre-clinical studies and clinical trials are then submitted to the FDA as part of a BLA, along with proposed labeling for the product and information about the manufacturing process and facilities that will be used to ensure product quality, results of analytical testing conducted on the chemistry of the product candidate, and other relevant information. The BLA is a request for approval to market the biologic for one or more specified indications and must contain proof of safety, purity, potency and efficacy, which is demonstrated by extensive pre-clinical and clinical testing. The application includes both negative or ambiguous results of pre-clinical and clinical trials, as well as positive findings. Data may come from company-sponsored clinical trials intended to test the safety and efficacy of the use of a product, or from a number of alternative sources, including studies initiated by investigators. To support the MAl, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the investigational product to the satisfaction of the FDA. FDA approval of a BLA must be obtained before a biologic may be offered for sale in the United States.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a significant user fee, which is adjusted on an annual basis. The PDUFA also imposes an annual product fee for human drugs and an annual establishment fee on facilities used to manufacture prescription drugs. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business.

Once a BLA has been accepted for filing, which occurs, if at all, sixty days after the BLA's submission, the FDA's goal is to review BLAs within 10 months of the filing date for standard review or six months of the filing date for priority review, if the application is for a product intended for a serious or life-threatening disease or condition and the product, if approved, would provide a significant improvement in safety or effectiveness. The review process is often significantly extended by FDA requests for additional information or clarification.

After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether the proposed product candidate is safe and effective for its intended use, and whether the product candidate is being manufactured in accordance with cGMP to assure and preserve the product candidate's identity, strength, quality, purity and potency. The FDA may refer applications for novel drug product candidates or drug product candidates which present difficult safety or efficacy issues to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a

recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA will likely re-analyze the clinical trial data, which could result in extensive discussions between the FDA and the Company during the review process. The review and evaluation of a BLA by the FDA is extensive and time consuming and may take longer than originally planned to complete, and the Company may not receive a timely approval, if at all.

Before approving a BLA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new product to determine whether they comply with cGMPs. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within the required specifications. In addition, before approving a BLA, the FDA may also audit data from clinical trials to ensure compliance with GCP requirements. After the FDA evaluates the application, manufacturing process and manufacturing facilities, it may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application is not ready for approval. A Complete Response Letter usually describes all of the specific deficiencies in the BLA identified by the FDA. The Complete Response Letter may require additional clinical data and/or an additional pivotal Phase 3 clinical trial(s), and/or other significant and time-consuming requirements related to clinical trials, pre-clinical studies or manufacturing. If a Complete Response Letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information is submitted, the FDA may ultimately decide that the BLA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret the same data differently than the Company.

There is no assurance that the FDA will ultimately approve a product for marketing in the United States, and we may encounter significant difficulties or costs during the review process. If a product receives marketing approval, the approval may be significantly limited to specific populations, severities of allergies, and dosages, or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling or may condition the approval of the BLA on other changes to the proposed labeling, development of adequate controls and specifications, or on a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved products. For example, the FDA may require Phase 4 testing, which involves clinical trials designed to further assess the product's safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. The FDA may also place other conditions on approvals, including the requirement for a Risk Evaluation and Mitigation Strategy, or REMS, to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS. The FDA will not approve the New Drug Application (NDA) without an approved REMS, if required. A REMS could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or

dispensing of products. Product approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following initial marketing.

Other U.S. Regulatory Matters

Manufacturing, sales, promotion and other activities following product approval are also subject to regulation by numerous regulatory authorities in addition to the FDA, including, in the United States, the Centers for Medicare & Medicaid Services, or CMS, other divisions of the Department of Health and Human Services, the Drug Enforcement Administration, the Consumer Product Safety Commission, the Federal Trade Commission, the Occupational Safety & Health Administration, the Environmental Protection Agency and state and local governments. In the United States, sales, marketing and scientific or educational programs must comply with state and federal fraud and abuse laws, data privacy and security laws, transparency laws, and pricing and reimbursement requirements in connection with governmental payer programs, among others. The handling of any controlled substances must comply with the U.S. Controlled Substances Act and Controlled Substances Import and Export Act. Products must meet applicable child-resistant packaging requirements under the U.S. Poison Prevention Packaging Act. Manufacturing, sales, promotion and other activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The distribution of pharmaceutical products is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of pharmaceutical products.

The failure to comply with regulatory requirements subjects entities to possible legal or regulatory action. Depending on the circumstances, failure to meet applicable regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of product MAs, or refusal to allow an entity to enter into supply contracts, including government contracts. In addition, even if an entity complies with FDA and other regulatory requirements, new information regarding the safety or efficacy of a product could lead the FDA to modify or withdraw product MAs. Prohibitions or restrictions on sales or withdrawal of future products marketed by the Company could materially affect our business in an adverse way.

Regulatory, legislative changes or the interpretation of the existing regulations could have repercussions for the Company's activities in the future, requiring for example: (i) changes in its production agreements and/or its commercial operation; (ii) additions to or changes in the labeling of its products; (iii) the recall or shutdown of its products; (iv) requirements to log data and/or provide additional documentation. If any such changes were to be imposed, they could adversely affect the operation of its business.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA MA of ERYTECH product candidates, some of its U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration

cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of a BLA, plus the time between the submission date of a BLA and the approval of that application. Only a patent applicable to an approved drug is eligible for the extension. In addition, the request for extension must be submitted before the expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, the Company may apply for restoration of the patent term for its currently owned or licensed patents to add patent life beyond their current expiration dates, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant BLA.

An abbreviated approval pathway for biological products shown to be similar to, or interchangeable with, an FDA-licensed reference biological product was created by the Biologics Price Competition and Innovation Act of 2009, which was part of the Affordable Care Act. This amendment to the PHSA attempts to minimize duplicative testing. Biosimilarity, which requires that the biological product is highly similar to the reference product, notwithstanding minor differences in clinically inactive components, and that there be no clinically meaningful differences between the product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical trial or trials. Interchangeability requires that a biological product is biosimilar to the reference product and the product can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the product and the reference product may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biological product. However, complexities associated with the larger, and often more complex, structure of biological products, as well as the process by which such products are manufactured, pose significant hurdles to implementation that are still being worked out by the FDA.

A reference biological product is granted 12 years of exclusivity from the time of initial licensing of the reference product. The first biological product submitted under the abbreviated approval pathway that is determined to be interchangeable with the reference product has exclusivity against other biologics submitting applications under the abbreviated approval pathway for the lesser of (1) one year after the first commercial marketing, (2) 18 months after approval if there is no legal challenge, (3) 18 months after the resolution in the applicant's favor of a lawsuit challenging the biologic's patents if an application has been submitted, or (4) 42 months after the application has been approved if a lawsuit is ongoing within the 42-month period.

Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of another exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "written request" for such a trial.

European Union Drug Development

In the European Union, product candidates may also be subject to extensive regulatory requirements. As in the United States, medicinal products can only be marketed if an MA from the competent regulatory agencies has been obtained.

Similar to the United States, the various phases of pre-clinical and clinical research in the European Union are subject to significant regulatory controls. Regulation 536/2014/EU governing clinical trials for drugs for human use, which repeals Directive 2001/20/EC, relating to the conduct of drug trials, is intended to harmonize and streamline the process for authorizing clinical trials, by simplifying the procedures for reporting adverse events, improving supervision of clinical trials and by strengthening the transparency of these trials. This Regulation entered into effect on June 16, 2014. It shall apply as of six months following the publication by the Commission to JOUE of an opinion confirming that the Union's portal and database are fully operational and that the systems comply with the functional specifications defined by the EMA, in accordance with the audit regulation (opinion not public on the date of the Reference Document).Under the current regime, before a clinical trial can be initiated it must be approved in each of the EU Member States where the trial is to be conducted by two distinct bodies: the National Competent Authority, or NCA, and one or more Ethics Committees, or ECs. Under the current regime, all suspected unexpected serious adverse reactions, or SUSARs, to the investigated drug that occur during the clinical trial have to be reported to the NCA and ECs of the Member State in which they occurred.

European Union Drug Review and Approval

In the European Economic Area, or EEA (which is comprised of the 28 Member States of the European Union plus Norway, Iceland and Liechtenstein), medicinal products can only be commercialized after obtaining an MA. Marketing authorizations may be granted via various procedures:

Centralized procedure

- The centralized procedure is set out by (EU) Regulation 726/2004 of the European Parliament and Council of March 31, 2004. The MAissued by the European Commission through the centralized procedure, on the basis of the opinion issued by the Committee on Medicinal Products for Human Use (CHMP), the EMA, which is valid through the territory of the member states of the EEA. Within the framework of this procedure, the MA request application includes documents and information regarding Article 6 of the aforementioned Regulation, (EU) Regulation 726/2004, which consider the unique and community nature of the authorization requested and involve the use of a unique name for the drug, except in exception cases regarding the application of the brand right.

  The European Commission is able to grant the MA following the assessment of the data of a complete application and based on the opinion issued by the CHMP. The authorization shall be refused if, after verifying the information and documents concerning Article 6 mentioned above, it appears that the applicant has not adequately or sufficiently demonstrated the quality, safety, or efficacy of the drug in question or if it appears that this information and these documents are incorrect or if the notice or labelling has not been complied with.

If it is granted, the MA is valid for five years without prejudice to paragraphs 4 and 5 of Article 6 of the aforementioned Regulation. The MA may be renewed for a period of five years based on a reassessment report of the benefit/risk carried out by the competent authority. Once renewed, the MA is essentially valid for an unlimited period, except is the Commission associated with pharmacovigilance issues a contrary opinion or an insufficient number of patients have been exposed to the drug in question.

Post-MA studies on the drug's safety or efficacy may be imposed by the EMA on the holder of the MA after it is obtained: the EMA may therefore insist the holder of the MA carry out (i) post-authorization safety studies if there are fears relating to safety risks posed by a drug and/or (ii) post-authorization efficacy results if the comprehension of the illness or clinical methodologies show that the previous efficacy assessment may need to be significantly reviewed.

The centralized procedure is mandatory for certain types of products, such as medicinal products resulting from biotechnological procedures, innovative therapies, medical products designated as orphan medicinal products, and medicinal products containing a new active substance indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, and auto-immune and viral diseases. The centralized procedure is optional for products containing a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the European Union.

– *National procedure*

The national MAs, issued at national level by the authorities of the Member States of the EEA, only cover their respective territories. It may be requested if the medical product in question is not within the field of application of the centralized procedure. If this product is not within the field of application of the centralized procedure, the application may also use the decentralized procedure or the procedure or mutual recognition to obtain a valid MA in various member states. In this case, the competent authorities of the member states shall grant the MA.

Decentralized procedure

The decentralized procedure is set out by Directive 2001/83/EC of the European Parliament and Council of November 6, 2011, as amended.

It may be used if the applicant wishes to authorize a medical product in more than one member state provided this medical product has not already been authorized in a member state.
Under the decentralized procedure, the application presents a document based on an identical dossier is submitted to the competent authorities of each of the Member States, one of which is selected by the applicant as the Reference Member State, or RMS. The competent authority of the RMS prepares a draft assessment report concerning the medical product, a draft summary of the product characteristics, or

SmPC, and a draft of the labelling and package leaflet, which are sent to the other Member States, referred to as the Concerned Member States, or CMSs, for their approval and to the applicant.

Procedure of mutual recognition

The procedure of mutual recognition is set out by Directive 2001/83/EC of the European Parliament and Council of November 6, 2011, as amended.

It can be used if the applicant wishes to authorize a medicinal medicinal product in more than one member state and if this medicinal product has already received an MA at the time of the request in a member state.

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Under the above-described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Orphan Drugs

In the European Union, Article 3 of Regulation (EC) No 141/2000, as amended, states that a drug will be designated as an orphan drug if its promoter can establish:

- that it is intended for the diagnosis, prevention or treatment of a life-threatening or condition affecting not more than five in ten thousand persons in the European Union when the application is made, or that it is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that the marketing of the drug in the European Union would generate sufficient return to justify the necessary investment; and
- that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the European Union or, if such method exists, that the drug will be of significant benefit to those affected by that condition.

Regulation (EC) No 847/2000 sets out provisions for implementation of the criteria for designation of a drug as an orphan drug. By virtue of Article 5 of (EU) Regulation 141/2000 cited above, a request for the designation of a drug as an orphan drug may be submitted by the promoter to the EMA at any stage of the drug's development before the MA request is filed.

Commercial exclusivity

According to Article 8 of Regulation 141/2000 cited above, orphan drugs authorized by view if the regulation shall benefit from commercial exclusivity in the EU. If a community MA in respect of an orphan drug is granted pursuant to Regulation (EC) No 726/2004, or when all member states have granted an MA for this drug, in accordance with the procedure of mutual recognition, regulatory authorities will not, for a period of 10 years, accept another application for a MA, or grant a MA or accept an application to extend an existing MA, for

the same therapeutic indication, in respect of a similar drug. However, this period may be reduced to six years if, at the end of the fifth year, it is established for the drug in question that the orphan drug designation criteria are no longer being met; in other words, when it is demonstrated on the basis of available data that the product is profitable enough that it no longer justifies marketing exclusivity.

According to Article 37 of Regulation 1901/2006, when a request for MA is presented for a drug designated as an orphan drug and this request includes the results of all the studies conducted according to the approved Pediatric Investigation Plan ("PIP") and the declaration confirming compliance with the PIP request is approved and subsequently included in the MA granted, this period is extended from ten to twelve years.

Notwithstanding the foregoing, Article 8.3 of Regulation 141/2000 cited above sets out that an MA may be granted, for the same therapeutic indication, to a similar drug if:

- the holder of the MA for the original orphan drug has given its consent to the second applicant;
- the holder of the MA for the original orphan drug is unable to supply sufficient quantities of the drug; or
- the second applicant can establish in the application that the second drug, although similar to the orphan drug already authorized, is safer, more effective or otherwise clinically superior.

Regulation (EC) No 847/2000 cited above lays down definitions of the concepts 'similar drug' and 'clinical superiority'.

Other incentives

Aside from commercial exclusivity, Article 6 of Regulation 141/2000 cited above sets out several other incentives as regards orphan drugs. In particular, it provides assistance for drawing up protocols. The promotor of an orphan drug may indeed, prior to the presentation of an MA request, request the opinion of the EMA on various tests and trials to be carried out to demonstrate the quality, safety, and efficacy of the drug. Moreover, the EMA has established a procedure relating to the development of orphan drugs, by providing assistance of a regulatory nature for the definition of the content of the request for authorization.

Regulation 141/2000 cited above still sets out that the drugs designated as orphan drugs in application of the regulation may benefit from incentives taken by the EU and member states in order to promote research, the development and market launch of orphan drugs and, in particular, measures to aid research in favor of small and medium-sized enterprises, as set out by the technological research and development framework programs.

Orphan drug designation does not shorten the duration of the regulatory review and approval process.

1.6.3 Other French Regulatory Matters

Clinical trials relating to drugs in the European Union, the regulation governing clinical trials is currently based on Directive 2001/20/EC of April 4, 2001 relative to the implementation of good clinical practices in the conduct of clinical trials on medicinal products for human use.

Each Member State of the European Union had to transpose this Directive into national law, which resulted in Member States adapting it to their own regulatory framework.

In France, Directive 2001/20/EC was initially implemented by Law 2004-806 of August 9, 2004 regarding public health policy, and by Decree 2006-477 of April 26, 2006, modifying the section of the Public Health Code, or PHC, on biomedical research.

. Ordinance 2016-800 of June 16, 2016 regarding research involving humans came to amend the applicable legal regime, in particular by adapting French law under (EU) Regulation 536/2014 of the European Parliament and Council of April 16, 2014, repealing Directive 2001/20/EC. Indeed, establishes a system of authorization prior to the clinical trial. This authorization is granted by the French Medicines Agency, or ANSM, provided that the competent Ethics Committee issued a favorable opinion.

Under Article L. 1123-7 PHC, the Ethics Committee shall assess whether the conditions in which the trial will be conducted are valid. This assessment should be based on whether: adequate protection is offered to individuals, in particular to participants; adequate information is provided to the participants and appropriate procedure is in place to obtain their informed consent; the project is relevant; the assessment of the benefits/risks expected is satisfactory; the objectives of the trial are adequate to the means implemented; the qualification of the investigator(s) is satisfactory; the conditions and amount of patient remuneration is compliant; and the method for recruiting participants is adequate.

After the complete file for the request for the trial's authorization has been submitted, composed of an administrative file, a file on research, in particular including the protocol and brochure for the investigator and, as may be necessary, a technical file relating to the file, acts performed and the methods used, in addition to the opinion from the Ethics Committee, the ANSM may inform the promoter if it opposes the implementation of the research or may request additional information from the promoter to be able to give an opinion on its request. The sponsor can then modify the contents of its research project and submit this amended or supplemented request to the ANSM; this procedure may not, however, be applied more than once. If the promoter does not amend the content of its request or does not produce the elements requested within the deadlines granted, it shall be deemed to have withdrawn its request.

Under R. 1123-32 PHC, the time limit for the examination of a request for authorization cannot exceed 60 days from the receipt of the complete file. Finally, in accordance with Article L. 1123-11 PHC, should there be a risk for public health or if there is no response from the promoter of if the ANSM deems the conditions in which research is conducted do not meet those indicated in the request for authorization or do not comply with the provisions of Title 2 of Book 1 of Par 1 PHC, it may, at any time, request that amendments be made to the procedures for conducting research, to any document relating to research or to suspend or prohibit this research.

The decision of November 24, 2006 sets the rules for Good Clinical Practice (“GCP”) for clinical trials on medicines for human use as referred to in Article L. 1121-3 PHC. GCPs, aim to ensure both the reliability of data arising from clinical trials and the protection of the persons participating in these clinical trials. GCPs shall apply to all clinical trials, including pharmacokinetics, bioavailability and bioequivalence studies in healthy volunteers.

Personal data collected during clinical trials must be treated as confidential and should be declared in simplified form to the French Data Protection Agency (Commission Nationalede l'Informatique et des Libertés, or CNIL). Patients then have a right to access and rectify this data pursuant to Law 78-17 of January 6, 1978, as amended, on data protection and the provisions of Article L. 1122-1 PHC.

The main French regulatory texts concerning the conduct of clinical trials are as follows:

- Law 2004-806 of August 9, 2004 concerning public health policy;
- Decree 2006-477 of April 26, 2006, amending CHater 1 of Title II of Book I of the first part of the PHC regarding biomedical research (regulatory provisions);
- Ordinance 2016-800 of June 16, 2016 regarding research involving humans;
- Decree 2016-1537 of November 16, 2016 regarding research involving humans;
- Decree 2016-1538 of November 16, 2016 regarding the sole agreement for implementing research for commercial purposes involving humans in health establishments, homes and health centers;
- Decision of November 24, 2006, setting good clinical practices for biomedical research regarding drugs for human use;
- Decision of December 29, 2015 concerning good manufacturing practices;
- Law 78-17 of January 6, 1978 regarding information, files and liberties, as amended, and its decrees of application;
- Law 2002-3003 of March 4, 2002 regarding the rights of patients and the quality of the health system and its decrees of application;
- Decree no 2007-454 of March 25, 2007 regarding agreements and the associations linking members of certain health professions to enterprises and modifying the PHC (regulatory provisions);
- Decision of January 5, 2006 approving a standardized methodology for the processing of personal data performed in the context of clinical trials (standardized methodology MR-001);
- Law 2011-2012 of December 29, 2011 concerning the strengthening of drug health safety and health products; and
- Law 3000-230 of March 13, 2000 concerning electronic signatures, as amended, Decree 2001-272 of March 30, 2001 and Decree 2002-535 of April 18, 2002 concerning electronic signatures.

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Status of French pharmaceutical establishments

The Company has the regulated status of pharmaceutical establishment and operating company, which allows it to manufacture and market the product candidates that it develops. Obtaining a pharmaceutical establishment license, either as a distributor or as a manufacturer, requires the submission of an application dossier to the ANSM. The application package will

vary depending on the type of application (distribution license or manufacturing license). The ANSM grants such a license after verifying that the laboratory has adequate premises, the necessary personnel, and adequate procedures to carry out the proposed pharmaceutical activities.

Declarations of interest

Law 2011-2012 of December 29, 2011 regarding the strengthening of the health safety of the drug candidate and health products, as amended, completed by Decree 2012-745 of May 9, 2012 regarding the public declaration of interest and transparency in matters if public health and health safety, established regulations concerning the transparency of remuneration received by doctors.

This law states enterprises producing or marketing certain health products, such as drug candidates, or assuring services associated with these products to be made public, must state, on a unique public website, the precise objective, date, direct beneficiary and end beneficiary, in addition to the amount of the agreements they conclude, in particular with healthcare professionals.

1.6.4 Questions associated with the reimbursement of products

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which regulatory approval is obtained. For GRASPA®, distribution agreements have been signed with Orphan Europe and Teva to market it in Europe and Israel, respectively. These distributors will be responsible for obtaining coverage and reimbursement for GRASPA® in these respective territories if the MA is issued. Sales of products will depend, in part, on the extent to which the products, once approved, will be covered and reimbursed by third-party payers, such as government health programs, commercial insurance and managed healthcare organizations. These third-party payers are increasingly reducing reimbursement levels for medical products and services. The process for determining whether a third-party payer will provide coverage for a drug product is typically separate from the process for setting the price of a drug product or for establishing the reimbursement rate that a payer will pay for the drug product once coverage is approved. Third-party payers may limit coverage to specific drug products on an approved list, also known as a formulary, which might not include all of the approved drugs for a particular indication.

To secure coverage and reimbursement for any product candidate that might be approved for sale, the Company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product candidate, in addition to the costs required to obtain the regulatory approvals required. Whether or not the Company conducts such studies, its product candidates may not be considered medically necessary or cost-effective. A third-party payer's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payer's determination to provide coverage for a product does not assure that other payers will also provide coverage, and adequate reimbursement, for the product. Third-party reimbursement may not be sufficient to enable the Company to maintain price levels high enough to realize an appropriate return on investment in product development.

The containment of healthcare costs has become a priority of federal and state governments, and the prices of drugs have been a focus in this effort. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement, utilization management and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit the Company's net revenue and results. Decreases in third-party reimbursement for product candidates or a decision by a third-party payer to not cover a product candidate could reduce physician usage of the product candidates and could have a material adverse effect on the sales, results of operations and financial condition of the Company.

For example, the Patient Protection and Affordable Care Act, or ACA, enacted in the United States in March 2010, has already had, and is expected to continue to have, a significant impact on the health care industry. The ACA has expanded coverage for the uninsured while at the same time containing overall healthcare costs. With regard to pharmaceutical products, among other things, the ACA expanded and increased industry rebates for drugs covered under Medicaid programs and made changes to the coverage requirements under the Medicare Part D program. The Company cannot predict the full impact of the ACA on pharmaceutical companies, as most of the ACA reforms require the promulgation of detailed regulations implementing the statutory provisions, which has not yet occurred.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. For example, on August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. Specifically, the Joint Select Committee on Deficit Reduction was created to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2012 through 2021, thereby triggering the legislation's automatic reduction of spending associated with several government programs. This includes aggregate reductions in Medicare payments to providers of up to 2% per fiscal year, started in April 2013, which, due to subsequent legislative amendments, will stay in effect through 2025 unless additional congressional action is taken. In addition, on January 2, 2013, Barack Obama signed the American Taxpayer Relief Act (ATRA) of 2012, which delayed for an additional two months the budget cuts mandated by the "sequestration" measures of the Budget Control Act of 2011. The ATRA, among others, also reduced the Medicare payments paid to different service providers, including hospitals, imaging centers and cancer centers, and extended the time limit from three to five years for government collection of surplus payments paid to service providers. The way in which drug manufacturers set the prices of their products has recently been under close scrutiny by the US government. For example, there have recently been US congressional investigations and bills drafted aimed, among other things, at increasing transparency in drug pricing, reviewing the links between manufacturers' pricing and their patient-oriented programs, and reforming the methodology used in the government's drug reimbursement program. It is foreseeable that additional federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, and in turn could significantly reduce the projected value of certain development projects and reduce the Company's profitability.

In addition, in some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its Member States to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A Member State may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the laboratory placing the medicinal product on the market. For example, in France, effective market access will be supported by agreements with hospitals, and products may be reimbursed by the Social Security Fund. The price of medicines is negotiated with the Economic Committee for Health Products, or CEPS. There can be no assurance that any country that has price controls or reimbursement limitations for the Company's pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of its product candidates. Historically, products launched in the European Union do not follow price structures of the United States and generally prices tend to be significantly lower.

Other Healthcare Laws and Compliance Requirements

The Company's business operations in the United States and its arrangements with clinical investigators, healthcare providers, consultants, third party payers and patients may expose it to broadly applicable federal and state fraud and abuse and other healthcare laws. These laws may impact, among other things, the research, proposed sales, marketing and education programs of product candidates that obtain marketing approval. The laws that may affect the ability of the Company to operate include, among others:

- the Anti-Kickback Statute (federal anti-corruption law) in the United States, which prohibits persons from soliciting, receiving, offering or paying a remuneration (including any bribe, any under-the-table payment or any reduction), with full knowledge and willingly, directly or indirectly, in cash or in-kind, in order to induce, to reward, or in return for the recommendation of a person, or the purchase, rental, order or recommendation of an article, an asset, a facility or a service reimbursable under a federal healthcare program, such as Medicare and Medicaid;
- the federal civil and criminal laws concerning false assertions, and the civil laws on financial sanctions, which impose penalties and trigger civil reporting measures against persons and organizations who knowingly present or cause the presentation of claims of payment from Medicare, Medicaid or other third-party payers that are false or fraudulent, or make a false declaration or false registration for the payment of a false claim, or avoid, decrease or hide an obligation to pay money to the federal government, including providing inaccurate invoices or coding information to clients, or promote a drug without an MA;
- the Health Insurance Portability and Accountability Act (HIPAA) of 1996, which created new federal criminal laws prohibiting the execution of a plan intended to defraud any health insurance plan or to misappropriate, knowingly and deliberately, funds from healthcare programs, the prevention, knowingly and deliberately, of a criminal investigation of a healthcare violation, the falsification, hiding or covering-up, knowingly and deliberately, of an important fact, or the production of false declarations of fraudulent declarations concerning the delivery of or payment for health services;

- the Physician Payments Sunshine Act (a federal law ensuring transparency in the compensation received by physicians), signed in the context of the ACA, which requires that the manufacturers of drugs, devices, biologics and medical supplies monitor and declare, every year, the remuneration paid to the CMS and other transfers of value to physicians or hospitals, and certain interests in property or investments held by physicians or the members of their immediate family;
- the HIPAA, as amended by the Health Information Technology and Clinical Health Act (HITECH) and its implementing regulations, which impose certain obligations on covered organizations and their partners in terms of confidentiality, security, and transmission of personally identifiable health information; and
- state or foreign laws equivalent to each of the laws and federal regulations listed above, including state anti-corruption laws concerning false claims, which may apply to articles or services reimbursed by any third-party payer, including commercial insurers; the state laws governing transparency or marketing applicable to manufacturers, the scope of application of which can be broader than the federal requirements; the state or foreign laws that require that biopharmaceutical companies comply with the optional compliance recommendations of the biopharmaceutical sector and the relevant compliance recommendations promulgated by the federal government, as well as the state laws governing the confidentiality and security of health information under certain circumstances. Most of these laws differ significantly from each other and may not have the same effect as the HIPAA, which makes compliance efforts more complex.

The ACA broadened the reach of the federal fraud and abuse laws by, among other things, amending the intent requirement of the federal Anti-Kickback Statute and certain federal criminal healthcare fraud statutes. Pursuant to the statutory amendment, a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for the purposes of the federal civil False Claims Act or the civil monetary penalties statute.

Efforts to ensure that the Company's business arrangements with third parties will comply with applicable healthcare laws will involve substantial costs. It is possible that governmental authorities will conclude that the Company's business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws. If the operations of the Company are found to be in violation of any of these laws or any other governmental regulations that may apply to it, the Company may be subject, for example, to significant administrative, civil, and/or criminal penalties, damages, fines, disgorgement, contractual damages, damage to reputation, diminished profits and future earnings, individual imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of operations. If the physicians or other healthcare providers or entities with whom the Company expects to do business are found not to be in compliance with applicable laws, they may be subject to administrative, civil, and/or criminal sanctions, including exclusions from government funded healthcare programs.

1.7 Patents, brands and other intellectual property rights

Patents and other intellectual property rights are of utmost importance in the Group's area of activity and are the main barrier to entry for its competitors. The Group also relies on industrial secrets, and confidentiality agreements have been concluded to protect its products, technologies and manufacturing process. Without prejudice to that which is specified in Section 2.2.9 (risks associated with intellectual property), the Group's intellectual property is not, as far as it is aware on the date of the Reference Document, being called in question by a third party.

1.7.1 Patents

1.7.1.1 Own name

As at March 6, 2017, ERYTECH Pharma's portfolio of patents is composed of 13 families of patents held in its own name.

Technology/products	Family	Title	Closest years of expiration for each patent family*	Filing date	Status
Manufacturing process	2	Lysis/resealing process and device for incorporating an active ingredient in erythrocytes	2024/2030	08/05/2004	Delivered to Japan Delivered to Europe Delivered to Australia Delivered to China Delivered to the US Delivered to Korea Delivered to India Delivered to Canada
		Process for stabilizing erythrocyte suspensions encapsulating an active ingredient, suspensions obtained	2033/2034	05/07/2013	Delivered to France National requests filed
eryaspase/GRASPA®	3	Medicament for the treatment of the cancer of the pancreas	2027/2029	12/24/2007	Delivered to Europe Delivered to the US Delivered to Japan Delivered to South Korea Delivered to Israel Delivered to Australia Delivered to Singapore National/regional phases for other territories
		Test for predicting neutralization of asparaginase activity	2032/2033	11/07/2008	Delivered to Europe Delivered to the US Delivered to Japan Delivered to China Delivered to Australia Delivered to Singapore Delivered to Israel Delivered to India National/regional phases for other

Technology/products	Family	Title	Closest years of expiration for each patent family*	Filing date	Status
					territories
		Medicament for the treatment of acute myeloid leukemia	2028/2029	03/21/2012	Delivered to Australia Delivered to India National/regional phases undertaken
TEDAC	3	Erythrocytes containing Arginine deiminase	2026	04/25/2005	Delivered to Europe, the US, Japan, China, Canada, South Korea, and Australia
		Pharmaceutical composition containing erythrocytes encapsulating an enzyme	2034/2035	02/12/2014	PCT filed National requests filed
		Method of treatment against cancer	2035/2036	12/31/2015	PCT request filed National deposits
Immuno-modulation platform	2	Composition to induce specific Immune Tolerance	2030	10/27/2009	Delivered to Europe Delivered to Australia Delivered to Singapore National/regional phases for other territories
		Composition and therapeutic anti-tumor vaccine	2027/2028	08/08/2007	Delivered to the US Delivered to France Delivered to China Delivered to Australia Delivered to Singapore Delivered to Israel National/regional phases for other territories
Other products	3	Formulation	2028	02/13/2008	Delivered to Europe

Technology/products	Family	Title	Closest years of expiration for each patent family*	Filing date	Status
		and method for the prevention and treatment of skeletal manifestation of Gaucher's disease			Delivered to Israel Other national/regional phases
		Formulation and method for the prevention and treatment of bone metastases and other bone diseases	2028/2029	03/10/2008	Delivered to Europe Delivered to Canada Delivered to China Delivered to Australia Delivered to Singapore Delivered to South Korea
		Composition of erythrocytes encapsulating phenylalanine hydroxylase and therapeutic use thereof	2033/2034	02/10/2013	National/regional phases

*Does not consider additional protection certificates that could be obtained on the patent by the Company in the US, in Europe, or in other countries. Expiration dates for American patents that have not yet been delivered are likely to be adjusted.

The Company's intellectual property strategy aims to ensure and sustain its operational exclusivity through filing and obtaining patents regarding its production process, its products and/or their therapeutic uses in addition to diagnostic tests or dosage methods directly related to the use of its products.

Prior to each patent being filed, a detailed analysis of the prior art is conducted so as to be able to meet patent criteria while seeking to obtain a robust and extensive scope in line with the planned operation.

Patents known as “main patents” are those that protect the Company's key products and technologies, while others in contrast are known as “accessories”.

“Main” patents and the current status of their procedures are discussed below:

Patents relating to the production process

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

This is the Company's originator patient which covers its technology for the encapsulation of therapeutic molecules. The innovation developed by ERYTECH is based on the consideration of the key physiological parameters of erythrocytes which allow for a reproducible product to be obtained. The initial request covers the production procedure, the system used to implement it, and all products directly issued as a result.

This patent was delivered to France, Japan, Australia, South Korea, India, and China without any significant modification being made to the information. In Europe, it was necessary to separate the process information from the device information for reasons of inventive unity. An initial European patent was therefore delivered for information covering the production process and the products directly issued as a result. It currently covers more than 20 member countries of the European Patent Organization. Information covering the device allowing for the process to be implemented was included in a divisional request, and this information was also subject to a decision of acceptance by the European Patent Office.

It was also necessary to separate process and device information in the United States. An initial American patent was delivered for information covering the production process according to American law and the Patent Term Adjustment. The term of this patent was extended by a further five years, which involves protection in the United States until April 2030. Information covering the system used for implementation was included in a divisional request which is currently being examined by the US Patent Office.

In Canada, the patent was also delivered for information covering the process.

This patent was licensed by the Company to Orphan Europe within the framework of an exclusive licensing and distribution agreement *see also Section 1.8 of the Reference Document*) for the development and distribution of GRASPA® in Europe. This contract covers the indications ALL and ALM.

The European patent delivered was subject to an opposition procedure before the European Patent Office. Following the withdrawal by the opposing party, the European Patent Office closed the opposition procedure and maintained the patent in force without modifying the information (*see also Section 2.2.9 of the Reference Document).* ERYTECH was informed of this decision on February 7, 2014.

- **Patent process entitled "Process of stabilizing erythrocyte suspensions encapsulating an active ingredient, suspensions obtained":**

This patent claims an improvement to the ERYTECH Pharma encapsulation process meaning the stability of the erythrocyte suspensions obtained can be improved. This patent was delivered to France and extended through the PCT (Patent Cooperation Treaty) and some direct national filings.

Patents relating to products and/or their therapeutic uses.

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

This patent covers erythrocytes encapsulating the enzyme arginine deiminase and all pharmaceutical compositions related to it. Arginine deiminase encapsulated in erythrocytes is one of the enzyme therapies developed as part of the TEDAC project. This enzyme is capable of breaking down arginine and therefore acting on the metabolism of certain tumor cells, depriving them of the nutrients essential to them.

This patent was delivered to the United States, Europe, Japan, China, Canada, Korea, and Australia without any significant modifications to the information. The scope obtained is, as a result, extensive, as the information includes information on products that are not restricted to use in any given therapy.

- **Patent relating to a pharmaceutical composition involving erythrocytes encapsulating an enzyme:**

This patent, filed as part of the TEDAC project, was subject to a priority filing in France on February 10, 2014, and was extended internationally through the PCT and some direct national filings.

- **Patent relating to a method for treating cancer:**

This patent request regarding a treatment method using therapies developed by ERYTECH Pharma was filed in Europe on December 31, 2015. An international extension through the PCT and some direct national filings took place in December 2016.

- **Patent entitled "Medicament for the treatment of the cancer of the pancreas":**

This patent covers the use of eryaspase with a view to treating pancreatic cancer. It was delivered to Europe, the United States, Japan, South Korea, Israel, Australia, and Singapore and is being examined in other territories (in particular Canada).

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

This patent covers the use of GRASPA® with a view to treating Acute Myeloid Leukemia. It is subject to a priority request filed in the United States and was extended through the PCT and some direct national filings.

This patent was licensed by the Company to Orphan Europe within the framework of an exclusive licensing and distribution agreement (*see also Section 1.8 of the Reference Document*) for the development and distribution of GRASPA® in Europe. This agreement covers AML in particular.

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

This patent request claims the induction technology of a specific immune tolerance developed by ERYTECH. The scope envisaged is extensive as the request claims both a composition that is able to induce immune tolerance to a protein or a therapeutic peptide and a composition that is able to induce immune tolerance to an auto-antigen. This patent has been delivered to Europe, Australia, and Singapore and the request is in national/regional phases for other territories.

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

This patent claims a composition of erythrocytes incorporating a tumoral antigen and/or an adjuvant and its use as a therapeutic vaccine for cancer. The envisaged scope is extensive as it is not limited by the nature of the antigen, the adjuvant, or the combination of the two.

This patent was delivered to the United States, France, Australia, Israel, China, and Singapore and is being examined by other territories (Europe, Japan, and Canada in particular).

* * *

The duration of a patent is 20 years starting from the date on which it is filed. However, in the pharmaceutical field, additional protection certificates may be granted in main industrialized countries, generally extending their protection for a non-renewable duration of a maximum of five years.

The Company has a policy of regularly filing patent requests so as to protect its technologies, products, and manufacturing process.

The Company's strategy in fact consists of systematically filing priority patent requests in France, Europe, and/or the United States. For other countries, the Company used a procedure known as the "Patent Cooperation Treaty" (PCT) which allows a patent to be validly filed for over 100 countries: the PCT filing takes place one year after the priority filing. This PCT request is ultimately transformed into national or regional filings so as to cover countries or groups of countries which have been held back due to the desired geographic coverage. Some countries that cannot be accessed through the PCT may be subject to direct national filings.

With regard to intellectual property, the Company's strategy consists of reinforcing its position as a leader in the use of red blood cells for therapeutic purposes. Its portfolio of patents filed covers 13 different patent families. Out of the 13 patent families, 9 are currently protected by at least one delivered patent.

Inventions by the Company's employees are governed by employment contracts. If a patentable invention is discovered, each employee shall undertake to disclose it and recognizes that this invention, discovered as part of his or her working duties, is the property of ERYTECH who holds all rights to it. An additional remuneration policy for each invention has been implemented and a confidentiality clause is included in the employment contracts. Inventions of non-employed consultants are governed by specific contractual clauses, as consultants are systematically bound by confidentiality clauses and in general waive the rights it may have on the inventions in which they participate.

An internal procedure guarantees the proper use of lab books in order to be able to justify ERYTECH's intellectual property rights in the event of an invention. These lab books are regularly managed and dated by a court bailiff and stored within the Company.

A science and technology watch was also put in place at ERYTECH with the aim of following:

- scientific programs that may have an influence on the Group's R&D programs and that could allow for new opportunities to be identified;

- the emergence and development of the Group's additional or competitive technologies.

1.7.1.2 Licensing

The NIH (National Institute of Health) granted an exclusive license to ERYTECH on its intellectual property covering a diagnostic method to predict the efficacy of L-asparaginase in patients (*see also Section 1.8 "Important contracts" of the Reference Document).* This intellectual property based on the developments of the NIH includes two delivered American patents (US 7.985.548 and US 9.181.552).

1.7.2 Brands

The Company has filed the following brands:

BRAND	DESIGNATED COUNTRIES	NO.	DATE
ERYtech Pharma + logo	France	03 3 264 900	January 10, 2014
	European Community	00 3 921 319	April 16, 2014
	International (Albania, Australia, Bosnia-Herzegovina, Belarus, Switzerland, China, Algeria, Egypt, Georgia, Croatia, Iran, Iceland, Japan, South Korea, Lichtenstein, Morocco, Monaco, Montenegro, Macedonia, Norway, Serbia, Russia, Singapore, Turkey, Ukraine)	947 762	November 26, 2007
	International (Australia, Switzerland, Community, Israel, Iceland, South Korea, Monaco, Montenegro, Norway, Russia, Singapore, Turkey, USA)	1127934	June 20, 2012
ERYTECH PHARMA	Israel	226994 (Class 42), 226992 (Class 44), 226993 (Class 5)	April 7, 2011
	Kosovo	18664	August 25, 2016
GRASPA	France	06 3 421 435	June 24, 2016 (renewal)
	Israel	226985	July 17, 2011
	International (Albania, Australia, Bosnia, Belarus, Switzerland, China, Algeria, Egypt, Community, Georgia, Croatia, Iran, Iceland, Japan, South Korea, Liechtenstein, Morocco, Monaco, Montenegro, Macedonia, Norway, Serbia, Russia, Singapore, Turkey, Ukraine)	947759	November 26, 2007
	United States	3809410	June 29, 2010
	Kosovo	18676	August 26, 2016
ERYASP	France	133976584	August 30, 2013

BRAND	DESIGNATED COUNTRIES	NO.	DATE
Cleav'Ery System	International (Switzerland, Community)	947760	November 26, 2007
Oxygen'ERY System	International (Switzerland, Community)	947761	November 26, 2007
Vaccin'ERY System	France	073533090	October 22, 2007
	International (Switzerland, Community)	967450	May 14, 2008
ERYCAPS	France (classes 5,42,44)	073546157	December 21, 2007
	France (classes 7,9,10)	164258547	July 15, 2016
	Switzerland (classes 7,9,10)	690442	July 15, 2016
	International (Switzerland, Community) (classes 5,42,44)	972047	July 8, 2008
	European Union (classes 7,9,10)	15251382	July 27, 2016
	United States		Filed on September 20, 2016
	France Switzerland (classes 7,9,10)		
ERYTECH Pharma Deliv'ERY System	France	073543340	December 10, 2007
ENHOXY	France	113819125	July 22, 2011
	International (Australia, Switzerland, China, Community, Israel, Iceland, Japan, South Korea, Monaco, Russia, Singapore, Turkey, USA)	1110463	February 10, 2012
KYTASPAR	France	144103802	October 31, 2014
ASPACELL	International (Albania, Armenia, Azerbaijan, Bosnia, Belarus, Switzerland, Iceland, Kyrgyzstan, Kazakhstan, Liechtenstein, Moldova, Montenegro, Macedonia,	1235383	December 3, 2014

BRAND	DESIGNATED COUNTRIES	NO.	DATE
	Norway, Serbia, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan)		
	Kosovo		Filed on November 19, 2014
	European Union	13466123	March 30, 2015
ERYTECH	International (Albania, Australia, Bosnia, Belarus, China, Algeria, Egypt, Georgia, Israel, India, Iran, Iceland, Japan, Liechtenstein, Morocco, Monaco, Norway, Russia, Singapore, Turkey, Ukraine)	1310460	June 17, 2016
	France	164258540	July 15, 2016
	Switzerland	690441	July 15, 2016
	European Union	015251325	July 27, 2016
	Taiwan		Filed on April 18, 2016
	Kosovo		Filed on August 17, 2016
	Canada		Filed on September 20, 2016
	United States		Filed on April 6, 2016
	Chile		Filed on April 25, 2016
	Brazil		Filed on June 29, 2016
	Argentina		Filed on September 20, 2016
	France	164258544	July 15, 2016
	United States	5108215	December 27, 2016
	European Union	015251366	July 27, 2016

None of the aforementioned Company brands is subjected to a brand license granted to a third party except for when as part of distribution contracts with the Teva Group and Orphan Europe as far as the GRASPA® brand is concerned (*see also Section 1.8 "Important contracts" of the Reference Document).*

The Company implemented global surveillance of its main brands, notably ERYTECH Pharma® and GRASPA®.

1.7.3 Domain names

The Company has the following domain names:

Domain name	Expiration
eryasp.com	April 25, 2017
erytechpharma.com	April 25, 2017
erytech.fr	April 26, 2017
ery.tech	April 25, 2017
erytech.com	April 20, 2017
erytech.eu	April 8, 2017
graspa.fr	April 19, 2017
graspa.bio	April 22, 2017
graspa.biz	April 25, 2017
graspa.eu	April 15, 2017
graspa.de	April 15, 2017
graspa.co.uk	April 20, 2017
graspa.info	April 25, 2017

1.8 Important 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:

1.8.1 Partnership and cooperation agreements

1.8.1.1 Financed agreements

ERYTECH, Inserm, APHP and Diaxonhit 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 1, 2012, for a duration of 8 years.

Within the scope of this project, BPI France (formerly Oséo) will finance the Company in the amount of €7 million, which shall be paid in multiple tranches, €4.9 million of which is in repayable advances and €2.1 million in non-repayable grants.

The BPI France assistance is composed of a grant, as well as repayable assistance, in accordance with the following structure:

Beneficiaries	**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 45% of the industrial research
** That being 50% of experimental development

Under the terms of this agreement, upon signing the agreement with BPI France, ERYTECH received €992,257 as a non-repayable grant and €62,607 in repayable advance and may, furthermore, receive payments in installments up to the amount of €1,065,937 in non-repayable grants and up to the amount of €4,832,445 in repayable advances in the event of specific regulatory steps (of which €463,054 and €1,118,928 were already paid to the company).

The Company undertakes to repay BPI an amount of €5,281,000 upon achieving a cumulative amount of before-tax sales revenue equal to or greater than €10,000,000,known as "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 sale 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% of the income generated shall be owed to BPI France.

The Company must notify BPI of any change of control. Within two months, BPI will ascertain either: the possibility of continuing the project or the impossibility of continuing the project.

If BPI finds it impossible to continue the project, BPI will announce the immediate resumption of the assistance to the Company. The amount to be paid to BPI will thus be equal to the assistance amounts paid and not reimbursed plus any late penalties at 0.7% per calendar month overdue.

1.8.1.2 Partnership agreements

1.8.1.2.1 Erytech/Teva Group

In accordance with the terms of the agreement, the Teva Group will submit an application for approval of the product candidate in Israel and will provide for its marketing and long-term distribution in that country. ERYTECH is responsible for the manufacturing and transportation of the product directly to the consumer. The Teva Group is responsible for all regulatory and marketing processes and has agreed to reimburse ERYTECH for part of its transportation expenses. ERYTECH does not expect that the Teva Group will seek regulatory approval in Israel until a marketing approval has been issued for GRASPA® in the European Union.

Under the terms of this agreement, ERYTECH received an advance payment of €40,000 upon signing the contract and may receive up to €45,000 in milestone payments in the event of the completion of specific regulatory steps, as well as a part of the Teva Group's profits if the Teva Group extends its distribution rights to other indications. ERYTECH will receive half of the profits of all sales of GRASPA® in Israel, calculated according to the terms provided in the agreement. The agreement is concluded for an initial term of ten years and will be automatically renewed for five successive years unless the parties give notice of non-renewal within six months. Early termination of the agreement may be requested by a party in the event of a transfer of control of the other party.

1.8.1.2.2 ERYTECH/Orphan Europe (Recordati Group)

Under the terms of the agreement, ERYTECH is responsible for obtaining regulatory approval for GRASPA® for the treatment of ALL in the European Union and Orphan Europe is responsible for the regulatory processes for the 11 countries that are not EU Member States. Furthermore, Orphan Europe will seek an MA for GRASPA® for the treatment of AML in the 39 countries of Europe. If GRASPA® obtains this MA, Orphan Europe will be tasked with assisting the Company in obtaining regulatory approvals for pricing and reimbursement. Orphan Europe has agreed, at its expense, to make reasonable commercial efforts to market and promote GRASPA® after it has been approved. ERYTECH has agreed to use reasonable commercial efforts to manufacture and deliver GRASPA® in the quantities requested by Orphan Europe, on the basis of forecasts that Orphan Europe will transmit to ERYTECH. ERYTECH is responsible for the delivery of GRASPA® directly to consumers.

Under the agreement, Orphan Europe contributed €5 million upon signing. Orphan Europe will pay ERYTECH up to €37.5 million on future milestones depending on various clinical, regulatory, and commercial events. Orphan Europe will participate in the costs of the clinical development of GRASPA® in AML and ERYTECH will receive a price for product

delivered, and royalties on the sales performed by Orphan Europe with GRASPA®, for a total of up to 45% of the net sale price.

The Company has granted Orphan Europe a right of first negotiation for the marketing of GRASPA® in additional indications, in addition to ALL and AML in Europe, and for marketing GRASPA® for all indications in other territories such as Turkey, Russia, specific states of the Middle East and throughout Africa. Orphan Europe has agreed not to be involved in the development and marketing of any competitor product containing L-asparaginase for the treatment of ALL and AML.

The term of the agreement varies by country. For EU Member States, the period is ten years from the MA date for GRASPA® for the treatment of ALL and will be automatically extended by 10 years from the date of the MA for the treatment of AML if it occurs before the end of 2019. For countries that are not part of the European Union, the period is 10 years from the MA date for GRASPA® for the treatment of either ALL or AML, but it can be extended to more than three years after the expiry of the term for the Member States of the European Union. At the end of the contract, Orphan Europe is entitled to request an additional 10-year renewal if it is in accordance with the terms of the agreement. If the Company refuses to renew the agreement under specific circumstances, the Company may be subject to financial penalties as provided in the agreement. In addition, the agreement stipulates that Orphan Europe can automatically terminate the contract, require the reimbursement of certain expenses and lower milestone payments in the event that the intellectual property for which the Company was granted a license is deemed invalid.

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 on the Euronext Paris regulated market.

As part of this partnership, the Company reinvoiced Orphan Europe for costs incurred during the Phase II clinical trial in AML as presented in Note 5.22 in the Notes to the consolidated financial statements.

1.8.1.3 License agreement

The National Institutes of Health (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 Section 1.7 "Patents, brands and other intellectual property"*). This license covers the United States and the development in leukemia and solid cancers. It is exclusive for five years after the FDA approval of the drug to be developed by ERYTECH. The license is granted in return for an annual fee. In the event of commercial use of this license, the Company will be required to pay an additional royalty proportionate to the net sale price.

1.8.2 Supply contract

1.8.2.1 Erytech/French Blood Bank (EFS)

On October 21, 2015 ,the parties signed a framework agreement for the sale of packed red blood cells for therapeutic use intended for the manufacture of eryaspase/GRASPA®, , for a one-year term and annually renewable for a total period of three years. EFS invoices the Company for the number of bags of packed red blood cell ordered for each clinical trial. The projected quantities are updated annually.

1.8.2.2 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 1, 2009, and will expire on December 4, 2017.

1.8.2.3 Erytech/medac

ERYTECH and medac, a German company, have signed two supply contracts for asparaginase intended for the manufacture of eryaspase/GRASPA® running until December 11, 2028.

- The first contract concerns the native form of asparaginase currently used by eryaspase/GRASPA® for its European clinical trials in ALL and AML. As of January 1, 2018, medac may suspend and/or terminate this contract under certain conditions.
- The second contract covers any new formulations of asparaginase that medac could develop and that ERYTECH may potentially use. In particular, recombinant asparaginase , which medac developed*(see also section 1.4 of the Reference Document)*. This contract shall be exclusive starting from the date of commercial authorization of eryaspase/GRASPA® for a duration of five years. Through an amendment, the parties decided to nullify the clauses providing that ERYTECH could have been forced to refrain from any form of promotion of eryaspase/GRASPA® if such product was produced from a new formulation of asparaginase registered and marketed prior to eryaspase/GRASPA® as the first-line treatment.

The Company granted medac a second negotiation right *(see with regard to the right of first negotiation Section 1.8.1.2.2 of the Reference Document)* for the marketing of GRASPA® in the indications ALL and AML and in certain territories such as Turkey and Russia.

1.8.2.4 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 entered into 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.

1.8.3 Subcontracting agreements

1.8.3.1 Erytech/ American Red Cross (ARC)

The parties have signed a subcontracting agreement for the production of batches of eryaspase for the Company's clinical trials in the United States. It is set up as a fixed price for the availability of premises and personnel, plus variable remuneration based on the number of lots produced. The Company keeps all its intellectual property rights to the lots produced.

The contract entered into effect on March 1, 2009, for an initial duration of three years, and is renewable in one-year periods or, where applicable, until the end of the clinical trial for which ARC produces the batches.

1.8.3.2 Erytech/Invetech

ERYTECH Pharma and Invetech concluded a subcontracting framework agreement in April 2015 for the optimization of the manufacturing process of ERYTECH Pharma products and the automation of its production system. This would enable ERYTECH Pharma to increase its production capacities, in particular by optimizing production time and by limiting the handling of products that would lead to non-conformities. ERYTECH Pharma is continuing its collaboration with Invetech throughout 2017 with a view to arriving at an operational solution in mid-2019.

1.8.3.3 Other subcontracting agreements

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.

2 RISK FACTORS

Investors are invited to review all information contained in the Reference Document, including the risk factors described in this section. The Company has reviewed the risks and believes that there are no significant risks other than those described in this chapter. These risks are the risks which the Company believes, in the event they occur, could have a material negative impact on the Company, its activity, financial position, results or its development.

2.1 Operational risks

2.1.1 Risks related to product development

2.1.1.1 The marketing approval for Eryaspase/GRASPA® [25] could be delayed, be subject to post-MA studies (these two eventualities may lead to additional costs) or may not be obtained.

To obtain the regulatory approval required to bring a candidate product 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 development of its pipeline of products. 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 successful completion.

The Company may choose, or regulatory authorities may compel 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) or request additional scientific information/validations. 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 subject of the study, and force the Company to delay or interrupt the trial. In light of the results of trials, the Company could also decide to abandon development projects that it initially believed to be promising.

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

- 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;
- 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 jeopardize preclinical and/or clinical development of candidate drugs;

[25] The GRASPA® brand has been licensed to Orphan Europe (Recordati Group) to market the product in ALL and AML in Europe and to Teva Group for Israel.

- 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; this risk arose in 2016 during the Phase Ib trial in ALL in the United States where patient recruitment took longer than expected (see also Section 1.5.3).
- patients included in the trial could, at any time and without justification, stop participating in the trial; 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, in particular, to show the safety of the candidate product; negative results in Phase I could lead to discontinuation of the trial program; even in future phases, where 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.

Furthermore, the formulations of the Eryaspase/GRASPA® product used in Europe and in the United States differ, and the regulatory authorities of each jurisdiction may not accept the data from the clinical studies for an alternative formulation of Eryaspase/GRASPA® used in another jurisdiction. This could lead to delays and additional costs in connection with the conduct of additional comparative studies or could require the Company to repeat clinical and non-clinical studies so as to obtain approval in each jurisdiction in which the Company wishes to market Eryaspase/GRASPA®.

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 MA. Positive results in a clinical trial and/or the grant of MA of a product with a given indication does not presume the efficacy, safe use and MA for another indication, even if the latter may be related or linked by scientific rationale.

2.1.1.2 The Company has limited resources and access to financing, and the choice to prioritize the development of Eryaspase to the detriment of other candidate products could have a significant negative impact on their development opportunities.

Due to its limited resources and access to financing, the Company is required to prioritize the development of its candidate products and to determine the level of resources to allocate to each of them. The Company has therefore decided to focus its efforts on the development of Eryaspase/GRASPA®, which has required and will continue to require the mobilization of numerous Company resources. This choice to allocate the Company's human and financial resources might not lead to the development of viable drugs and may divert resources which could have been assigned to more promising programs. In the same vein, the Company's choices between certain substances, products/drugs and therapeutic fields or regarding the

opportunity to work with certain partners or not to develop certain candidate products may not prove to be correct.

On a more general basis, the commercial potential of candidate products and trends in the pharmaceutical industry may be wrongly assessed by the Company, which could have significant negative impact on the Company, its business, its opportunities, its financial situation, its results or its development.

2.1.2 Eryaspase/GRASPA®, ERYTECH's lead product, could present certain risks that exist in relation to blood transfusions.

Eryaspase/GRASPA® must be intravenously injected in the patient in accordance with the rules for administering red blood cells (transfusion) and, among other things, those regarding donor compatibility (blood type). The red blood cells used during the manufacturing process of Eryaspase/GRASPA® originate from blood donations prepared and tested by blood banks such as the Établissement Français du Sang ("EFS", see Section 1.8.2.1 of the Reference Document), known for their high standards of quality and safety.

However, Eryaspase/GRASPA® could present certain risks that exist in relation to blood transfusions. These risks, while rare, are possible despite having never been observed with Eryaspase/GRASPA® at the time of filing of the Reference Document:

- Risks from transmission of infectious agents:
  - viral;
  - bacterial;
  - parasitic; and
  - prion.
- Risks from red blood cells:
  - immunological (allergic) risk is that which causes the most concern 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 will 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 of the patient. The level of knowledge of the risks inherent to encapsulated molecules will be greater for a molecule that has already been granted a marketing approval in France or another country than for a new molecule that has never been used in humans. Eryaspase/GRASPA® uses asparaginase in two forms, marketed as "native" and "recombinant", a product that is used in Europe and whose toxicity is well known.

2.1.3 Risk related to production

2.1.3.1 Production costs may be higher than estimated.

ERYTECH fabricates products 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 restart the manufacturing process, 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; and
- rupture in cold chain.

These risks, should they occur, could have an adverse effect on the activities, financial position, results of operations, 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.

2.1.3.2 The Company's production capacity could be insufficient.

The Company's production capacity may prove insufficient in the future to to support its business business, particularly when launching Phase III in pancreatic cancer (see also Section 1.5.4). If the Company is forced to increase its production capacity, it would have to make considerable investments that could lead to significant financing needs or to sub-contracting agreements in order to outsource part of the production.

In particular, the production capacity of the candidate product Eryaspase could prove insufficient in terms of the Company's contractual obligations towards Orphan Europe and Teva, which could render the Company financially liable and result in the termination of these distribution contracts. Such events could have a significant negative impact on the business, opportunities, results, financial situation and development of the Company.

2.1.3.3 The Company or its partners could encounter difficulties in the production of the candidate products.

The candidate products intended to be marketed in Europe are produced in Lyon in the Company's production unit. The Company has also entered into contracts with the American Red Cross and Medac for the production of Eryaspase for use in clinical trials in the United States and for the supply of L-asparaginase, respectively.

The Company and its partners may find it difficult to comply with the laws and regulations applicable and good manufacturing practices (CGMP). As a result, the EMA, the FDA or

other regulatory authorities may penalize the Company either financially or by demanding, for instance, the suspension of clinical trials or regulatory approvals and the recall or withdrawal of candidate products from the market. Such events could have a significant negative impact on the business, opportunities, results, financial situation and development of the Company.

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

At this time, none of the products developed by the Company has received MA. For the development and marketing of products based on its ERYCAPS platform, 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 authorizations to market these products, it is possible that:

- the marketing approvals (MA) for its products will not be obtained by the Company in a sufficiently timely manner as to gain a competitive advantage in the targeted markets;
- the health authorities will impose restrictions on use that limit the therapeutic value and potential of the product in these targeted markets;
- health authorities will require that warnings on the use of the product be added to its instructions or packaging and impose more stringent conditions on advertising;
- the Company will not be able to successfully manufacture and market its future products at a price, reimbursement rate or scale allowing it to be profitable (see also Section 2.4: Regulatory Risks in the Reference Document);
- the future products of the Company will lose their competitive advantage and are rendered obsolete by third-party development of other equally or more innovative products (*see also Section 2.2 Strategic Risks in this Reference Document*); and
- the future products of the Company are not marketable due to third-party intellectual property rights claims (*See also Section 2.2 Strategic Risks in 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 MA is obtained;
- the ease of integration of the product into the current care process;
- the efficient implementation of a scientific publication strategy; and
- the support of opinion leaders.

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

2.1.5 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 its first product, Eryaspase/GRASPA®, the Company has entered into a partnership with specialists in the sale of orphan drugs, Orphan Europe (Recordati Group) for Europe and Teva Group for Israel (see also Sections 2.1.8 and 1.8 in the Reference Document).

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 will not be able to enter into a partnership under economically reasonable conditions; or
- such a partnership will be challenged; or
- the partners face difficulties or do not implement all means necessary to obtain the expected results pursuant to 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 technology that is in competition with that of the Company's (see also Section 2.2.4 on the risks related to competition in the Reference *Document)*.

Such events may have a material adverse effect on the activity, prospects, results of operations, 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 laws and, more generally, optimize its marketing efforts.

2.1.6 Risks related to its ability to penetrate foreign markets

The future profitability of the Company will depend in part on its ability to market its candidate products on markets inside or outside of the United States and Europe. If the Company markets its candidate products on foreign markets, it will be subject to additional uncertainties and risks such as:

- economic weaknesses, including inflation, or political instabilities in certain economies and markets;
- difficulties in complying with complex and changing foreign regulations on taxation, accounting and legal requirements that often vary from country to country;
- different medical practices and customs in foreign countries that may affect acceptance of the Company's products on the market;
- tariff and trade barriers;
- any other measure of trade protection, import or export licensing requirements or other restrictive measures imposed by the United States or other foreign governments;
- longer accounts receivable collection time;
- longer lead times for shipping;
- compliance with tax, employment, immigration and labor laws for our employees living or traveling abroad;
- uncertainties concerning the workforce in countries where labor unrest is common;
- the language barrier for technical training;
- the reduced protection of intellectual property rights in certain foreign countries, and the resulting prevalence of generic alternatives to the products of the Company;
- fluctuating foreign exchange rates and currency controls;
- differing foreign reimbursement landscapes;
- the uncertain and potentially inadequate reimbursement of our products; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contractual dispute.

Sales of the Company's products abroad may also be adversely affected by the imposition of government controls, political and economic instabilities, trade restrictions and changes in tariffs.

2.1.7 The marketing of GRASPA® in 39 European countries and in Israel is largely dependent on Orphan Europe (Recordati Group) and Teva Group.

2.1.7.1 Dependence on the Teva Group

The Company has chosen Teva Group ("**Teva**") as exclusive distributor for GRASPA® in the treatment of ALL in Israel *(see also Section 1.8 in the Reference Document)*.

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

Although this agreement requires that, every year, Teva reach the minimum sales targets after the launch of GRASPA®, the only recourse that the Company has in the event that Teva fails to reach these targets is the termination of this agreement, which would cost it time and considerable resources either for the development of its own marketing capabilities in Israel or for the conclusion of an agreement with a new suitable distributor, if any exists. The

Company cannot guarantee that Teva will succeed in obtaining regulatory authorization to market GRASPA. The marketing success of GRASPA® in Israel 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 Teva would have adverse consequences for 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.

2.1.7.2 Dependence on Orphan Europe (Recordati Group)

The Company has chosen Orphan Europe (Recordati Group) as the exclusive distributor of GRASPA® in the treatment of ALL and AML for 39 countries in Europe, including the European Union (*see also Section 1.8 in the Reference Document*).

An exclusive licensing and marketing agreement was entered into by the parties on November 23, 2012.

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

- Orphan Europe (Recordati Group) 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 capacity to sell the treatments developed by the Company. Although this agreement requires a periodic presentation by Orphan Europe on the marketing plans for estimating future sales of GRASPA®, Orphan Europe is not subject to minimum sales requirements and the Company cannot guarantee the success of marketing GRASPA® in the event of MA. 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 such products developed.
- Milestones payments will be made to the Company: the first payment was made on the date the agreement was signed and others will be made when MA of the treatments developed by the Company is granted and according to the sales levels achieved by Orphan Europe. Consequently, not reaching these objectives will have a material adverse effect on the Company's activities, financial position, results of operations or growth.
- The termination of the agreement by Orphan Europe in case of a wrongful breach by the Company could result in the payment of significant damages. However, the Company could also terminate the said agreement in the event of serious breach on the part of Orphan Europe, and claim significant damages.
- The non-compliance of guarantees given by the Company could reduce the milestone payments.

The Company expects that the revenues from its products would be adversely affected by a loss or change of current or future distributors of its products. If the Company decides to terminate any distribution agreement, it will either need to enter into a new agreement, qualify, train and supply a replacement distributor or supply and service customer accounts in those territories itself. Current or future distributors could irreparably harm relations with current and potential local customers and the reputation of the Company with the

biopharmaceutical community in general. In the event that the Company is unable to find alternative distributors or to mobilize its own sales force in the territories in which a distributor operates, the supplying of customers, its reputation and its operating results could be negatively affected.

2.1.8 Eryaspase/GRASPA® is the only product under clinical development, in the process of registration in Europe, and likely to be launched on the market within the next five years.

Eryaspase/GRASPA® is, to date, the only Company product under clinical development. ERYTECH finalized its clinical studies in Europe for GRASPA® in ALL and should submit an MA application to the EMA, in Europe, by the end of the third quarter of 2017. In the United States, the Phase I study in adults suffering from ALL is in progress and the Company is yet to conduct clinical trials in AML or pancreatic cancer in Europe or the United States. In fact, the clinical development of Eryaspase/GRASPA® is not yet complete.

As Eryaspase is the most advanced candidate product and the other candidate products use the same technological platform, ERYCAPS, the future of the Company depends on the successful development of its lead product: Eryaspase/GRASPA®. If the Company does not successfully develop and, ultimately, market Eryaspase/GRASPA®, and if it does not, in parallel, reduce its dependence on this product, its activities, prospects, financial position, results, and growth could be significantly affected.

The Company considers its dependence on Eryaspase/GRASPA® to be significant.

2.1.9 Risk of failure in the development of its ERYCAPS platform

The Company is only at an early stage in the development and its ERYCAPS platform has not yet, and may never lead to approved or marketable products. Even if the Company is successful in continuing to build its product pipeline, the potential candidate products that the Company has identified may not be suitable for clinical development for reasons such as their harmful side effects, their limited efficacy or other characteristics that indicate that they are unlikely to be products that will receive MA or be accepted by the market. For example, the FDA has required that the Company implement an additional red blood cell washing step in the manufacture of Eryaspase to reduce the risk of hemolysis in patients. The use of red blood cells as the basis for its ERYCAPS platform could lead to similar risks affecting the ability of its products to be granted MA and to be accepted by the market. If the Company fails to develop and market its candidate products based on its ERYCAPS encapsulation technology approach, it may not be able to generate revenues from its products and from its collaborations in the future, which would adversely affect its business and prospects.

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

The Company currently has and expects to continue to depend on partnerships with public and private research institutions, to conduct an important part of its discovery activities. If one of these partners 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.

2.1.11 A director could be in conflict of interest and harm the Company

Directors (*see also Sections 4.1.1 and 4.2 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 material adverse effect on the activities, financial position, results of operations, reputation or growth of the Company.

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 material adverse effect on the activities, financial position, results of operations, reputation or growth of the Company.

2.1.12 Risks of dependence on subcontractors and key raw material suppliers

2.1.12.1 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, among other things, with:

- Asparaginase *(see* also Section 1.8 in the Reference Document).
- Red Blood Cell ("RBC") Concentrate.

EFS and ARC are under contract to ERYTECH *(see Sections 1.8.2.1 and 1.8.2.2, respectively, of the Reference Document)* to supply the Company for its current clinical trials 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, and in the United States by the ARC, the only operators in their respective countries responsible for meeting the national need in blood products, which they 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 no longer be able to procure RBC in a sufficient manner and to satisfy the demand of clinical trials and/or of the markets.

The asparaginase market is a closed market with few international players and multiple marketing exclusivity rights between players and geographical areas. ERYTECH is supplied by a company (medac) with which it has signed a long-term contract for the supply of asparaginase.

2.1.12.2 The Company is dependent on its subcontractors.

The Company outsources the following:

- the manufacturing of equipment required to operate its manufacturing process (see also Section 1.8 of the Reference Document);
- the management of its clinical trials to specialized Contract Research Organizations (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 terms 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 material adverse effect on the activities, financial position, results of operations or growth of the Company.

In addition, the contracts that the Company entered into with these companies usually contain limitation of liability clauses in their favor, meaning that the Company will not have recourse to full compensation for potential losses likely to be incurred by the Company in the event of failure.

To reduce its dependence on these companies, the Company's contracts provide for, where possible, an extended notice period before any termination or shutdown of activity in order to have sufficient time to find a new qualified contractor.

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

If products supplied and manufactured by third parties do not comply with regulatory standards, penalties may be imposed on the Company. These eventualities may include fines, injunctions, a refusal by regulatory authorities to allow the Company to pursue its clinical trials, delays, suspension or withdrawal of approvals, seizure or recall of its products and criminal prosecution; all such measures could have a considerable adverse impact on the Company's business.

In the event the Company is forced to 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. Such verification could be costly, time-consuming and could require the attention of the Company's most qualified personnel. In order to show absence of impact due to such 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 compelled to find another supplier/subcontractor which could delay the production, development or marketing of products and increase the manufacturing costs of these products.

2.1.13 Risks relating to health, safety and the environment

The Company is exposed to risks related to hazardous substance handling.

The Company's research and development activities expose it to chemical and biological risks and require 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 not only from donors but also from patients (*see also Section 2.1.1, Risks related to the development of products 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 allow 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 has not identified any major environmental risks related to its activities, 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 insurance policies taken out by the Company or even be refused coverage by such policies.

Moreover, compliance with environmental, health and safety regulations imposes on the Company additional costs, and the Company may have to incur significant expenses to comply with future environmental legislation and regulations.

2.2 Strategic risks

2.2.1 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 particular the Chairman and Chief Executive Officer Gil Beyen, the Deputy General Manager, the Director of Pharmaceutical Operations Jérome Bailly and the Medical Director Imam El-Hariry. 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 and 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 of operations, financial position and prospects.

Moreover, the loss or disability of one or more members of Management could lead to material adverse effects on the activities, financial position and overall growth of the Company. While the Company benefits from a "Key Persons" insurance policy (*described in Section 2.6 of the Reference Document*) for Gil Beyen, this policy could prove insufficient to compensate for any damages suffered.

2.2.2 Risks related to key objectives not being reached

2.2.2.1 The Company develops innovative therapies and may not achieve its development and profitability objectives

One of the cornerstones of ERYTECH's strategy is the use and expansion of its ERYCAPS technological platform, designed to treat rare forms of cancer and other orphan illnesses. The discovery of a therapeutic technology based on the encapsulation of therapeutic agents within red blood cells is an emerging area of study and scientific research on the development of candidate products in this field of study is relatively recent.

Although the Company has developed its ERYCAPS technological platform and carried out pre-clinical and clinical studies on its candidate products, many uncertainties still affect the development opportunities and profitability of the candidate products given that their safety, their effectiveness and their acceptance by patients, doctors and paying agencies have yet to be established.

2.2.2.2 The Company might not reach its contractual objectives as set out under certain partnerships and partnership agreements.

The Company is bound to academic and commercial partners through financial agreements for research programs or by commercial development agreements. The payment of royalties or public funding under these agreements are conditioned to the respect of certain commercial, industrial, proof of concept and others objectives.

Consequently, not reaching these objectives will have a material adverse effect on the Company's activities, financial position, results of operations or growth.

In particular, since the founding of the Company in October 2004 and until December 31, 2016, BPI France has awarded the Company €2,738,837 in non-repayable grants and €1,997,535 in conditional advances. If the Company fails to meet its contractual obligations under the applicable research program financing agreements, and especially if the Company loses its exclusive right for the commercial development of its candidate products, it may be required to repay early the conditional advances of a total amount of €1,181,535 at December 31, 2016. Such early repayment could have a negative impact on the Company's ability to finance its research and development projects, in which case it will have to find other sources of financing that may not be available under reasonable economic terms or may not be available at all.

2.2.3 Risks related to the management of growth

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

As part of its development 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:

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

If the Company fails to manage its development or if it encounters unexpected difficulties in its development, this could have a material adverse effect on its activities, financial situation, results of operations or growth.

2.2.3.2 The Company has limited experience in conducting external growth operations.

As of the date of the Reference Document, the Company had never conducted any external growth operations. Through the implementation of its strategy, the Company may be required, if such opportunities present themselves, to make selective acquisitions of complementary technologies, companies and/or activities to facilitate or grant it access to new research projects, or to new geographical areas, or those which present synergies with its existing activities. The Company may be required to issue equity securities to raise the funds required to finance such an acquisition or to pay for the latter partly or fully in Company shares. These potential issues could have a dilutive effect for the existing shareholders of the Company. The success of this strategy could partly depend on the Company's capacity to identify attractive targets, to perform these acquisitions under satisfactory conditions and to successfully incorporate them into its operations or technology, or by generating the desired cost-savings or synergies.

The Company's external growth will also depend on its capacity to identify, develop and enter into new partnerships to be in a position to ultimately acquire, develop and market new therapeutic products. To identify new candidate products, the Company may require substantial additional technical, human and financial resources.

Furthermore, due to the Company's limited financial capacities, the Company may be obliged to abandon the development of certain new candidate products which could have enjoyed commercial success.

All problems encountered by the Company in the incorporation of other companies, activities or technologies or the development of new candidate products could have a significant negative impact on its business, opportunities, financial situation, results or development.

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

The markets in which the Company operates are well-defined, very competitive and progress rapidly. The Company competes with larger companies that have more industrial and marketing experience and which have access to clearly greater resources.

Consequently, the Company cannot guarantee that its drugs will:

- reach the target markets more rapidly than those 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 breakthroughs;
- be accepted by medical centers, physicians and patients in lieu of existing treatments; and
- be effectively competitive compared to other products treating the same indications.

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

Such events could have a material adverse effect on the activities, results of operations, 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. In addition to 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. Accordingly, 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. Moreover, rapid technological developments by these competitors could render the Company's candidate drugs or its potential products obsolete before the Company is able to make a profit on 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 1.4.2.4 The current market for L-asparaginase in this Reference Document*).

Even if the Company's products are marketed successfully, market recognition could be delayed and the Company may 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 to significant marketing as well as investment efforts. To date, the Company has not undertaken significant marketing activities and has few financial and human resources available for such purposes.

2.2.5 The Company may not be able to protect the confidentiality of its information and/or know-how.

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

There is no guarantee that such confidentiality agreements will ensure the intended protection or will not be breached, and that the Company has appropriate solutions against such breaches, or that its trade secrets will not be disclosed to or be developed by its competitors.

More specifically, the Company has no control over the conditions under which third parties with which it contracts, use themselves other third parties, and protect its confidential information.

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

2.2.6 ERYTECH could be the target of cyber-attacks.

In order to maintain the security of its 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 an adverse effect on the activities, financial position, results of operations, reputation or growth of the Company.

2.2.7 ERYTECH could be a target of 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 activities.

Such a situation, should it occur, is likely to have an adverse effect on the Company, its activities, financial position, results of operations or growth.

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

The Company has signed agreements with researchers working for public and/or private entities (*see Section 1.8 of the Reference Document*). The agreements signed with these entities contain clauses pertaining to intellectual property rights and confidentiality commitments.

It cannot be guaranteed that those agreements will ensure the intended protection or that they will be respected 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 contracted, 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 1.8 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.

2.2.9 Risks related to intellectual property

2.2.9.1 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 will not infringe on third-party intellectual property rights or patents and that the Company will not be forced to defend itself against such allegations made 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 do not 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 activities and, more particularly, could force the Company to:

- cease the sale or use of its products;
- acquire the right to use the intellectual property under costly terms; or
- 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, while the laws changed in 2012, 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 laws in the United States provide that the right henceforth belongs to the first inventor who files according to 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 sign licensing agreements with third parties (provided that such 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 respected, 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 material adverse effect on the activities, financial position, results of operations or development of the Company.

2.2.9.2 The Company will not seek to protect its intellectual property rights in all countries throughout the world and it may not be able to obtain effective enforcement of those rights even in countries where it attempts to protect them.

The filing, processing and defense of patents associated with candidate products of the Company in all countries and jurisdictions worldwide would be extremely expensive and its intellectual property rights in certain territories outside the European Union and the United States could be less extensive than within Europe and the United States if such rights are obtained in the United States or in Europe.

Moreover, the legislation of certain foreign countries does not protect intellectual property rights in the same way as the law of the European Union, federal law and the law of the United States does. Consequently, the Company may not be able to prevent third parties from using its inventions in territories outside the United States or the European Union, or from selling or importing products made using its inventions in Europe and the United States or in other jurisdictions.

The legal deadlines for patent protection applications in each foreign jurisdiction are based on the priority dates of each of the Company's patent applications. Competitors may use the Company's technologies in jurisdictions where it does not apply for and does not obtain patent protection in order to develop their own products and may even export illegal products to territories where it has patent protection but where enforcement is not as fundamental as in Europe or the United States. Such products could compete with the Company's products, and patents or any other intellectual property right may not be effective or sufficient to prevent such competition. Even if the Company applies for and obtains patents issued in certain particular jurisdictions, such patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from engaging in such competition.

The legislation of certain foreign countries does not protect intellectual property rights in the same way as the legislation of the European Union and the United States does. Many companies have encountered serious problems in the protection and defense of intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly developing countries, are not favorable to the enforcement of patents and other intellectual property protections, especially those involving biopharmaceutical products and biotechnologies. It may therefore be difficult for the Company to prevent infringement of its patents, even if it obtains them, or misappropriation of its other intellectual property rights.

For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Furthermore, many countries limit the enforceability of patents against third parties, particularly government agencies or government sponsors. In such countries, patents may be of limited benefit or no benefit at all.

Patent protection should be considered country by country, which is a burdensome and time-consuming process, with uncertain results.

Therefore, it is possible that the Company will not apply for patent protection in certain countries and therefore would not be able to benefit from patent protection in those countries.

Litigation initiated for the enforcement of the Company's patent rights in foreign jurisdictions could result in substantial expenses and divert its efforts and attention from other aspects of its business, as well as result in the invalidity or a strict interpretation of its patents, prevent its patent applications from succeeding and enable third parties to make claims against it. It is possible that the Company may not prevail in any litigation that it undertakes and that the damages that it would be awarded, if any, would not be commercially significant. Moreover, changes in law and in the rulings of the courts in Europe, the United States and other countries may affect its ability to obtain adequate protection for its technology and for enforcement of its intellectual property. Therefore, the efforts made by the Company for worldwide enforcement of its intellectual property rights may prove unsuitable for obtaining significant commercial benefit deriving from the intellectual property that it develops or licenses.

2.3 Legal risks

2.3.1 The liability of the Company and/or its subsidiary may be incurred where any harm is caused by 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 the use of future related products risk exposing the Company and/or its subsidiary to liability actions.

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

2.3.2 Exceptional events and litigation

In the course of its normal activities, the Group is not involved in any legal proceedings. To the Group'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 Group.

In January 2016, the Company settled the dispute with BPI France regarding the GR-SIL subsidy in the amount of €81,000 as well as a residual repayable advance in the amount of €23,000, by repaying both of them. A provision was recorded relating to this dispute in the

amount of €81,000 for the financial year ended December 31, 2015 (see Note 7.9 in the Notes to the IFRS financial statements in Section 5.3 "Consolidated financial statements").

The tax audit begun in fiscal 2015 was completed in February 2016 without any major reassessment by the tax authorities. The Company obtained the research tax credit owed for 2014 and 2015 in the amount of €1,525,000 and €2,219,406 respectively. The Company has also received other major tax refunds.

2.3.3 Legal and arbitration proceedings

At the registration date of the 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.

2.4 Regulatory risks

2.4.1 Risks related to the regulatory environment

2.4.1.1 Obtaining prior marketing approvals is uncertain.

At this time, none of the Company products, including its most advanced product, Eryaspase/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 laws and regulations and to controls from regulatory authorities such as the ANSM in France, the FDA in the United States and the EMA in Europe. The applicable regulatory requirements are known, but subject to change. Any failure to comply with such requirements can lead to sanctions including fines, rulings, civil penalties, refusal of MA, delays, suspension or withdrawal of approvals, seizure or recall of products, restriction of use and criminal prosecution.

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. The Company's inability to follow its development schedule or to conduct clinical trials for its products within expected time limits could have a material adverse effect on its activities, financial position, results of operations or growth.

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 Eryaspase/GRASPA®, are currently in early clinical stages, or to move products currently under pre-clinical development into a clinical stage;
- the Company alone or with its potential partners being able to successfully conduct clinical trials within stated time limits and with the resources and under the conditions originally set out;

- the Company's trials showing the safety and efficacy of its products as well as a positive risk/benefit for the patient;
- the Company obtaining clinical results that are more promising that those of its competitors;
- the results of clinical trials, although positive, not meeting the applicable regulatory criteria;
- the Company's inability to submit to the competent regulatory authority in its respective jurisdiction the results of clinical trials conducted in another jurisdiction or for other candidate products;
- the Company being required to conduct additional clinical trials requested by regulatory authorities;
- the Company's competitors announcing clinical trial results that causes the amendment of evaluation criteria used by relevant regulatory authorities;
- the ability of the Company to obtain the clinical trial approvals in relevant jurisdictions within the timelines set out in the development plan; and
- the ability of the Company to respond (among other things, within the required timelines) to questions by the competent authorities during the MA process. For example, the European Medicines Agency asked the Company to provide more information about the additional data it had requested on the comparability of old and new forms of encapsulated asparaginase in GRASPA®, the development of an immunogenicity test, as well as the pharmacodynamics of eryaspase, which led the Company to withdraw its MA application as the deadline specified in the CHMP procedure did not give it sufficient time to provide the data. The Company intends to resubmit its MA application by the end of the third quarter of 2017..

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 marketing.

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 MA 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.

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

2.4.1.2 It is possible that the Company may not obtain data exclusivity for GRASPA®

The Company considers that GRASPA® contains a “new active substance” that has not been approved previously in the European Union. If that proves to be the case, the Company will benefit from data exclusivity for a period of eight years following the granting of the MA, plus an additional two-year market exclusivity period. Data exclusivity refers to the period during which another company cannot use the data that the Company submitted in support of its MA application. This exclusivity prevents certain types of pharmaceutical products, such as generic, hybrid or bio-similar drugs, from obtaining an MA from the European Medicines Agency (EMA) during the data exclusivity period. The additional market exclusivity period refers to the period during which generic, hybrid or bio-similar drugs cannot be sold even if they have been granted an MA. Should the EMA decide that the active substance in GRASPA® is not a new active substance, anyone applying for an MA for a generic or bio-similar product can file an MA application using the Company’s data. This would consequently undermine the protection granted by GRASPA® data exclusivity, as well as market exclusivity. However, if the Company retains "orphan drug” status for GRASPA® at the time that it obtains the MA, the Company will still benefit from a market exclusivity for a period of 10 years.

2.4.1.3 It is possible that the Company may not benefit from market exclusivity connected with the orphan drug status for GRASPA®, Eryaspase, or its other drug candidates or in other indications.

The Company has obtained the orphan drug status for GRASPA® in the treatment of ALL, AML, and pancreatic cancer from the EMA in Europe as well as for Eryaspase for the same indications from the FDA in the United States. Additionally, the Company may apply for orphan drug status for some of its other products or for other indications.

In general, any drug designated as orphan that obtains an MA in Europe or the United States is eligible for market exclusivity in the orphan indication concerned, depending on the case, for 10 years in the European Union and 7 years in the United States. During that period, the regulatory authorities in Europe and the United States refrain from granting an MA for a similar drug. No other directly competitive drug may therefore be marketed during that period. Nonetheless, even after granting a drug orphan status, the regulatory authorities can withdraw that status if they decide that it does not meet the designation criteria. The exclusivity period in Europe may be reduced to 6 years in certain conditions or be withdrawn in certain cases, such as the manufacturer’s inability to ensure sufficient quantities of the drug to meet patient needs. In this respect, when reviewing the MA application in Europe, the EMA will reassess in particular whether GRASPA® still meets the designation criteria that apply in the European Union. If the EMA decides that GRASPA® no longer meets those criteria because it does not offer a significant advantage over existing treatment, it may withdraw the orphan drug status before granting the MA.

The relevant regulatory authorities may also grant an MA to a product that is a direct competitor in the same indication if it decides that the new competitor is clinically superior in terms of safety or efficacy or makes a major contribution to patient care.

Furthermore, should the Company’s competitors succeed in obtaining marketing exclusivity for their orphan drugs in the same indications as those targeted by the Company’s drug

candidates, this could prevent the Company from obtaining an MA for a significant period of time.

Should such events occur, they could have a material adverse effect on the Company's activities, operating results, financial position and growth prospects.

2.4.1.4 Marketing conditions may become less favorable to the Company.

While it is becoming increasingly difficult to obtain marketing approvals for the reasons mentioned above, government authorities are seeking to facilitate the entry of generic drugs into the market of products already being sold by the implementation of new regulations aimed at modifying patent law and the rules on the exclusivity of data in the main markets.

To the extent that these new regulations may lead to an increase in the costs of obtaining and maintaining product marketing approvals or may limit the economic value of a new product for its inventor, the growth prospects for the pharmaceutical industry and for the Company may diminish.

2.4.1.5 Ensuring compliance of the candidate drugs could be a long and costly process in the event of a change in the regulatory and legal framework.

The products marketed are reassessed regularly for their benefit/risk ratio after their MA has been granted. Any late discovery of problems not identified at the research stage may lead to marketing restrictions, suspension or withdrawal of the product and an increased risk of disputes.

Failure by the Company to comply with such regulations or changes in the regulatory framework, could result in significant penalties and in particular fines, product recalls, sales restrictions, temporary or permanent suspension of its activities and criminal or civil proceedings. The materialization of one or more of these risks could have a significant negative impact on the Company, its business, its opportunities, its financial situation, its results or its development.

2.4.2 The collection of human samples is strictly regulated.

ERYTECH and its partners comply with the regulations on the collection of human samples. Those regulations require, in some cases, patient consent, confidentiality of the patient's 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 with such regulations or if the relevant regulations were to be amended unfavorably, research projects and activities and growth at ERYTECH as well as its related schedule could be penalized.

2.4.3 The conditions for determining the price and reimbursement 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 agencies, 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 to the sufficiency of such reimbursement.

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

Moreover, the legislative and regulatory measures implemented 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.

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

To date, the Company has the regulated status of "Etablissement Pharmaceutique de Fabrication" and of "Etablissement Pharmaceutique d'Exploitation." There is no guarantee that the Company or its partners will retain those designations to manufacture and market any of its products. The Company as well as its products are subject to extensive and very stringent laws and regulations and to controls from regulatory authorities such as the ANSM, the FDA and the 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 with such requirements can lead to sanctions including fines, rulings, civil penalties, refusal of MA, delays, suspension or withdrawal of approvals, seizure or recall of products, restriction of use and criminal prosecution.

If the Company or its partners fail to maintain such status, it or they will not be able to manufacture and/or sell the relevant product in the jurisdiction concerned; this would have a material adverse effect on the Company's activities, financial position, results of operations or growth.

2.5 Financial risks

2.5.1 The Group has a history of operating losses, losses that could persist.

The Group has recorded accounting and tax losses since the beginning of its activities in 2004. As of Saturday, December 31, 2016, the cumulative losses amounted, respectively, to €80 million under IFRS. These operating losses are principally due to investments in research expenditures and development costs for conducting preclinical studies and clinical trials. The Group anticipates substantial new operating losses for the coming years as its research and development activities, pre-clinical studies, and clinical trials are pursued. At the time of filing of the Reference Document, neither Eryaspase/GRASPA® nor any other of its products have generated sales revenue.

The Group's profitability will depend on its ability to successfully develop, produce, and market its products. The Group's own financial resources will be generated, in the near future, from the first sales of Eryaspase/GRASPA® and from payments made by partners within the context of established distribution 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 is also possible. The Group does not anticipate revenue from the sale of products other than Eryaspase/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.

Refer to Chapter 5 of the Reference Document.

2.5.2 The Group may need to strengthen its equity base or use additional funding to ensure its growth.

As the final phases of product development in the biotechnology and biopharmaceutical industry require increasing investments, the financial needs of the Group will continue to increase as the Group invests in the development of existing and new products. However, the Group believes that its self-financing capacities will be sufficient to cover its financing needs for the next 24 months. These financing needs, other than committed fixed costs, concern clinical trials that the Group has planned to conduct (please refer to Chapter 1 of the Reference Document) as well as expenses involved in research programs assisted by BPI France (please refer to Section 5.3 of the Reference Document). However, the Group may be required to raise additional funds sooner, by reason of various factors, such as:

- unexpected opportunities to develop new promising products or acquire technologies or other activities;
- higher costs and slower progress than anticipated by the Group for the development of new products and for obtaining the indispensable marketing approvals;
- costs incurred by the Group to file, maintain, and enforce patents and other intellectual property rights;
- costs incurred by the Group 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 Group to establish partnership agreements within the projected time frame.

At the date of the Reference Document, the Group conducted a specific review of its liquidity risk and believes that it is not exposed to a liquidity risk for the next 24 months given the cash and cash equivalents available as at December 31, 2016; these amount to €37.6 million.

It is possible that the Company may fail to obtain additional capital when it is needed, or that such capital may not be available on financial terms acceptable to the Company. If the necessary funds are not available, the Company may need to:

- delay, reduce or eliminate the number or extent of its preclinical and clinical trials program;
- grant licenses on its technologies to partners or third parties; or
- sign new cooperation agreements under conditions that are less favorable to the Company than those it could have obtained under different circumstances.

Moreover, if the Company raises capital by issuing new shares, its shareholders' stakes could be diluted. Debt financing, to the extent that it may be available, could also generate restrictive conditions on the Company and its shareholders.

If one or more of these risks materializes it could have a material adverse effect on the Company, its business, its financial position, its results of operations, its development and its prospects.

2.5.3 Risk of major financial crisis

The Group could be linked to major events related to the economic environment and external to its activities 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 material adverse effect on its financial position, results of operations, and growth.

2.5.4 Dilution risk

As part of the motivation policy applied for its executives, directors and employees, the Group has issued or allocated warrants, founders' warrants, bonus shares and options (stock options). The exercise of all dilutive instruments granted but not yet exercised based on share capital of €873,264.80 would lead to a 7.17% dilution (*see Table 8 in Section 4.2 of the Reference Document).* In the future, the Group could proceed with the issue or allocation of new financial instruments giving access to Group share capital.

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

2.5.5 Social and fiscal risks

2.5.5.1 Risks related to research tax credit

The Group benefits from public funding to which all innovative companies have access, in particular the research tax credit (crédit d'impôt-recherche – "CIR"). 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.

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

Due to its inherent nature, its corporate purpose, and its pipeline of pre-clinical and clinical projects, the Group is confident in its eligibility for the research tax credit program. Moreover, in 2017, the Group's authorization from the French Ministry of Research and Higher Education was renewed.

Last, the Group has been audited by the tax authorities with respect to the research tax credit for 2010, 2011, and 2012, the risk being thus extinguished for these years, as well as for previous years, due to the lapse of the limitation period.

The Group believes that any financial consequences of future tax audits could jeopardize and/or halt the growth of the Group.

2.5.5.2 Risks related to tax fluctuations for drugs

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

2.5.5.3 Risks associated with changes in tax or labor legislation

There are many tax risks related to changes in fiscal or labor legislation. If the risk of deliberate violation of a tax law (legal or illegality risk) is ruled out, the risks could be current or long term; they could originate externally or internally, and could be related to persons, operating processes, technology, or business tax management procedures.

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

2.5.5.3.1 US risk

The French – US tax authorities and/or tax agreements could jeopardize the agreements between the Company and its subsidiary. The Group, however, is not specifically affected by this risk, in the absence of any special new tax aspects existing at the present time.

2.5.5.3.2 Transaction risk

Each transaction is subject to taxation. The more complex a transaction is, the more tax uncertainty and, consequently, tax risks, it could generate. The more uncommon or unusual the transaction is, the more it is exposed to specific risks.

The Group, however, is currently not specifically affected by this risk with regard to the present situation.

2.5.5.3.3 Situation risk

Fiscal risk depends on its impact and its probability of occurrence. The probability of occurrence depends on the action or reaction of the tax authorities in response to a situation. As such, this probability is high when a company finds itself in certain situations motivating a tax audit, such as a company generating VAT (Value-Added Tax) and CIT tax credits, namely, during initial claims for restitution.

The Group, however, is not specifically affected by this risk, in the absence of any special new tax aspects existing at the present time.

2.5.5.3.4 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 involve all departments and persons concerned with tax aspects, and not only its corporate tax department (supply, transportation, inventory records, personnel, treasury and finances, commercial, invoicing, delivery, shipping, investment, accounting, etc.).

The Group does not consider itself to be affected by this risk, as it monitors the proper training of and documentation by persons involved and good communication between the parties involved in operations having a direct fiscal impact.

2.5.5.3.5 Risks related to retroactive application 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 Group (for example, tax aspects relating to the BSPCE).

The Group does not consider that its current tax situation is particularly subject to a risk of being assessed back taxes.

2.5.5.3.6 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 Group does not believe that its accounting structure bears any risk at the present time, aside from the work performed by the audit committee.

2.5.5.3.7 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 offers a certain level of stability and continuity and, at least, assistance for an easier succession.

However, the Group believes that it is not specifically affected by this risk at the present time, primarily due to its use of external advisors.

2.5.5.3.8 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 aspects of risk exposure, the Group does not believe that it is exposed to any particular risk to its reputation at the present time.

2.5.6 Market risks

2.5.6.1 Liquidity risk

The Group has been structurally loss generating since its creation. The net cash flows associated with the Group's operating activities were respectively -€18 million at Saturday, December 31, 2016 and -€15 million at Thursday, December 31, 2015.

Historically, the Group has financed its growth by strengthening its shareholders' equity in the form of capital increases and the issue of convertible bonds. The capital increase associated with its introduction on the stock market in May 2013, as well as the operation renewed in 2014, 2015 and 2016, enables the Group to ensure its business continuity through to Monday, December 31, 2018.

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

in K€	2016			
	Book value	Contractual cash flows		
		Total	< 1 year	1 ≥ 5 years
Borrowings	1,480	(1,480)		(1,480)
Conditional advances	1,182	(1,182)	-	(1,182)
Financial debt associated with leases	204	(218)	(95)	(123)
Convertible bonds				
Bank overdrafts				
Trade and related payables	4,832	(4,832)	(4,832)	
Total	**7,697**	**(7,712)**	**(4,927)**	**(2,785)**

in K€	2015			
	Book value	Contractual cash flows		
		Total	< 1 year	1 ≥ 5 years
Borrowings				
Conditional advances	563	(570)	(570)	(63)
Financial debt associated with leases	144	(149)	(59)	(91)
Convertible bonds				
Bank overdrafts				
Trade and related payables	3,672	(3,672)	(3,672)	
Total	**4,380**	**(4,392)**	**(4,238)**	**(153)**

The Company has conducted a specific review of its liquidity risk and considers that it is capable of meeting its upcoming payment deadlines. The net cash available at Saturday, December 31, 2016, totals €**37.6** million.

2.5.6.2 Exchange rate risk

The Group uses the euro as its functional currency within the context of its information and financial communications activity. However, a significant portion, about of 23% of its operating expenses, is denominated in US dollars (agency office in Boston, cooperation 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 cooperation around tests and clinical projects in the United States).

To date, the Group has not opted to use active hedging techniques, and does not use 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 Group will perform clinical trials in the USA and, in the longer term, sell on this market.

Expenses in US Dollars totaled $6,242 K during the 2016 financial year.

The EUR/USD rate fell considerably at the period end, reaching $1.0541 per €1 at December 31, 2016.

The exchange rate differences are not significant for the periods presented.

2.5.6.3 Interest rate risk

The Group has little exposure to interest rate risk. Such exposure would involve monetary fund investments in foreign currencies and term deposit accounts. The change in interest rates has a direct impact on the rate of return on investment and cash flows generated.

The Group has no borrowings or variable-rate credit. The repayment of conditional advances from BPI France is not subject to interest rate risk.

2.5.7 Volatility risk

The price of the Company's shares could be affected by significant volatility. Aside from 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 Group, its competitors, or general economic conditions and the biotechnology sector.

The following factors could have a significant influence on the share price:

- negative changes in market conditions related to the Group's sector of activity;
- announcements by the Group, 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 Group or its competitors from one period to another;
- changes in patents or intellectual property rights of the Group or those of its competitors;
- changes in international political, economic, and monetary context and especially unfavorable changes in the regulatory environment applicable in the countries or the markets specific to the Group's sector of activity or to the Group itself;
- announcements regarding changes in the Group's ownership structure;
- announcements regarding changes in the Group's management team; and
- announcements regarding the Group's asset perimeter (acquisitions, disposals, 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.

2.6 Insurance cover and risk management[26]

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 €73,497.28 for the financial year ended Saturday, December 31, 2016, and €79,775.33 for the financial year ended Thursday, December 31, 2015.

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

Policy	Insurer	Risks covered	Main characteristics	Expiration
Key person	April	Death for Mr. Gil Beyen.	Limit of liability of €500,000 per person.	Renewable by tacit agreement on January 1 of every year.
Premises and liability	CNA Hardy	Insured activities: Civil liability before delivery including: Gross negligence Material and immaterial damages including non-consequential immaterial damages, theft by agents, damages to consigned goods	€7,500,000 / claim / year	Renewable by tacit agreement on January 1 of every year.

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Policy	Insurer	Risks covered	Main characteristics	Expiration
		All damages arising from accidental pollution	€1,000,000 / claim / year	
		Civil liability after delivery		
		All types of damages (physical, material and immaterial) including:		
		Only in relation to the civil liability generated: non-consequential immaterial damages and withdrawal costs		
		guarantee USA/CANADA and subsidiary ERYTECH Inc.		
		Appeal and criminal defense	€30,000 / claim / year	
Property and Casualty Business	MMA	Address of risk: 60 Avenue Rockefeller 69008 LYON	Fire and related risks Water damage: Equipment - furniture - personal belongings: guaranteed up to €2,016,198 Natural disasters Electrical damage Recovery by neighbors and third parties Broken glass Theft Equipment breakdown Computer and office automation all risks Other events cover Automatic insurance on investment Resulting costs and losses Business interruption/material damage, equipment breakdown and electrical damage Inaccessibility	Renewable by tacit agreement on January 1 of every year.

Policy	Insurer	Risks covered	Main characteristics	Expiration
Civil Liability for Executive Officers and Corporate Officers	Chubb	Civil liability for executive officers.	Extensions: Claim of misconduct Claim against legal entity Crisis management costs Maximum aggregate amount per insurance period: €5,000,000 with sub-limits set out in contract Territory covered: Global coverage	Renewable by tacit agreement on January 1 of every year.
Transported Goods	Chubb	Merchandise consists of: – Eryaspase/GRASPA® Guaranteed worldwide Excluding shipments to/from the following countries: Afghanistan, Burma, Iraq, Iran, Cuba, North Korea, Sudan, Syria and all other countries where the legislation requires local coverage, except following prior declaration and acceptance by the insurer before the shipment of merchandise.	Ground and air transport Additional guarantees: Packaging and packing 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 1 of every year.
Automobile	COVEA FLEET	All employees on assignments for a total of 3,000 km maximum per year.	Automobile liability Criminal defense and claim All accidental damages, theft and attempted theft, fire Broken glass Luggage and personal belongings Physical injury - driver	Renewable by tacit agreement on January 1 of every year.
Business travel	Chubb	Travel by 5 employees on behalf of the subscriber.	Personal injury	Renewable by tacit agreement

Policy	Insurer	Risks covered	Main characteristics	Expiration
			Assistance Business travel Personal safety	on January 1 of every year.
Clinical trials	HDI Gerling	Covers liability of the Company as a sponsor of biomedical research. 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 1.3.3 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.

The Company has also set up a risk management system that provides risk analyses (identification, analysis and treatment) of production activities, physical safety, security of information system assets, and the Company's reputation (see also the Chairman's Report on Internal Control).

3 SOCIAL, ENVIRONMENTAL AND CORPORATE RESPONSIBILITY

3.1 ERYTECH Pharma's contribution to sustainable development

Our group, ERYTECH Pharma, is a biopharmaceutical company whose purpose is to become an international leader in customized medicine in the field of cancer.

ERYTECH Pharma Company aspires to conduct each of its actions according to the principles of Corporate Social Responsibility (CSR).

Placing the patient at the heart of our priorities and demonstrating ethics and respect toward each person are shared values within ERYTECH Pharma, and they form the basis for its approach as a socially responsible enterprise.

Our employees promote these values and develop the activities on a day-to-day basis. The company has made a particular commitment to train them and offer them a healthy and safe work environment 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.

Our current activities are therefore concentrated in research & development and production for clinical trials. They are being developed in close cooperation with health professionals, particularly physicians and pharmacists, whose expectations guide our group.

The company holds regulated status in France as a Pharmaceutical Company.

The purpose of this report is to share with the company's stakeholders the company's contribution to sustainable development.

3.2 Social information

3.2.1 Erytech Pharma's contribution to sustainable development

Vision, Innovation and Entrepreneurship

ERYTECH Pharma's desire to preserve its entrepreneurial and collaborative spirit is reflected in:

- The consolidation of its technological platform and the upholding of coherence within its pipeline of projects;
- The reinforcement of its visibility and the development of new partnerships and external collaborations.

Excellence, Engagement and Responsibility

"Never compromise on quality" is the motto of all ERYTECH Pharma employees. In the field, this approach relies on the open and transparent sharing of information regarding the regulatory and normative requirements of our activities. Personal support is the vector for everyone to quickly become an autonomous and responsible actor in the company's focus on quality.

Communication and open-mindedness

Our company's culture is based on active internal communication and participatory management. We regularly organize meetings within departments about the various projects.

A bi-monthly HR meeting is held with management and project managers, to share developments in areas related to their role, particularly performance management through objectives, welcoming and integrating new hires, knowledge development, etc.

Twice a year, (January and July), ERYTECH Pharma offers "corporate days", which are an essential opportunity for interaction to build cohesion among the teams. Between the corporate days, two "corporate afternoons" are also organized to ensure regular reporting on the progress of projects.

Moreover, since 2015, the company has issued a monthly newsletter, entitled "Erynews", to all employees, in French and English, which includes a presentation of all the latest developments in the progress of company projects.

Teamwork

ERYTECH Pharma's operational efficiency relies daily on cross-disciplinary teamwork. Employees are frequently involved and invested with responsibility through the implementation of internal action plans.

Personal development

Our structure, based on project management, reinforces our employees' feelings of trust and satisfaction thanks to the regular communication of results.

Constant dialog between managers and staff makes it possible to assess professional growth on an ongoing basis.

3.2.2 Jobs and Social Responsibility

3.2.2.1 Jobs

The ERYTECH Pharma workforce

ERYTECH Pharma's workforce is located:

For Erytech Pharma SA:

- At the Bioparc, developed in the heart of the Rockefeller Health Center in the 8th arrondissement of Lyon: 77 employees

For Erytech Inc:

- In Cambridge, Massachusetts, in the heart of the biotechnology company cluster: 7 employees
- In Philadelphia, Pennsylvania, on the premises of the ARC: 1 employee

Staff are highly qualified: managers represented 64% of the personnel in 2016. 18 employees hold a doctorate in science, medicine or pharmacy, and 32 employees hold a degree in engineering or a master's degree, i.e. 21% and 38% of staff, respectively.

Hires and dismissals

In 2016, 45 new employees joined the company under different contracts: 30 permanent contracts and 15 fixed-term contracts.

One person was dismissed during the year. Five employees on permanent contracts resigned from the company. Seven employees' fixed-term contracts expired in 2016. Four contracts were terminated during the probationary period.

In 2016, ERYTECH Pharma hosted three interns coming from schools or universities. Interns received compensation that was equal to or above the legal minimum. As with any employee, they receive meal tickets, and their transportation costs are reimbursed at a rate of 50%. Internship periods count towards seniority for those interns hired at the end of their internship.

ERYTECH Pharma sent one of its employees on an 18-month professional placement in Philadelphia (USA) under the French VIE (Volunteer for International Experience) program. This placement was completed during 2016.

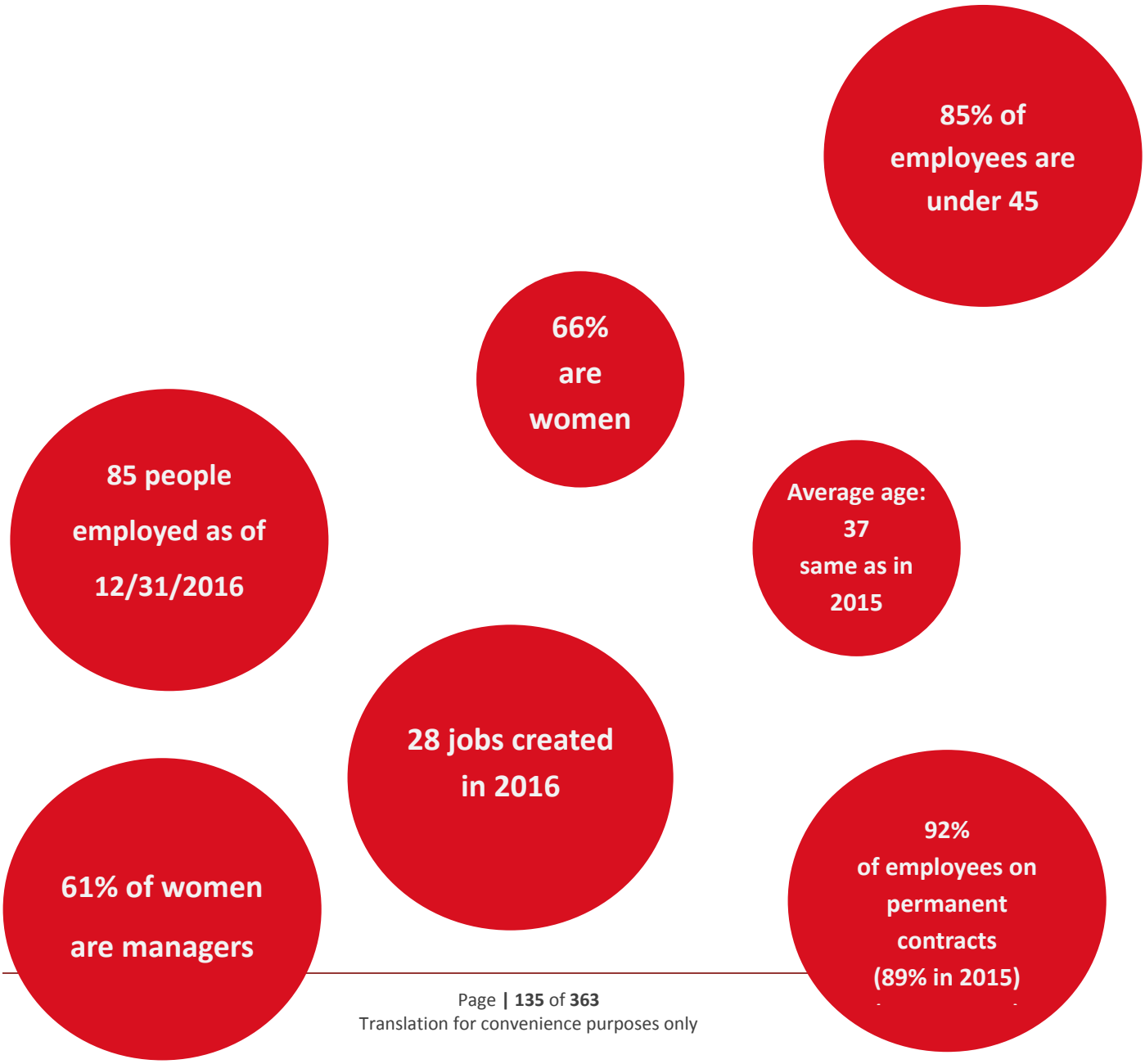
Remuneration and pay policy

In addition to a fixed monthly salary, the company applies a variable pay component to every employee, that can vary from individual to individual. Bonuses take two factors into account: individual and collective performance based on achieving goals (quality, personnel, department, company).

The company put in place an employee shareholding plan – which since 2016 has involved all permanent employees – in the form of BSPCE (founder subscription warrants), stock options or bonus performance shares.

In France, Erytech employees also benefited from a profit-sharing agreement and access to PEE (company savings scheme) and PERCO (collective plan for retirement savings)

schemes, with the possibility of a contribution from the company for employee payments into one or the other of these plans.


85% of employees are under 45
66% are women
85 people employed as of 12/31/2016
Average age: 37 same as in 2015
28 jobs created in 2016
61% of women are managers
92% of employees on permanent contracts (89% in 2015)

3.2.2.2 Organization of work

ERYTECH Pharma complies with current law and has set the hours of the standard workweek at 35 hours at the French site.

These terms apply on a *pro rata temporis* basis to part-time employees.

Employees working part-time do so at their request; this is due primarily, but not exclusively, to parental leave. In order to find an appropriate balance between professional activity and personal and family life for men and women, the company examines each request with an aim to adapting it to the organization of duties.

The absenteeism rate (excluding maternity, paternity, or parental leave) is largely stable, with days of absence being due primarily to illness and “sick child” days. It is calculated for the entire group.

3.2.2.3 Labor relations

In view of the change in size of its FTE (Full-time Equivalent) workforce in 2016, the company crossed the threshold of 50 employees and was therefore required to hold elections for a single staff representative body (DUP) in October 2016, which is composed of 4 permanent staff (2 for the management staff body, 2 for the employee staff body) and 4 alternates (2 for the management staff body, 2 for the employee staff body). Meetings with the Staff Representatives followed by the DUP are held regularly, in accordance with legal requirements.

The agreements or commitments concluded in the company are as follows:

- Profit-sharing agreement: a profit-sharing agreement for the company’s staff was signed on November 29, 2013. This took effect on January 1, 2014. For 2014, 2015 and 2016, the company granted supplementary profit-sharing arrangements and stipulated an amendment to contributions on PEE and PERCO type employee savings plans (the management costs are borne fully by the company).
- Remuneration for "sick child" days: unilateral commitment by the employer, who decides to pay for "sick child days".
- Work on weekends/public holidays and annual leave: personnel in the Quality Assurance, Research and Development, Quality Control, and Production departments may be required to work on weekends and/or public holidays. The memo of July 16, 2013, was modified on October 28, 2014, with a view to reassessing compensation and to propose remuneration equivalent to or greater than that previously established. The memo entered into effect on November 17, 2014.
- On-call weekends and public holidays: personnel in the Quality Assurance, Quality Control, Production, and Research and Development departments may be required to work on weekends and/or public holidays through on-call duty. The memo signed on Friday, March 30, 2012, was modified on October 28, 2014, with a view to reassessing compensation and to propose remuneration equivalent to or greater than that previously established. The memo entered into effect on November 17, 2014.

93% of staff
are full-time

Absenteeism:
1.88%
(1.9% in 2015)

3.2.2.4 Health and safety

In terms of Hygiene and Safety, ERYTECH Pharma complies with statutory and contractual requirements.

The company's activities are conducted in strict compliance with authorizations and approvals, and the safety of 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 its processes. In this vein, ERYTECH has a general health and safety procedure governing the practices of personnel regarding biological and chemical risks.

Asparaginase, the enzyme encapsulated in red blood cells for the preparation of its product eryaspase/GRASPA, is classified in the CMR (presenting a Carcinogenic Mutagenic Reprotoxic risk) category of chemical agents when handled in an uncontrolled environment. Even though its handling does not present any risk (low quantities handled in particular), the company has put in place measures to prevent any risk for its employees.

Three workplace accidents occurred in 2016 (none in 2015), which did not however result in any stoppage of work. No work-related illnesses were reported in 2016.

Additionally, as part of assessing workplace strain and stress, in 2015 and 2016 the company assessed the following four stress factors and concluded that they were not applicable to its employees:

- Work in a hyperbaric environment
- Working at night
- Shift work
- Repetitive work

No ERYTECH Pharma employee is exposed to these particular working conditions.

3.2.2.5 Training

The company continued its training policy, adopting a long-term investment perspective on the basis of actions intended to strengthen collective and individual skills and abilities.

ERYTECH Pharma has moreover defined the following areas of focus in relation to professional development for 2016:

- Excellence of experience and competencies;
- Communication in English.

These areas of focus have been defined based on economic outlook, changes in jobs and investments, and technologies within the business.

87% of the group's employees received training in 2016 (based on the workforce as of December 31, 2016).

Frequency rate: 0.0

Severity rate: 0.0

2,457 hrs of training (685 hours in 2015)

87% of employees received training

3.2.2.6 Equal treatment

Measures taken to promote gender equality

In 2016, ERYTECH Pharma decided to continue the measures initiated in 2014 and 2015 with a view to consolidating equality between men and women possessing equal qualifications and skills, and more particularly to give preference to the hiring of women at the "director" level and to give preference to the hiring of men at other levels. In 2016, one woman was hired for a "Director" level position and managerial positions now total 4 women and 5 men.

At December 31, 2016, in accordance with the interim provisions of Law no. 2011-103 of January 27, 2011, on the balanced representation of women and men on boards of directors and supervisory boards and on professional equality, the proportion of female members on the Board of Directors was 29% (2 women and 4 men), and would be 43% from the start of the 2017 financial year following the appointment of Allene M. Diaz[27] (3 women and 4 men).

Measures taken to promote the employment and integration of disabled personnel and anti-discrimination measures

ERYTECH Pharma's hiring procedures:

- provide for the hiring of disabled personnel;
- comply with the regulatory requirements regarding nondiscrimination when hiring;
- illustrate these requirements through a list of "prohibited questions".

In 2016, ERYTECH Pharma's published job offers systematically emphasize its openness to people with disabilities.

3.2.2.7 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 respect of employment and occupation, the elimination of forced or compulsory labor, and the effective abolition of child labor

The group's employees carry out their activities in France and the United States (Massachusetts).

The company complies with the current regulations in these countries, particularly in terms of:

- Freedom of association: the company's internal rules allow employees to participate in group activities. No restrictions or penalties are imposed where its employees are members of associations.
- Collective bargaining: employee representatives may negotiate and stipulate one or more collective agreements pursuant to the conditions established under the Labor Code,

[27] Subject to approval by the closest General Meeting

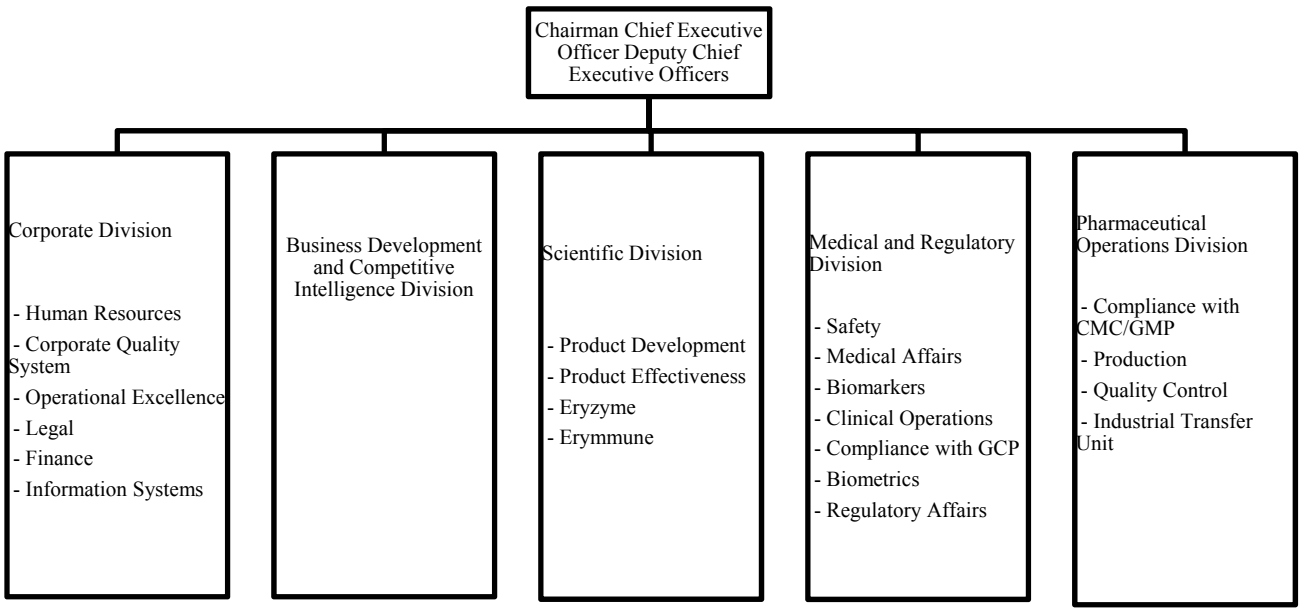
where the purpose of such agreement is not covered by the collective agreement applicable to the company and/or is subject to collective bargaining in compliance with labor law.

- Elimination of forced or compulsory labor, and the effective abolition of child labor: the company does not carry out any business in countries where such practices continue to take place.
- Elimination of job-related and professional discrimination.

3.2.3 Employees

3.2.3.1 Staff

3.2.3.1.1 Functional organization chart



3.2.3.1.2 Workforce distribution

As at December 31, 2016, the Group's workforce comprised 84 people (84 people on full-time equivalent) including 8 people in the US.

Changes in the Group's workforce

The average workforce has varied in the following proportions:

Year	Average number of employees	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%
2014	38	5%
2015	49	+29%
2016	73	+49%

Breakdown by business segment

At Saturday, December 31, 2016, the Group's workforce broke down as follows:

Departments	Number of employees SA	Number of employees Inc	Number of employees Group
Corporate Division	20.8		20.8
Business Development and Competitive Intelligence Division	3.8		3.8
Scientific Division	20.6	1	21.6
Medical and Regulatory Division	10.8	6	16.8
Pharmaceutical Operations Division	20	1	21
Grand total	**76**	**8**	**84**

* full-time equivalent.

Distribution by status

Status	Number of employees Joint Stock Corporation (France)	Number of employees Incorporated (US)	Number of employees Group
Management	45.4	8	53.4
Non-management	30.6		30.6
Grand total	**76**	**8**	**84**

* full-time equivalent.

3.2.3.1.3 Human Resources Management

Consult Section 3.2.2 on this point.

3.2.3.1.4 Organization of work time

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.

3.2.3.2 Investment stakes held by corporate officers

On the basis of the composition of the share capital and the existing diluting elements on December 31, 2016, the investment stakes held by the officers and executive officers may be summarized as follows:

Corporate Officer	Number of shares [2]	% capital [2]	% voting right [2]	Type of securities	Date shares created	Number of shares allocated [3]	Subscription warrants					Bonus share grants[7]	
							Number of warrants[4] exercised	Number of warrants[4] remaining to be exercised	Exercise price in € per new share subscribed[4]	Last date for exercise	Maximum number of shares tied to the number of warrants[4] remaining to be exercised	Vesting (*and availability*) date	Performance conditions
Gil Beyen[1]	-	-	-	$BSPCE_{2012}$	5/21/2012	11,263	3,400	7,863	7.362	5/20/2020	78,630		
				$BSPCE_{2014}$	1/22/2014	6,000	-	6,000	12.25	1/22/2024	60,000		
				AGA_{2016}	10/3/2016	21,999						Tranche 1: 10.03.2017 (10.03.2018) Tranche 2: 10.03.2018 (10.03.2018) Tranche 3: 10.03.2019 (10.03.2019)	Performance conditions based on the increase in the Company's share price between the grant date and the vesting date
Yann Godfrin[1]	174,654	2.00%	2.81%	$BSPCE_{2012}$	5/21/2012	7,508	7,508	-	7.362	5/20/2020			
				$BSPCE_{2014}$	1/22/2014	3 000[6]	-	2,000	12.25	1/22/2024	20,000		
Philippe Archinard [1]	10,300	0.12%	0.13%	BSA_{2012}	5/21/2012	2,554	2,554		7.362	5/20/2020			
				BSA_{2016}	10/3/2016	9,000	-	9,000	18.52	10/3/2021	9,000		
GALENOS [1]	-	-	-	BSA_{2012}	5/21/2012	1,288[5] 1,717 (*3005 in total)*	1,288[5] 1,000	- 717	7.362	5/20/2020	- 7,170		
				BSA_{2016}	10/3/2016	9,000	-	9,000	18.52	10/3/2021	9,000		
Martine Ortin George[1]	-	-	-	BSA_{2012}	5/21/2012	1,217	-	1,217	7.362	5/20/2020	12,170		
				BSA_{2016}	10/3/2016	9,000	-	9,000	18.52	10/3/2021	9,000		

Corporate Officer	Number of shares [2]	% capital [2]	% voting right [2]	Type of securities	Date shares created	Number of shares allocated [3]	Subscription warrants					Bonus share grants[7]	
							Number of warrants[4] exercised	Number of warrants[4] remaining to be exercised	Exercise price in € per new share subscribed[4]	Last date for exercise	Maximum number of shares tied to the number of warrants[4] remaining to be exercised	Vesting (*and availability*) date	Performance conditions
Hilde Windels[1]	-	-	-	BSA_{2012}	5/21/2012	1,217	-	1,217	7.362	5/20/2020	12,170		
				BSA_{2016}	10/3/2016	9,000	-	9,000	18.52	10/3/2021	9,000		
Luc Dochez[1]	-	-	-	BSA_{2012}	5/21/2012	867	-	867	7.362	5/20/2020	8,670		
				BSA_{2016}	10/3/2016	9,000	-	9,000	18.52	10/3/2021	9,000		
Jérôme Bailly[1]	280	0.00%	0.00%	$BSPCE_{2012}$	5/21/2012	1,458	1,018	440	7.362	5/20/2020	4,400		
				$BSPCE_{2014}$	1/22/2014	2,400	-	2,400	12.25	1/22/2024	24,000		
				AGA_{2016}	10/3/2016	11,001						Tranche 1: 10/03/2017 (10/03/2018) Tranche 2: 10/03/2018 (10/03/2018) Tranche 3: 10/03/2019 (10/03/2019)	Performance conditions based on the increase in the Company's share price between the allocation date and the acquisition date

[1] see details of the positions currently held in Section 4.1.1. - Administration and management bodies
[2] Registered shares
[3] As delegated by the General Meeting
[4] one $BSPCE_{2012}$, $BSPCE_{2014}$ or BSA_{2012} warrant gives the right to ten (10) new shares. One BSA_{2016} warrant gives the right to one new share.
[5] Granted to Sven Andréasson, GALENOS representative on the Company's Board of Directors
[6] Of which 1,000 warrants have lapsed due to his resignation on January 18, 2016.

3.2.3.3 Investment stakes held by company non-corporate officers

The employees of the Company do not hold any shares under the conditions described in Article L.225-102 of the French Commercial Code.

Based on the composition of the capital and diluting elements existing at the year ended December 31, 2016, the investment stakes held by non-corporate-officer employees in a personal and individual capacity can be summarized as follows:

	Number of shares [1]	% of capital [1]	% voting right (2)	Type of securities	Date shares created	Number of shares granted[3] (Number awarded to employees in the workforce on December 31, 2016)	Subscription warrants					Bonus share grants	
							Number of warrants exercised	Number of warrants remaining to be exercised	Exercise price in € per new share subscribed	Last date for exercise	Maximum number of shares tied to the number of warrants remaining to be exercised	Date of vesting and availability	Performance conditions
Employees who are not officers or directors[4]	2,850[5]	0.03%[5]	0.04%[5]	$BSPCE_{2012}$	5/21/2012	6,050 (3,500)	4,570 (3,070)	1,480 (430)	7.362	5/21/2020	14,800 (4,300)		
				$BSPCE_{2014}$	1/22/2014	47,100 (6,490)	195 (125)	46,815 (4,365)	12.25	1/22/2024	71,000 (63,650)		
				BSA_{2014}	12/4/2014	3,000 (3,000)	0 (0)	3,000 (3,000)	12.25	12/4/2024	30,000 (30,000)		
				AGA_{2016}	10/3/2016	78,261 (78,261)						Tranche 1: 10/03/2017 (10/03/2018) Tranche 2: 10/03/2018 (10/03/2018) Tranche 3: 10/03/2019 (10/03/2019)	Performance conditions based on the increase in the Company's share price between the allocation date and the acquisition date
				Stock Options $_{2016}$[4]	10/3/2016	44,499 (44,499)	0 (0)	44,499 (44,499)	18.52	10/3/2026	44,499 (44,499)		

[1] Registered shares
[2] See also Section 6.4.3 of the Reference Document
[3] As delegated by the General Meeting.
[4] $BSPCE_{2012}$, $BSPCE_{2014}$ and AGA_{2016} were allocated to employees of the company ERYTECH Pharma. BSA_{2014} and Stock-$Options_{2016}$ were allocated to employees of the Group's subsidiary.
[5] The number of shares, and the percentage of capital and voting rights held corresponds to the shares and voting rights held by employees of the Company on December 31, 2016.

N.B.: the figures shown in brackets represent the holdings of employees in the workforce on December 31, 2016. The other figures represent shares distributed to employees of the Company on their allocation date.

3.2.3.4 Profit-sharing agreement

To give employees a vested interest in the collective performance, in 2013 the company put in place a profit-sharing agreement covering the years 2014 to 2016.

Based on the level of achievement of fixed annual objectives, a profit-sharing premium of up to 5% (in 2016) of their reference gross annual remuneration is paid to beneficiaries, in accordance with the legal conditions.

The Company is presently at a key stage in its development, with the research and clinical trials cycle entering into its final phase before a potential placement on the market. The next years will, accordingly, be 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 collective aspect of performance therefore assumes significant importance and is recognized through this variable portion of remuneration.

3.3 Environmental information

The activities implemented include contract industrial production. These activities therefore do not entail any massive use of raw materials, significant energy consumption, significant emission of greenhouse gases into the environment or use of soil. Furthermore, the activities inherent to the company do not generate particular auditory nuisances for its employees or neighbors.

For its Lyon site, activities are localized within the Bioparc, a health-, safety- and environment-focused business park developed in the Rockefeller Health Center in Lyon. The company possesses metering systems that allow it to monitor practically all of its water and electricity consumption (except for consumption in the common areas, due to the way in which the building is managed).

In the USA, the production site is located in Philadelphia on the premises of the ARC and the offices are located in Cambridge in the outskirts of Boston. We have no quantitative information for the sites based in the USA.

The company has not identified any significant environmental risks associated with its activity such as could lead to establishing a provision against these risks or 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.

Actions to combat food waste are not a challenge given the company's activity. A canteen is provided to employees for lunch.

In this setting, the following environmental indicators were chosen as being relevant:

a) General environmental policy

b) Circular economy: waste prevention and management, and sustainable use of resources

c) Climate change: significant sources of greenhouse gas emissions

3.3.1 General environmental policy

Despite an environmental impact deemed to be low, the company and its employees are involved in the following actions related to sustainable development:

- The use of ecologically responsible practices in paper management:
  - Use of an electronic document management system.
  - Default configuration of all printers to print double-sided.
  - Purchase of only ecological quality reams of paper (EU Ecolabel or PEFC).

  All these practices together constitute an ongoing virtuous cycle to minimize the number of trees that are cut down.
- The introduction of a responsible procurement policy for office consumables (buying ecological quality supplies whenever possible).

33% of supply references ordered are eco-labeled (30% in 2015)

- Use of energy-saving devices: widespread use of timers for lights and air-conditioning.
- Use of teleconferencing instead of physically traveling to meetings.
- Encouraging employees to choose mass transit over personal vehicles. ERYTECH Pharma is based in the heart of Lyon's health hub and is easily accessible by public transport, thus helping to limit car use.

- In 2016 a mileage allowance was introduced for employees who cycle to work.

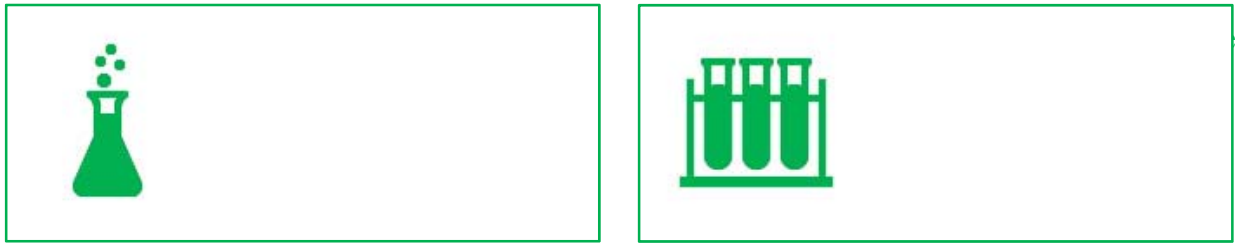
3.3.2 Circular economy

3.3.2.1 Waste prevention and management

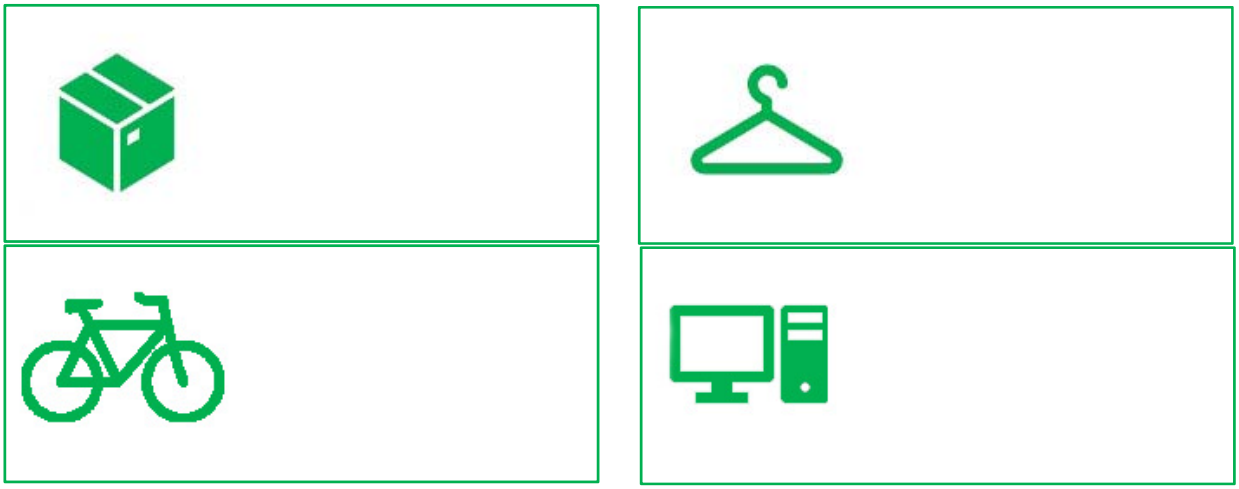
- Destruction and recycling of all unused internal and external documents (since the second half of 2013) by a specialized company.

2.08 tons of paper recycled i.e. 34 trees rescued from being felled

- The company arranges for a specialized company to systematically remove and treat its hazardous waste (biological and chemical) resulting from laboratory and production activities, with a view to ensuring full traceability through the treatment processes used. In 2016, 13.9 tons of hazardous waste were collected and incinerated compared with 9.98 tons in 2015.



- Since December 2015, the company has worked with Greenwishes to recycle its waste: paper, cardboard, plastic bottles, plastic cups, glass, cans, Nespresso capsules, WEEE, batteries, bulbs, ink cartridges and pallets. In 2016, 1,800 kg of waste were collected and recycled.



3.3.2.2 Sustainable use of resources

- The only energy source used by the company is electric energy. Since November 1, 2015, the company has been powering its French premises with green energy (renewable wind, solar, and hydro power) sourced in France.

368,049 kWh consumed, i.e. the equivalent of 30.2 tons of CO_2 (328,177 kWh / 26.9 tons of CO_2 in 2015)

- Tap water consumption corresponds to laboratory activities and the restroom (toilets, sink, etc.). Water discharged after use is water that comes from washing cycles (sinks, washing machines).

26.93 m^3 of tap water consumed (9.36 m^3 in 2015)

3.3.3 Climate change: significant sources of greenhouse gas emissions

The company outsources the logistics associated with its activities. It does not have all the quantitative information enabling it to ensure the exhaustive monitoring of associated CO_2 emissions.

6 tons of CO_2 linked to the transport of mail and parcels (air & road transport) (1.9 tons in 2015)

Intercontinental business trips are frequently necessary, given that the company has been international since 2013.

79.1 tons of CO_2 linked to business trips for staff at the French site (trains & planes) (101.7 tons of CO_2 in 2015)

(CO_2 emissions linked to the shipping of drugs – information available for only one of our carriers.)

3.4 Corporate information

3.4.1 Territorial, economic and social impacts of the company's activity

The company's desire to align the development of its business with that of its region is a major characteristic of the group; in particular, it subcontracts certain preclinical studies to regional entities, and it has set up partnerships with the Ecole Vétérinaire de Lyon [Veterinary School of Lyon] and Université Claude Bernard in Lyon. It also contracts with numerous consulting firms in the region (patents, finance, etc.).

ERYTECH Pharma is also an active member:

At the national level: of four professional organizations in the field of health and/or biotechnology: Les Entreprises du Médicament (LEEM) [medicinal products companies], France Biotech, the Société Française des Sciences et Techniques Pharmaceutiques (SFSTP) [the French society for pharmaceutical sciences and technologies] and the Association Française des Juristes d'Entreprise (AFJE) [the French society for in-house lawyers]. One employee sat on the judging panel for the *Trophées du Droit* law awards in 2016.

At the regional level: of the competition-focused Lyonbiopôle and Cancéropôle Lyon Auvergne Rhône Alpes, and it also renewed its membership of the Association des Fabricants de l'Industrie Pharmaceutique de la Région Rhône-Alpes (AFIPRAL) [Association of Pharmaceutical Industry Manufacturers in the Rhône-Alpes Region] with the objective of growing the performance of member companies by mobilizing a regional network involving the sharing of industrial know-how. The company hosted an AFIPRAL committee on its premises in May 2016.

Due to the nature of its activities and its geographical location, ERYTECH Pharma does not create a need for dialog with inclusion, environmental protection or consumer associations or with adjacent populations.

Nonetheless, ERYTECH Pharma seeks to create close relationships with training institutions and universities, and allows its employees to teach courses during their work time and within their field of expertise.

Moreover, the company obtains some of its stationary supplies from a company which favors the employment of disabled workers in the Lyon region.

ERYTECH Pharma regularly participates in symposia, congresses and annual conferences, including, in 2016:

- AACR (*American Association for Cancer Research*) Annual Meeting in New Orleans;
- BIO *International Convention in San Francisco*;
- ASCO (*American Society of Clinical Oncology*) Annual Meeting in Chicago;
- ASH (*American Society of Hematology*) Annual Meeting in San Diego.

These meetings allow the company to meet healthcare professionals and key opinion leaders with a view to pursuing its areas of development in innovative products and to satisfying unmet medical needs.

3.4.2 Relationships with stakeholders

Relationships with its shareholders and investors

All shareholders have access to full, transparent and clear information, adapted to the needs of each person and useful for an objective assessment of the group'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 wide variety of public documents, including those distributed as regulated information, covers the company's activity, strategy and financial information, and is accessible on the company's website under the Investors heading, in French and in English. It also has a dedicated e-mail address for investors (investors@erytech.com).

In terms of regulated information, the company releases the annual information required of a listed company. The financial information is supplemented by periodic information and press releases intended for the financial community and more broadly the public, concerning subjects that are important for understanding the company's activities and strategy.

The success of the capital increase in the form of a private placement in the amount of €10 million on December 8, 2016, attests to the company's influence not only on the European market, but also on the American market. This transaction, which followed on from the fundraising activities conducted in December 2015 and October 2014, contributes indirectly to the visibility of French biotechnology companies and regional expertise in France and abroad. These additional funds have put us in a stronger financial position to tackle the following important steps:

- resubmitting our MA request for the GRASPA market in Europe for the treatment of ALL;
- obtaining primary data from our phase 2 study with GRASPA for the treatment of pancreatic cancer, and primary data from the phase 2b study for GRASPA into Acute Myeloid Leukemia.

In 2016, ERYTECH Pharma took part in many financial conferences in order to meet its shareholders and institutional investors. It also attended the event Actionaria with a view to sourcing private investors.

Relationships with its partners

At least once a year, steering committees are organized between the company and its primary partners for the purpose of discussing strategy and progress in joint projects.

Partnership or sponsorship actions

Through its sponsorship activities, ERYTECH Pharma supports associations and projects in the healthcare field, and particularly in the fight against cancer. Their areas of common interest are consistency with our values and our desire for building strong roots in the region.

Thus, in 2016, the company renewed its agreement with the Laurette Fugain Association which strives to combat leukemia.

3.4.3 Subcontractors and suppliers

Seeking to share its values with its suppliers and subcontractors, ERYTECH Pharma encourages regular collaborations, to the extent possible, with a view to building trust-based client-supplier and client-subcontractor relationships. This aspect is strengthened by the strategic nature of certain suppliers. As such, the stakes surrounding strategic supplier relationships allow for a closer dialog. Each supplier contract is monitored internally by dedicated teams and a single contact person is designated.

The company also has a supplier selection and monitoring procedure for its business relationships with suppliers for certain critical elements (clinical trials, nonclinical trials, pharmacovigilance and production unit suppliers). Given the regulatory aspects of the company's activities, most service providers and suppliers must also comply with the Best Laboratory and/or Clinical and/or Manufacturing Practices.

We remain committed to our efforts to monitor suppliers' CSR criteria, as specified in our internal procedure, by favoring suppliers with a CSR policy at pre-selection, provided that they offer equal provisions. ERYTECH Pharma assesses its suppliers based on an evaluation questionnaire, primarily to learn about their involvement in a CSR process.

The company's procedures provide for supplier audits, based on a risk analysis taking into account the following elements in particular: supplier of the pharmaceutical establishment, new supplier, criticality, annual assessment, etc.

3.4.4 Fair practices

Various policies have been implemented to reinforce the approach to ethics:

- Anti-corruption measures:

- Separation of duties for payments;

- Software barriers and traceability: checking and approval of spending commitments.
  - 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";
  - Management procedure for the handling of personal data and designation of a data protection contact person on August 29, 2014;
  - Travel charter: indicating the rules governing business travel.

3.4.5 Measures to promote patient health and safety

At its current stage of development, none of the medicinal products being developed by the company today has been marketed or received MA. The development of medicinal products is highly controlled by a strict regulatory process. The various phases in the development of medicinal products require animal testing at the outset (preclinical development), and then

testing with humans (clinical development). Each of the development phases requires prior authorization delivered by the oversight authorities and approval by the ethics committees.

As part of research and development activities, the company implements preclinical studies within a strict framework. For these phases, the company may make use of service providers that conduct animal experiments. These experiments must follow a national procedure pertaining to the protection of animals used for scientific purposes, in accordance with Decree no. 2013-118 of February 1, 2013, which contains, in particular, an obligation to obtain approval prior to conducting any project involving the performance of one or more experimental procedures using animals.

The company does not have any pre-clinical laboratory in the USA and does not carry out any animal experimentation on American soil.

3.4.6 Other actions undertaken to promote human rights

The company has not undertaken any additional action to promote human rights.

4. CORPORATE GOVERNANCE

4.1 Administration and management bodies

4.1.1 Administration and management bodies

It is recalled that the Company has had the status of a joint stock corporation with a Management Board and a Supervisory Board since September 29, 2005. The Company, at a General Meeting held on April 2, 2013, amended its mode of governance, which now takes the form of a joint stock corporation with a Board of Directors.

4.1.1.1 Executive Officers and Directors

4.1.1.1.1 Composition of the Board of Directors:

On the date of this Reference Document, the Company's directors were as follows:

Last name, first name, age, position	1st appointment:	Expiry of term of office:	Independent director (1)	Audit committee	Clinical Strategy Committee	Compensation and Appointments Committee	Required experience and expertise
Gil Beyen Chairman of the Board of Directors and Chief Executive Officer 55 3 Place des Célestins 69002 Lyon, France	General Meeting of April 2, 2013 (Chairman of the Supervisory Board since 2012).	Ordinary General Meeting in 2019 to approve the financial statements for the year ended December 31, 2018.	No	NA	NA	NA	See directors' profiles in section 4.1.1.1.4 of the Reference Document.
Galenos SPRL, represented by Sven Andréasson, Director 64 Rond Point Schuman, 6 Boîte 5 1040 Brussels, Belgium	Board of Directors' meeting of April 2, 2013 (Chairman of the Supervisory Board from 2009 to 2011, Vice-Chairman of the Supervisory Board since 2011)	General Meeting in 2019 to approve the financial statements for the year ended December 31, 2018.	Yes	Member	NA	Member	See directors' profiles in section 4.1.1.1.4 of the Reference Document.
Philippe Archinard Director 57 47 rue Professeur Deperet, 69160 Tassin-la-Demi-Lune, France.	General Meeting of April 2, 2013 (Member of the Supervisory Board since 2005).	General Meeting in 2019 to approve the financial statements for the year ended December 31, 2018.	Yes	Member	Member	Member and Chairman	See directors' profiles in section 4.1.1.1.4 of the Reference Document.
Martine Ortin George Director 68 9 Southern Hills Drive 08558 Skillman NJ United States of America	General Meeting of June 17, 2014	General Meeting in 2017 to approve the financial statements for the year ended December 31, 2016.	Yes	NA	Member and Chairman	NA	See directors' profiles in section 4.1.1.1.4 of the Reference Document.

Hilde Windels Director 51 Kasteellaan 89 9000 GENT Belgium	General Meeting of June 17, 2014	General Meeting in 2017 to approve the financial statements for the year ended December 31, 2016.	Yes	Member and Chairman	NA	NA	See directors' profiles in section 4.1.1.1.4 of the Reference Document.
Luc Dochez Director 42 8 Klein Vilvoordestraat 3078 MEERBEEK Belgium	Cooptation at the Board of Directors' meeting of March 26, 2015 approved by the General Meeting of June 23, 2015.	General Meeting in 2019 to approve the financial statements for the year ended December 31, 2018.	Yes	Member	Member	NA	See directors' profiles in section 4.1.1.1.4 of the Reference Document.
Allene M. DIAZ Director 53 2 Dartmouth Place, BOSTON MA 02116 United States of America	Provisional appointment at the Board of Directors' meeting of January 8, 2017[(2)]	General Meeting in 2020 to approve the financial statements for the year ended December 31, 2019.	Yes	No	Member	Member	See directors' profiles in section 4.1.1.1.4 of the Reference Document.

(1) Independent member in the meaning of the MiddleNext Corporate Governance Code (*see Section 4.2 A.1 of the Reference Document*).
(2) Subject to approval by the next General Meeting.

There are no family connections between the individuals listed above.

None of these individuals, during the course of the past five years, has been:

- convicted for fraud;
- involved, in his/her capacity as executive officer or director, in bankruptcy, receivership or liquidation proceedings;
- prevented by a court from acting as a member of an administration, management or supervisory body of an issuer or from managing or conducting business on behalf of an issuer;
- has not been banned from management positions
- has not been incriminated or officially sanctioned issued by statutory or regulatory authorities, including designated professional organizations.

During the financial year ended December 31, 2016, the following changes occurred to the Board of Directors:

- Mr. Yves Godfrin resigned as director and Deputy General Manager on January 10, 2016 to focus on other entrepreneurial projects;
- Ms. Allene M. Diaz was appointed as a non-voting member by the Board of Directors on September 5, 2016, it being specified that at its meeting on January 8, 2017, the Board of Directors terminated her position as non-voting member and appointed her provisional director subject to approval at the next General Meeting.

4.1.1.1.2 Composition of the Senior Management:

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

The Company has a Deputy General Manager who is Mr. Jérôme Bailly, the Qualified Person and Director of Pharmaceutical Operations.

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

See directors' biographies in section 4.1.1.1.4.

4.1.1.1.3 Other corporate officers

The executive officers and directors of the Company during the financial year ended December 31, 2016 hold or have held the following other offices and/or positions:

Name	Other offices and positions held by corporate officers during the year ended December 31, 2016	Other offices and positions held outside the Company during the past five years and which have now terminated
Gil Beyen	Manager of Gil Beyen BVBA Manager of AXXIS V&C BVBA Member of the Board of Directors of Novadip SA Member of the Board of Directors of Waterleau NV Chairman of ERYTECH Pharma Inc.	Member of the Board of Directors of BIO.be
Yann Godfrin [1]	Chairman and Chief Executive Officer of Godfrin Life Sciences Chairman and Chief Executive Officer of Neuronax	Member of the Supervisory Board of the company NODEA MEDICAL
Galenos SPRL, represented by Sven Andréasson	Member of the Board of Directors of Immunicum (until 5/26/2016)[2] Member of the Board of Directors of Cellastra	Chairman and CEO of Beta-Cell NV Chairman of Unibioscreen SA Member of the Board of TiGenix NV Chairman of XImmune AB Chairman of Cantargia AB[2]
Philippe Archinard	Member of the Board of Directors and Chairman and Chief Executive Officer of Transgene[2] Permanent representative of TSGH on the Board of ABL Inc. Chief Executive Officer of TSGH Permanent representative on the Board of Directors of Synergie Lyon Cancer for Lyonbiopôle Member of the Board of Directors of Biomérieux[2] Chairman of Lyonbiopôle Administrator of the CPE Lyon engineering school, representative of FPUL Chairman of BioAster	
Jérôme Bailly	Manager of GELFRUIT SARL (France)	
Martine Ortin George	Head of Global Development, Associates, Inc. GamaMabs Pharma Independent Director	- Vice President of Pfizer Inc.[3] (United States) - Senior Vice-President, GPC Biotech Inc. (United States)
Hilde Windels	Member of the Board of Directors of VIB Member of the Board of Directors and Chief Executive Officer of BioCartis NVVice-Chairman and Chief Executive Officer and then Chairman and Chief Executive Officer of BioCartis Group	Member of the Board of Directors of MDX Health Member of the Board of Directors of Flanders Bio Chief Administrative and Financial Officer of Biocartis Group
Luc Dochez	Chairman and Chief Executive Officer and director of Tusk Therapeutics SA holding and Tusk Therapeutics Ltd Chairman and Chief Executive Officer and director of Tusk Therapeutics Ltd Business Director of Prosensa[3] until January 15, 2015 Chief Executive Officer of Primix Bioventures bvba Chief Executive Officer of Premis bvba Chief Executive Officer of Medilanon bvba Non-executive Director of Pharvaris BV	Member of the Board of Directors of Ovizio SA Member of the Board of Directors of Arcarios BV Business Manager of Prosensa

Name	Other offices and positions held by corporate officers during the year ended December 31, 2016	Other offices and positions held outside the Company during the past five years and which have now terminated
Allene Diaz	Senior Vice President, Global Commercial Development, TESARO	Senior Vice President, Managed Markets and Senior Vice President, US Commercial, EMD Serono

(1) Mr. Yann Godfrin resigned from ERYTECH Pharma on January 18, 2016.
(2) Listed company on a regulated market

4.1.1.4 Experience in administration and management bodies

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

- **Gil Beyen, Chairman and Chief Executive Officer, Chairman of the Board of Directors, Director-General:**

Gil Beyen has held the position of Chief Executive Officer of the Company since May 2013 and Chairman of the Board of Directors of the Company since August 2013. Before his appointment to the position of Chief Executive Officer, Gil Beyen assisted the Company since 2012 as a consultant and also held the position of Chairman of our Supervisory Board from August 2012 to May 2013. Gil Beyen was co-founder and Chief Executive Officer (CEO) of TiGenix (NYSE Euronext: TIG BB) for 12 years. Before creating TiGenix, he headed up the Life Sciences division of Arthur D. Little, an international management consultancy company, in Brussels. He holds a Master's degree in Bioengineering from the University of Louvain (Belgium) and an MBA from the University of Chicago (USA).

- **Yann Godfrin, Deputy General Manager and director (until January 18, 2016):**

Since he co-founded the Company and up until January 18, 2016, Yann Godfrin held the position of Scientific Director and member of the Board of Directors of the Company. He was also Chief Executive Officer of the Company from 2004 to 2010. Before co-founding the Company, Yann Godfrin was R&D Director at Hemoxymed Europe. He was also an industrial development consultant for BioAlliance Pharma and Hemosystem. Yann Godfrin holds a Doctorate in Life and Health Sciences from the University of Nantes, is a Biomedical Engineer from the University of Technology of Compiègne and holds a Master's 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 various learned institutions.

- **Jérôme Bailly, Deputy General Manager:**

Jérôme Bailly has held the position of Qualified Person in the Company since 2011 and the position of Director of Pharmaceutical Operations since 2007. Before joining the Company in 2007, Jérôme Bailly was Head of QC / Production at Skyepharma and of the Aguettant Laboratory. Jérôme Bailly holds a Doctorate in Pharmacy and a diploma in Chemical Engineering with a specialism in Biopharmaceutical Engineering and Cellular Production from the Polytechnic College of Montreal.

- **Galenos, represented by Sven Andréasson, director:**

Sven Andréasson is Senior Vice President of Corporate Development at Novavax (United States) and former Chairman and Chief Executive Officer of Isconova AB (Uppsala, Sweden, Beta-Cell NV (Brussels), Active Biotech AB (Lund, Sweden) and several companies from the Pharmacia group. He has extensive experience in international biotechnological companies and in the pharmaceutical industry.

Sven Andréasson holds degrees in Science and Business Administration and in Finance from the Stockholm School of Economics and Business Administration.

- **Philippe Archinard, director:**

Philippe Archinard was appointed Chief Executive Officer of Transgene on December 7, 2004, after 15 years at bioMérieux in various positions including the management of the US subsidiary. Philippe Archinard was Chief Executive Officer of the company Innogenetics since March 2000. He is a chemical engineer and holder of a Doctorate in Biochemistry from the University of Lyon, and completed his studies with the PMD management program from Harvard Business School.

- **Martine Ortin George, director:**

A doctor in medicine, Martine George has extensive experience in the United States in clinical research, medical affairs and regulatory issues, gained within large and small companies specializing in oncology. Until recently, Dr. George was Vice President in charge of Global Medical Afffairs for Oncology at Pfizer in New York. Prior to that, she held the position of Medical Director at GPC Biotech in Princeton and Head of the Oncology Department at Johnson & Johnson in New Jersey. Martine George is a qualified gynecologist and medical oncologist who trained in France and Montreal. She started her career as Department Head at the Gustave Roussy Institute in France and as a visiting professor at the Memorial Sloan Kettering Cancer Center in New York.

- **Hilde Windels, director:**

Hinde Windels has more than 20 years' experience in corporate financing, capital markets and strategic initiatives. She is Chief Executive Officer and a director of Biocartis, a company providing molecular diagnostic and immuno-diagnostic solutions, based in Belgium and Switzerland. Prior to that, Hilde Windels was the Financial Director of Devgen (Euronext: DEVG) from 1999 to the end of 2008 and a member of the Board of Directors of Devgen from 2001 to the end of 2008. From the start of 2009 to mid-2011, she worked as an Independent Financial Director for several private companies specializing in biotechnologies

and sat on the Board of Directors of MDX Health (Euronext: MDXH) from June 2010 to the end of August 2011. Prior to that, she was a manager at ING for business banking services covering a region of Belgium. She holds a degree in Economics from the University of Louvain (Belgium).

- **Luc Dochez, director:**

Luc Dochez was Chief Business Officer and Senior Vice-President of Business Development at the Dutch company Prosensa (NASDAQ: RNA) until its recent acquisition by Biomarin. In this position, he played a key role in securing a €500 million partnership signed with GSK, was also actively involved in the successful IPO of the company on the Nasdaq and managed the acquisition of the company by Biomarin for a sum of $860 million. Before Prosensa, Luc was Vice-President Business Development at TiGenix (Euronext: TIG), Director Business Development at Methexis Genomics and consultant at Arthur D. Little.

- **Allene M. Diaz, director[28]:**

Allene M. Diaz has extensive experience in the biopharmaceutical industry with cross-cutting expertise in sales, medical affairs, marketing, planning of new products, portfolio planning, strategic planning, and access to markets. She currently holds the position of Senior Vice President, Global Commercial Development at Tesaro (Waltham, United States). Prior to that, Ms. Diaz worked for various top biopharmaceutical companies, such as Merck Serono, Biogen Idec and Pfizer.

4.1.1.2 Potential conflicts of interest and agreements

There are related agreements described in section 4.5.2 of this Reference Document.

To the Company's knowledge, there are no current or potential conflicts of interest between the duties, with regard to the Company, and private interests and/or duties of individuals within the administration and management bodies and senior management, as specified in section 14.1.1.1 "Executive officers and directors" above.

Furthermore, to the Company's knowledge, no pacts or agreements of any kind have been entered into with shareholders, clients, suppliers or others under the terms of which any of the directors or executive officers of the Company has been appointed.

4.1.2 Administration and management bodies

The Company has a Board of Directors, an Executive Committee, a Remuneration Committee, an Audit Committee and a Clinical Strategy Committee.

4.1.2.1 Expiry of the term of office of directors

Refer to section 14.1.1 "Composition of the Board of Directors" of the Reference Document.

[28] At its meeting on January 8, 2017, the Board of Directors terminated Allene M. Diaz's term of office as non-voting member and appointed her director on a provisional basis, subject to approval at the next General Meeting.

4.1.2.2 Service contracts binding members of the Board of Directors and the Senior Management of the Company.

On the date of the Reference Document, there were no service contracts binding the members of the Board of Directors and the Senior Management to the Company or to its subsidiary, ERYTECH Pharma, Inc.

4.1.2.3 Corporate Governance, Internal Control and Risk Management

The Company respects all the provisions of the corporate governance code for small and midcaps published by MiddleNext in 2009 and approved as a reference code by the French Financial Markets Authority.

For the financial year ended December 31, 2015, in addition to the information appearing in this section, the status of the application of the MiddleNext Code recommendations was as follows:

MiddleNext Code Recommendations	**Adopted**
R1: Compliance of members of the Board	**X**
R2: Conflicts of interest	**X**
R3: Composition of the Board – Presence of independent members	**X**
R4: Information on members of the Board	**X**
R5: Organization of meetings of the Board and Committees	**X**
R6: Establishment of committees	**X**
R7: Establishment of the Board's rules of procedure	**X**
R8: Selection of each director	**X**
R9: Duration of terms of office of Board members	**X**
R10: Director's remuneration	**X**
R11: Establishment of assessment of the work of the Board	**X**
R12: Relationship with shareholders	**X**
R13: Definitions and transparency of the remuneration of executive corporate officers	**X**
R14: Succession planning for executive officers	**ONGOING**

R15: Concurrent holding of an employment contract and corporate office	**X**
R16: Severance pay	**X**
R17: Supplementary pension plans	**X**
R18: Stock options and granting of bonus shares	**X**
R19: Review of key points to be monitored	**ONGOING**

The Company believes that its organization and procedures it has put in place (particularly the Rules of Procedure of the Board of Directors reviewed regularly by the directors to ensure their relevance and conformity to the MiddleNext Code) are in compliance with all of the recommendations of the Code by the upcoming meetings of the Board of Directors.

4.1.3 Elements likely to have an impact in the event of a takeover bid

The Company's capital structure

See section 6.4.1 of the Reference Document

Statutory limitations on the exercise of voting rights and share transfers or clauses brought to the attention of the Company in accordance with Article L. 233-11 of the French Commercial Code

See section 6.4.3 of the Reference Document

Direct or indirect shareholdings in the Company of which it is informed pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code

See section 1 of the Reference Document

List of holders of all securities with special control rights and their description

None

Control mechanisms envisaged in a potential employee shareholding system, when the control rights are not exercised by the latter

Bonus share plan issued on October 3, 2016 "2016 AGA Plan":

None

Agreements between shareholders of which the Company is aware and which may involve restrictions on share transfers and the exercise of voting rights

None

Rules applicable to the appointment and replacement of members of the Board of Directors and to the amendment of the articles of incorporation

The rules applicable in this regard are statutory and in accordance with the law.

Powers of the Board of Directors, particularly share issuance or buyback

The General Meeting of the Company held on June 23, 2015 authorized the Board of Directors to:

- issue shares through capital increases in accordance with resolutions no. 18, 19, 20, 21, 22, 23,24 and 25 of the Combined General Meeting of June 24, 2016 *(see section 6.3.5 of the Reference Document*); and
- put in place a buyback program for Company shares under the provisions of Articles L. 225-209 et seq. of the French Commercial Code and market practices accepted by the French Financial Markets Authority (*see section 6.3.3 of the Reference Document).*

Agreements entered into by the Company which are amended or terminated in the event of change of control of the Company

- The characteristics of BSA/BSPCE (share subscription warrant/founder subscription warrant) plans contain early exercise terms, under certain conditions, in the event of change of control of the Company.
- Early redemption of the Repayable Advance for the TEDAC project may be requested by OSEO, particularly in the case of a transfer of control of the Company.
- Early termination of the agreement with the TEVA Group may be requested by one of the parties in the case of a transfer of control of the other party.
- See also the section below concerning severance benefits in the event of change of control for executive corporate officers and employees.

- #### Agreements providing for compensation for members of the Board of Directors or employees, if they resign or are dismissed without actual and serious basis or if their employment is terminated due to a takeover bid

In accordance with the "TEPA" law and the MiddleNext Corporate Governance Code, at the Board of Directors' meetings on May 23, 2014 and August 31, 2015, the conditions were established for severance pay and allowances in the event of change of control granted to executive corporate officers (namely Messrs. Gil Beyen and Jérôme Bailly).

These commitments provide that:

- in the event of Mr. Gil Beyen leaving the Company, in other words in the event of:

- expiry of his term of office (except in the case of renewal rejected by the interested party) or
- dismissal (except for dismissal for gross negligence or willful misconduct within the meaning of this term in the case law of the labor chamber of the Court of Cassation),

the interested party may claim for compensation equal to twelve times the monthly average remuneration (bonuses included) actually received during the 12 months prior to the dismissal decision or expiry of the term of office.

in the event of dismissal of Mr. Jérôme Bailly for any reason, except for gross negligence or willful misconduct, the concerned party may claim for termination allowance equal to 6 months of fixed salary, plus three additional months of fixed salary per year of service in the company, up to a limit of 12 months fixed salary, and subject to more favorable contractual provisions.

In addition, these commitments provide that if in the 12 months following the change of control of the Company (classed as the acquisition of more than 50% of the voting rights):

- Mr. Gil Beyen:

- is dismissed, (except dismissal for gross negligence or willful misconduct within the meaning of this term in the case law of the labor chamber of the Court of Cassation),

- resigns, provided that this resignation is the result of a rejection by him of an offer by the Company, by its buyer or by one of its subsidiaries of a position with fewer responsibilities and/or lower remuneration compared to the position held before the change of control; or

- Mr. Jérôme Bailly:

- is dismissed, except for gross negligence or willful misconduct,

- receives an approved contractual termination of his employment contract at the initiative of either the Company or the employee;

- resigns, provided that his resignation is the result of demotion by the Company, by its buyer or by one of its subsidiaries or of a rejection by him of a job offer with fewer responsibilities and/or lower remuneration compared to the position held before the change of control;

the aforementioned interested party may claim fixed compensation equal to 12 times his average monthly remuneration calculated based on remuneration received (variable remuneration included) during the 12 months prior to his departure.

The decisions taken by the Board of Directors at its meeting on August 31, 2015 as part of a procedure of regulated agreements and commitments provided for by the "TEPA" law were published in their entirety on the Company website. The commitments will be approved by the Shareholders' General Meeting as part of a specific resolution relative to each of the executive corporate officers.

The Board of Directors decided that the payment of severance pay and allowances in the event of a change of control was conditional on the fulfillment, duly confirmed by the Board of Directors at the time or after termination of duties, of conditions linked to the performance of the interested party assessed in relation to that of the Company, currently defined as:

- remaining within the confines of the Company's spending budget; and

– at least one of the following two conditions:

- at least one collaboration or license agreement in progress;
- at least one product in active clinical development phase by the Company.

The other members of the Executive Committee (Mr. Eric Soyer and Ms. Iman El Hariry) are entitled to the same compensation as Mr. Jérôme Bailly in their employment contract, with the difference that, contrary to corporate officers, their payment is not subject to the fulfillment of performance conditions.

In addition, at its meeting on November 2, 2016, the Board of Directors established a specific allowance for Gil Beyen and Jérôme Bailly in the event of a change of control in the two years following the allocation of bonus shares.

4.2 Chairman's report on internal control

4.2.1 Conditions for the preparation and organization of the work of the Board of Directors

At its meeting on May 6, 2013, the Board of Directors introduced rules of procedure which were last updated on March 1, 2017. These rules of procedure are available for consultation on the Company's website. In particular, they specify the role and composition of the Board, the principles of conduct and obligations of the members of the Company's Board of Directors and the operational procedures of the Board of Directors and the committees, in addition to the rules for determination of the remuneration of their members. Each member of the Board of Directors undertakes to devote the necessary time and attention to their duties, and to inform the Board of any conflicts of interest which may arise. The rules of procedure also set out the regulations in force regarding the disclosure and use of inside information and specify that members must abstain from transactions involving the Company's securities if they hold inside information. Each member of the Board of Directors is obliged to inform the Company and the AMF of any transactions that they perform directly or indirectly involving the Company's securities.

After hearing the provisions of the corporate governance code for listed companies prepared by MiddleNext, the Board of Directors, at its meeting on May 6, 2013, decided to adopt rules of procedure in which it is specified that the Company would follow the MiddleNext Code as its corporate governance code.

The MiddleNext Code may be consulted on the following website:

http://www.middlenext.com/IMG/pdf/2016_CodeMiddlenext-PDF_Version_Finale.pdf

The Company follows the recommendations of the MiddleNext Code.

A.1 Composition of the Board:

Also refer to section 4.1.1.1.1 of the Reference Document "Composition of the Board of Directors".

Pursuant to the legal and statutory provisions, the Board of Directors is composed of a minimum of three directors and a maximum of eighteen. The directors are appointed, renewed in their office or dismissed by the Ordinary General Meeting of the Company. The duration of their terms of office, in accordance with Article 17 of the articles of incorporation, is 3 years.

These directors have been appointed to the Board of Directors due to their knowledge of the Company's activities, their technical and general expertise and their capacity to perform the administrative duties required within the Board.

The Company is aware of the provisions set out in the law of January 27, 2011 relative to the equal representation of women and men in the Board of Directors. At December 31, 2015, the Board of Directors of the Company was composed of four men and two women, i.e. a proportion of women above 20% of all members of the Board of Directors as stipulated by this law following the first Ordinary General Meeting after January 1, 2014. The provisional appointment of Allene M. Diaz as director at the Board of Directors meeting on January 8, 2017, which will be approved by the next General Meeting, will increase the proportion of women in the Board of Directors to 43%, in accordance with the new legal standards applicable from January 1, 2017.

In accordance with the MiddleNext Code, the Board of Directors includes several independent directors, the company GALENOS, Philippe Archinard, Martine Ortin George, Hilde Windels, Luc Dochez and Allene M. Diaz (subject to approval by the next General Meeting), which meets the independence criteria defined by the MiddleNext Code.

The criteria specified by the MiddleNext Code provide justification for the independence of Board members, which is defined as the absence of a significant financial, contractual or family relationship likely to alter the independence of judgment, namely:

- Not have been an employee or executive corporate officer of the Company or of a company of its group in the last three years;
- Not have been and not currently be in a significant business relationship with the company or its group (customer, supplier, competitor, provider, creditor, banker, etc.) for the last two years;
- Not be a reference shareholder of the Company or hold a significant percentage of the voting rights;
- Not have a close relationship or close family ties with a corporate officer or a reference shareholder;
- Not have been a statutory auditor of the Company in the last six years.

The list of directors of the Company including their duties performed in other companies appears in section 4.1.1 of the Reference Document.

At the Combined General Meeting of the Company on June 24, 2016, the total annual amount of attendance fees allocated to directors was set at €240,000 in consideration of the financial year in progress.

At the meetings of the Board of Directors on June 24, 2016 and January 8, 2017 it was decided to distribute attendance fees based on directors' attendance and the time they devoted to their duties during the financial year ended in 2016, in accordance with the recommendations of the Remuneration Committee.

A.2 Frequency of meetings

Article 19 of the articles of incorporation provides that the Board should meet as often as the interests of the Company require.

During the financial year ended December 31, 2016, the Board of Directors met thirteen times, on January 10, February 19, March 23, May 6, June 2 and 24, September 5, October 3, November 2, 11, and 13, and December 6 and 7.

The number of meetings of the Board of Directors during the financial year ended December 31, 2016 is in accordance with the recommendation of the MiddleNext Code which stipulates a minimum of four meetings per year.

The agenda for the meetings of the Board of Directors during this financial year appears below in paragraph A6.

The attendance rate of members of the Board of Directors during the year ended December 31, 2016 was 88% (91% during the year ended December 31, 2015).

A.3 Summons of directors

The directors have been summoned with reasonable notice in accordance with Article 19 of the articles of incorporation.

In accordance with Article L 225-238 of the French Commercial Code, the Statutory Auditors have been summoned to meetings of the Board to examine and approve the interim (half-yearly) and annual financial statements.

A.4 Information for directors

All the necessary documents and information for the duties of the directors were distributed to directors at the same time as the summons or notice at the start of each Board of Directors' meeting.

The Board of Directors is assisted by three permanent committees the duties and operational procedures for which are specified in the rules of procedure: the Audit Committee, the Remuneration and Appointments Committee and the Clinical Strategy Committee.

A.5 Holding of meetings

Board of Directors' meetings are held at the headquarters or in any other location indicated on the meeting notice, in accordance with Article 19 of the articles of incorporation.

A.6 Decisions adopted

During the past financial year, the main subjects covered by the Board of Directors were as follows:

- The remuneration conditions of executive officers;
- Cooptation of a new director;
- Approval of the annual budget;
- A capital increase through the issuance of new shares;
- Capital increases linked to the exercise of BSA2012 and BSPCE2012;
- The half-yearly financial statements and half-yearly financial report;
- Equality in the workplace.

A.7 Meeting minutes

The minutes of the Board of Directors' meetings are prepared after each meeting and distributed without delay to all directors. They are approved at the start of the next Board meeting.

A.8 Assessment of the Board of Directors

The Chairman invites the directors, once a year to discuss the operation and preparation of work of the Board. At the Board of Directors' meeting on November 2, 2016, the Chairman invited members of the Remuneration and Appointments Committee to issue a reasoned opinion on these matters. Based on this opinion, the directors deliberated on November 11, 2016.

A.9 Executive officer succession plan

The Board of Directors deals with or monitors the issue of succession of the current executive officers and potentially of other key individuals by regularly including this on its agenda.

A.10 Specialized committees

ERYTECH Pharma follows an information policy with regard to corporate governance, and the transparency of remuneration of all its main executive officers.

For this purpose, in 2008 an Audit Committee and a Remuneration and Appointments Committee were set up, followed by a Clinical Strategy Committee in March 2017, to assist the Supervisory Board and subsequently the Board of Directors, in its deliberations and decisions. These committees are described in the rules of procedure which were last updated by the Board of Directors on March 1, 2017.

The Board of Directors determines the composition and duties of the committees which carry out their activities under its authority. These duties may not involve the delegation to a Committee of the powers which have been expressly attributed by law or by the articles of incorporation or any other shareholders' agreements binding on the Company.

These Committees are purely internal to the Company. They do not have any powers of their own and no decision-making powers. Their role is strictly of an advisory nature.

Each Committee reports on its meetings to the Board of Directors.

The Board of Directors shall be solely responsible for judging how to act on the conclusions presented by the Committees. Each director shall remain free to vote at their discretion without being bound by the studies, investigations or reports of the Committees, or their potential recommendations.

Each Committee shall include a minimum of at least two members and a maximum of ten members. The members are appointed on a personal basis by the Board of Directors based on their experience and may not be represented. The Committees may be exclusively composed of directors or include key figures from outside the Company. The composition of these Committees may be changed at any time by decision of the Board of Directors.

The term of office of members of these Committees coincides with that of their term of office as directors if they sit on the Board. The term of office of members of the Committee may be renewed at the same time as that for directorships.

The meetings of these Committees are held at the Company headquarters or in any other location decided by the Chairman of the Committee. However, meetings of the Committees may be held, if necessary, by teleconference or videoconference.

To ensure the smooth running of the Committees and their administrative organization, the Chairman of each Committee:

- prepares the agenda for each meeting in response to the requirements expressed by the Board of Directors;
- formally summons the members; and
- directs the discussions.

The Chairman appoints one person within the Committee who will be responsible for preparing the minutes after each meeting. These will be sent to the Chairman of the Board of Directors. Meeting minutes will be held by the Company. The minutes of the work and recommendations of each Committee will be presented by the Chairman to the Board of Directors.

Within its area of expertise, each Committee issues recommendations, proposals and opinions.

Confidentiality:

The information disclosed to the Committees or to which the members of the Committees have access for the purposes of performing their duties is confidential, and the members of the Committee are bound to the strictest confidentiality in relation to all third parties to the Board of Directors, identical to that applicable to directors. This provision also applies to outsiders who are invited to attend meetings.

A.10.1 Audit committee

The Audit Committee is currently composed of four members appointed for the duration of their terms of office as director.

During the financial year ended December 31, 2016, the Audit Committee met five times on February 15, March 21, May 4, September 2 and October 28.

The Audit Committee's role is to constantly assess the existence and effectiveness of the Company's financial control and risk control procedures. The main responsibilities of this Committee are:

- to assess Company's the annual and half-yearly consolidated financial statements;
- to check the relevance of accounting options and methods;
- to check the relevance of financial information published by the Company;
- to ensure internal control procedures are in place;
- to verify the proper functioning of internal control with the support of internal audit;
- to assess the program of work for internal and external audits;
- to assess all matters likely to have a significant financial and accounting impact;
- to assess the status of significant disputes;
- to assess off-balance sheet risks and commitments;
- to assess the relevance of risk monitoring procedures;
- to assess potential regulated agreements;
- to coordinate the selection of statutory auditors, their remuneration and verify their independence;
- to oversee the proper execution of the duties of statutory auditors;
- to establish the rules for use of statutory auditors in the financial statements for work other than the auditing of financial statements and verify proper execution.

The Audit Committee may make visits or interview the managers of operational or functional entities useful for the performance of their assignments. It may also interview the statutory auditors, even in the absence of the executive officers. It may use external experts with the prior agreement of the Board of Directors.

Currently, the members of the audit committee are:

- Ms. Hilde Windels, Chairman and independent member;
- The company GALENOS, represented by Mr. Sven Andréasson independent member (*see also section A.1 above*);
- Mr. Philippe Archinard, independent member;
- Mr. Luc Dochez, independent member;

The experience of the members of the Audit Committee is presented in section 4.1.1.1.4 of the Reference Document.

It is specified that these four members have specific financial and accounting expertise gained from almost 25 years' experience in the pharmaceutical industry and senior management positions which they have held and still hold today.

The points covered during these meetings include:
- The annual financial statements and the report for the year ended December 31, 2015;
- The half-yearly financial statements and the half-yearly financial report.

A.10.2 Remuneration and Appointments Committee

The Remuneration and Appointments Committee is composed of three independent members in accordance with the provisions of the rules of procedure:

- Mr. Philippe Archinard, Chairman and independent member,
- The company GALENOS, represented by Mr. Sven Andréasson and independent member,
- Ms. Allene M. Diaz, independent member[29].

During the financial year ended December 31, 2016, the Remuneration and Appointments Committee met three times on January 8, June 2 and September 5.

The experience of the members of the Remuneration and Appointments Committee is presented in section 4.1.1.1.4 of the Reference Document.

This committee hears the directors on the assessment of the Company's performance in relation to the objectives set. The committee also carries out the following duties in particular:

- Formulating recommendations and proposals concerning (i) the different components of remuneration, pension and insurance plans for corporate officers, in their definition in particular, (ii) the procedures for setting the variable portion of their remuneration; (iii) formulating recommendations and proposals concerning a general policy for the granting of BSA [share subscription warrants] and BSPCE [founder subscription warrants];
- Examining the amount of attendance fees and the system for distribution amongst directors taking into account their attendance and the tasks performed within the Board of Directors;

[29] Provisional director since January 8, 2017, subject to approval by the next General Meeting.

- Advising, and assisting as required, the Board of Directors in the selection of executive officers and in determining their remuneration;
- Assessing potential capital increases reserved for employees;
- Assisting the Board of Directors in its selection of new members;
- Ensuring the establishment of structures and procedures providing for the application of good practices of governance within the Company;
- Preventing conflicts of interest within the Board of Directors;
- Implementing the procedure for assessment of the Board of Directors.

The points covered during these meetings include:

- The conditions for the remuneration of executive officers;
- The implementation of a new shareholding plan;
- The appointment of a new director.

A.10.3

The Clinical Strategy Committee is composed of four independent members in accordance with the provisions of the rules of procedure:

- Ms. Martine George, Chairman and independent member;
- Mr. Luc Dochez, independent member;
- Mr. Philippe Archinard, independent member;
- Ms. Allene M. Diaz, independent member[30]

During the financial year ended December 31, 2016, the Clinical Strategy Committee did not meet due to the fact that it was not created until March 1, 2017, the date of its first meeting.

The experience of the members of the Clinical Strategy Committee is presented in section 4.1.1.14 of the Reference Document.

The Clinical Strategy Committee is responsible for analyzing and reviewing the Company's clinical and regulatory strategy. It meets at least once a year and issues recommendations to the Board of Directors regarding the Company's clinical and regulatory development strategy.

The main duties of the Clinical Strategy Committee are as follows:

- analysis and review of clinical areas for development; and
- analysis and review of the Company's product registration strategies.

[30] Provisional director since January 8, 2017, subject to approval by the next General Meeting.

4.2.2 Internal control and risk management procedures within the Company

B.1 Conceptual framework of internal control and risk management

Framework

The Company relies on the framework of the AMF (recommendation 2010-16) relative to risk management and internal control systems, on AMF recommendation no. 2010-15 of December 7, 2010 relative to the supplementary report of the AMF on corporate governance, the remuneration of executive officers and internal control for small and midcaps as referred to in the MiddleNext Code, and AMF recommendation 2013-17 entitled Chairman's reports on internal control and risk management procedures – Consolidated presentation of recommendations included in the annual reports of the AMF.

B.2 Risk management

Objectives:

- Promote achievement of the Company's objectives (*see also section B.4 below*);
- Analyze and manage the risks currently identified by the Company and presented in chapter 2 of the Reference Document, particularly as regards:
- maintaining a high level of quality and safety of its products;
- protecting the interests of the Company; and
- securing the Company's processes.

Components of the system:

Risk management is the responsibility of the Chief Financial and Operational Officer, Mr. Eric Soyer.

In particular, the risk management system covers:

- risk analyses (risk identification, analysis and treatment);
    - production activities, as well as;
    - physical safety and information systems and;
    - the Company's assets and reputation.
- A risk management procedure overseeing in particular:
    - the role of the Quality Assurance department and the Qualified Person;
    - the management of the system, primarily via the Quality Assurance department.
    - appropriate communication for its rollout by external and internal parties.

B.3 Internal control

Internal control objectives:

Internal control is one of the Company's systems, aimed to ensure:

- compliance with laws and regulations;
- the application of instructions and guidelines established by the Senior Management;
- the smooth running of the Company's internal processes, particularly those contributing to the safeguarding of its assets;
- the reliability of financial information; and
- in general, contribution to the management of its activities, the effectiveness of its operations and the efficient use of its resources.

By helping to prevent and manage the risks of not achieving the objectives the Company has set itself *(see also section B.4 below*), the internal control system plays a key role in the managing and steering of the different activities.

Internal control cannot however provide an absolute guarantee that the Company's objectives will be achieved.

Components of the system:

Working primarily in collaboration with the Audit Committee *(see also section B.4.4 below*), the Chief Financial and Operational Officer, Mr. Eric Soyer, is responsible for internal control.

The internal control system provides for:

- an organization comprising a clear definition of responsibilities, with the appropriate resources and skills *(see also section B.4.4 below*) and based on appropriate procedures, information systems, tools and practices (*see also Section B.4.1 below*);
- the internal circulation of relevant, reliable information (mainly via an electronic document management system), knowledge of which enables everyone to carry out their duties;
- a system designed to determine and analyze the main risks identifiable with regard to the Company's objectives and to verify that procedures are in place to manage these risks;
- audit activities proportionate to the challenges specific to each process and designed to reduce the risks likely to affect fulfillment of the Company's objectives;
- permanent monitoring of the internal control system and regular assessment of its operation.

B.4 Scope of risk management and internal control

B.4.1 Quality System

ERYTECH's management always strives to offer the best service possible and the best advice to fully respond to the needs and demands of health professionals in the hospital environment. This approach enables it to guarantee its development and sustainability.

This quality policy applies to all departments of the Company. It is put into practice through the setting and monitoring of common objectives.

To implement this policy successfully, the Company relies on its existing quality system, which is ISO 9001 certified and described in the Quality Manual.

In order to ensure this policy is applied, the executive officers are actively involved, and delegate the implementation and monitoring of the quality system to the Quality Assurance department (in collaboration with the departments concerned). This department, directly attached to Management, must report on the operation of the system. It relies on the process managers for effective management of the quality system.

Management is also committed to taking all measures to personally ensure the implementation and effectiveness of the quality system during management reviews and meetings of the Management Committee.

The Company's shift from a research and development structure to a structure incorporating sales requires modification of the current system to take into account new customer requirements through striving for operational excellence and collective involvement in this initiative.

B.4.2 Financial information

The key aspects of the organization put in place by the Company to limit risks in terms of accounting and financial management are as follows:

- The Company's Senior Management and more specifically the staff of the Corporate Division strive to improve internal control and incorporate the recommendations of external auditors and the Audit Committee,
- The Company has put in place various procedures to manage the Purchasing process. In these procedures, the measures to prevent the risks inherent to Company's size and attached to internal segregation, between production and the supervision of the financial statements, are already in place;
- The Company recruited two financial controllers in 2016.

B.4.3 Parties involved in risk management and internal control

The executive committee:

The members of the Executive Committee are tasked with defining, promoting and overseeing the system best adapted to the situation and activity of the Company.

To this end, they ensure that the necessary corrective actions are undertaken.

It is the Executive Committee's responsibility to report to the Audit Committee on the required features of the risk management and internal control system.

The members of the Executive Committee are:

- Mr. Gil Beyen, Chief Executive Officer;
- Ms. Iman El Hariry, Chief Medical Officer;
- Mr. Jérôme Bailly, Deputy General Manager and Director of Pharmaceutical Operations;
- Mr. Eric Soyer, Chief Financial and Operational Officer.
- Mr. Alexander Scheer, Scientific Director;
- M. Jean-Sébastien Cleiftie, Business Development Director.

The Audit Committee:

In accordance with the Rules of Procedure of the Board of Directors which were last updated on March 1, 2017, it is the Audit Committee's responsibility to report to the Board of Directors all risks and/or major weaknesses in internal control and which could have a significant impact on the accounting and financial information.

The Board of Directors:

As required, the Board may use its general powers to carry out all checks and verifications it deems opportune or to take any other action it deems appropriate in this regard.

The internal quality auditors:

In accordance with the PG-QUAL-004 procedure, the Company trains and then appoints internal auditors in order to verify if the procedures and/or processes are observed and effective.

A program of internal quality audits is prepared each year by Management with a scope focused on: activities directly linked to the pharmaceutical establishment and patient safety.

It is the responsibility of the internal auditors to report any shortcomings in the procedures and/or processes to the Quality Assurance department in particular.

The Quality Assurance department.

It is the responsibility of this department to report to the Senior Management above all on any significant shortcomings in the quality policy and/or procedures and/or processes.

External auditors, certification bodies or regulatory authorities:

Accordingly:

- the ANSM, the EMA and the FDA;
- the Statutory Auditors;

play their role in internal control via their checks and/or audits.

B.5 Areas for improvement/Development outlook

In 2017, the Company is continuing its efforts to improve the monitoring of action plans for risk analysis and to better articulate internal control through risk management.

4.2.3. Powers of the Chief Executive Officer

We would like to specify that no limitations have been applied to the powers of Mr. Gil Beyen, Chief Executive Officer.

The Board of Directors' meeting of May 6, 2013 specified that the duties of Mr. Jérôme Bailly are determined in accordance with Article R. 5124-36 of the French Public Health Code.

In addition, until the date of his resignation, Mr. Yann Godfrin was more specifically in charge of duties relating to scientific strategy, research and pre-clinical and clinical development, and regulatory affairs.

Also refer to section 4.1.1.1.2 of this Reference Document "Composition of the Senior Management".

4.2.4. Participation in the Shareholders' General Meeting and information set out in Article L. 225-100-3 of the French Commercial Code

There are no specific conditions relating to the participation of shareholders in the Shareholders' General Meeting besides those specified in Article 27 of the articles of incorporation.

The information referred to in Article L. 225-100-3 of the French Commercial Code (concerning the elements likely to have an impact in the event of a takeover bid targeting the Company) appear in Section 4.1.3 of this Reference Document.

4.3 Report by the statutory auditors about the Chairman's report

ERYTECH PHARMA

A French limited liability company (société anonyme) with share capital of €873.265

60 avenue Rockefeller

69008 LYON

REPORT BY THE STATUTORY AUDITORS,

PREPARED IN ACCORDANCE WITH ARTICLE L.225-235

OF THE FRENCH COMMERCIAL CODE ABOUT THE REPORT BY

THE CHAIRMAN OF THE BOARD OF DIRECTORS

OF THE COMPANY ERYTECH PHARMA S.A.

YEAR ENDED DECEMBER 31, 2016

Dear Shareholders,

In our capacity as Statutory Auditors of ERYTECH Pharma S.A., and in accordance with Article L. 225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

1. Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L. 225-37 of the French Commercial Code ("Code de Commerce").

2. Other information

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code ("Code de commerce").

The statutory auditors

Lyon, March 28, 2017

For KPMG Audit, a department of KPMG S.A. For RSM Rhône Alpes

Sara Righenzi De Villers Gaël Dhalluin

Partner **Partner**

4.4 Remuneration and benefits

4.4.1 Report on the remuneration policy for executive corporate officers

This report, attached to the report referred to in Articles L. 225-100 and L. 225-102, is prepared in accordance with Article L. 225-37-2 of the French Commercial Code.

This report sets out the principles and criteria for determination, distribution and allocation of the fixed, variable and exceptional components of the total remuneration and benefits of any kind, attributable to the Chairman, Chief Executive Officers and Deputy General Managers in consideration of their position and presents the draft resolution prepared by the Board of Directors for the Annual Ordinary General Meeting on the financial year ended December 31, 2016.

Based on a report issued by the Board of Directors, it will be proposed at each General Meeting starting from the General Meeting for the year ended December 31, 2017 to vote on the remuneration policy for executive corporate officers for the following financial year.

If the General Meeting of June 27, 2017 does not approve the resolution adopting the remuneration policy for executive corporate officers, the remuneration will be determined in accordance with the remuneration awarded for the previous financial year or, if no remuneration was awarded for the previous financial year, in accordance with the practices in place within the Company.

In accordance with Article L. 225-37-2 of the French Commercial Code, the payment of variable and exceptional remuneration components starting from the financial year ended December 31, 2017 shall be conditional on the approval by an Ordinary General Meeting of the remuneration components of the individuals concerned under the terms provided in Article L. 225-100 of the French Commercial Code.

4.4.1.1 Principles for the determination, distribution and allocation of all components of the total remuneration and benefits of executive corporate officers

The Remuneration and Appointments Committee, the role, operation and duties of which are presented in the Chairman's Report on internal control, meets at least once a year before the Board of Directors meeting held to assess the fixed, variable and exceptional remuneration and benefits to which executive corporate officers are entitled or which approves the agenda for a General Meeting called to decide on the draft resolutions regarding issues related to its area of expertise.

On the recommendation of the Remuneration and Appointments Committee, the Board of Directors approves the remuneration policy for executive corporate officers and the remuneration to which each of them are entitled. This policy covers all aspects of the fixed, variable and exceptional remuneration, in addition to the benefits of any kind granted by the Company in consideration of their position (such as pensions, severance pay, etc.).

The level and terms of remuneration of executive corporate officers in consideration of their position are mainly based on striking a necessary balance between the motivation of the management team and the general interests of the Company.

The work of the Appointments and Remuneration Committee in this regard involves a market study in consideration of the position held by the executive officer and the benchmark market. This market study is adjusted based on the Company's situation and consistency with the remuneration of other executive officers and employees of the Company. The Remuneration and Appointments Committee and the Board of Directors therefore operate a fair balance between the general interests of the Company, market practices and executive corporate officers' motivation.

The components of fixed and variable remuneration, and the benefits granted to executive corporate officers in consideration of their position are published and broken down in the Company's annual financial report (*see correlation table in Appendix T*).

4.4.1.2 Components and criteria of the remuneration and benefits of executive corporate officers

The total remuneration of executive corporate officers is made up of a fixed portion accompanied by variable elements, the granting of bonus shares under performance conditions and other benefits specified below.

a. Fixed components of the remuneration of executive corporate officers

The Board of Directors approves the fixed portion of the remuneration of executive corporate officers for a period of twelve months based on the responsibilities assumed and market practices.

b. Variable components of the remuneration of executive corporate officers

On the recommendation of the Remuneration and Appointments Committee, the Board of Directors approves the variable portion of the annual remuneration of each executive corporate officer in consideration of their position based on quantitative financial and qualitative criteria in keeping with the objectives and projects of the Company announced to investors. These criteria are defined specifically by the Board of Directors but are kept secret for confidentiality reasons. For example, the performance conditions which may be used include obtaining MA, launching a new clinical study, signing a partnership agreement, obtaining a tender or a specific level of cash for the end of the past financial year.

After financial year-end, the Remuneration and Appointments Committee assesses the achievement of these objectives and based on this assessment, the Board of Directors decides to allocate to executive corporate officers all or part of the variable portion. From the financial year ended December 31, 2017, the variable portions allocated for a financial year will be settled and paid during the following year subject to approval by the Annual Ordinary General Meeting.

The variable portion corresponding to this variable remuneration is between 25% and 50% of the executive corporate officers' fixed annual remuneration.

c. Bonus share grants

Allocation policy
At its meeting on October 3, 2016, the Board of Directors decided, on a recommendation from the Remuneration Committee, to award the executive corporate officers bonus shares.

Acquisition policy
With a vested interest in the long-term interests of the participant, the Board of Directors has put in place a three-year bonus share allocation plan.

Retention policy
The Board of Directors has determined the procedures for meeting the obligation to retain shares by deciding that 10% of bonus shares granted to executive corporate officers will be restricted until the termination of their duties as executive corporate officer of the Company.

d. Allowances, benefits and remuneration granted to executive corporate officers due to the termination or change of their duties

In accordance with the "TEPA" law and the MiddleNext Corporate Governance Code, at the Board of Directors' meetings on May 23, 2014, August 31, 2015 and November 2, 2016, the conditions were established for severance pay and allowances in the event of a change of control granted to executive corporate officers in consideration of their position. Accordingly, severance pay shall be no more than two years of fixed and variable remuneration and the Company excludes any payment of severance pay to an executive corporate officer who chooses to leave the Company to assume a new role or change roles within the Group.

The breakdown of these allowances is as follows:

- For severance pay, in section 4.5.2.1 of the Reference Document,

- For severance pay in the event of change of control, in section 4.1.3 of the Reference Document in the section "agreements providing for compensation for members of the Board of Directors or employees, if they resign or are dismissed without actual and serious basis or if their employment is terminated due to a takeover bid".

e. Supplementary pensions

The Board of Directors has approved subscription to a supplementary pension plan for executive corporate officers. The Company is signed up to a defined-benefit supplementary pension plan through AXA, as part of a group pension contract. The investment of individual accounts built up through pension contributions of 5% of gross salaries less deductions of 2.50% of costs, on "Horizon" FCPs managed by AXA (*see section 4.4.2 Table no. 11*).

f. Benefits in kind

Benefits in kind include car rental, bank cards for fuel expenses, personalized monitoring for securities management and civil liability insurance for executive corporate officers. A breakdown of these benefits in kind appears in Table no. 2 of section 4.4.2 of the Reference Document.

4.4.1.3 Resolution proposal to the Annual Ordinary Shareholders' Meeting of June 27, 2017

Approval of the elements of the remuneration policy for executive corporate officers

"The General Meeting, deliberating under the rules of quorum and majority conditions required for ordinary general meetings, after having heard the Board of Directors' report on the remuneration policy for executive corporate officers prepared in accordance with Article L. 225-37-2 of the French Commercial Code, approves the remuneration policy as presented in this report."

4.4.2 Remuneration and benefits in kind awarded for the last financial year ended to corporate officers of the Company

The information is prepared with reference to the MiddleNext corporate governance code for small and midcaps which has been approved as a reference code by the AMF.

The tables below related to the "Position - AMF recommendation no. 2014-14" of December 2, 2014 are presented below.

The duties currently performed by the individuals indicated below are specified in section 4.1.1 "Administration and management bodies" of the Reference Document.

Table no. 1: Summary of remuneration and of options and shares granted to each executive corporate officer:

	2016 financial year	2015 financial year
Gil Beyen – Chairman and Chief Executive Officer		
Remuneration due in respect of the financial year (breakdown in Table 2)	€325,299	€414,037
Valuation of options and warrants granted during the financial year (breakdown in tables 4, 8 and in section 4.4.4 of the Reference Document)		€0
Valuation of performance shares granted during the financial year (breakdown in Table 6)	€192,491	
TOTAL	**€517,790**	**€414,037**
Yann Godfrin – Deputy General Manager (*)		
Remuneration due in respect of the financial year (breakdown in Table 2)	€10,503	€308,852
Valuation of options and warrants granted during the financial year (breakdown in tables 4, 8 and in section 4.4.4 of the Reference Document)	€0	€0
Valuation of performance shares granted during the financial year (breakdown in Table 6)		
TOTAL	**€10,503**	**€308,852**
Jérôme Bailly – Deputy General Manager		
Remuneration due in respect of the financial year (breakdown in Table 2)	€164,470	€102,163
Valuation of options and warrants granted during the financial year (breakdown in tables 4, 8 and in section 4.4.4 of the Reference Document)	€159,487	€55,118
Valuation of performance shares granted during the financial year (breakdown in Table 6)	€96,259	
TOTAL	**€464,273**	**€157,281**

(*) Yann Godfrin resigned from his position on January 18, 2016.

Table no. 2: Summary of remuneration of each executive corporate officer:

Gil Beyen	2016 financial year		2015 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid
fixed remuneration (1)	€276,000	€276,000	-€270,000	€270,000
variable remuneration (1) (2)	€41,400	€135,000	€135,000	
exceptional remuneration (1)(4)				
attendance fees				
benefits in kind (3)	€7,899	€7,899	€9,037	€9,037
TOTAL	**€325,299**	**€418,899**	**€414,037**	**€279,037**
Yann Godfrin (*)	**2016 financial year**		**2015 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
fixed remuneration (1)	€9,140	€9,140	€200,000	€200,000
variable remuneration (1) (2)	€0	€100,000	€100,000	
exceptional remuneration (1)(4)				
attendance fees				
benefits in kind (3)	€1,363	€1,363	€8,852	€8,852
TOTAL	**€10,503**	**€110,503**	**€308,852**	**€208,852**
Jérôme Bailly	**2016 financial year**		**2015 financial year**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
fixed remuneration (1)	€130,000	€130,000	€90,000	€90,000
variable remuneration (1) (2)	€9,750	€9,000	€9,000	
exceptional remuneration (1)(4)	€21,000	€21,000		
attendance fees				
benefits in kind (3)	€3,720	€3,720	€3,163	€3,163
TOTAL	**€164,470**	**€163,720**	**€102,163**	**€93,163**

(*) Yann Godfrin resigned from his position on January 18, 2016
(1) Remuneration components on a gross basis before tax
(2) Variable remuneration consists of bonuses set by the Remuneration and Appointments Committee based on the achievement of company objectives set annually (examples of company objectives set in previous years include: positive

results at the end of clinical phases, submission of the marketing authorization dossier, minimum cash balance amount). Variable remuneration is paid on a proportional basis to the percentage of achievement of each of the objectives.

(3) Benefits in kind consist of: vehicle lease, fuel cards and an unemployment insurance contract with the association for the Garantie Sociale des Chefs et Dirigeants d'Entreprise ("GSC") [social guarantee for company managers and executives].

(4) Benefits in kind consist of the lease of a vehicle

Table no. 3: Summary of attendance fees and other remuneration received by non-executive corporate officers:

Non-executive corporate officers	Amounts paid during financial year 2016	Amounts paid during financial year 2015
Luc Dochez		
Attendance fees	€28,000	€25,671
Other remuneration (1)	€39,690	€251,857
GALENOS sprl		
Attendance fees	€46,000	€38,000
Other remuneration (1)	€39,690	€335,208
Philippe Archinard		
Attendance fees	€46,000	€40,000
Other remuneration	€39,690	€335,208
Martine Ortin George		
Attendance fees	€30,000	€32,000
Other remuneration (1)	€39,690	€335,208
Hilde Windels		
Attendance fees	€34,000	€36,000
Other remuneration (1)	€39,690	€335,208
TOTAL	**€382,450**	**€1,764,360**

(1) The amounts corresponding to the fair value of share subscription warrants (BSA) granted.

Table no. 4: Share subscription or purchase options, allocated during financial year 2016 to each executive corporate officer by the issuer and by all companies of the group

Not applicable.

Table no. 5: Share subscription or purchase warrants exercised during the financial year by each executive corporate officer

Not applicable

Table no. 6: Performance shares granted to each corporate officer

Bonus shares granted by the Shareholders' General Meeting during the financial year to each corporate officer by the issuer and by any company of the group (list of names)	*No. and date of plan*	*Number of shares granted during the financial year*	*Valuation of shares based on the method used for the consolidated financial statements*	*Vesting date*	*Availability date*	*Performance conditions*
Gil Beyen	No.: AGA 2016 Date: October 3, 2016	21,999 shares divided into three tranches of 7,333 shares each	€192,491 based on the Monte-Carlo valuation method	Tranche 1: 10.03.2017 Tranche 2: 10.03.2018 Tranche 3: 10.03.2019	Tranche 1: 10.03.2018 Tranche 2: 10.03.2018 Tranche 3: 10.03.2019	Performance conditions based on the increase in the Company's share price between the grant date and the vesting date
Jérôme Bailly	No.: AGA 2016 Date: October 3, 2016	11,001 shares divided into three tranches of 3,667 shares each	€96,259 based on the Monte-Carlo valuation method	Tranche 1: 10.03.2017 Tranche 2: 10.03.2018 Tranche 3: 10.03.2019	Tranche 1: 10.03.2018 Tranche 2: 10.03.2018 Tranche 3: 10.03.2019	Performance conditions based on the increase in the Company's share price between the grant date and the vesting date
TOTAL		**33,000** divided into three tranches of 11,000 shares each				

Table no. 7: Bonus shares granted which vested for each corporate officer

Not applicable

Table no. 8: History of share subscription or purchase option grants

and shares and other financial instruments granting access to the capital (founder subscription warrants ("BSPCE") and share subscription warrants ("BSA") and bonus share grants)

Types of securities	$BSPCE_{2012}$	BSA_{2012}	$BSPCE_{2014}$	BSA_{2014}	BSA_{2016}	SOP_{2016}	AGA_{2016}
Number of securities that the company is authorized to issue	33,787	11,263	19,500	3,000			350,000
Maximum number of securities granted which have not yet been exercised or have not yet vested	17,291	4,018	18,215	3,000	45,000	44,499	111,261
Number of securities granted	33,787	10,760	18,500 (2)	3,000	45,000	44,499	111,261
Date of General Meeting	May 21, 2012		April 2, 2013		June 24, 2016		
Security subscription price	€0.00						
Exercise price per new share subscribed	€7.362		€12.25		€18.52		Not applicable
Final date for exercising securities	May 20, 2020		January 22, 2024		October 3, 2026	October 3, 2021	Not applicable
Parity	1 warrant for 10 shares				1 warrant for 1 share 1 option for 1 share		
General exercise conditions or performance conditions	Warrant holders can only exercise their subscribed warrants upon the occurrence of a firm, definitive transaction 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 transactions: i. acceptance, by shareholders representing at least sixty-six point sixty 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 French Commercial Code); ii. conclusion of a merger agreement providing for the absorption of the Company; warrant holders will be able to exercise all of their warrants. The securities to which the	The $BSPCE_{2014}$ 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 (BSPCE2014). By way of exception, the possibility of early exercise has been established in the event of (i) a change in control as pursuant to Article L. 233-3(1) of the French Commercial Code, or (ii) a merger of the Company, without conditions on minimum threshold or frequency. The securities to which the warrants give rights are common shares. Each warrant will 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 be subject to periodic requests for admission to trading on the regulated market NYSE Euronext.	For the BSA_{2016}, the holder must (i) be a corporate officer not subject to the tax and social security systems of employees of the Company or one of its subsidiaries, (ii) be a member of any specific committee created by the Board of Directors of the Company or of one of its subsidiaries and not otherwise be an employee of the Company or of one of its subsidiaries or (iii) be bound by a consultancy contract entered into with the Company or one of its subsidiaries, on the date of exercising the warrants.	Performance conditions based on the increase in the Company's share price between the grant date and the vesting date

Types of securities		BSPCE$_{2012}$	BSA$_{2012}$	BSPCE$_{2014}$	BSA$_{2014}$	BSA$_{2016}$	SOP$_{2016}$	AGA$_{2016}$
		warrants give rights are common shares. Each warrant will 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 be subject to periodic requests for admission to trading on the regulated market NYSE Euronext.						
Number of shares issued or vested		164,960	67,420	1,950	-	-	-	-
Maximum number of new shares that can be issued relating to securities granted but not exercised [(1)] or shares not yet vested		172,910	40,180	182,150	30,000	45,000	44,499	111,261
Of which the maximum number of shares that can be exercised by:	*Yann Godfrin[(2)]*	-	-	20,000	-	-	-	-
	Jérôme Bailly	4,400	-	24,000	-	-	-	11,001
	Gil Beyen	78,630	-	60,000	-	-	-	21,999
Maximum dilution of shares and % resulting from the exercise of warrants		626,000 shares, i.e., a maximum dilution of approximately 7.17%[(3)]						

[(1)] Post division of the par value of Company shares
[(2)] Due to his resignation on January 18, 2016, 10,000 shares from 1,000 BSPCE$_{2014}$ lapsed for Mr. Yann Godfrin.
[(3)] Based on the exercise of all diluting instruments granted and not yet exercised or shares not yet vested (i.e., the BSA, BSPCE, Stock Options and bonus shares) and a share capital of €873,264.80

Table no. 9: Share subscription or purchase options and other financial instruments granting access to the capital awarded to the first ten non-corporate officer employee beneficiaries and options exercised by the latter

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND WARRANTS GRANTED TO THE FIRST TEN NON-CORPORATE OFFICER EMPLOYEE BENEFICIARIES AND OPTIONS EXERCISED BY THE LATTER	Total number of options and warrants granted/shares subscribed or purchased	Weighted average price	$PlanBSPCE_{2014}$	$PlanBSA_{2014}$
Options and warrants granted, during the financial year, by the issuer and any company qualified to grant options, to the ten employees of the issuer and any qualified company, granted the highest number of options/warrants granted through these plans (aggregate information)	3,920	n/a	1,920	2,000
Options held with the issuer and the above-mentioned companies, exercised, during the financial year, by the ten employees of the issuer and of these companies, who have purchased or subscribed to the highest number of options through these plans (aggregate information)	0	n/a	0	0

Table no. 10: History of bonus share grants

INFORMATION ON BONUS SHARES GRANTED		
		"AGA 2016" plan
Date of meeting		Combined General Meeting of 06.24.16
Date of the Board of Directors meeting		Board of Directors' Meeting and decision of the Chairman and Chief Executive Officer on 10/03/2016
Total number of bonus shares granted		111,261
of which the number granted to corporate officers		
	Gil Beyen	21,999
	Jérôme Bailly	11,001
Share vesting date[1]		Tranche 1: 10.03.2017 Tranche 2: 10.03.2018 Tranche 3: 10.03.2019
Date of end of retention period		Tranche 1: 10.03.2018 Tranche 2: 10.03.2018 Tranche 3: 10.03.2019
Number of shares subscribed[2] at March 26, 2017		0
Aggregate number of shares canceled or lapsed		0
Bonus shares granted remaining at financial year-end		111,261

[1] **Performance condition**: the performance condition upon vesting of "AGA 2016" bonus shares is based on the increase in the Company's share price between the grant date of the bonus shares and their vesting date

[2] Shares granted, subscribed and vested

Table no. 11: Remuneration conditions and other benefits granted solely to executive corporate officers

Executive Corporate Officers	Employment Contract		Supplementary pension plan		Allowances or benefits due or likely to be due as a result of termination or change of duties		Compensation related to a non-compete clause	
	Yes *(1)*	No	Yes *(2)*	No	Yes *(3)*	No	Yes *(4)*	No
Gil Beyen Chairman and Chief Executive Officer Start of term of office: April 2013 End of term of office: AGO 2019		X	X		X			X
Yann Godfrin Deputy General Manager Start of term of office: November 2004 End of term of office: January 17, 2016		X	X		X[(5)]			X
Jérôme Bailly Deputy General Manager Start of term of office: December 2012 End of term of office: OGM 2019	X		X		X		X	

1. Mr. Jérôme Bailly has worked under an employment contract since November 15, 2011 before his first appointment on December 21, 2012 as a corporate officer. He was considered, by the Supervisory Board and in turn by the Board of Directors, to have continued to work under this employment contract after these appointments insofar as this contract covers the distinct duties of his role as Qualified Person, duties for the purposes of which he is subject to a relationship of subordination.

2. Subscription to the defined-benefit supplementary pension plan, under a group pension contract taken out by the Company with AXA. Investment of individual accounts built up through pension contributions of 5% of gross salaries less deductions of 2.50% of costs, on "Horizon" FCPs managed by AXA.
Estimated annual income on 03/07/2017 at the age of 65 (excluding option) for:

- Jérôme Bailly: €15,275
- Gil Beyen: €5,201

3. Severance pay of an amount equal to one year's remuneration solely for Messrs. Beyen and Bailly (refer to Section 4.1.2.4 of the Reference Document)

4. Severance pay equal to 1/3 of the average monthly salary of the employee received during the last three years of service in the company ERYTECH Pharma for 18 months.

In addition, executive corporate officers are also entitled to a complementary plan covering healthcare expenses, insurance and profit-sharing (see also Sections 3.2.3.4 and 4.5.2 of the Reference Document).

(5) Mr. Godfrin did not receive any severance pay or benefits upon leaving the Company as he did not meet the payment conditions.

4.4.3 Sums provisioned or recognized by the Company for the payment of pensions, retirement plans or other benefits

The Company has not provisioned any sums for the payment of pensions, retirement plans or other benefits for corporate officers and/or executive corporate officers who have not received any allowance for leaving or joining the Company (refer to the statutory auditors'

special report on regulated agreements and specifically allowances set aside for executive corporate officers).

4.4.4 Share subscription warrants, company founder portion of subscription warrants or other securities granting access to the capital granted to directors and executive officers.

The table below shows the warrants granted during 2016 to each executive corporate officer by the Company:

Name of executive corporate officer	No. and date of plan	Valuation of warrants based on the method used for IFRS financial statements	Number of warrants allocated during the year	Exercise price per new share subscribed	Exercise period
Jérôme Bailly	$BSPCE_{2014}$ 1/22/2014	Fair value (Black & Scholes) IFRS 2	1,600	€12.25	Lapsing on 1/22/2024

The table below shows the warrants exercised during 2016 by each executive corporate officer:

Name of executive corporate officer	No. and date of plan	Number of warrants exercised during the year	Exercise price
Jérôme Bailly	N: $BSPCE_{2012}$ 5/31/2012	144 warrants i.e. 1,440 shares	€73.62 per warrant i.e. €7.362 per share
TOTAL		**144 warrants i.e. 1,440 shares**	€73.62 per warrant i.e. €7.362 per share

A comprehensive breakdown of the BSA or BSPCE granted to corporate officers or executive corporate officers is provided in Section 17.2 of the Reference Document.

4.5.5 Summary statement of transactions by the executive officers and persons mentioned in Article L. 621-18-2 of the French Monetary and Financial Code involving shares of the Company conducted during the past financial year

During the financial year ended December 31, 2015, the executive officers and individuals referred to in Article L. 621-18-2 of the French Monetary and Financial Code conducted the following transactions involving shares of the Company:

- on February 1, 2016, Mr. Philippe Archinard, director of the Company, exercised 717 warrants corresponding to 7,170 ERYTECH Pharma shares with a unit price of €73.62 per warrant;

- on March 31, 2015, Mr. Jérôme Bailly, Deputy General Manager, sold 240 ERYTECH Pharma shares at a unit price of €26.58;
- on April 8, 2015, Mr. Jérôme Bailly, Deputy General Manager, sold 240 ERYTECH Pharma shares at a unit price of €27.01;
- on May 19, 2016, the company GALENOS Sprl, director, exercised 500 warrants corresponding to 5,000 ERYTECH Pharma shares at a unit price of €73.62 per warrant;
- on May 26, 2016, the company GALENOS Sprl, director, sold 500 ERYTECH Pharma shares at a unit price of €23.01;
- on October 11, 2016, Mr. Jérôme Bailly, Deputy General Manager:
  - exercised 144 warrants corresponding to 1,440 ERYTECH Pharma shares at a unit price of €73.62 per warrant;
  - sold 1,440 ERYTECH Pharma shares at a unit price of €17.2197;
- on December 1, 2016, Mr. Philippe Archinard, director of the Company, sold 4,870 ERYTECH Pharma shares at a unit price of €12.4007;

Since December 31, 2015, the executive officers and individuals referred to in Article L. 621-18-2 of the French Monetary and Financial Code have not conducted any transactions on the Company's shares.

4.5 Transactions with related parties

All currently existing regulated agreements are mentioned in the special reports by the statutory auditor presented below.

Since preparation of the special report by the statutory auditor on the 2016 financial year, the Board of Directors authorized:

- January 8, 2017:

- an increase in the fixed and variable gross annual remuneration for Jérôme Bailly, Deputy General Manager of the Company, pursuant to his employment contract;
- the PEE (company savings scheme) and PERCO (collective plan for retirement savings) contributions of:
  - Mr. Gil Beyen, Chief Executive Officer;
  - Mr. Jérôme Bailly, Deputy General Manager of the Company.

- March 1, 2017:

- support in the management of the securities of Ms. Allene M. Diaz; Director (subject to approval at the next General Meeting),

- the undertaking of an Executive MBA for Mr. Jérôme Bailly, Deputy General Manager of the Company.

The annexed IFRS consolidated financial statements provide details of related parties under Paragraph 7.12, Section 5.3 of this Reference Document.

4.5.1 Intra-group transactions

4.5.1.1 Cash pooling agreement

During the financial year ended December 31, 2016, the Company did not enter into any new cash pooling agreements with its subsidiary, ERYTECH Pharma Inc.

4.5.1.2 Intercompany agreement

During the financial year ended December 31, 2016, the Company did not sign any new service agreements with the said subsidiary.

4.5.2 Related party transactions

4.5.2.1 Special report of the statutory auditor on regulated agreements – Financial year ended December 31, 2016

ERYTECH PHARMA
A French limited liability company (société anonyme) with share capital of €873,265
60 avenue Rockefeller
69008 LYON

STATUTORY AUDITORS'
SPECIAL REPORT
ON REGULATED AGREEMENTS AND COMMITMENTS

GENERAL MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS FR THE YEAR ENDED DECEMBER 31, 2016

Dear Shareholders,

In our capacity as statutory auditor for the company, we hereby report on certain regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the main terms and conditions as well as the reasons justifying the benefit to the Company, of those agreements and commitments indicated to us or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with the terms of Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code concerning the implementation, during the past year of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing board (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE PAST YEAR

In accordance with Article L. 225-38 of the French Commercial Code, we have been advised of the following agreements and commitments which received prior authorization from the Board of Directors.

A - With Jérôme Bailly

Person concerned:

- Jérôme Bailly, Deputy General Manager of the Company.

a - Remuneration

Nature and purpose:

Modification of the fixed gross annual remuneration as part of Jérôme Bailly's employment contract, starting on January 1, 2016. This agreement was authorized by your Board of Directors on January 10, 2016.

Terms:

The gross remuneration paid during the 2016 financial year, variable portion included, totaled €164,256.39.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

b - Provision of securities management assistance (Banque Transatlantique):

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Jérôme Bailly authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

c – Severance pay in the event of a change in control within two years of the granting of bonus shares:

Nature and purpose:

Severance pay in the event of a change in control within two years of the granting of bonus shares to Jérôme Bailly, authorized by the Board of Directors on November 2, 2016.

This severance pay is intended to compensate, in the event of a merger/acquisition occurring within 24 months of the granting of bonus shares, for the potential loss of compensation in the event of cancelation of bonus shares granted or the potential loss of favorable tax treatment on the sale of these shares.

Terms:

No expense was booked in this respect for the year ended December 31, 2016.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

B - With Gil Beyen

Person concerned:

- Gil Beyen, Chairman and Chief Executive Officer of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Gil Beyen authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

b - Provision of tax assistance (Delsol Avocats)

Nature and purpose:

Tax assistance contract signed with the legal firm Delsol for Gil Beyen authorized by the Board of Directors on June 24, 2016.

Terms:

The cost of the contract for the 2016 financial year was €2,000.00 (excl. tax).

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

C - With Philippe Archinard

Person concerned:

- Philippe Archinard, director of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Philippe Archinard authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

D - With GALENOS Sprl

Company concerned:

- GALENOS Sprl, director of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for the company GALENOS Sprl, authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

E – With Martine Ortin George

Person concerned:

- Martine Ortin George, director of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Martine Ortin George, authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

F – With Hilde Windels

Person concerned:

- Hilde Windels, director of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Hilde Windels, authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

G - With Luc Dochez

Person concerned:

- Luc Dochez, director of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Luc Dochez, authorized by the Board of Directors on May 6, 2016.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

AGREEMENTS AND COMMITMENTS AUTHORIZED SINCE YEAR-END

We have been informed of the following agreements and commitments, authorized since the end of the reporting period, that had the previous consent of your Board of Directors.

A - With Jérôme Bailly

Person concerned:

- Jérôme Bailly, Deputy General Manager of the Company.

a - Remuneration

Nature and purpose:

Modification of the fixed gross annual remuneration as part of Jérôme Bailly's employment contract, starting on January 1, 2016. This agreement was authorized by your Board of Directors on January 8, 2017.

Terms:

The monthly fixed gross remuneration for Jérôme Bailly is set at €13,333.

Benefit to the Company:

Building the loyalty and motivation of your company's management team.

B - With Allene Diaz

Person concerned:

- Allene Diaz, director of the Company.

a - Provision of securities management assistance (Banque Transatlantique)

Nature and purpose:

Securities management consulting contract for the company signed with Banque Transatlantique for Allene Diaz, authorized by the Board of Directors on March 1, 2017.

Terms:

The cost of the contract for the 2016 financial year was €70.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Raising awareness with regard to the rules applicable to market orders.

AGREEMENTS AND COMMITMENTS NOT PREVIOUSLY AUTHORIZED

In accordance with Articles L. 225-42 and L. 823-12 of the French Commercial Code, we hereby inform you that the following agreements and commitments have not been previously authorized by your Board of Directors.

It is our responsibility to inform you of the circumstances due to which the authorization procedure was not followed.

A - With Jérôme Bailly

Person concerned:

- Jérôme Bailly, Deputy General Manager of the Company.

Training agreement:

Nature and purpose:

Training agreement for Jérôme Bailly.

Terms:

The total training cost for the Company is €9,110, of which €811 is for the year ended 2016.

For the year ended December 31, 2016 an expense of €811 was recorded. The total cost after deduction of the grant is €9,110.

Your company considered that this agreement fell under Article L. 225-39 of the French Commercial Code and, as a result, that the prior authorization procedure provided in Article L 225-38 of this Code did not apply.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved during previous financial years which continued to operate during the past financial year

In application of Article R. 225-31 of the Commercial Code, we were informed that the execution of the following agreements and commitments, already approved by the General Meeting during previous financial years, continued in the past financial year.

A - With Yann Godfrin

Person concerned:

Yann Godfrin, Deputy General Manager of the Company

a - Severance pay:

Nature and purpose:

Severance pay, authorized by the Board of Directors on May 24, 2013, in the event of:

- expiration 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 Labor Division 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 expiration of his term of office.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company's expenditure budget, and
- at least one of the two following conditions:
    - one collaboration or licensing agreement underway;
    - one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2016 financial year.

Mr. Yann Godfrin resigned from his positions as director and Deputy General Manager on January 17, 2016.

b - Profit-sharing agreement:

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On December 22, 2006, your Supervisory Board authorized the inclusion of Yann Godfrin in a future profit-sharing agreement. The profit-sharing expense recorded in relation to the 2016 financial year had a gross value of €74.

Mr. Yann Godfrin resigned from his positions as director and Deputy General Manager on January 17, 2016.

c - Provision of securities management assistance (Société Générale Service Securities):

Nature and purpose:

Securities management consulting contract for the company signed with Société Générale for Yann Godfrin authorized by the Board of Directors on March 26, 2015.

Terms:

The cost of the contract for the 2016 financial year was €133.33.

Mr. Yann Godfrin resigned from his positions as director and Deputy General Manager on January 17, 2016.

d - Severance pay in the event of a change in control:

Nature and purpose:

Severance pay in the event of a change in control authorized by the Board of Directors on August 31, 2015.
This severance pay is not cumulative with the severance compensation agreement authorized by the Board of Directors at that meeting..

Yann Godfrin will receive lump-sum severance pay equal to 12 times the average monthly compensation (variable compensation included) effectively received over the course of the 12 months preceding his departure if in the 12 months following the change in control of your company by the acquisition of more than 50% of the voting rights, Mr. Godfrin:

- removal (except for removal due to serious misconduct or gross negligence as this term is understood with respect to the case law of the Labor Division of the Court of Cassation);
- resigns, provided that such resignation is the result of a demotion by the Company, a company that acquires it or by one of its subsidiaries to a position with less responsibility and/or lower remuneration compared to the position held before the change in control.

Payment of this indemnity is subject to the same performance conditions being met as those to which payment of severance pay is subject, as authorized by the Board of Directors on May 24, 2013:

- respect of the Company's spending 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 expense was booked in this respect by the company for the 2016 financial year.

Mr. Yann Godfrin resigned from his positions as Director and Deputy General Manager on January 17, 2016.

B - With Gil Beyen

Person concerned:

❖ Gil Beyen, Chairman and Chief Executive Officer of the Company.

a - Severance pay:

Nature and purpose:

Severance pay, authorized by the Board of Directors on May 24, 2013, in the event of:

- expiration 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 Labor Division 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 expiration 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. Gil Beyen.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company’s expenditure budget, and
- at least one of the two following conditions:

- ✓ one collaboration or licensing agreement underway;
- ✓ at least one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2016 financial year.

b - Profit-sharing agreement:

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On December 22, 2006, your Supervisory Board authorized the inclusion of Gil Beyen in a future profit-sharing agreement. The profit-sharing expense recorded in relation to the 2016 financial year had a gross value of €626.

c - Provision of securities management assistance (Société Générale Service Securities):

Nature and purpose:

Securities management consulting contract for the company signed with Société Générale for Gil Beyen authorized by the Board of Directors on March 26, 2015.

Terms:

The cost of the contract for the 2016 financial year was €133.33.

d - Severance pay in the event of a change in control:

Nature and purpose:

Severance pay in the event of a change in control authorized by the Board of Directors on August 31, 2015.
This severance pay is not cumulative with the severance compensation agreement authorized by the Board of Directors on May 24, 2013.

Gil Beyen will receive lump-sum severance pay equal to 12 times the average monthly compensation (variable compensation included) effectively received over the course of the 12 months preceding his departure if in the 12 months following the change in control of your company by the acquisition of more than 50% of the voting rights, Mr. Beyen:

- removal (except for removal due to serious misconduct or gross negligence as this term is understood with respect to the case law of the Labor Division of the Court of Cassation);

- resigns, provided that such resignation is the result of a demotion by the Company, a company that acquires it or by one of its subsidiaries to a position with less responsibility and/or lower remuneration compared to the position held before the change in control.

  Payment of this indemnity is subject to the same performance conditions being met as those to which payment of severance pay is subject, as authorized by the Board of Directors on May 24, 2013:

- respect of the Company's spending 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 expense was booked in this respect by the company for the 2016 financial year.

C - With Jérôme Bailly

Person concerned:

❖ Jérôme Bailly, Deputy General Manager of the Company.

a - Profit-sharing agreement:

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On December 22, 2006, your Supervisory Board authorized the inclusion of Gil Beyen in a future profit-sharing agreement. The profit-sharing expense recorded in relation to the 2016 financial year had a gross value of €626.

d - Severance pay in the event of a change in control:

Nature and purpose:

Severance pay in the event of a change in control authorized by the Board of Directors on August 31, 2015.
This severance pay is not cumulative with the severance compensation agreement authorized by the Board of Directors on August 31, 2013.

Jérôme Bailly will receive lump-sum severance pay equal to 12 times the average monthly compensation (variable compensation included) effectively received over the course of the 12 months preceding his departure if in the 12 months following the change in control of your company by the acquisition of more than 50% of the voting

rights, Mr. Bailly:

- is dismissed, except for gross negligence or willful misconduct;
- receives an approved contractual termination of his employment contract at the initiative of either the Company or the employee;
- resigns, provided that his resignation is the result of demotion by the Company, by its buyer or by one of its subsidiaries or of a rejection by him of a job offer with fewer responsibilities and/or lower remuneration compared to the position held before the change of control.

Payment of this severance pay is subject to the following performance conditions being met:

- respect of the Company's spending 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 expense was booked in this respect by the company for the 2016 financial year.

c - Severance pay:

Nature and purpose:

Severance pay authorized by the Board of Directors on August 31, 2015 in the event of dismissal for any reason, except for serious misconduct or gross negligence.

Jérôme Bailly may claim severance pay equal to six months' fixed compensation, plus an additional three months' fixed compensation per year of employment with the company, up to a maximum of 12 months' fixed compensation, subject to more favorable contractual provisions.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company's expenditure budget, and
- at least one of the two following conditions:

  - ✓ one collaboration or licensing agreement underway;
  - ✓ one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2016 financial year.

E - With all Senior Management

Persons concerned:

- Gil Beyen, Yann Godfrin, Jérôme Bailly.

a - Services and expenses benefiting the Senior Management

Nature and purpose:

The Supervisory Board, on January 24, 2013, and the Board of Directors, on May 24, 2013, authorized the company to bear the cost of certain services and expenses benefiting the Senior Management, as shown in the table attached, expressed in euros.

- Terms

Expenses sustained in fiscal 2016	Gil Beyen	Jérôme Bailly	Yann Godfrin
APGIS contractual occupational pension (COP)	4,099	2,841	211
Additional occupational pension (VIVENS)	1,205	1,205	57
Additional pension (AXA)	7,723	7,723	729
Company car and fuel	19,867	9,676	1,330
Rent in the fiscal year	*17,252*	*8,347*	*1,258*
Fuel	*2,616*	*1,329*	*72*
Total	**32,894**	**21,445**	**2,327**

Mr. Yann Godfrin resigned from his positions as director and Deputy General Manager on January 17, 2016.

a - Services and expenses benefiting the Senior Management:

Nature and purpose:

Authorization by the Board of Directors on March 26, 2015 of an employer's contribution to the PEE and PERCO. The employer's contribution terms for the PEE and PERCO are identical to those for all employees.

- Terms

Expenses sustained in fiscal 2016	Gil Beyen	Jérôme Bailly	Yann Godfrin
PEE	500	500	-
PERCO	500	500	-
Total	**1,000**	**1,000**	**-**

Mr. Yann Godfrin resigned from his positions as director and Deputy General Manager on January 17, 2016.

The statutory auditors
Lyon, March 28, 2017

For KPMG Audit

A department of KPMG S.A.

Sara Righenzi de Villers
Partner

For RSM Rhône Alpes

Gaël Dhalluin
Partner

4.5.2.2 Special report of the statutory auditor on regulated agreements – Financial year ended December 31, 2014

Erytech Pharma S.A.

Share capital: €792,461
Statutory Auditors' special report on regulated agreements and commitments

Dear Shareholders,

In our capacity as statutory auditor for the company, we hereby report on certain regulated agreements and commitments.

We are required to inform you, on the basis of the information that provided to us, of the terms and conditions of those agreements and commitments indicated to us or that we may have identified in the performance of our engagement. We are not required to comment or to whether they are beneficial or appropriate or to ascertain the existence of any agreements and commitments. It is your responsibility, in accordance with the terms of Article R. 225-58 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code concerning the implementation, during the year of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing board (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AGREEMENTS AND COMMITMENTS REQUIRING APPROVAL BY THE GENERAL MEETING

Agreements and commitments not previously authorized

In accordance with Articles L. 225-42 et L. 823-12 of the Commercial Code, we hereby inform you that the following agreements and commitments have not been previously authorized by your Board of Directors.

A - With Jérôme Bailly

Person concerned:

- Jérôme Bailly, Deputy General Manager of the Company

a. Remuneration

Nature and purpose:

Modification of the fixed gross annual remuneration as part of Jérôme Bailly's employment contract, starting on January 1, 2016. This agreement was authorized by your Board of Directors on January 10, 2016.

Terms:

The fixed annual remuneration for Jérôme Bailly is set at €130,000, payable over 12 months. The gross remuneration paid during the 2016 financial year, variable portion included, totaled €164,256.39.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

b. **Severance pay:**

Nature and purpose:

Severance pay authorized by the Board of Directors on August 31, 2015 in the event of dismissal for any reason, except for serious misconduct or gross negligence.

Jérôme Bailly may claim severance pay equal to six months' fixed compensation, plus an additional three months' fixed compensation per year of employment with the company, up to a maximum of 12 months' fixed compensation, subject to more favorable contractual provisions.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company's expenditure budget, and
- at least one of the two following conditions:
  - one collaboration or licensing agreement underway;
  - one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2016 financial year.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

c. **Severance pay in the event of a change in control:**

Nature and purpose:

Severance pay in the event of a change in control authorized by the Board of Directors on August 31, 2015.

This severance pay is not cumulative with the agreement described above.

Jérôme Bailly will receive lump-sum severance pay equal to 12 times the average monthly compensation (variable compensation included) effectively received over the course of the 12 months preceding his departure if in the 12 months following the change in control of your company by the acquisition of more than 50% of the voting rights, Mr. Bailly:

- is dismissed, other than for serious misconduct or gross negligence or obtains a contractual dismissal, whether at the initiative of the company or the employee;
- resigns, provided that such resignation is the result of a demotion by the Company, a company that acquires it or by one of its subsidiaries to a position with less responsibility and/or lower remuneration compared to the position held before the change in control.

Payment of this indemnity is subject to the following performance conditions being met:

respect of the Company's spending 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 expense was booked in this respect by the company for the 2016 financial year.

Benefit to the company:

Building the loyalty and motivation of your company’s management team.

B - With Yann Godfrin

Person concerned:

- Mr. Yann Godfrin, Deputy General Manager of the Company.

Severance pay in the event of a change in control:

Nature and purpose:

Severance pay in the event of a change in control authorized by the Board of Directors on August 31, 2015.

This severance pay is not cumulative with the severance compensation agreement authorized by the Board of Directors on May 24, 2013.

Yann Godfrin will receive lump-sum severance pay equal to 12 times the average monthly compensation (variable compensation included) effectively received over the course of the 12 months preceding his departure if in the 12 months following the change in control of your company by the acquisition of more than 50% of the voting rights, Mr. Godfrin:

- is dismissed, other than for serious misconduct or gross negligence or obtains a contractual dismissal, whether at the initiative of the company or the employee;
- resigns, provided that such resignation is the result of a demotion by the Company, a company that acquires it or by one of its subsidiaries to a position with less responsibility and/or lower remuneration compared to the position held before the change in control.

Payment of this indemnity is subject to the following performance conditions being met:

- respect of the Company's spending 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 expense was booked in this respect by the company for the 2016 financial year.

Benefit to the company:

Building the loyalty and motivation of your company's management team.

Mr. Yann Godfrin resigned from his positions as Director and Deputy General Manager on January 17, 2016, this agreement was terminated on January 17, 2016.

C - With Gil Beyen

Person concerned:

- Mr. Gil Beyen, Chairman and Chief Executive Officer of the Company.

Severance pay in the event of a change in control:

Nature and purpose:

This severance pay is not cumulative with the severance compensation agreement authorized by the Board of Directors on May 24, 2013.

Gil Beyen will receive lump-sum severance pay equal to 12 times the average monthly compensation (variable compensation included) effectively received over the course of the 12 months preceding his departure, if in the 12 months following the change in control of your company by the acquisition of more than 50% of the voting rights, Mr. Beyen:

- is dismissed, other than for serious misconduct or gross negligence or obtains a contractual dismissal, whether at the initiative of the company or the employee;
- resigns, provided that such resignation is the result of a demotion by the Company, is a company that acquires it or by one of its subsidiaries to a position with less responsibility and/or lower remuneration compared to the position held before the change in control.

Payment of this indemnity is subject to the following performance conditions being met:

- respect of the Company's spending 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 expense was booked in this respect by the company for the 2016 financial year.

Benefit to the company:

Building the loyalty and motivation of your company’s management team.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved during previous financial years which continued to operate during the past financial year

In application of Article R. 225-31 of the Commercial Code, we were informed that the execution of the following agreements and commitments, already approved by the General Meeting during previous financial years, continued in the past financial year.

A - With Mr. Pierre-Olivier Goineau

Person concerned:

- Mr. Pierre-Olivier Goineau, Deputy General Manager of the Company.

a - Severance pay:

Nature and purpose:

Severance pay, authorized by the Board of Directors on May 24, 2013, in the event of:

- expiration 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 Labor Division 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 expiration of his term of office.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company's expenditure budget, and
- at least one of the two following conditions:

  - ✓ one collaboration or licensing agreement underway;
  - ✓ one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2015 financial year.

b - Profit-sharing agreement:

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On December 22, 2006, your Supervisory Board authorized the inclusion of Pierre-Olivier Goineau in a future

profit-sharing agreement. The profit-sharing expense recorded in relation to the 2015 financial year had a gross value of €357.23.

c - Carré VIP securities management consulting contract for Société Générale Securities Services

Nature and purpose:

Securities management contract for the company shares entered into with Société Générale for the benefit of Pierre-Olivier Goineau, authorized by the Board of Directors on March 26, 2015.

Terms:

The cost of the VIP contract for the 2015 fiscal year was €200.

Mr. Pierre-Olivier Goineau resigned from his positions as Director and Deputy General Manager on January 11, 2015.

B - With Mr. Yann Godfrin

Person concerned:

Mr. Yann Godfrin, Deputy General Manager of the Company.

a - Severance pay:

Nature and purpose:

Severance pay, authorized by the Board of Directors on May 24, 2013, in the event of:

- expiration 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 Labor Division 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 expiration of his term of office.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company's expenditure budget, and
- at least one of the two following conditions:
  - ✓ one collaboration or licensing agreement underway;
  - ✓ one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2016 financial year and this agreement was terminated on January 17, 2016.

b - Profit-sharing agreement:

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On December 22, 2006, your Supervisory Board authorized the inclusion of Yann Godfrin in a future profit-sharing agreement. The profit-sharing expense recorded in relation to the 2014 financial year had a gross value of €1,825.92.

c - Carré VIP securities management consulting contract for Société Générale Securities Services

Nature and purpose:

Securities management contract for the company shares entered into with Société Générale for the benefit of Yann Godfrin, authorized by the Board of Directors on March 26, 2015.

Terms:

The cost of the VIP contract for the 2015 fiscal year was €200.

Mr. Yann Godfrin resigned from his positions as Director and Deputy General Manager on January 17, 2016.

C - With Mr. Gil Beyen

Person concerned:

- Mr. Gil Beyen, Chairman and Chief Executive Officer of the Company.

a - Severance pay:

Nature and purpose:

Severance pay, authorized by the Board of Directors on May 24, 2013, in the event of:

- expiration 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 Labor Division 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 expiration 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. Gil Beyen.

Payment of this indemnity is subject to the following performance conditions being met:

- compliance with the Company's expenditure budget, and
- at least one of the two following conditions:

  - ✓ one collaboration or licensing agreement underway;
  - ✓ at least one product in active clinical development phase by the Company.

Terms:

No expense was booked in this respect by the company for the 2015 financial year.

b - Profit-sharing agreement:

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On May 24, 2013, your Board of Directors authorized the inclusion of Gil Beyen in a future profit-sharing agreement. The profit-sharing expense recorded in relation to the 2015 financial year had a gross value of €1,825.92.

c - Carré VIP securities management consulting contract for Société Générale Securities Services

Nature and purpose:

Securities management contract for the company shares entered into with Société Générale for the benefit of Gil Beyen, authorized by the Board of Directors on March 26, 2015.

Terms:

The cost of the VIP contract for the 2015 fiscal year was €200.

D - With Mr. Jérôme Bailly

Person concerned:

- Mr. Jérôme Bailly, Deputy General Manager of the Company.

Profit-sharing agreement

Nature and purpose: Profit-sharing agreement

Terms:

On November 29, 2013, the Company entered into a profit-sharing agreement for the period from January 1, 2014, to December 31, 2016. On January 11, 2015, your Board of Directors noted that the executives are beneficiaries of this profit-sharing agreement. The profit-sharing expense recorded in relation to the 2015 financial year had a gross value of €1,825.92.

E - With all Senior Management

Persons concerned:

- Mr. Gil Beyen, Mr. Pierre Olivier Goineau, Mr. Yann Godfrin, Mr. Jérôme Bailly.

Nature and purpose:

The Supervisory Board, on January 24, 2013, and the Board of Directors, on May 24, 2013, authorized the company to bear the cost of certain services and expenses benefiting the Senior Management, as shown in the table attached, expressed in euros.

Terms

Expenses supported in fiscal 2015	Gil Beyen	Jérôme Bailly	Pierre-Olivier Goinfall	Yann GodfrIN
APGIS contractual occupational pension (COP)	4,062.53	1,857.84	141.94	4,022.12
Additional occupational pension (VIVENS)	1,156.44	715.60	35.33	1,156.44
Unemployment insurance policy GSC			-	-
Additional pension (AXA)	7,608.00	4,708.19	232,47	7,608.00
Company car and fuel				
-Rent in the fiscal year	6,873.39	2,779.43	115.48	5,541.73
-Fuel	2,218.10	1,438.25	454.04	1,734.39
TOTAL	21,918.96	11,499.31	979.26	20,122.68

Mr. Pierre-Olivier Goineau resigned from his positions as Director and Deputy General Manager on January 11, 2015.

Mr. Yann Godfrin resigned from his positions as Director and Deputy General Manager on January 17, 2016.

F - With all Senior Management present at December 31, 2015

Persons concerned:

- Mr. Gil Beyen, Mr. Yann Godfrin, Mr. Jérôme Bailly.

Nature and purpose:

Authorization by the Board of Directors on March 26, 2015 of an employer's contribution to the PEE and PERCO. The employer's contribution terms for the PEE and PERCO are identical to those for all employees.

Terms:

Expenses supported in fiscal 2015	Gil Beyen	Jérôme Bailly	Yann Godfrin

PEE	**720.00**	**720.00**	**720.00**
PERCO	**-**	**360.00**	**-**
TOTAL	**720.00**	**1,080.00**	**720.00**

The statutory auditors

Lyon, February 23, 2016

For KPMG Audit Rhône Alpes Auvergne For RSM Rhône Alpes

Sara Righenzi de Villers Gaël Dhalluin

Partner Partner

5 FINANCIAL AND ACCOUNTING INFORMATION

5.1 Main financial and accounting information

The main financial information presented below is extracted from the consolidated financial statements of the ERYTECH Pharma Group, prepared in accordance with IFRS standards, for the financial years ended December 31, 2016, and December 31, 2015, as presented in Section 5.3 of the Reference Document.

The historical legal financial statements for the Parent Company, prepared in accordance with accounting standards applicable in France, are included in section 5.2.4.

This main accounting and operational data should be read alongside the information contained in Sections 5.2.1 "Examination of the Company's results and financial situation", and 5.2.2 "Cash position and capital", and 5.3 "Consolidated financial statements". Simplified balance sheet

- **Simplified income statement**

- **Simplified cash flow statement**

As at 12.31 in thousand Euros	**2016**	**2015**
Net cash flow generated per activity before BFR variation	(20,255)	(11,962)
Change in need for rolling funds related to the activity	2,641	(2,616)
Net cash flow generated by activity	**(17,614)**	**(14,578)**
Net cash flow generated by investment operations	**(1,786)**	**(284)**
Net cash flow generated by financing operations	**11,393**	**23,524**
of which is an increase in cash capital	9,239	23,544
Effect of the change in exchange rates on the cash held	-19	(16)
Change in net cash	**7,988**	**8,646**

5.2 Examination of the result and financial situation

5.2.1 Examination of the result and financial situation

5.2.1.1 General presentation

The Group's main activity is research and development in the areas of treatment of acute leukemia and other orphan diseases through the use of its technology platform, which encapsulates active ingredients in red blood cells.

Since its creation, the Group has concentrated its efforts on:

- The development of a patented technological platform based on the encapsulation of enzymes in red blood cells, which offers an innovative approach to the treatment of acute leukemia and other solid tumors. The development of the main product, Graspa®, which began when the Group was founded, has led to the issuing of 13 patent families held in the Group's name. The Group has also implemented a patented industrial process capable of producing clinical batches of Graspa®, and capable of meeting demand in the commercialization of the product.
- The implementation of clinical programs in order to validate Graspa® initially in terms of safety of use and toxicology through a Phase I clinical study in ALL in adult and pediatric patients with relapsed ALL. Based on the results obtained, the Group performed a Phase II clinical study that likewise demonstrated the safety of the product's use and its efficacy in patients older than 55 years of age with ALL. The Group completed a Phase III clinical study, at the end of which Erytech filed an application in September 2015, for an MA for Graspa® in Europe for the treatment of ALL. The Group intends to obtain the MA by the end of the third quarter of 2017. The Group likewise began a Phase IIb study in AML and a Phase II study in pancreatic cancer.

The Group's business model is to develop its products up to the point of obtaining their MAs in Europe and Israel and, as a second step, in the United States. Commercial partnerships established by ERYTECH Pharma will allow for the distribution of Graspa® in Europe and Israel. Various distribution options in the United States and the rest of the world are under review. ERYTECH Pharma is able to ensure approximately the first two years of the sale of Graspa® in Europe thanks to its production plant in Lyon.

5.2.1.2 Comparison of the past two financial years

The comparison of the past two financial years below concerns the financial statements presented according to IFRS guidelines. The accounts prepared according to French standards are annotated in section 5.5.

5.2.1.2.1 Formation of the operational result

5.2.1.2.1.1 Sales and other activity revenue

On the date of the Reference Document, the products developed by the Company have not generated any sales.

The other operating income is composed of the following:

Other items listed as income from the Company's activity amounted to €4,138,000 and €2,929,000 respectively over the course of the financial years closed as at December 31, 2016 and December 31, 2015, i.e. an increase of 41.3%.

Other income from the Company's activity were mainly generated by research tax credit (see Section 5.2.2.1 of the Reference Document) as well as the grants related to the preclinical research programs in partnership with BPI France (see Note 7.10 "Debt" as an Notes to the IFRS financial statements appearing in Section 5.3 "Consolidated financial statements").

"Other income" corresponds to the sum of internal costs borne by the Group as part of the ALM study and re-invoiced for this purpose to Orphan Europe. Other external costs related with this clinical trial are re-invoiced with no margin to Orphan Europe and do not appear in activity products but are deducted from the expenses in question.

5.2.1.2.1.2 Operating expenses

Sale costs

There are no sale costs as at December 31, 2016 associated with the manufacture of GRASPA® batches. Costs related to the manufacture of eryaspase as part of preclinical studies or clinical trials are included in the R&D and clinical study costs.

Research and development expenses

The Company made great efforts in research and development to develop innovative candidate products. Research and development costs are made up mainly of:

- Sub-contracting, collaboration and consulting costs, which mainly include costs associated with external consultation such as contact research organizations (CROs) that conduct the Company's clinical trials and non-clinical studies;
- Personnel costs includes salaries, retirement funds and share-based payments for the Company's employees with research and development roles.
- Licensing and intellectual property costs
- Purchases, property rent, and conference and travel costs; and
- Allocations to depreciations and reserves.

As at 12.31 in €T	2016	2015
Eryaspase / GRASPA	5,636	1,805
TEDAC (Erymethionase/eryminase)	3,120	1,523
ERYMMUNE	139	-
ERYZYME	15	-
Total direct research and development costs	**8,910**	**3,328**
Consumables	2,071	805
Rent and maintenance	645	304
Service provision, sub-contracting and fees	2,499	1,896
Personnel costs	5,282	3,977
Allocations	277	250
Other	35	216
Total indirect research and development costs	**10,810**	**7,448**
All R&D costs	**19,720**	**10,776**

Over the periods presented, the total amount of research and development expenses increased heavily from €10,776,000 in 2015 to €19,812,000 in 2016, i.e. an increase of 84%. The research and development efforts mainly related to completed or ongoing clinical studies on eryaspase/GRASPA® in the amounts of €5,636,000 and €1,805,000 in 2016 and 2015 respectively, on the TEDAC program for the amounts of €3,120,000 and €1,523,000 in 2016 and 2015 respectively, and the completion of recruitment in the Phase II pancreatic cancer study in France. The Group also started in incur costs for the new ERYMMUNE (immunotherapy program) and ERYZYME (enzyme replacement therapy program) research programs.

R&D costs essentially include the costs associated with preclinical studies, consultant fees and scientific fees. The increase in R&D costs between 2015 and 2-16 is essentially due to the increase in external services of €6,934,000 as well as the increase in personnel costs of €1,399,000.

The costs associated with preclinical studies essentially include costs for the raw materials associated with the purchase of consumables needed to produce GRASPA® clinical batches, the personnel dedicated to ERYTECH clinical studies and sub-contracting of monitoring services.

This table illustrates the significant increase of the clinical studies item from 2015 to 2016 due to the high-level of clinical activity as mentioned above.

The costs associated with intellectual property increased by €36,000 between 2015 and 2016.

General costs

General costs essentially include personnel costs, mainly including share-based payments for administrative personnel. They also include structural costs associated with the head office, directors' compensation, external expenses such as accounting, legal, human resources, communication, and marketing fees in addition to travel costs (outside of scientific conferences).

The total amount of these costs was €7,736,000 and €6,808,000 over the financial years closed at December 31, 2015 and December 31, 2016 respectively, i.e. a decrease of 12%.

The Company saw a significant decrease in its overheads, mainly related to fewer services, sub-contracting and fees associated with the development of its strategy in the United States, in its planned stock market listing in the NASDAQ and in the BSA_{2014} attributed to the directors over the course of the 2015 financial year for an amount of €1,593,000.5.2.1.2.1.3 Formation of net income

Interest income and expense

The net interest income amounted to €482,000 in 2016 compared to a €567,000 in 2015. This financial result is mainly due to (i) with the investment of excess cash in time deposit accounts and (ii) with exchange rate gains related to the purchase of services denominated in Dollars.

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

From this table, it can be seen from the periods presented that:

- Interest income corresponds to interest on time deposit accounts.
- Other interest income and expense corresponds to exchange rate gains and losses.

Corporate Tax

Given the deficits shown in the past three financial years, the Company had no corporate tax or taxable tax income associated with tax loss carryforwards.

5.2.1.2.1.4 Net loss and earnings (loss) per share

The net loss increased to €15,013,000 for 2015 and €21,913,000 for 2016.

The loss per share issued (average weighted number of shares in circulation over the course of the financial year) increase to €2.16 for in 2015 and €2.74 for 2016.

5.2.1.3 Nondeductible expenses

The Company wrote back the following items in its accounts:

- Tax on company vehicles in the amount of €5,099.
- Surplus depreciation written back on rented passenger vehicles in the amount of €25,373.
- Non-deductible part on paid attendance fees in the amount of €115,484.

5.2.1.4 Balance sheet analysis

5.2.1.4.1 Assets

5.2.1.4.1.1 Non-current assets

Non-current assets were €1,076,000 at December 31, 2015 and €2,434,000 at December 31, 2016.

Non-current assets include tangible assets, intangible assets (concessions, patents, licenses, and software), non-current financial assets (deposits and sureties) and deferred tax.

At 12.31 in €K	2016	2015
NON-CURRENT ASSETS		
o/w Intangible non-current assets	57	61
o/w Tangible non-current assets	2,245	918
o/w Non-current financial assets	132	97
o/w Deferred tax assets	-	-
TOTAL NON-CURRENT ASSETS	**2,434**	**1,076**

2016 saw an increase in tangible assets, mainly associated with the fitting out work at the Lyon and Boston offices.

In 2016, the company launched a project to revamp its production equipment, the costs of which were capitalized in fixed assets.

In addition, non-current financial assets are mainly composed of deposits and sureties and remained relatively stables over the last two years.

5.2.1.4.1.2 Current assets

Net current assets were €51,929,000 in 2015 and €42,533,000 in 2016.

In 2016, the amount of net current assets decreased sharply due to a capital increase, which was smaller than the increase in 2015, as well as due to the decrease of the RTC tax receivables reimbursed in 2015 and 2014.

5.2.1.4.2 Liabilities

5.2.1.4.2.1 Share Equity

Share equity changed mainly through:

- The capital increase carried out in December 2016,
- The exercise of warrants,
- The appropriation of the loss of €15,013,000.

5.2.1.4.2.2 Non-current liabilities

This essentially consists of the portion of finance lease commitments over one year, repayable advances received and, to a lesser extent, of retirement commitments under IAS19. The company also subscribed a bank loan in the amount of €1.9 million, €1.48 million of which were cashed out at December 31, 2016.

5.2.1.4.2.3 Current liabilities

This item of the balance sheet mainly includes short-term debts such as trade payables, tax and payroll costs, as well as the share of repayable advances under one year granted by BPI France (formerly Oséo) (refer to Point 7.9.1. of the Notes, Section 5.3,) and prepaid income.

Total current liabilities saw a sharp increase from 2015 to 2016, mainly due to the increase of trade payables.

5.2.2 Cash and capital

5.2.2.1 Information on the Company's capital, liquidity, and sources of financing

Also see the notes in the Notes to the annual financial statements prepared according to IFRS standards shown in section 5.3 of the Reference Document. As at December 31, 2016, the amount of cash and cash equivalents held by the Group was €37,646,000 compared to €45,634,000 as at December 31, 2015.

Cash and cash equivalents includes cash and current financial instruments held by the Group (exclusively in short-term interest bearing bank deposits). This cash helps finance the Group's activities, in particular its research and development costs and the costs of clinical study programs.

Since its formation in 2004 and until December 31, 2016, the Group benefited from the following sources of financing:

- Several financing rounds per issue of several categories of new shares: ordinary shares, category, P, U and A preference shares for a gross total of €17.7 million as at December 31, 2012,
- The issue of convertible bonds for a gross total of €9 million, of which €7 million at December 31, 2012 and €2 million at December 31, 2011,
- The listing of the company on the stock market for a gross total of €17.7 million at December 31, 2013,
- A second raising of funds in the stock market in 2014 for a gross total of €30 million,
- Repayable advances granted by BPI France for a total of €5,711,000, €1,998,000 of which was collectively cashed at December 31, 2016,
- The granting of non-repayable advance granted by BPI France for a total amount of €2.3 million since 2005,
- A research tax credit for a total amount of €9,318,000
- A third raising of funds on the stock market in December 2015 for a gross total of €25.4 million,
- A fourth raising of funds on the stock market in December 2016 for a gross total of €9.9 million.
- The subscription of a loan in the amount of €1.9 million at a rate of 0.40% per year, repayable over three years.

The financial situation is presented below:

- **Equity capital financing**

As at December 31, 2016, the Group received a total of €[100.7] million through successive rounds of financing following the listing of the Company on the stock market.

- **Financing through repayable advances**

In 2011, 2012, 2013 and 2016, it received €1,998,000 of the total of €5,711,000 to be paid to the Company in the form of conditional advances that were subject to three repayable innovation contracts with BPI France (formerly Oséo). The conditioned advances relating to two of the three contracts have already been fully reimbursed for a total amount of €816,000 between 2013 and 2016. The balance of the conditioned advances as at 12/31/2016 is not more than the third contract, TEDAC, in the maount of €1,181,000.

Corresponding expenses triggered a new draw of €463,000 in 2016 in grants and €1,120,000 in repayable advances. With regard to the scientific progress of the TEDAC project, the Company believes it is on schedule.

- **Financing through the research tax credit**

The Group benefits from the provisions of Articles 244 quater B and 49 septies F of the General Tax Code with regard to the research tax credit ("RTC"). As the Group had not recorded any R&D expense up until it obtained the MA for the treatments subject to clinical trials, the RTC is recognized entirely in other income of the business (see Note 6.1 of Section 5.3 of the Reference Document).

5.2.2.2 Cash flow

The use of cash for operating activities during the years ended on December 31, 2015 and 2016 amounted to a negative flow of €14,578,000 and €17,614,000 respectively.

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

At 12.31 in thousand euros	**2016**	**2015**
Net result	**(21,913)**	**(15,013)**
Charges (income) with no effect on cash	-	-
Depreciation charges (recovery)	425	288
Provision allocations (recovery) – share of more than one year	31	20
Charges (income) under share payments	1,178	2,716
Interest charges	13	30
Tax charge (payable and deferred)	(13	(3)
Net cash flow generated by activity before BFR variation	**(20,255)**	**(11,962)**
Stock change	21	32
Change in trade accounts receivable	206	(319)
Change in other short-term assets	1,181	(3,470)
Change in trade accounts payable	1,160	1,588

Change in other short-term liabilities	154	(528)
Change in provisions (share of less than one year)	(81)	81
Change in the need for rolling funds associated with the activity	**2,641**	**(2,616)**
Net cash flow generated by activity	**(17,614)**	**(14,578)**

WCR for the business increased in 2016 following the growth in the Group's activities, both in preclinical and clinical research, as well as the increase in structural and overhead costs. In 2016, net cash flows to the activity includes 2014 and 2015 RTC payments which were deposited after the tax audit (*see Note 6.1 of Section 5.3 of the Reference Document*).

Use of cash flow for investment activities for the years ended December 31, 2015 and 2016 amounted to €284,000 and €1,786,000 in 2015 and 2016 respectively. This increase mainly reflects the new facilities and fitting out work at the Lyon and Boston offices as well as the investments made as part of the project to revamp the production equipment.

The table below presents the net cash flows over the past two financial years:

Use of cash for financing in the years ended December 21, 2015 and 2016 amounted to €23,524,000 in 2015 and €11,340,000 in 2016.

The table below presents the net cash flows over the past two financial years:

The net flows associated with the financing activities originated from the raising of funds in 2015 and the new raising of funds on the stock market in 2016.

5.2.2.3 Information on loan terms and financing structure

The financing structure for the Group up until December 31, 2016 is summarized in paragraph 5.2.2.1 below.

The essential information regarding the terms of repayable advances that were granted to the Group at December 31, 2016, is described in Note 7.10 “Debt” in the Notes to the IFRS

financial statements appearing in Section 5.3 "Financial statements prepared according to IFRS standards for the financial year ended December 31, 2016".

The company subscribed a loan in the amount of €1.9 million at a rate of 0.40% per year in 2016, reimbursable over three years.

5.2.2.4 Restriction to the use of capital

The Group has not faced any restriction with regard to the availability of its capital.

5.2.2.5 Financing sources necessary for the future

The Group had €37.6 million in available cash at the end of December 2016, covering its needs for more than one year. Besides the payments expected in 2017 with regard to the RTC for 2016 that amount to an additional €3.3 million, the Company has no new financing.

5.2.3 Investments

5.2.3.1 Principal investments made since 2015

Because all clinical research and development costs are booked as charges until obtaining marketing approval, the principal investments in the last 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. In 2016, the Company also incurred capital expenditure on office refurbishment after taking over an additional story to set up the "Quality Control" laboratory. The company also launched a project to revamp its production equipment that is currently being designed on the date of this document.

5.2.3.2 Principal investments currently being made

Since January 1, 2017, the investments correspond to the capitalization of the costs associated with the project to revamp production equipment (new production procedure is currently being designed).

5.2.3.3 Principal investments planned

As of the date of the Reference Document, the Company is not currently planning to make any significant investments in forthcoming years for which the Company's management bodies have made firm commitments.

5.2.4 Report on the economic gains and the financial situation (annual company financial statements prepared in accordance with French accounting standards)

Revenues excluding tax amounted to €1,520,342 resulting from expenses re-invoiced without margin of the GRASPA-AML clinical trial to Orphan Europe/Recordati Group, as well as the re-invoicing of management fees to the ERYTECH Pharma Inc. branch, compared with €716.639 in 2015.

Total operating income was €2,102,605 versus €1,119,767 for the previous financial year. This increase is due to the recognition of operating grants in connection with progress of the TEDAC project, upon the invoicing of management fees to the branch of €834,863 in addition to the reversal of provisions.

Operating expenses for the financial year totaled €23,284,400 compared with €15,735,230 for the previous financial year, an increase of 47.9%. The higher operating expenses are due to a very significant increase in external purchases and expenses tied to the clinical and preclinical developments of eryaspase/GRASPA®, and personnel costs.

An operating loss of €21,181,795 was recorded, versus a loss of €14,615,463 for the previous financial year, representing an increase of 44.9%.

The average number of employees was 77, up from 49 the previous financial year, a change of +28 people, due to strong growth in the Company.

Interest income was €542,361, versus €594,106 for the previous financial year, primarily through the performance of investments in term deposits.

Operating loss before income and tax for the financial year amounted to €20,639,434 compared with a loss of €14,021,357 for the previous financial year, a change of +47.2%.

In consideration of the preceding information,

- exceptional income of -€115,524 versus €4,699 for the previous financial year,
- research tax credit of €3,347,142.

The result for the financial year was a loss of €17,407,816 compared with a loss of €11,797,253 the previous financial year, a change of 48%.

As of December 31, 2016, the Company's balance sheet total was €48,824,200 compared with €53,439,644 for the previous financial year, a change of -9%.

5.3 Consolidated financial statements prepared in accordance with IFRS standards for the financial year closed at December 31, 2016

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2016

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)

(in thousands of €)	Notes	12/31/2016	12/31/2015
Revenues			
Other income	**6.1**	4,138	2,929
Total operating income		**4,138**	**2,929**
Research and development		9,720)	(10,776)
Overheads		,808	(7,736)
Total operating loss		**(22,390)**	**(15,583)**
Financial income	**6.6**	558	631
Financial expenses	**6.6**	(70)	(64)
Total financial income		**488**	**567**
Loss before tax		**(21,902)**	**(15,016)**
Income tax		(10)	3
NET LOSS		**(21,913)**	**(15,013)**
Elements that may be reclassified subsequently to income (loss)			
Foreign activities – currency exchange reserve		21	(9)
Elements that may not be reclassified subsequently to income (loss)			
Revaluation of defined benefit liability (asset)		(30)	8
Tax effect		(10_	(3)
Other comprehensive income		**1**	**(3)**
TOTAL COMPREHENSIVE LOSS		**(21,912)**	**(15,017)**
Basic loss per share (€/share)		(2.74)	(2.16)
Diluted loss per share (€/share)		(2.74)	(2.16)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS (In thousands of €)	Notes	12/31/2016	12/31/2015
NON-CURRENT ASSETS		**2,434**	**1,076**
Intangible assets	**7.1**	57	61
Property, plant and equipment	**7.2**	2,245	918
Non-current financial assets	**7.3**	132	97
Other non-current assets			
Deferred tax assets			
CURRENT ASSETS		**42,533**	**51,929**
Inventories	**7.4**	145	166
Trade accounts receivable	**7.5**	218	424
Other current assets	**7.6**	4,524	5,705
Cash and cash equivalents	**7.7**	37,646	45,634
TOTAL ASSETS		**44,967**	**53,004**

LIABILITIES AND SHAREHOLDERS' EQUITY (In thousands of €)		12/31/2016	12/31/2015
SHAREHOLDERS' EQUITY		**35,638**	**47,132**
Share capital	**7.8**	873	792
Premiums related to the share capital	**7.8**	105,090	95,931
Reserves	**7.8**	(48,412)	(34,578)
Net loss for the period		(21,913)	(15,013)
NON-CURRENT LIABILITIES		**2,982**	**251**
Long-term provisions	**7.9**	163	100
Financial liabilities - Non-current portion	**7.10**	2,816	151
Deferred tax liabilities		3	
Other non-current liabilities			
CURRENT LIABILITIES		**6,347**	**5,621**
Provisions – Current portion	**7.9**		81
Financial liabilities – current portion	**7.10**	50	557
Trade and other payables		4,832	3,672
Other current liabilities	**7.11**	1,465	1,311
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**44,967**	**53,004**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY (thousands of €)	Share capital	PREMIUMS RELATED TO THE SHARE CAPITAL	Reserves	INCOME (LOSS)	Shareholders' equity
12/31/2014	**688**	**72,427**	**(28,431)**	**(8,860)**	**35,824**
Net loss				(15,013)	(15,013)
Revaluation of net defined benefit liability (asset)			6		6
Change in currency exchange reserve			(9)		(9)
Comprehensive income(loss)			**(3)**	**(15,013)**	**(15,017)**
Allocation of prior period loss			(8,860)	8,860	
Issue of ordinary shares	104				104
Share premium increase		23,440			23,440
Treasury shares	0	64			64
Share-based payments			2,716		2,716
12/31/2015	**792**	**95,931**	**(34,578)**	**(15,013)**	**47,132**

12/31/2015	**792**	**95,931**	**(34,578)**	**(15,013)**	**47,132**
Net loss				(21,913)	(21.913)
Revaluation of net defined benefit liabili (asset)			(20)		80
Change in currency exchange reserve			21		21
Comprehensive income			**1**	**(21,913)**	**(21,912)**
Allocation of prior period loss			(15,013)	15,013	
Issue of ordinary shares	81				81
Share premium increase		9,158			9,158
Treasury shares					
Share-based payments			1,178		1,178
12/31/2016	**873**	**105,090**	**(48,412)**	**(21,913)**	**35,638**

CONSOLIDATED CASH FLOW STATEMENT

ERYTECH PHARMA GROUP
NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of the consolidated financial statements for the financial year ended December 31, 2016.

The financial statements were approved by the Board of Directors on March 1, 2017, and will be submitted for approval at the next General Meeting.

1 DESCRIPTION OF THE GROUP'S ACTIVITY

The Group's main activity is research and development in the areas of treatment of acute leukemia and other orphan diseases through the use of its technology platform, which encapsulates active ingredients in red blood cells.

Since its creation, the Group has concentrated its efforts on:

- The development of a patented technological platform based on the encapsulation of enzymes in red blood cells, which offers an innovative approach to the treatment of acute leukemia and other solid tumors. The development of the main product, Graspa®, which began when the Group was founded, has led to the issuing of 13 patent families held in the Group's name. The Group has also implemented a patented industrial process capable of producing clinical batches of Graspa®, and capable of meeting demand in the commercialization of the product.

- The implementation of clinical programs in order to validate Graspa® initially in terms of safety of use and toxicology through a Phase I clinical study in acute lymphoblastic leukemia (ALL) in adult and pediatric patients with relapsed ALL. Based on the results obtained, the Group performed a Phase II clinical study that likewise demonstrated the safety of the product's use and its efficacy in patients older than 55 years of age with ALL. The Group completed a Phase III clinical study, at the end of which Erytech filed an application in September, 2015 for approval to market Graspa® in Europe for the treatment of ALL. The Group has likewise initiated a Phase IIb study on acute myeloid leukemia (AML), as well as a Phase II study on pancreatic cancer.

The Group's business model is to develop its products up to the point of obtaining authorization for their commercialization in Europe and Israel and, as a second step, in the United States. Commercial partnerships established by ERYTECH Pharma will allow for the distribution of Graspa® in Europe and Israel. Various distribution options in the United States and the rest of the world are under review. ERYTECH Pharma 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 EVENTS CHARACTERIZING THE FINANCIAL YEAR

2.1 Company Management

Yann Godfrin, co-founder of the Company and Managing Director, submitted his resignation from his positions within the Company at the Board of Directors' meeting of January 10, 2016.
In 2016, an employee shareholder plan was allocated as follows (see Note 6.3):
- The Board of Directors' meeting on October 3, 2016, granted 45,000 BSA to the independent Board members;
- The Board of Directors' meeting on October 3, 2016, granted 111,261 free performance shares to ERYTECH employees;
- The Board of Directors' meeting on October 3, 2016, granted 44,499 stock options to ERYTECH Inc. employees.

Erytech also strengthened its management team by appointing Jean-Sébastien Cleiftie as the Director of Business Development. Alexander Scheer also joined the company by replacing Yann Godfrin as Scientific Director.

Allene M. Diaz was appointed to the Board of Directors, initially as censor, with the intent to appoint her as Director in January 2017 with a view to her ratification by the next General Shareholders' Meeting.

2.2 Funds raised on the stock market

In December 2016, the parent company ERYTECH PHARMA S.A. raised €9.9 million on Euronext, with a total of 793,877 new shares issued in a capital increase in the form of a private placement with first-tier institutional investors in the United States and Europe, representing approximately 9% of the number of shares in circulation (post-issue).

The issue price was set at €12.50 per share, in accordance with Resolutions 20 and 21 of the Combined General Shareholders' Meeting on June 24, 2016. This price reflects a 13.55% reduction as compared to market price in the last five trading sessions prior to establishing the price.

The Group still plans to be listed on the NASDAQ stock market.

2.3 Principal operational items

GRASPA® in Europe (ERYASP)

The recruitment of patients in the Phase IIb study with eryaspase (also named ERY-ASP or GRASPA®) for the treatment of acute myeloid leukemia (ALM) was completed on August 29, 2016, with a total of 123 patients included in the study.

The recruitment of the last patient in the Phase II study with eryaspase (also named ERY-ASP or GRASPA®) for the treatment of pancreatic cancer was completed on September 26, 2016, with a total of 141 patients included in the study.

The Company decided to withdraw its European market approval for GRASPA in the treatment of patients with acute lymphoblastic leukemia (ALL) as the deadline granted in the CHMP procedure was not sufficient to support to additional data issued from the list of pending issues as at day 180.
The Company intends to file a new request for MA by the end of the third quarter of 2017.

The Company is preparing to launch the "NOPHO" study. This is a Phase III ALL study started by investigators.

ERYMET in Europe

The Company is pursuing the development of its second drug candidate ERY-MET which is likewise based on ERYCAPS technology with methioninase as the active molecule.

The development of this new drug candidate is part of the TEDAC research program. It was the vector for validating financial and technical step no. 4, which made it possible for the Company to receive the funds planned under the program in the form of a grant and repayable advance.

As part of its progress toward clinical development, a Scientific Council met in Brussels on December 3, 2016, to provide guidelines regarding the medical protocol and therapeutic indications.

ERYASP in the United States

The Company received from the United States Patent and Trademark Office (USPTO) a notice of acceptance of its patent application number 12/672.094 entitled "Composition and Therapeutic Anti-Tumor Vaccine".

2.4 Other information

The tax authorities' audit was closed in April 2016 with a minor correction to the verified amounts (€84,933 i.e. 2% of the verified amounts). This amount was accounted for in the financial statements closed at December 31, 2016.

The Company still plans to be listed on the NASDAQ stock market.

The Company started the procedure to amend its manufacturing process. The project began Phase III of its development for a cost of €1,480,000 in 2016, €830,000 of which was capitalized.

3. POST CLOSING EVENTS

There were no significant events following the end of the period.

4. BASIS OF FINANCIAL STATEMENTS

The financial statements have been prepared according to the principle of going concern. The Group's history of loss-making is explained by the innovative nature of the products developed, which requires a multi-year research and development phase.

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 Group closed its annual accounts on December 31, 2016.

The Group's consolidated financial statements for the financial year ended December 31, 2016 have been established in euros, which is the functional currency of the Company. All amounts indicated are expressed in thousands of euros, except where otherwise indicated.

5. SIGNIFICANT ACCOUNTING POLICIES AND METHODS

In application of European regulation 1606/2002 of July 19, 2002, the financial statements for the ERYTECH PHARMA Group are prepared in conformity 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, 2016.

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 the Erytech financial statements, after taking into account or with the exception of the new standards and interpretations described below.

5.1 New standards, amendments to standards and interpretations applicable as of the financial year commencing January 1, 2016

The Group adopted the following standards, amendments and interpretations that are applicable as at January 1, 2016:

- Amendments to IAS 1 (presentation of financial statements) regarding the application of concepts of materiality and the application of personal judgment

- Amendments to IAS 16 (tangible assets) and IAS 38 (intangible assets) regarding the acceptable methods of amortization. IASB stated that amortization methods based on revenue are not an appropriate reflection of the pattern of consumption of the expected future economic benefits embodied in an intangible asset. This presumption may be refuted in certain circumstances;

- Amendments to IFRS 11 "Joint agreements" regarding the acquisition of a shareholding in a joint venture;

- Amendments to IAS 19 "Personnel benefits" which applies to the contributions of personnel members or third parties to defined benefits plans. Some contributions may therefore be accounted for by deducting the cost of services rendered from the period during which the service was rendered;

- Annual improvements to IFRS standards (2010-2012) which as applicable as at February 1, 2015: these amendments mainly concern information regarding related parties (IAS 24) and, more particularly, clarifications regarding the concept of service of key management personnel, share-based payments (IFRS 2), and, in particular, the concept of vesting conditions, segment information (IFRS 8), and information to be provided on combination criteria and the reconciliation of assets by segment with all assets of the entity, the clarification of the concept of fair value for receivables and short-term debts and the option of offsetting financial assets and liabilities (IFRS 13, valuation at fair value), and the recognition of a conditional consideration at the time of business combinations (IFRS 3).

These new texts did not have any significant impact on the Group's results or financial situation. The standards and interpretations that are optionally applied as at December 31, 2016 were not applied in advance. The Group however does not anticipate any significant impacts associated with the application of these new texts concerning IFRS 15 regarding income from ordinary activities taken from contracts with clients.

5.2 Standards and interpretations published but not yet in force

Texts not adopted by the European Union by the closing date

The IASB has published the following standards, amendments to standards and interpretations not yet adopted by the European Union:

- IFRS 16 – Leases
- IFRS 9 – Financial Instruments
- IFRS 15 – Revenues from Contracts with Customers
- Amendment to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and an associate or joint venture partner

Texts adopted by the European Union on the closing date but not yet in force

The Group has not applied in advance any of the standards and interpretations cited below, the application of which was not mandatory as of January 1, 2016:

- Amendments to IAS 1 – Meaning of "Effective IFRS";
- Amendments to IAS 19 – Defined benefit plans, contributions from employees;
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable amortization methods;
- Amendments to IFRS 11 – Recognition of acquisitions of interests in a joint venture;
- Annual improvements to the IFRS (2010-2012 and 2012-2014 cycles).

These amendments should not have a significant impact for the Group.

5.3 Presentation

The consolidated income statement presents the classification of expenses and income by function (research and development costs and overheads).

Comparative information is presented using an identical classification.

The consolidated financial statements are established on the basis of the principles of going concern and consistency of accounting methods.

5.4 Closing date

The Group closed its annual accounts on December 31, 2016.

5.5 Principles of consolidation

The company ERYTECH PHARMA S.A. (Headquarters: 60 avenue Rockefeller, Bioparc Bat Adénine, 69008 LYON, FRANCE) holds 100% of its subsidiary, ERYTECH PHARMA Inc. Headquarters: One main street, CAMBRIDGE, MA 02138, USA). The Group's financial statements fully consolidates the American subsidiary.

Intercompany balances and transactions between Group companies have been eliminated. Transactions with the branch concerning the payment of management fees (invoicing from the parent company to the subsidiary), representing income of €835,000 and the provision of personnel (invoicing from the parent company to the subsidiary), representing an expense of €350,000.

5.6 Conversion of the financial statements currency of foreign subsidiaries

The functional currency of the Company is the euro, which is also the currency used in the consolidated financial statements.

The statements of the subsidiary ERYTECH Pharma Inc. are prepared in U.S. dollars (functional currency).

The balance sheet of ERYTECH Pharma Inc. has been converted into euros using the exchange rate at the financial year-end and the income statement using the average exchange rate for the month of recognition. The corresponding exchange rate differences are recorded in shareholders' equity.

5.7 Transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rate in force on the transaction date. The monetary assets and liabilities denominated in these other currencies are converted at the rate in effect on the closing date. Unrealized gains and losses resulting from this conversion are recognized as income or loss for the financial year (financial results).

5.8 Consolidated cash flow statement

The cash flow statement is prepared using the indirect method and separately presents the cash flows related to 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 investment or financing criteria. The Group has decided to classify grants received under this category. Cash flows related to operating activities are calculated by adjusting the net results of changes in working capital requirements, items that have no cash flow impact (amortization, impairment), disposal gains and calculated expenses.

Cash flows related to investment activities correspond to cash flows associated with the purchase of assets, net of trade payables on the assets, and with the disposal of assets and other investments.

Financing activities are operations that result in changes in the amount and composition of the shareholders' equity and borrowings of the entity. Capital increases and the obtaining or repayment of loans are classified under this category. The Group has chosen to classify the repayable advances under this category.

The increases in assets and liabilities that have no cash flow impact are eliminated. As such, goods financed through a finance lease are not included in the period's investments. The decrease in debt associated with finance leases is therefore included under the period's loan repayments.

5.9 Use of estimates

The preparation of the consolidated financial statements in compliance with IFRS implies that the Group makes a certain number of estimates and uses certain assumptions that have an impact on the amounts recorded to assets or liabilities. 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. The principal estimate made by the Group when preparing the financial statements applies to share-based payment (note 6.3).

5.10 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 recorded 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;
- Capacity to use the intangible asset;
- 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 measurement of the development asset is the sum of expenses sustained starting on the date on which the development project meets the above criteria. 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. Considering the strong uncertainty associated with the development projects performed by the Group, these conditions will only be met when the regulatory procedures necessary for the sale of the products have been finalized. Most of the expenditures being incurred before that stage and 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, less aggregate amortization and any losses in value. Amortization is calculated on a straight-line basis depending on the period the asset was used. The useful life 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).

5.11 Fixed assets

Fixed assets are recorded in the balance sheet at their purchase cost, and are composed of their purchase price and all directly associated costs incurred to place the asset in position and in a state of operation according to the usage intended by the company's management.

These assets are depreciated according to the straight-line method, depending on their useful life.

The main useful life periods adopted are as follows:

- Industrial equipment: 1 to 5 years;
- Fixtures and fittings: 3 to 10 years;
- Office equipment: 3 years;
- Furniture: 3 to 5 years.

The useful life of fixed assets, any residual values and any residual value and the depreciation method are reviewed at each year-end and, in the event of a significant change, result in a prospective revision of the depreciation plans.

In compliance with IFRS, the different components of a like fixed asset that have a different useful lives or that procure economic benefits for the Company according to a different rhythm are recognized separately.

5.12 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 flows 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.

Tangible and intangible assets that are depreciated or amortized

Where new events or situations indicate that the book value of certain tangible or intangible assets may not be recoverable, this value is compared to its recoverable value based on the value in use or its fair value less disposal costs. Where the recoverable value is less than the net book value of these assets, the latter is adjusted to its recoverable value and a loss in the asset value is recognized under "provisions for impairment". The new value of the asset is thus amortized or depreciated prospectively based on the new period of the asset's residual life.

5.13 Other non-current financial assets

The valuation and recognition of financial instruments is defined by standard IAS 39 "Financial instruments: Recognition and Measurement". The company has no derivative instrument to hedge the currency risk.

Loans and receivables
These represent the financial assets issued or acquired by the Group which are the counterpart to a direct remittance of money, assets or services to a debtor. They are valued at amortized cost using the effective interest rate method. Long-term loans and receivables not remunerated or remunerated at a lower-than-market rate are discounted when the sums are significant. Any impairments are booked through the income statement.

Financial assets at fair value through the income statement
A financial asset is classified as a financial asset at fair value through the income statement if it is classified as being held for transaction purposes or is designated as such when it is initially recognized. Financial assets are valued at fair value, and any resulting change, which takes into account the income from interest and dividends, is booked to the statement of income (loss). Thus, the Group can designate cash investments at fair value from inception.

Assets available for sale
Assets available for sale are assets which the Company intends to keep for an undefined period and which can be sold to meet liquidity needs or in response to changes in interest rates. At each accounting date, they are valued at fair value and changes in fair value are recognized in shareholders' equity.

A significant or persisting decline in value is recognized in the income statement as an impairment.

Fair value of financial instruments
Valuations at fair value are detailed in accordance with the following fair value hierarchy in compliance with IFRS 7:

- Level 1: the instrument is traded on an active market;
- Level 2: the valuation relies on valuation techniques based on data that can be observed directly (price) or indirectly (price derivative);
- Level 3: at least one significant component of the fair value is based on unobservable data.

5.14 Trade accounts receivable

Customer receivables are valued at nominal value, which is equivalent to their fair value given their short-term due date. If necessary, these receivables are impaired to bring them to the estimated net realization value.

5.15 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 (First in First out).

5.16 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. These investments are easily convertible into a known cash amount and are subject to a negligible risk of change in value. They are classified in assets as cash equivalents and valued at fair value through the income statement.

5.17 Provisions and contingent liabilities

A provision is recognized where the Group 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 for retirement indemnities;
- provisions for claims and litigation.

Disclosure is made in the detailed notes on any contingent 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 commitment. This final commitment is then discounted.

These calculations primarily include:

• an estimate of the date of payment of the benefit;
• a financial discount rate;
• an inflation rate;
• assumptions regarding salary increases, personnel turnover rates and mortality rates.

The primary actuarial assumptions adopted at December 31, 2016, are described in note 7.9.

The positive or negative actuarial differences include the effects on the commitment of a change in calculation assumptions as well as adjustments to the commitment linked to experience. In compliance with the standard IAS 19 "Post-employment benefits [employee benefits]", the Group recognizes these actuarial differences under other items of the comprehensive income for post-employment benefits.

The provision that appears on the balance sheet on a specific line represents the total commitment at the closing date, adjusted, as applicable, for the cost of past services. The cost of prior services associated with a change in the plan are recognized in the statement of income (loss).

The expenses for the period composed of the cost of services rendered is an operating expense and the financial discount accretion forms the other elements of the overall result.

Provisions for risks

Provisions for risks represent commitments resulting from litigation and other risks, the payment dates and amounts of which are uncertain.

The amount recognized in the consolidated financial statements as provision for risks represents the best estimate of the costs necessary to resolve the dispute.

5.18 Measurement and recognition of financial liabilities

Financial liabilities at 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 attributable to the acquisition or issue of a financial liability decrease this financial liability. These costs are then actuarially amortized over 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 the income statement

The liabilities at fair value through the income statement are measured at their fair value.

5.19 Lease agreements

At the beginning of an agreement, the Group determines whether the agreement is, or contains, a lease agreement. The Group's lease agreements are recognized pursuant to IAS 17, which distinguishes finance lease agreements and operating leases.

Finance lease agreement:

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 operating lease agreements.

The assets held within the scope of a finance lease are recognized in the balance sheet assets and liabilities at 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 depreciated over the duration of the lease or the anticipated use of the asset, whichever is shorter.

Operating lease:

Other leases are classified as operating leases and are not recorded in the Group balance sheet. The payments made under operating leases are recognized on a straight-line basis over the term of the lease. The benefits received from the lessor are an integral part of the net total of lease expenses and are recognized as a deduction to expenses over the term of the lease. Commitments related to operating leases (note 9) represent the minimum future fixed payments calculated over the term in which the lease cannot be terminated.

5.20 Share capital

The share capital is presented in share equity. The cost of capital transactions that are directly attributable to the issuance of new securities or options is deducted from funds received for the issue at their net after-tax value.

5.21 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 directors and to certain employees of the Group.

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 Group 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 grant (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 (vesting period), with a direct contra-entry in the shareholders' equity.

5.22 Other income

Grants

ERYTECH Pharma benefits from public financing from local, state or EU organizations that cover all or part of the research and development on specific projects or subjects. This assistance can be in the form of subsidies or conditional advances.

The other income from activities includes income relating 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 Group will comply with the conditions attached to these grants.

They are then recognized as income according to the expenses incurred on the closing date pursuant to IAS 20. As a result, subsidies to be received can be recognized if the subsidy contract is signed, but the subsidies have not yet been received.

Conditional advances

Conditional advances are repayable only if the research and development projects they are financing are successful. They are recognized as long-term debt according to IAS 20. The payments and reimbursements of conditional advances are presented under cash flows related to financing activities in the consolidated statement of cash flows.

Research tax credit

Certain research and development expenses give the right in France to a tax credit recognized at the end of the financial year in which the expenses have been recognized and the tax credit requested. When it is not used to offset a tax expense, the tax credit may be paid to the Company depending on the tax rules in effect. The research tax credit, which is classified as public assistance under IAS 20, is recorded in the income statement under "Other operating income".

The receivable in the balance-sheet accounts as at December 31, 2016 corresponds to the RTC from the 2016 financial year.

Partnership with Orphan Europe

Within the context of its partnership agreement with Orphan Europe on the development of AML, the Group re-invoices, with no margin, certain clinical costs incurred and invoiced to the Group by external providers.

In application of IAS 18, the Group estimates that, within the context of this partnership, it acts as agent with regard to re-invoiced external costs, in that:

- The Group does not have the primary responsibility for supplying goods or services, as the majority of the services are provided by third parties, the largest of which, CRO (the company that manages the clinical trials) invoices Orphan Europe directly. The Group is only directly invoiced for the associated services.
- The Group does not bear the inventory risk.
- The Group has no ability to determine prices, as all external costs are invoiced to the nearest euro, without margin.
- The Group bears a credit risk not considered to be significant.

Consequently, the re-invoicing of these external costs to Orphan Europe reduces the corresponding expenses sustained by the Group. For 2016, the amount of external costs re-invoiced within the scope of this partnership totaled €358,021.

Within the context of this same agreement, the Group also re-invoiced certain internal clinical costs, such as personnel costs associated with the management of clinical trials, or personnel involved in the production of batches necessary for the AML clinical trial. These re-invoiced internal costs are recognized by the Group as other operating income from ordinary activities. They total €237,903 for the 2016 financial year.

5.23 Financial result

Financial income:

- income from interest on cash and cash equivalents;
- foreign exchange gains.

Other expenses consist of:

- other costs paid to the banks on financial transactions;
- foreign exchange losses;
- the impact of investment securities;
- interest expenses on 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 payables on financial leases).

5.24 Taxation

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 temporary differences between the book value of an asset or a liability and its tax value, save for the exceptions established under standard IAS 12.

Changes in the tax rates are recorded in the results of the financial year during which the rate change is decided.

Deferred tax assets resulting from temporary differences or tax losses carried forward are limited to the deferred tax liabilities with the same maturity, except where their allocation to future taxable income is probable.

Deferred taxes are calculated using of the most recent tax rates adopted at the date of each financial year-end.

Deferred tax assets and liabilities are not discounted and are classified in the balance sheet under non-current assets and liabilities.

The parent company is subject to the territorial economic contribution (Contribution Economique Territoriale - CET), which combines the corporate real estate contribution (cotisation foncière des entreprises - CFE) and the corporate value added contribution (cotisation sur la valeur ajoutée des entreprises - CVAE):

- the corporate real estate contribution, the amount of which is based on property rental values and which can, where applicable, have a ceiling at a percentage of the value added is recognized under operating expenses;

- the corporate value added contribution meets, based on the Group's analysis, the definition of an income tax as established under IAS 12.2 ("taxes owing 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 net results. The Group 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 owing in relation to the corporate value added contribution.

In conformity with the provisions of IAS 12, qualification of the corporate value added contribution as an income tax leads to the recognition of deferred taxes relative to temporary differences existing at year end, with a contra-entry of a net expense in that year's statement of income (loss). Where applicable, this deferred tax expense is presented on the line "taxes". For the moment, the parent company does not pay the CVAE.

5.25 Earnings per share

The Group presents the basic earnings per share and the diluted earnings per share.

The basic earnings per share are calculated by dividing the Group's net results by the weighted average number of shares in circulation during the financial year.

The diluted earnings per share are calculated by dividing 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.

Diluted earnings are identical to basic earnings when the result for the financial year is a loss (potential shares are not taken into account as their effect would be anti-dilutive).

5.26 Sector information

In accordance with IFRS 8 "Operating Segments", reporting by operating segment is derived from the internal organization of the Group's activities; it reflects 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.

The company conducts its activities exclusively in research and development in the fields of treatment for acute leukemia and other orphan diseases, none of which has currently been commercialized. Most of its activities are located in France. Therefore, the Company has decided to use only one operating segment in establishing and presenting its financial statements.

5.27 Off-balance sheet commitments

The Group has defined and implemented monitoring for its off-balance sheet commitments in order to gain information about their nature and purpose. This monitoring pertains to information relative to the following commitments given:

- personal guarantees (guarantees, endorsements, and bonds),
- security interests (mortgages, pledges, and sureties),
- operating leases, purchase and investment commitments,
- other commitments.
- contracts signed with CROs (contract research organizations) and hospitals as part of clinical studies.

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 Other income from operating activities

Other operating income is composed of the following:

(in €K)	12/31/2016	12/31/2015
Research tax credit	3,347	2,219
Grants	463	368
Autres produits	327	341
Other income	**4,138**	**2,929**

Other income was primarily generated by the research tax credit and grants associated with the pre-clinical research programs in partnership with BPI France.

"Other income" in 2016 amounting to €327,000 represents the sum of the internal costs incurred by the Group within the scope of the AML study, and re-invoiced to the company Orphan Europe in the amount of €238,000. Other external costs associated with this clinical trial were re-invoiced to Orphan Europe with no margin, and do not appear under income from activities, but are deducted from related expenses.

The increase in the research tax credit and subsidies at December 31, 2016 compared to December 31, 2015, reflects the increase in R&D activity between the two periods.

The Company received a subsidy for the TEDAC project on December 13, 2016 in the amount of €463,000.

6.2 Breakdown of expenses by item

12/31/2016 in €K	R&D costs	*o/w Other R&D costs*	*o/w Clinical trials*	*o/w Intellectual property*	Structural and general costs	**Grand total**
Consumables	2,071	*917*	*1,153*	-	66	**2,136**
Rent and maitenance	645	*161*	*484*	-	511	**1,156**
Service providers, subcontractors and professionsl	11,409	*2,547*	*8,410*	*453*	2,793	**14,203**
Personnel expense	5,282	*1,173*	*4,070*	*39*	2,713	**7,995**
Other	35	*8*	*27*	-	577	**613**
Net allocations to depreciation, amortization and provisions	277	*25*	*252*	-	148	**425**
Grand total	**19,720**	***4,831***	***14,397***	***491***	**6,808**	**26,528**

12/31/2015 in €K	R&D costs	*o/w Other R&D costs*	*o/w Clinical trials*	*o/w Intellectual property*	Structural and general costs	**Grand total**
Consumables	1,040	*244*	*796*	-	36	**1,076**
Rent and maintenance	462	*204*	*259*	-	304	**767**
Service providers, subcontractors and professionsl	4,475	*1,539*	*2,570*	*366*	3,022	**7,497**
Personnel expense	3,977	*1,506*	*2,384*	*87*	1,627	**5,603**
Autres	572	*56*	*513*	*3*	2,627	**3,200**

Net allocations to depreciation, amortization and	250	*26*	*224*	-	120	**369**
Grand total	**10,776**	***3,575***	***6,745***	***456***	**7,736**	**18,512**

The €8,944,000 increase in R&D costs is mainly due to:

- The €6,934,000 increase in the cost of external services mainly for the development of the TEDAC project, and for filing marketing authorization (MA) applications.
- The €1,305,000 increase in personnel costs (see note 6.3).

The €925,000 decrease in overheads and general expenses is primarily due to:

- The 2014 share warrants allocated to directors during the financial year for a value of €1,593,000.

6.3 Personnel costs

The personnel costs are broken down as follows:

12/31/2016 in €K	R&D costs	*o/w Other R&D costs*	*o/w Clinical trials*	*o/w Intellectual property*	General and administrative	**Grand total**
Wages and salaries	3,487	*721*	*2,730*	*37*	1,517	**5,004**
Social security expense	1,236	*350*	*868*	*18*	724	**1,960**
Sub-total personnel expense Excluding share-based remuneration	**4,723**	**1,070**	**3,598**	**55**	**2,241**	**6,964**
Fair value of share-based remuneration	688	*136*	*532*	*19*	490	**1,178**
Total personnel expense	**5,410**	**1,206**	**4,130**	**74**	**2,732**	**8,142**

12/31/2015 in €K	R&D costs	*o/w Other R&D costs*	*o/w Clinical trials*	*o/w Intellectual property*	General and administrative	**Grand total**
Wages and salaries	2,235	*953*	*1,238*	*43*	896	**3,131**
Social security expense	920	*427*	*468*	*25*	429	**1,348**
Sub-total personnel expense Excluding share-based remuneration	**3,154**	**1,380**	**1,706**	**69**	**1,325**	**4,480**
Fair value of share-based remuneration	822	*126*	*678*	*19*	301	**1,124**
Total personnel expense	**3,977**	**1,506**	**2,384**	**87**	**1,627**	**5,603**

The €2,329,000 increase in personnel costs mainly reflects the payroll increase at the subsidiary ERYTECH Inc. in the amount of €1,194,000 resulting from the expansion of its workforce at the Boston site and the payroll increase at ERYTECH Pharma S.A. (average workforce of 73 employees in 2016 versus 49 in 2015) in the amount of €1,198,000.

6.4 Share-based payment (IFRS 2)

Stock options or bonus shares were allocated to executives, certain employees, and to members of the Board of Directors in the form of share subscription warrants (“BSA”), founder subscription warrants (“BSPCE”), performance-based bonus shares ("AGAP"), or stock options ("SO").

6.4.1 "2014 Plan"

On January 22, 2014, the Board of Directors used the authorization granted by the Combined General Shareholders' Meeting of April 2, 2013 in resolution 25 to award 22,500 founders' warrants ("BSPCE2014") to Erytech executives (12,000 warrants) and a category of "employees with managerial status" not yet named (10,500 warrants). 3,000 $BSPCE_{2014}$ were then converted into BSA2014.

Under the $BSPCE_{2014}$/BSA_{2014} plans, on May 6, 2016, the Board of Directors awarded, respectively, 5,000 $BSPCE_{2014}$ to employees.

The features of the plan as follows:

Types of securities	**$BSPCE_{2014}$**	**BSA_{2014}**
Number of warrants that the Company is authorized to issue for all types of warrants	22,500	
Number of warrants awarded	19,500	3,000
Number of warrants exercised	195	-
Number of warrants canceled	1,090	-
Date of the Board of Directors meeting	January 22, 2014 and May 6, 2016	
Exercise price per new share subscribed	€12.250	
Final date for exercising warrants	January 22, 2024	
Parity	1 warrant for 10 shares	1 warrant for 10 shares
General conditions of exercise	The warrants may be exercised as of their date of vesting. Warrants not exercised by January 22, 2024 will automatically be canceled.	
Maximum number of new shares that can be issued	212,150	

In the event of a beneficiary's departure from the Group for any reason whatsoever, the beneficiary shall retain the $BSPCE_{2014}$ to which he subscribed prior to his departure. However, if a beneficiary leaves the Group for any reason before subscribing to the $BSPCE_{2014}$ to which he is entitled, his $BSPCE_{2014}$ entitlements will be canceled. In such a case, the non-subscribed $BSPCE_{2014}$ may be reallocated to other beneficiaries in the same category and/or replacing the person who left the Company.

In all cases, $BSPCE_{2014}$ not subscribed by January 22, 2024 will automatically lapse.

In accordance with IFRS 2, executives will be deemed to have been awarded all 12,000 warrants as of January 22, 2014. However, they can only subscribe to one-third of their allocation per year, provided they are still in service. In other words, these warrants are allocated gradually, over a three-year vesting period.

On May 6, 2016, the Board of Directors awarded 5,000 additional BSPCE to 21 managerial staff, in accordance with the 2014 Plan.

In accordance with IFRS 2, the Company measured the value of the 5,000 $BSPCE_{2014}$ using the Black&Scholes valuation model.

The main assumptions used to determine the fair value of the $BSPCE_{2014}$ awarded to employees are:

- Risk-free rate: between -0.18% and -0.11% depending on the tranches (according to the zero-coupon government bond rates curve);
- Price of underlying asset: €24.75 which is the share price on the date of the Board of Directors' decision;
- Expected dividends: zero;
- Volatility: 21.25% to 22.27% based on the historical volatility observed on the NextBiotech index;
- Expected Maturity: - between 5 and 5.51 years depending on the tranche.

The value of the plan amounting to €636 k was accordingly recognized gradually over a two-year period in accordance with IFRS 2. An expense of €498,000 was recorded for this purpose under personnel expenses at December 31, 2016, and divided between R&D staff costs (€417,000) and administrative personnel costs (€81,000).

6.4.2 "2016 Plan"

On October 3, 2016, the Board of Directors used the authorization granted by Combined General Shareholders' Meeting of June 3, 2016 in resolution 29 and 30 to award 111,261 free performance-based shares ("AGAP") to executives and employees of ERYTECH Pharma S.A., 44,499 stock options ("SO") to employees of the American subsidiary ERYTECH Pharma Inc., and 45,000 warrants ("BSA") to independent directors.

The features of the plan as follows:

Types of securities	**$AGAP_{2016}$**	**SO_{2016}**	**BSA_{2016}**
Number of shares authorized to be issued	350,000		
Number of shares / stock options / warrants awarded	111,261	44,499	45,000
Date of the Board of Directors meeting	Oct-3-16	Oct-3-16	Oct-3-16
Number of tranches	3	2	2
Vesting period	Tranche 1 : 1 yr Tranche 2 : 2 yrs Tranche 3 : 3 yrs	Tranche 1 : 2 yrs Tranche 2 : 3 yrs	Tranche 1 : 1 yr Tranche 2 : 2 yrs
Lock-in period	Tranche 1 : 1 yr Tranche 2 and 3 : NA	NA	NA
Maximum number of new shares that can be issued	111,261	44,499	45,000

In accordance with IFRS 2, Erytech measured the value of the instruments awarded to executives and employees, and to do so used the Monte-Carlo model for the AGAP, Black & Scholes model for the SO and Cox-Ross-Rubinstein model for the BSA.

On October 3, 2016, 111,261 AGAP (performance-based shares) were awarded

The main assumptions used to determine the fair value of the $AGAP_{2016}$ awarded to executives and employees were:

- Underlying price: €18.52 representing the market price on the date of the Board meeting;
- Expected dividends: zero;
- Attrition rate: zero;
- Volatility: 45% based on the historical volatility observed in the ERYP share price;
- Repo margin: 5%.

The fair value was measured as €974,000. An expense was recognized for this purpose under personnel expenses at December 31, 2016, and split between R&D staff costs (€61,000) and administrative personnel costs (€90,000).

On October 3, 2016, 44,499 SO (stock options) were awarded

The main assumptions used to determine the fair value of the SO_{2016} awarded to employees were:

- Underlying price: €18.52 representing the market price on the date of the Board meeting;
- Expected dividends: zero;
- Attrition rate: zero;
- Volatility: 45% based on the historical volatility observed in the ERYP share price;
- Repo margin: 5%.

The fair value of the plan was measured as €202,000. An expense was recognized for this purpose under personnel expenses at December 31, 2016, and posted to R&D staff costs (€22,000).

On October 3, 2016, 45,000 BSA were awarded

The main assumptions used to determine the fair value of the BSA_{2016} awarded to directors were:

- Underlying price: €18.52 representing the market price on the date of the Board meeting;
- Expected dividends: zero;
- Attrition rate: zero;
- Volatility: 45% based on the historical volatility observed in the ERYP share price;
- Repo margin: 5%.

The fair value of the plan was measured as €198,000. An expense will be recognized gradually over a 2-year period in accordance with IFRS 2. An expense of €37,000 was recognized on December 31, 2016 and posted to structural and general expenses.

6.5 Net depreciation, amortization and provisions

in K€	12/31/2016	12/31/2015
R&D costs	25	26
Clinical trials	252	224
Intellectual property costs	-	-
Structural and administrative costs	148	120
Total allocation to depreciation, amortization and provisions	**425**	**369**

6.6 Profit or loss from financing activities

(in thousands of €)	12/31/2016	12/31/2015
Interest on leases	(4)	(5)
Interest on repayable advances		(25)
Other financial expenses	(66)	(34)
Total financial expenses	**(70)**	**(64)**
Accrued interest on term deposits	545	523
Other financial income	13	108
Total financial income	**558**	**631**
Total Income (Expenses)	**488**	**567**

Financial income primarily corresponds to the interest accrued on short-term deposits. Other financial expenses correspond to exchange rate losses recognized on current transactions.

6.7 Tax on profit or loss

Tax reconciliation

in K€	12/31/2016	12/31/2015
Loss before tax	(21,902)	(15,016)
Theoretical tax income	7,541	5,170
Deferred loss in the year	(8,303)	(5,001)
CICE not levied	24	18
Tax credits	1,144	764
Impact of IFRS 2 adjustment	(398)	(935)
Tax rate difference	(51)	(7)
Other differences	33	(6)
Effective tax income / expense	**(10)**	**3**

The losses that can be carried forward were capitalized only in the amount of the deferred tax liabilities.

Tax losses carried forward amounted to €80 million as of December 31, 2016.

7 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7.1 Intangible assets

in K€	12/31/2015	Acquisitions/ Allocation to amort/dep	Disposals	12/31/2016
Other intangible assets				
Gross	184	25	-	209
Amortization and depreciation	(122)	(29)	-	(152)
Net book value	**61**	**(4)**		**57**

7.2 Property, plant and equipment

in K€	12/31/2015	Acquisitions/ Allocation to amort/dep	Disposals / Transfers	12/31/2016
Assets financed through leasing				
Laboratory equipment				
Gross	974			974
Amortization and depreciation	(831)	(51)		(882)
Net book value	**143**			**92**
Computer and office equipment				-
Gross	-	118		118
Amortization and depreciation	-	(7)		(7)
Net book value	**-**			**111**
Assets not financed through leasing				
Technical facilities, industrial machinery and equipment				
Gross	727	123		850
Amortization and depreciation	(426)	(98)		(523)
Net book value	**301**			**327**
General facilities, fixtures & fittings, and other				
Gross	1,079	387		1,466
Amortization and depreciation	(733)	(175)		(909)
Net book value	**345**			**558**
Computer and office equipment				
Gross	134	279		413
Amortization and depreciation	(51)	(67)		(118)
Net book value	**83**			**295**
Assets under construction	44	862	(44)	862
GRAND TOTAL				
Gross	**2,958**	1,770	(44)	4,684
Amortization and depreciation	(2,041)	(398)	-	(2,439)
Net book value	**918**	**1,372**	**(44)**	**2,245**

7.3 Non-current financial assets

in €K	12/31/2016	12/31/2015
Deposits and sureties	92	97
Total other non-current financial assets	**92**	**97**

7.4 Inventories

in €K	12/31/2016	12/31/2015
Production inventory	71	79
Laboratory inventory	74	87
Total inventory	**145**	**166**

7.5 Trade receivables and related accounts

(€K)	12/31/2016	12/31/2015
Receivables	218	424
Trade and related receivables	**218**	**424**

Trade receivables primarily represent the receivables related to the re-invoicing to Orphan Europe of the 2012-10 AML clinical trial as well as the re-invoicing of the new NOPHO trial in the amount of €108,000.

7.6 Other current assets

in €K	12/31/2016	12/31/2015
Research tax credit	3,321	3,743
Tax receivables (VAT, etc) and other receivables	863	1,190
Shareholders - Cash contributions	-	553
Accrued expenses	339	220
Other subsidies receivable	-	-
Other current assets	**4,524**	**5,705**

The CIR for 2014 and 2015 which were audited by the tax authorities were received in fiscal 2016. The CIR amount recorded in the financial statements ended December 31, 2016 is the same as the amount applied for in fiscal 2016.

Pre-paid expenses correspond to rent for the first half of 2017.

7.7 Cash and cash equivalents

in €K	12/31/2016	12/31/2015
Cash and cash equivalents	37,646	45,634
Bank overdrafts	-	-
Net cash	**37,646**	**45,634**

The cash position is composed of the following items:

- At 12/31/2016:
  - €10,646,000 in current accounts;
  - €27,000,000 in short-term deposits with maturities of 1 month to 3 years, but available without penalty subject to 32 days' notice.

- At 12/31/2015:
  - €20,181,000 in current accounts;
  - €25,453,000 in short-term deposits with maturities of 1 month to 3 years, but available without penalty subject to 32 days' notice.

ERYTECH Pharma also retained in its securities portfolio the 2,500 treasury shares. These shares are intended for future cancellation.

7.8 Shareholders' equity

At December 31, 2015, the capital of the parent company was comprised of 7,924,611 shares, fully paid up, with a nominal value of €0.1.

Following new funds raised on the Euronext stock exchange in December 2016 and the exercise of subscription warrants, the share capital was increased to 8,732,648 shares with a par value of €0.1.

	Number of shares
Number of shares at December 31, 2015	**7,924,611**
Subscription warrants exercised	14,160
New shares issued on Euronext	793,877
Number of shares at December 31, 2016	**8,732,648**

The issuance costs for the new shares on the stock exchange, which totaled €94,000 were recorded against the issue premium.
These were mainly bank commissions and lawyers' fees.

Basic earnings per share and diluted earnings per share

in €K	12/31/2016	12/31/2015
Net profit (loss)	(22,012)	(15,013)
Weighted number of shares in the period	7,983,642	6,957,654
Basic earnings (loss) per share (€/share)	**(2.76)**	**(2.16)**
Diluted earnings (loss) per share (€/share)	**(2.76)**	**(2.16)**

At December 31, 2016, the 626,000 potential shares that could be issued within the context of exercising warrants issued were not taken into account in the calculation of the diluted earnings, as their effect would be anti-dilutive.

7.9 Provisions

The provisions for risks and expenses can be broken down as follows:

in €K	12/31/2016	12/31/2015
Provision for lump-sum retirement payments	163	100
Provision for disputes	-	81
Provisions	**163**	**181**

The regime for retirement indemnities applicable at ERYTECH Pharma is defined by the collective agreement for the pharmaceutical industry.

The Group recognizes actuarial differences under other items of comprehensive income. The pension commitments are not covered by plan assets. The portion of the provision for amounts due within one year is not significant.

The calculation assumptions for measuring the provision concerning employees are as follows:

	12/31/2016	12/31/2015
Discount rate	1.36%	2.03%
Pay increases	2%	2%
Social security contribution rate	Non managerial 44% Managerial 54%	Non managerial 44% Managerial 54%
Age of retirement:	65 - 67 years	65 - 67 years
Mortality table	INSEE 2014	INSEE 2014

The Company settled the BPI France dispute regarding the GR-SIL subsidy of €81,000 and refundable advances of €23,000. The reimbursement in the amount of €104,000 was made in January 2016.

The breakdown of provisions is as follows:

in K€	START OF PERIOD	Other*	Allocations	Reversals not used	Reversals used	END OF PERIOD
Period 01/01 to 12/31/2016						
Provision for lump-sum retirement payments	100	122	185			163
Provision for disputes	81		-		81	-
Net balance at end of period	**181**	**122**	**185**	**-**	**81**	**163**
Period 01/01 to 12/31/2015						
Provision for lump-sum retirement payments	89	(8)	20			100
Provision for disputes	-		81			81
Net balance at end of period	**89**	**(8)**	**101**	**-**	**-**	**181**

* The item "Other movements" corresponds to recognized actuarial differences.

7.10 Debt

Debt by type

in K€	12/31/2016	12/31/2015
Financial debt associated with leases	204	144
Conditional advances	1,182	563
Borrowings	1,480	-
Financial debt	**2,865**	**708**

Debt by maturity

in K€	12/31/2016		
	Amounts due		TOTAL
	Less than 1 yr	More than 1 yr	
Borrowings		1,480	1,480
Conditional advances	-	1,182	1,182
Financial debt associated with leases	50	154	204
Convertible bonds			-
Bank overdrafts			
Total borrowings	**50**	**2,816**	**2,865**

in K€	12/31/2015		
	Amounts due		TOTAL
	Less than 1 yr	More than 1 yr	
Borrowings			-
Conditional advances	501	63	563
Financial debt associated with leases	56	88	144
Convertible bonds			-
Bank overdrafts			
Total borrowings	**557**	**151**	**708**

The Company obtained a loan from Société Générale in the amount of €1,900,000, repayable over 36 months at an annual interest rate of 0.40%, to fund its investments.

The conditional advances from public authorities relate to contracts with BPI FRANCE. The Group has three contracts related to conditional advances with BPI FRANCE 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 conditional advance has no annual interest payment amounts to obtaining 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 to be a grant received from the State. These grants are recognized over the estimated duration of the projects financed by these advances.

The portion of the conditional advances due in more than one year is recorded under borrowings - non-current portion, while the portion at less than one year is recorded under borrowings - current portion.

Since its creation, the Group has received 3 advances from BPI FRANCE, repayable under certain conditions, the main terms of which are presented below:

- **BPI FRANCE / PANCREAS**

The first conditional advance, granted by BPI FRANCE, 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 conditional advance was received 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 after acceptance of the finalization of the program identified by BPI FRANCE (paid in 2011).

The repayment of this conditional advance will be made according to a fixed payment schedule that will end on 6/30/2016.

The Group has undertaken to repay the entire conditional advance according to the following payment schedule:

- €100,000 by June 30, 2013
- €150,000 by June 30, 2014
- €225,000 by June 30, 2015
- €260,000 by June 30, 2016

As of December 31, 2016, all repayments had been made when due.

- **BPI FRANCE FEDER**

The second conditional advance, granted by BPI FRANCE 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 conditional advance was received 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 acceptance of the finalization of the program by BPI FRANCE.

The Group has received €81,000 from BPI FRANCE/FEDER under this program. As the work corresponding to the FEDER assistance is currently terminated, the Group 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 on 6/30/2016.

The Group has undertaken to repay the entire conditional advance according to the following payment schedule:

- €7,500 by September 30, 2013
- €7,500 by December 31, 2013
- €7,500 by March 31, 2014
- €7,500 by June 30, 2014
- €9,250 by September 30, 2014
- €9,250 by December 31, 2014
- €9,250 by March 31, 2015
- €9,250 by June 30, 2015
- €14,000 by September 30, 2015

The Company repaid the entire amount (€23,000) of the advance in January 2016 (representing the balance). It also repaid the corresponding subsidy of €81,000 to settle the dispute with BPI France.

- **BPI FRANCE / TEDAC:**

Conditional advance provided by BPI FRANCE in the context of the TEDAC project for a total amount of €4,895,052. This conditional advance is paid upon completion of the following key milestones:

- €62,607 upon signature of the agreement (paid in 2012);
- the remainder upon calls for funds when key milestones are reached.

The Group undertakes to repay BPI France initially:

a) a sum of €5,281,000 upon achieving a cumulative amount of sales (excluding VAT) equal to or greater than €10 million, according to the following payment schedule:

   - €500,000 at the latest on June 30 of the first year in which the cumulative sales amount 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 reach €60 million, the Group undertakes to pay BPI France a sum of 2.5% of the sales generated by the products developed within the project, limited to a total amount of €15 million over 15 years.

7.11 Other liabilities

in K€	12/31/2016	12/31/2015
Other current liabilities		
Tax and social security liabilities	1,581	1,241
Accrued income	-	-
Other debts	-	71
Other current liabilities	**1,581**	**1,311**

7.12 Related parties

Gil Beyen is the Chief Executive Officer of the Company; Jérôme Bailly is the Qualified Person of the Company and Deputy General Manager. The other related parties are the members of the Board of Directors.

The remuneration of managers and other members of senior management during the financial year was as follows:

in K€	12/31/2016	12/31/2015
Gross total compensation	702	1,144
Share-based payments	226	1,994
Total	**928**	**3,138**

The Group has no further related parties.

7.13 Financial instruments recorded in the balance sheet and effect on results

12/31/2016 in €K		Balance sheet value	Fair value through profit & loss	Loans and receivables	Debt at amortized cost	Fair value
Non-current financial assets	(1)	132		132		132
Trade accounts receivable	(1)	218		218		218
Other current assets	(1)	4,524		4,524		4,524
Cash and cash equivalents	(2)	37,646	37,646			37,646
						-
Total financial assets		**42,520**	**37,646**	**4,874**	**-**	**42,520**
Financial liabilities >1 yr	(1)	2,816			2,816	2,816
Financial liabilities < 1 yr	(1)	50			50	50
Trade and related payables	(1)	4,832			4,832	4,832
						-
Total financial liabilities		**7,697**	**-**	**-**	**7,697**	**7,697**

12/31/2016 in €K		Balance sheet value	Fair value through profit & loss	Loans and receivables	Debt at amortized cost	Fair value
Non-current financial assets	(1)	97		97		97
Trade accounts receivable	(1)	424		424		424
Other current assets	(1)	5,705		5,705		5,705
Cash and cash equivalents	(2)	45,634	45,634			45,634
						-
Total financial assets		**51,860**	**45,634**	**6,226**	**-**	**51,860**
Financial liabilities >1 yr	(1)	151			151	151
Financial liabilities < 1 yr	(1)	557			557	557
Trade and related payables	(1)	3,672			3,672	3,672
						-
Total financial liabilities		**4,380**	**-**	**-**	**4,380**	**4,380**

(1) The book value of these assets and liabilities is a reasonable approximation of their fair value

(2) Fair value at level 2

8 MANAGEMENT OF FINANCIAL RISKS

The main risks to which the company is exposed are liquidity risk, foreign exchange rate risk, interest rate risk and credit risk.

Foreign exchange rate risk

The Group uses the euro as its functional currency within the context of its information and financial communications activity. However, a significant portion of its operating expenses (about 23%) is denominated in US dollars (agency office in Boston, cooperation 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 Group has not opted to use active hedging techniques, and does not use 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 Group will perform clinical trials in the USA and, in the longer term, sell on this market.

Expenses in US dollars totaled $6,242,000 during the 2016 financial year.

The EUR/USD rate fell considerably at the period end, reaching $1.0541 per €1 at December 31, 2016.

The exchange rate differences are not significant for the periods presented.

Liquidity risk

The Group has been structurally loss generating since its creation. The net cash flows associated with the Group's operating activities were respectively -€22 million at December 31, 2016 and -€15 million at December 31, 2015.

Historically, the Group has financed its growth by strengthening its shareholders' equity in the form of capital increases and the issue of convertible bonds. The capital increase associated with its introduction on the stock market in May 2013, as well as the operation renewed in 2014, 2015 and 2016, enables the Group to ensure its business continuity for many years.

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

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

in K€	2016			
	Book value	Contractual cash flows		
		Total	< 1 year	1 ≥ 5 years
Borrowings	1,480	(1,480)		(1,480)
Conditional advances	1,182	(1,182)	-	(1,182)
Financial debt associated with leases	204	(218)	(95)	(123)
Convertible bonds				
Bank overdrafts				
Trade and other payables	4,832	(4,832)	(4,832)	
Total	**7,697**	**(7,712)**	**(4,927)**	**(2,785)**

in K€	2015			
	Book value	Contractual cash flows		
		Total	< 1 year	1 ≥ 5 years
Borrowings				
Conditional advances	563	(570)	(507)	(63)
Financial debt associated with leases	144	(149)	(59)	(91)
Convertible bonds				
Bank overdrafts				
Trade and related payables rattachés	3,672	(3,672)	(3,672)	
Total	**4,380**	**(4,392)**	**(4,238)**	**(153)**

Interest rate risk

The Group has little exposure to interest rate risk. Such exposure would involve monetary fund investments in foreign currencies and short-term deposit accounts. The change in interest rates has a direct impact on the rate of return on investment and on the cash flows generated.

The Group obtained a loan from Société Générale in the amount of €1.9 million, of which €1.48 million was drawn in 2016; repayments on this loan are not exposed to interest rate risk. Repayments of conditional advances obtained from BPI France are not exposed to interest rate risk.

Credit risk

Credit risk arising from the Company's cash and cash equivalents is not significant in view of the quality of the financial institutions contracting with the Group.

Fair value risk

The fair value of instruments traded on an active market that are classified as available for sale is based on market rates at December 31, 2016. Market prices used by the Group to enhance the value of its financial instruments are near market prices at the valuation date. The nominal value, minus depreciation, of receivables and payables is considered the best approximation of the fair value of those items.

Inflation risk

We do not believe that inflation could have a material effect on our business, financial conditions, or results of operations. If our costs were to be subject to inflationary changes, it is possible that we would not be able to pass on a significant increase in costs.

9 OFF-BALANCE-SHEET COMMITMENTS

Off-balance-sheet commitments relating to operating leases total €442,000 and mainly correspond to leases on buildings. The maturities on these expenses are as follows:

Less than 1 year: €295,000
Between 1 year and 5 years: €147,000
More than 5 years: €0

10 STATUTORY AUDITORS' FEES

For the 2016 financial year, the auditor's fees totaled:

- within the scope of its legal term of office: €165,000, excluding out-of-pocket expenses;
- for audit certification: €3,000;
- for the NASDAQ IPO project: €232,000.

5.4 Auditors' Report on the consolidated financial statements prepared in accordance with IFRS standards for the fiscal year ended December 31, 2016

ERYTECH Pharma S.A.

Registered Office : 60 Avenue Rockefeller – Bâtiment Adénine – 69008 LYON

Share capital : €873,265

Statutory Auditor's Report on the Consolidated Financial Statements

for the Financial Year ended December 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2016 on:

- the audit of the accompanying consolidated financial statements of Erytech Pharma S.A.;
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

5.4.1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

5.4.2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matter.

Other income

Notes 5.22 and 6.1 "Other income" in the notes to the consolidated financial statements outlines the accounting rules and methods regarding revenue recognition and the recognition of subsidies.

As part of our assessment of the accounting rules and principles that the group applied, we verified the appropriate nature of the accounting methods indicated above and the information provided in the notes to the financial statements and we verified their correct application.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

5.4.3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The statutory auditors

Lyon, March 28, 2017

KPMG Audit
A Division of KPMG S.A.

Sara Righenzi de Villers
Partner

Lyon, March 28, 2017

RSM Rhône-Alpes

Gaël Dhalluin
Partner

5.5 Separate financial statements

Balance Sheet Assets

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

ITEM	GROSS	Depreciation & Amortization	Net (N) 12/31/2016	Net (N-1) 12/31/2015
STOCK SUBSCRIBED BUT NOT CALLED				
INTANGIBLE ASSETS				
Set-up costs				
Development costs				
Concession, patents and similar rights	208,996	151,740	57,255	61,155
Goodwill				
Other intangible assets				
Advances and down payments on intangible assets				
TOTAL intangible assets	**208,996**	**151,740**	**57,255**	**61,155**
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings				
Technical facilities, industrial machinery and equipment	850,353	523,443	326,910	301,300
Other intangible assets	1,570,802	959,873	610,929	428,728
Assets under construction	861,966		861,966	14,962
Advances and down payments				29,326
TOTAL property, plant & equipment	**3,283,120**	**1,483,316**	**1,799,805**	**774,316**
NON-CURRENT FINANCIAL ASSETS				
Investments valued using the equity method				
Other equity interests	1		1	1
Receivables from equity interests				
Other non-current securities				
Loans				
Other financial assets	162,591		162,591	167,781
TOTAL financial assets	**162,591**		**162,591**	**167,781**
NON CURRENT ASSETS	**3,654,708**	**1,635,056**	**2,019,652**	**1,003,253**
INVENTORIES AND IN-PROCESS				
Raw materials and supplies	144,901		144,901	165,889
Inventories of goods in process				
Inventories of services in process				
Inventories of intermediate and finished goods				
Inventories of merchandise				
TOTAL inventories and in-process:	**144,901**		**144,901**	**165,889**
RECEIVABLES				
Advances, down payments on orders				
Trade and related receivables	1,094,296		1,094,296	457,936
Other receivables	7,724,749		7,724,749	5,546,634
Subscribed and called up capital, not paid				552,739
TOTAL receivables:	**8,819,045**		**8,819,045**	**6,557,309**
TOTAL CASH AND OTHER				
Short-term investments				
Cash and cash equivalents	37,527,092		37,527,092	45,493,612
Pre-paid expenses	313,509		313,509	219,581
TOTAL cash and other	**37,840,602**		**37,840,602**	**45,713,193**
CURRENT ASSETS	**46,804,548**		**46,804,548**	**52,436,391**
Debt issue costs to be deferred				
Bond issue premiums				
Unrealized losses on translation				
GRAND TOTAL	**50,459, 256**	**1,635,056**	**50,459, 256**	**53,439, 644**

Balance Sheet Liabilities

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

ITEM			Net (N) 12/31/2016	Net (N-1) 12/31/2015
NET POSITION				
Share capital	o/w paid up	873,265	873,265	792,461
Additional paid-in capital			103,974,323	94,815,820
Revaluation of assets adjustment	o/w revaluation reserve			
Legal reserve				
Statutory or contractual reserves				
Regulated reserves				
Other reserves				
Carryforward			(47,855,465)	(36,058,170)
Profit/(loss) in the period			(17,407,816)	(11,797,253)
	TOTAL net position:		**39,584,307**	**47,752, 858**
INVESTMENT SUBSIDIES				
REGULATED PROVISIONS				
	SHAREHOLDERS' EQUITY		**39,584,307**	**47,752, 858**
Proceeds from issue of equity securities				
Conditional advances			1,181,535	570,857
OTHER SHAREHOLDERS' EQUITY			**1,181,535**	**570,857**
Provisions for risks				81,000
Provisions for expenses				
PROVISIONS FOR RISKS AND EXPENSES				**81,000**
FINANCIAL DEBT				
Convertible bonds				
Other bonds				
Bank borrowings			1,480,000	16,181
Other borrowings and financial debt				
TOTAL financial debt:			**1,480,000**	
ADVANCES AND DOWNPAYMENTS RECEIVED ON ORDERS IN PROGRESS				
MISCELLANEOUS LIABILITIES				
Trade and related payables			5,170,012	3,773,307
Tax and social security liabilities			1,134,834	1,178,408
Debt to suppliers of fixed assets				
Other debts			133,220	67,033
TOTAL miscellaneous debt:			**6,438,066**	**5,018,748**
PRE-PAID INCOME				
	DEBT		**7,918,066**	**5,034,929**
Conversion gains and losses			140,292	
	GRAND TOTAL		**48,824,200**	**53,439,644**

Statement of Profit or Loss (Part One)

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

ITEM	France	Export	Net (N) 12/31/2016	Net (N-1) 12/31/2015
Sales of goods				
Production sold: goods				
Production sold: services	685,479	834,862	1,520,342	716,639
Net sales	**685,479**	**834,862**	**1,520,342**	**716,639**

Production stored		
Production capitalized		
Operating subsidy	463,054	368,436
Reversals on depreciation, amortization, and provisions, transferred expenses	119,193	34,687
Other income	16	6
INCOME FROM OPERATING ACTIVITIES	**2,102,605**	**1,119,767**

EXTERNAL EXPENSES		
Purchase of goods (and customs duties)		
Change in inventories of goods		
Purchase of raw materials and other supplies	2,032,420	1,017,411
Change in inventories [raw materials and supplies]	20,988	32,467
Other external purchases and expenses	15,270,354	9,910,097
TOTAL external expenses:	**17,323,763**	**10,959,991**
TAXES AND SIMILAR PAYMENTS	171,794	110,986
PERSONNEL EXPENSE		
Wages and salaries	3,418,304	2,707,422
Social security expense	1,770,607	1,464,009
TOTAL personnel expense:	**5,188,911**	**4,171,431**
OPERATING CHARGES		
Allocation to depreciation and amortization of non-current assets	302,993	210,120
Allocation to provisions on non-current assets		
Allocation to provisions on current assets		
Allocation to provisions for risks and expenses		81,000
TOTAL operating charges:	**302,993**	**291,120**
OTHER OPERATING EXPENSES	296,939	201,702
OPERATING EXPENSES	**23,284,400**	**15,735,230**

PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(21,181,795)**	**(14,615,463)**

Statement of Profit or Loss (Part Two)

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

ITEM	Net (N) 12/31/2016	Net (N-1) 12/31/2015
FIT/(LOSS) FROM OPERATING ACTIVITIES	**(21,181,795)**	**(14,615,463)**
Profit appropriated or loss transferred		
Loss accrued or profit transferred		
FINANCIAL INCOME		
Income from equity interests		
Income from other securities and receivables on non-current assets		
Other interest and similar income	585,826	85
Reversal of provisions and transferred expenses		
Foreign exchange gains	6	4
Net proceeds from sale of equity securities		
	22	**58**
FINANCIAL EXPENSES		
Allocations to amortization and provisions		
Interest and similar expenses		
Foreign exchange losses	4	5
Net expenses on sale of equity securities		
	1	**2**
FIT/(LOSS) FROM FINANCING ACTIVITIES	**61**	**06**
FIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX	**(20,639,434)**	**(14,021,357)**
NON-RECURRING INCOME		
Non-recurring income from management transactions		5,262
Non-recurring income from capital transactions		
Reversal of provisions and transferred expenses		
NON-RECURRING EXPENSES		
Non-recurring expenses on management transactions	115,172	211
Non-recurring expenses on capital transactions		
Non-recurring allocations to depreciation, amortization and provisions	352	352
	115,524	
FIT/(LOSS) FROM NON-RECURRING ACTIVITIES	**(115,524)**	
Employee profit-sharing		
Income tax	(3,347,142)	(2,219,406)
AL INCOME	**2,701,427**	**1,751,786**
AL EXPENSES	**20,109,242**	**13,549,039**
FIT/(LOSS)	**(17,407,816)**	**(11,797,253)**

Notes to the balance sheet prior to allocation of the loss, characterized by:

- balance sheet total in €:	€48,824,200
- sales in €:	€1,520,342
- net loss in €:	(€17,407,816)

The financial year was 12 months, covering the period from 01/01/2016 to 12/31/2016.

The notes and tables presented below form an integral part of the annual financial statements.

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1 EVENTS CHARACTERIZING THE FINANCIAL YEAR

Yann Godfrin, co-founder of the Company and Chief Operating Officer, submitted his resignation from his positions within the Company at the Board of Directors' meeting of January 10, 2016.

In 2016, an employee shareholding plan was allocated as follows (see Note on "Share-based payments"):
- The Board of Directors' meeting on October 3, 2016, awarded 45,000 BSA warrants to the independent Board members;
- The Board of Directors' meeting on October 3, 2016, awarded 111,261 free performance shares to ERYTECH employees;
- The Board of Directors' meeting on October 3, 2016, awarded 44,499 stock options to ERYTECH Inc employees;

Erytech also strengthened its management team by appointing Jean-Sébastien Cleiftie as Business Development Director. Alexander Scheer also joined the Company, replacing Yann Godfrin as Chief Science Officer.

Allene M. Diaz was appointed to the Board of Directors initially as a non-voting observer, with the intention of appointing her as Director in January 2017, subject to ratification by the next General Shareholders' Meeting.

In December 2016, the parent company ERYTECH PHARMA SA raised €9.9 million by issuing a total of 793,877 new shares as part of a capital increase in the form of a private placement with first-tier institutional investors in the United States and Europe, representing approximately 9% of the number of shares outstanding (post-issue).

The issue price was set at €12.50 per share (including issue premium), in accordance with Resolutions 20 and 21 of the Combined General Shareholders' Meeting of June 24, 2016. This price reflects a 13.55% discount on the share price immediately preceding the date on which the price was set.

- Patient enrollment for the Phase II trial of eryaspase (also called ERY-ASP and GRASPA®) for the treatment of acute myeloid leukemia (AML) was completed on August 29, 2016, with a total of 123 patients included in the trial.

The final patient for the Phase II trial of eryaspase (also called ERY-ASP and GRASPA®) for the treatment of acute myeloid leukemia (AML) was enrolled on September 26, 2016, making a total of 141 patients included in the trial.

The Company decided to withdraw its application for European Marketing Authorization (MA) for GRASPA for the treatment of patients with Acute Lymphoblastic Leukemia (ALL) as the 180-day deadline for providing the additional data in the list of mandatory prerequisites imposed by the Committee on Medicinal Products for Human Use (CHMP) was too tight.
The Company intends to submit a new MA application by the end of the third quarter of 2017.

The Company is preparing to launch the "NOPHO" trial. It is a Phase II trial in ALL initiated by the investigators.

The Company is continuing the development of its second drug candidate ERY-MET, which is also based on ERYCAPS technology, with methionine-y-lyase as the active molecule.

The development of this new drug candidate forms part of the TEDAC research program and was essential to the approval of the technical and financial stage 4, allowing the Company to receive the planned funding in the form of a subsidy and a repayable advance.

As part of advancing to clinical development, a Science Board meeting was held in Brussels on December 3, 2016 to provide guidelines for the medical protocol and therapeutic indications.

The Company received a notice of acceptance of its patent application number 12/672.094 entitled "Composition and Therapeutic Anti-Tumor Vaccine" from the United States Patent and Trademark Office (USPTO).

The accounting audit by the tax authorities was closed in April 2016 with a minor adjustment to the amounts reviewed (€84,933 or 2% of the amounts audited).

The Company still intends to apply for listing and launch an IPO on the U.S. Nasdaq market.

The Company has launched a project to modify its manufacturing process. The project entered stage 3 of its development phase for a 2016 full-year cost of €1,480,000 of which €830,000 was capitalized.

2 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the end of the reporting period.

3 GOING CONCERN

The Company's loss-making situation is explained by the innovative nature of the products developed, which involves 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:
- going concern;
- consistency of accounting methods from one year to the next;
- segregation of accounting periods;

and in accordance with the general rules for the preparation and presentation of annual financial statements.

4 ACCOUNTING PRINCIPLES AND METHODS

4.1 Generally accepted accounting principles

The annual financial statements have been prepared and presented in accordance with French generally accepted accounting principles (GAAP), in accordance with the principle of prudence and the segregation of accounting periods, and with the assumption of going concern.

The 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, and of ANC Regulation no. 2014-03 of June 5, 2014 relative to the general chart of accounts.

4.2 Consistency of methods

No changes in accounting regulations or accounting methods took place during the financial year ended Saturday, December 31, 2016.

4.3 Other accounting principles

The main accounting principles used are as follows:

INTANGIBLE ASSETS

The intangible assets are measured at their historic 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 ability to complete the asset or sell it;
    * how the intangible asset will generate probable future economic benefits;
    * the availability of resources to complete development, use or sell the intangible asset;
    * the ability to reliably evaluate the expenses attributable to the intangible asset or those incurred during its development.

Development costs must be accounted for as intangible assets when specific conditions relating to technical feasibility, marketability and profitability are met. Considering the strong uncertainty associated with the development projects performed by the Company, these conditions will be met only when the regulatory procedures necessary for commercializing the products have been finalized. As most of the expenditures have been incurred before that stage, the development costs are accounted for in the period in which they are incurred.

The balance of the research and development asset is zero on the balance sheet. Not all of the criteria for recognition under intangible fixed assets have been met, and the corresponding expenses have therefore been recorded as operating expenses. The method adopted will be to capitalize development costs if and when marketing authorization (MA) is obtained.

PROPERTY, PLANT AND EQUIPMENT

These 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.

Capital goods depreciation is calculated according to the straight-line or declining balance method in function of anticipated useful life:

- Concessions, software, patents	1 to 10 years
- Technical facilities	3 to 10 years
- Industrial equipment and tools	1 to 5 years
- Office equipment and furnishings	3 to 5 years

INVESMENTS, OTHER LONG-TERM INVESTMENTS, AND INVESTMENT SECURITIES

The at cost value is composed of the purchase cost excluding accessory expenses. Where the carrying value is lower than the at cost value, a provision for impairment is recorded for the difference.

INVENTORIES

Inventories are measured according to the FIFO method.

The cost of merchandise and supplies includes the purchase price and the accessory expenses.

Manufactured products are valued at their production cost, including consumption of materials and direct and indirect production expenses, and depreciation of assets involved in production. The cost of the under-activity is excluded from the value of inventories.

A provision for impairment of value of inventory, equal to the difference between the at cost value based on the above-indicated methods and the spot price or the realizable value less the proportional sales costs, is recorded when this value is greater than the other value given.

RECEIVABLES

Receivables are valued at their par value. A bad debt provision is recorded when the realizable value is lower than the book value.

RECOGNITION OF SUBSIDY INCOME

Subsidy income is recognized as soon as it is granted.

According to the matching principle, the corresponding expenses incurred are taken into account and, where applicable, a portion of the subsidy is recorded under “pre-paid income” where the subsidy 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 to be received.

The company therefore records an item of pre-paid income corresponding to the portion of the subsidies received that corresponds to expenses not incurred. As of December 31, 2015, all subsidies had been recognized and no deferred income was recorded.

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 equity" where a doubt exists regarding the technical or commercial success.

A public subsidy is recorded in accrued income in the period the costs for the program are incurred either to compensate for the expenses or losses already incurred, or in the form of immediate financial support to the Company with no related future costs.

Clinical trials

Fees connected with clinical trials are recognized in expenses at the time that they are incurred.

The remainder of the costs incurred leading up to the end of the clinical trial are monitored off-balance sheet.

PROVISIONS

A provision for risks and liabilities is recorded where an item has a negative economic value for the entity, reflected by an obligation to a third party for which an outflow of resources to the benefit of this third party is probable or certain, without an at least equivalent compensation anticipated by this third party.

TRANSACTIONS WITH RELATED PARTIES THAT HAVE NOT BEEN CONCLUDED UNDER NORMAL MARKET CONDITIONS

Over the financial year, share options were allocated to the directors, certain employees, and members of the Board of Directors in the form of share subscription warrants ("BSA") or founder subscription warrants ("BSPCE"). This information is detailed in the note "Warrants".

An intercompany agreement was signed by the company with its U.S. subsidiary, ERYTECH Pharma Inc. It provides for the re-invoicing of expenses paid by ERYTECH Pharma S.A. for expenses incurred by ERYTECH Pharma Inc. and paid by ERYTECH Pharma S.A. A mark-up (margin) of 10% is applied via an amendment to the intercompany agreement (see Note 19.1.2).

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 financial 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 turnover (non-management), high turnover (management)
Increase in wages: management and non-management at 2%
INSEE 2014 mortality table
Discount rate: IBOXX Corporates AA rate of 1.36% at December 2016
Employer contribution rate adopted: 50% (non-management) and 54% (management and directors).

TAX CREDIT FOR COMPETITION AND EMPLOYMENT ("CREDIT D'IMPOT POUR LA COMPETITIVITE ET L'EMPLOI" - CICE)

The tax credit for competition and employment (CICE) is a tax benefit for companies with employees and amounts to a decrease in their social security contributions.

The CICE must be posted 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 REGARDING THE BALANCE SHEET

INTANGIBLE ASSETS

Research costs recognized as expenses for the financial year and not capitalized amounted to €16,313,453.

NON-CURRENT FINANCIAL ASSETS

As the 2,500 treasury shares were in the process of being canceled, no impairment was recognized at December 31, 2016.

The other financial assets were composed of deposits & sureties in the amount of €91,866.

The company holds as shares in subsidiaries and affiliates 100% of the capital of the subsidiary ERYTECH Pharma Inc., i.e., US$1 valued at €0.95.

The company's investments can be summarized as follows:

	Capital	Réserves et report à nouveau avant affectation des résultats	Quote-part du capital détenue (en %)	Valeurs comptables des titres détenus		Prêts et avances consentis par la société et non encore remboursés	Montant des cautions et avals donnés par la société	Chiffre d'affaires hors taxes du dernier exercice écoulé	Résultats (bénéfice ou perte du dernier exercice clos)	Dividendes encaissés par la société au cours de l'exercice	Observations
				Brute	Nette						
A- RENSEIGNEMENTS DETAILLES CONCERNANT LES FILIALES ET PARTICIPATIONS											
1. Filiale (+50 % du capital détenu par la société) - ERYTECH PHARMA Inc.	0,95	470 188	100,00	0,95	0,95	3 533 241	0,00	351 501	-3 229 981	0,00	
2. Participations (10 à 50 % du capital détenu par la société)											
B - RENSEIGNEMENTS GLOBAUX SUR LES AUTRES FILIALES ET PARTICIPATIONS											
1. Filiales non reprises en A 1. françaises 2. étrangères											
2. Participations non reprises en A 1. françaises 2. étrangères											

Non-current assets

Period from 01/01/1 to 12/31/16

ERYTECH PHARMA

ITEM	Value at start of period	Increase from revaluation	Acquisitions, contributions, creations, payments
INTANGIBLE ASSETS			
Set-up and development costs			
Other intangible non-current assets	183,554		25,441
TOTAL intangible non-current assets	**183,554**		**25,441**
PROPERTY, PLANT AND EQUIPMENT			
Land			
Buildings on own land			
Buildings on third-party land			
General-use buildings			
Technical facilities, industrial plant	727,039		123,314
General facilities, fixtures & fittings, and other	1,078,839		132,807
Transportation equipment			
Office and computer equipment and furniture	134,340		227,202
Recoverable and other packaging			
Property, plant & equipment under construction	14,962		861,966
Advances and down payments	29,326		6,719
TOTAL property, plant & equipment	**1,984,506**		**1,352,008**
NON-CURRENT FINANCIAL ASSETS			
Investments valued using the equity method			
Other equity interests	1		
Other non-current securities			
Loans receivable and other non-current assets	167,781		283
TOTAL investments and non-current assets:	**167,782**		**283**
GRAND TOTAL	**2,335,842**		**1,377,732**

ITEM	Reduction reflecting payments	Reduction reflecting non-service sales	Value at end of period	Statutory revaluations
INTANGIBLE ASSETS				
Set-up and development costs				
Other intangible assets			208,996	
TOTAL intangible assets			**208,996**	
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings on own land				
Buildings on third-party land				
General-use buildings				
Technical facilities, industrial plant			850,353	
General facilities, fixtures & fittings, and other		1,500	1,210,146	
Transportation equipment				
Office and computer equipment and furniture		886	360,656	
Recoverable and other packaging				
Property, plant & equipment under construction	14,962		861,966	
Advances and down payments		36,045		
TOTAL property, plant & equipment:		**38,431**	**3,283,120**	
INVESTMENTS AND NON-CURRENT				
Investments valued using the equity method				
Other equity interests			1	
Other long-term investment securities				
Loans receivable and other non-current assets		5,473	162,591	
TOTAL investments and non-current assets:		**5,473**	**162,592**	
GRAND TOTAL				

Depreciation & Amortization

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

POSITIONS AND MOVEMENTS IN THE PERIOD				
DEPRECIABLE ASSETS	**Amount at start of period**	**Increase to allocations**	**Reductions Reversals**	**Amount at end of period**
INTANGIBLE ASSETS				
Set-up and development costs				
Other intangible assets	122,399	29,341		151,740
TOTAL intangible assets	**122,399**	**29,341**		**151,740**
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings on own land				
Buildings on third-party land				
General-use buildings				
Technical facilities, industrial plant	425,739	97,704		523,443
General facilities, fixtures & fittings, and other	733,406	120,162		853,568
Transportation equipment				
Office and computer equipment and furniture	51,044	56,139	878	106,305
Recoverable and other packaging				
TOTAL property, plant & equipment:	**1,210,190**	**274,005**	**878**	**1,483,316**
GRAND TOTAL	**1,332,589**	**303,346**		**1,635,056**

BREAKDOWN OF DEPRECIATION AND AMORTIZATION CHARGES FOR THE PERIOD			
DEPRECIABLE ASSETS	**Linear depreciation**	**Declining balance depreciation**	**Exceptional write-offs**
INTANGIBLE ASSETS			
Set-up and development costs			
Other intangible assets	29,341		
TOTAL intangible assets	**29,341**		
PROPERTY, PLANT AND EQUIPMENT			
Land			
Buildings on own land			
Buildings on third-party land			
General-use buildings			
Technical facilities, industrial plant	97,704		
General facilities, fixtures & fittings, and other	120,162		
Transportation equipment			
Office and computer equipment and furniture	56,139		
Recoverable and other packaging			
TOTAL property, plant & equipment:	**274,005**		
Transaction costs for shares in subsidiaries and affiliates			
GRAND TOTAL	**303,346**		

Breakdown of Changes in Inventories and In-Process

Period from 01/01/2016 to 12/31/16

ERYTECH PHARMA

ITEM	At end of period	At start of period	Change in inventory	
			Increase	Decrease
Goods				
Inventories sold as-is				
Goods				
Supplies				
Inventories of supplies				
Raw materials	70,895	79,010		8,115
Other supplies	74,006	86,879		12,773
TOTAL I	**144,901**	**165,889**		**20,988**

Production				
Intermediate products				
Finished products				
Residual products				
TOTAL II				

Production in progress				
Products				
Work				
Studies				
Services				
TOTAL III				

[redacted]

The line item "Raw materials" refers to products intended for the production of lots for clinical use.

The line item "Other supplies" refers to products intended for preclinical research.

Statement of Receivables and Payables by Maturity

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

RECEIVABLES	Gross amount	≤ 1 year	> 1 year
NON-CURRENT ASSETS			
Receivables from equity interests			
Loans			
Other investments and non-current assets	162,591		162,591
TOTAL non-current assets	**162,592**		**162,592**
CURRENT ASSETS			
Bad debts and litigation			
Other customer receivables	1,094,296	1,094,296	
Receivables refer to securities loaned or used as surety			
Personnel and trade accounts receivable	92	92	
Social security and other welfare agencies			
Government - Income tax	3,321,259	3,321,259	
Government - Value Added Tax	794,278	794,278	
Government - Other taxes and similar payments	69,193	69,193	
Government - Sundry			
Group and associates	3,392,949	3,392,949	
Other debtors	6,686	6,686	
TOTAL current assets:	**8,678,753**	**8,678,753**	
PRE-PAID EXPENSES	313,509	313,509	
GRAND TOTAL	**9,154,854**	**8,992,263**	**162,592**

STATEMENT OF PAYABLES	Gross amount brut	≤ 1 year au plus	1 ≥ 5 years	> 5 years
Convertible bonds				
Other bonds				
At credit institutions:				
- initially ≤ 1 year				
- initially > 1 year	1,480,000		1,480,000	
Other borrowings and financial debt				
Trade and related payables	5,170,012	5,170,012		
Personnel and related accounts	491,617	491,617		
Social security and other welfare agencies	521,388	521,388		
Income tax				
Value Added Tax	30,650	30,650		
Guaranteed bonds				
Other taxes and similar payments	91,180	91,180		
Debt on assets and related accounts				
Group and associates				
Other debts	133,220	133,220		
Debt representing borrowed securities				
Pre-paid income				
GRAND TOTAL	**918 7 918 066**	**6 438 066**	**1,480,000**	

The Company obtained a loan from Société Générale in the amount of €1,900,000 repayable over 36 months at an annual interest rate of 0.40%, to fund its investments.

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, c B I of the French General Tax Code.

It is recognized in the income statement, net of income tax expense, with a tax receivable contra-entry.

The amount of the company's CIR for the last three financial years totaled:

- 2016: €3,347,142
- 2015: €2,219,406
- 2014: €1,523,688

Tax credit for competition and EMPLOYMENT ("credit d'impot pour la competitivite et l'emploi" - CICE)

The company benefits from a tax credit for competition and employment (CICE) created under Article 66, Law no. 2012-1510 of December 29, 2012, the amending finance law for 2012.

The amount for 2016 totaled €69,333 and was recorded as a deduction to salary expenses, with a tax receivable contra-entry in the balance sheet.

OTHER DEBTORS

Other debtors represent credit notes to be received from suppliers that have provided services for which the Company will be reimbursed for a portion of the expenses.

CASH AND CASH EQUIVALENTS

The Company's cash position totaled €37,527,092, of which €27,000,000 was placed in term deposits:
- €27,000,000, with Banque Populaire, 18-month maturity, available on demand.

The cash position has therefore been broken down as follows:

Current accounts	€9,685,102
Short-term deposits	€27,000,000
Accrued interest	€841,990
Total	**€37,527,092**

Accrued Income and Expenses

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

ITEM	Expenses	Income
Income or expenses from operating activities	313,509	
Income or expenses from financing activities		
Income or expenses from non-recurring activities		
[redacted]	[redacted]	[redacted]

The prepaid expenses concern primarily maintenance contracts and lease agreements on equipment and buildings.

Accrued Income

ERYTECH PHARMA

ACCRUED INCOME INCLUDED IN THE FOLLOWING BALANCE SHEET ITEMS	Amount
Non-current assets	
Receivables from equity interests	
Other non-current assets	
Receivables	
Trade and related receivables	
Personnel	
Social welfare agencies	
Government	69,193
Other, accrued income	
Other receivables	6,686
Securities	
Cash and cash equivalents	
TOTAL	**75,879**

Composition of Share Capital

Period from 01/01/16 to 12/31/16

ERYTECH PHARMA

TYPE OF SECURITIES	Number	Par value
1 - Number of shares comprising share capital at the start of the reporting period	7,924,611	0.1
2 - Number of shares issued during the period	808,037	0.1
3 - Number of shares bought back during the period		
4 - Number of shares comprising share capital at the end of the reporting period	8,732,648	0.1

The Company issued 793,870 new shares on the EURONEXT stock exchange in December 2016.

The exercise of BSA_{2012} and $BSPCE_{2014}$ created 14,160 new shares during the period.

Tableau de variation des capitaux propres
(en milliers d'euros, normes françaises)

	Nombre d'actions	Capital Social	Prime d'émission	Réserves & à-nouveau	Résultat de l'exercice	Provisions réglementées	Total Capitaux Propres
Solde au 31 dec 2015	7 924 611	792	94 816	(36 058)	(11 797)	- €	47 753
Affectation du résultat 2015				(11 797)	11 797		
Admission de nouveaux titres	793 877	79	9 147				
Imputation des frais liés aux titres			(94)				
Conversion de BSA & BSPCE	14 160	1	106				
Résultat de l'exercice 2016					(17 408)		
Solde au 31 dec 2016	8 732 648	873	103 974	(47 855)	(17 408)	- €	39 584

CONDITIONAL ADVANCES

Conditional advances, totaling €1,181,535 at 12/31/2016 can be broken down as follows:

- **BPI FRANCE / PANCREAS**

The first conditional advance, granted by BPI FRANCE, 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 conditional advance was received in three 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 after acceptance of the finalization of the program identified by BPI FRANCE (paid in 2011).

The repayment of this conditional advance will be made according to a fixed payment schedule that ended on 30/6/2016.

ERYTECH Pharma S.A. undertook to repay the entire conditional advance according to the following payment schedule:

- €100,000 by June 30, 2013
- €150,000 by June 30, 2014
- €225,000 by June 30, 2015
- €260,000 by June 30, 2016

As of December 31, 2016, all repayments had been made when due.

- **BPI FRANCE FEDER**

The second conditional advance, granted by BPI FRANCE 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 conditional advance was received 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 acceptance of the finalization of the program by BPI FRANCE.

ERYTECH Pharma S.A. will have received €81,000 from BPI FRANCE/FEDER under this program. In as much as the work corresponding to the FEDER assistance is currently completed, ERYTECH Pharma S.A. will not receive the last two payments of €27k.

The repayment of this conditional advance will be made according to a fixed payment schedule that ended on 6/30/2016.

ERYTECH Pharma S.A. undertook to repay the entire conditional advance according to the following payment schedule:

- €7,500 by September 30, 2013
- €7,500 by December 31, 2013
- €7,500 by March 31, 2014
- €7,500 by June 30, 2014
- €9,250 by September 30, 2014
- €9,250 by December 31, 2014
- €9,250 by March 31, 2015
- €9,250 by June 30, 2015
- €14,000 by September 30, 2015

ERYTECH Pharma S.A. repaid the entire amount (€23,000) of the advance in January 2016 (representing the balance). It also repaid the corresponding subsidy of €81,000 to settle the dispute with BPI France.

- **BPI FRANCE / TEDAC:**

Conditional advance provided by BPI FRANCE under the TEDAC project for a total amount of €4,895,052. This conditional advance was paid upon completion of the following key milestones:

- €62,607 upon signature of the agreement (paid in 2012);
- the remainder upon calls for funds when key milestones are reached.

ERYTECH Pharma S.A. undertook to reimburse BPI FRANCE initially:

c) a sum of €5,281,000 upon achieving a cumulative amount of sales (excluding VAT) equal to or greater than €10 million, according to the following payment schedule:

   - €500,000 at the latest on June 30 of the first year in which the cumulative sales 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;

d) 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 reach €60 million, ERYTECH Pharma S.A. undertook to pay BPI France a sum of 2.5% of the sales generated by the products developed within the project, limited to a total amount of €15 million over 15 years.

Provisions Recognized in the Balance Sheet

Period from 01/01/16 to 12/31/16

ITEM	Amount start of period	Increase to allocations	Reductions Reversals	Amount end of period
Provisions for disputes				
Prov. for guarantees given to customers				
Prov. for losses on forward contracts				
Prov. for exchange rate loss				
Prov. for pensions and similar oblig.				
Prov. for tax				
Prov. for asset renewals				
Prov. for structural work and major refurbishments				
Prov. for social security contributions and tax on paid leave				
Other prov. for risks and expenses	81,000		81,000	
PROV. FOR RISKS AND EXPENSES	**81,000**		**81,000**	

The Company settled the BPI France dispute regarding the GR-SIL subsidy of €81,000 and refundable advances of €23,000. The reimbursement in the amount of €104,000 was made in January 2016.

Charges à Payer

ERYTECH PHARMA

MONTANT DES CHARGES À PAYER INCLUS DANS LES POSTES SUIVANTS DU BILAN	Montant
Emprunts obligataires convertibles	
Autres emprunts obligataires	
Emprunts et dettes auprès des établissements de crédit	
Emprunts et dettes financières divers	
Dettes fournisseurs et comptes rattachés	1 637 383
Dettes fiscales et sociales	841 721
Dettes sur immobilisations et comptes rattachés	
Disponibilités, charges à payer	
Autres dettes	133 220
TOTAL	**2 612 324**

6 ADDITIONAL INFORMATION RELATING TO THE INCOME STATEMENT

Sales

By way of reminder, in 2012, the Company signed an exclusive distribution agreement for its product in the indication of acute lymphoblastic leukemia with Orphan Europe.

The Company likewise entered into a contract with the Recordati Group to financially support the clinical trial of GRASPA AML 2012-01 for Acute Lymphoblastic Leukemia (AML), in the amount of €5 million.

Therefore, the Company continues to re-invoice without margin, on a monthly basis, the costs for the trial which totaled €685,479 for 2016.

Amounts re-invoiced are recorded in sales. Export sales amounting to €834,862 correspond to the re-invoicing of management fees to the subsidiary.

Operating subsidy

The Company received a subsidy for the TEDAC project on December 13, 2016 in the amount of €463,000.

Remuneration of executive officers

The total gross compensation paid to executive corporate officers was €702,367.

The securities owned giving the right to a future portion of the share capital are presented in the table “Subscription warrants”.

Profit/(loss) from non-recurring activities

The non-recurring loss in the amount of (€115,524) corresponds to the penalty paid to the tax authorities resulting from the tax audit carried out in 2016.

IMPACT OF TAX DEFERRAL

	Montant
Résultat de l'exercice	(17 407 816 €)
Impôt sur les bénéfices	(3 347 142 €)
Résultat avant impôt	(20 754 958 €)
Résultat hors évaluations fiscales dérogatoires avant impôt	(20 754 958 €)
Résultat Fiscal de l'exercice	(20 605 065 €)
Déficits restant à reporter au titre de l'exercice précédent	59 675 574 €
Total des déficits restant à reporter	80 280 639 €

INCOME TAX

BREAKDOWN OF TAX BETWEEN CURRENT INCOME (LOSS) AND EXCEPTIONAL PROFIT (LOSS)

	Montant	Résultat courant	Résultat exceptionnel
Résultat de l'exercice	(17 407 816 €)	(17 292 292 €)	(115 524 €)
Impôt sur les bénéfices	(3 347 142 €)	(3 347 142 €)	
Résultat avant impôt	(20 754 958 €)	(20 639 434 €)	(115 524 €)

The income tax amount corresponds to the research tax credit. Its basis corresponds to research costs excluded from exceptional profit (loss).

7 OTHER INFORMATION

Retirement severance pay

Based on the Company data, and the actuarial assumptions used, i.e. primarily a gross discount rate of 1.36%, the total commitment for retirement severance pay assessed at 12/31/2016 amounts to €163,055.

	12/31/2016	12/31/2015
Discount rate	1.36%	2.03%
Pay increases	2%	2%
Social security contribution rate	Non-managers 44% Managers 54%	Non-managers 44% Managers 54%
Age of retirement:	65 - 67 years	65 - 67 years
Mortality table	INSEE 2014	INSEE 2014

No provision for liabilities was recognized in relation to this financial year.

Commitment to executive officers

By way of reminder, on May 24, 2013, the Board of Directors authorized severance indemnities for 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 mandate (save 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.

Within the context of his resignation, we specify that Yann Godrin did not receive any retirement severance package.

Auditors' fees

For the 2016 financial year, the external auditor fees paid totaled:
- within the scope of its legal term of office: €165,000 excluding out-of-pocket expenses;

- for audit certification: €3,000;
- for the NASDAQ IPO project: €232,000.

Share-based payments

Stock options or bonus shares were allocated to executives, certain employees, and to members of the Board of Directors in the form of share subscription warrants ("BSA"), founder subscription warrants ("BSPCE"), performance-based bonus shares ("AGAP"), or stock options ("SO").

– "2014 Plan"

On January 22, 2014 the Board of Directors used the authorization granted by the Combined General Shareholders' Meeting of April 2, 2013 in resolution 25 to award 22,500 founders' warrants ("$BSPCE_{2014}$") to Erytech executives (12,000 warrants) and a category of "employees with managerial status" not yet named (10,500 warrants). 3,000 $BSPCE_{2014}$ were then converted into BSA_{2014}.

Under the $BSPCE_{2014}$/BSA_{2014} plans, on May 6, 2016, the Board of Directors awarded, respectively, 7,000 $BSPCE_{2014}$ to executives, 5,000 BSPCE2014 to employees, and 2,000 BSA_{2014} to the Chief Medical Officer.

The features of the plan are as follows:

Types of securities	**$BSPCE_{2014}$**	**BSA_{2014}**
Total number of warrants authorized to be issued	22,500	
Number of warrants awarded	19,500	3,000
Number of warrants exercised	195	0
Number of warrants expired	1.090	-
Date of the Board of Directors meeting	January 22, 2014	
Exercise price per new share subscribed	€12,250	
Final date for exercising warrants	January 22, 2024	
Parity	1 warrant for 10 shares	1 warrant for 10 shares
General conditions of exercise	The warrants may be exercised as of their date of vesting. Warrants not exercised by January 22, 2024 will automatically be canceled.	
Maximum number of new shares that can be issued	212,150	

In the event of a beneficiary's departure from the Group for any reason whatsoever, the beneficiary shall retain the $BSPCE_{2014}$ to which he subscribed prior to his departure. However, if a beneficiary leaves the Group for any reason before subscribing to the $BSPCE_{2014}$ to which he is entitled, his $BSPCE_{2014}$ entitlements will be canceled. In such a case, the non-subscribed $BSPCE_{2014}$ may be reallocated to other beneficiaries in the same category and/or replacing the person who left the Company.

In all cases, $BSPCE_{2014}$ not subscribed by January 22, 2024 will automatically lapse.
In accordance with IFRS 2, executives will be deemed to have been awarded all 12,000 warrants as of January 22, 2014. However, they can only subscribe to one-third of their allocation per year, provided they are still in service. In other words, these warrants are allocated gradually, over a three-year vesting period.

On May 6, 2016 the Board of Directors awarded 5,000 additional BSPCE to 21 managerial staff, in accordance with the 2014 Plan.

– "2016 Plan"

2016 Allocation

On October 3, 2016 the Board of Directors used the authorization granted by Combined General Shareholders' Meeting of June 3, 2016 in resolution 28 to award 111,261 free performance-based shares ("AGAP") to executives and employees of ERYTECH Pharma S.A., 44,499 stock options ("SO") to employees of the American subsidiary ERYTECH Pharma Inc, and 45,000 warrants ("BSA") to independent directors.

The features of the plan are as follows:

Types of securities	**$AGAP_{2016}$**	**SO_{2016}**	**BSA_{2016}**
Number of shares authorized to be issued	350,000		
Number of shares / stock options / warrants awarded	111,261	44,499	45,000
Date of the Board of Directors meeting	Oct-03-16	Oct-03-16	Oct-03-16
Number of tranches	3	2	2
Vesting period	Tranche 1 : 1 yr Tranche 2 : 2 yrs Tranche 3 : 3 yrs	Tranche 1 : 2 yrs Tranche 2 : 3 yrs	Tranche 1 : 1 yr Tranche 2 : 2 yrs
Lock-in period	Tranche 1 : 1 yr Tranche 2 and 3 : NA	NA	NA
Maximum number of new shares that can be issued	111,261	44,499	45,000

This table shows the equipment leases for R&D and Production.
The longest maturity is December 2018.

RUBRIQUES	Terrains	Constructions	Installations matériel outillage	Autres	Total
Valeur d'origine				1 092 076	1 092 076
Amortissements :					
- cumuls exercices antérieurs				830 598	830 598
- dotations de l'exercice				58 445	58 445
TOTAL				**203 034**	**203 034**
REDEVANCES PAYÉES :					
- cumuls exercices antérieurs				924 020	924 020
- dotations de l'exercice				62 444	62 444
TOTAL				**986 464**	**986 464**
REDEV. RESTANT À PAYER :					
- à un an au plus				94 738	94 738
- à plus d'un an et cinq ans au plus				122 908	122 908
- à plus de cinq ans					
TOTAL				**217 646**	**217 646**
VALEUR RÉSIDUELLE					
- à un an au plus				115 551	115 551
- à plus d'un an et cinq ans au plus				3 009	3 009
- à plus de cinq ans					
TOTAL				**118 560**	**118 560**
Mont. pris en charge dans l'exercice					
Rappel : Redevance de crédit bail					62 075

EFFECTIFS	Personnel salarié	Personnel mis à disposition de l'entreprise
Cadres	46	2
Agents de maîtrise et techniciens		
Employés	31	
Ouvriers		
TOTAL	**77**	**2**

The Company hired 28 staff in the period.

Engagements Financiers

ERYTECH PHARMA

ENGAGEMENTS DONNÉS	Montant
Effets escomptés non échus	
Avals et cautions	163 055
Engagements en matière de pensions, retraites et indemnités	
Autres engagements donnés :	
TOTAL	**163 055**

ENGAGEMENTS RECUS	Montant
Avals et cautions et garanties	
Autres engagements reçus :	183 182
TOTAL	183 182

The Recordati commitment on the GRASPA-AML study amounts contractually to €5,293,000 and is valued at €183,182 at end 2016; the difference corresponds to re-billing in 2013, 2014, 2015 and 2016.

Market risk

ERYTECH Pharma uses the euro as its functional currency within the context of its information and financial communications activity. However, a significant portion, about 23% of its operating expenses, is denominated in US dollars and accounted for through the agency office in Boston, cooperation 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 with regard to tests and clinical projects in the United States.

To date, the Group has not opted to use active hedging techniques, and does not use 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 Group will perform clinical trials in the USA and, in the longer term, sell on this market.

Expenses in US Dollars totaled $6,242,000 during the 2016 financial year.

The EUR/USD exchange rate fell considerably at the period end, reaching $1.0541 per €1 at December 31, 2016.

The exchange rate differences are not significant for the periods presented.

5.6 Statutory auditors' report on the corporate financial statements for the year ended December 31, 2016

ERYTECH Pharma S.A.

Registered Office : 60 Avenue Rockefeller – Bâtiment Adénine – 69008 LYON

Share capital : €.873.265

Statutory Auditor's Report on the Annual Financial Statements

Financial year ended December 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2016 on:

the audit of the accompanying financial statements of Erytech Pharma S.A.;

the justification of our assessments;

the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

5.6.1 Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

5.6.2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matter.

Note 4.3 "Recognition of income from subsidies" in the notes to the financial statements presents the accounting methods and rules pertaining to the accounting of subsidies.

As part of our assessment of the accounting rules and principles that the company applied, we verified the appropriate nature of the accounting method indicated above and the information provided in the notes to the financial statements and we verified their correct application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

5.6.3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders has been properly disclosed in the management report.

Lyon, March 28, 2017

KPMG Audit
A Division of KPMG S.A.

Sara Righenzi de Villers
Partner

Lyon, March 28,2017

RSM Rhône-Alpes

Gaël Dhalluin
Partner

5.7 Other financial and accounting information

5.7.1 Date of last financial information

December 31, 2016

5.7.2 Significant change in the financial or commercial position

To the knowledge of the Company, no significant changes have taken place in the Company's financial or commercial position since December 31, 2016.

5.7.3 Known trends, uncertainties, commitment requests or events reasonably likely to impact the Company's outlook

None

5.7.4 Profit forecasts or estimates

The Company does not wish to communicate profit forecasts as the assumptions on which they are based would include variables that are too imprecise at the time that this Reference Document in prepared.

5.7.5 Table of five-year results (Erytech Pharma S.A., corporate financial statements in accordance with French accounting standards)

	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
CAPITAL EN FIN D'EXERCICE					
Nbre des actions ordinaires existantes	8 732 648	7 924 611	6 882 761	5 558 952 ***	315 355
Nbre des actions à dividendes prioritaires existantes	8 732 648	7 924 611	6 882 761	5 558 952 ***	315 355
Nbre maximal d'actions futures à créer					
- par conversion d'obligations			-	-	135 833 *
- par exercice de droit de souscription	14 160	455 330	452 180	22 736	244 855
OPERATIONS ET RESULTATS					
Chiffre d'affaires hors taxes	1 520 342	716 639	791 853	483 964	
Résultat avant impôts, participation des salariés et dotations aux amortissements et provisions	(20 754 958)	(13 725 539)	(8 755 887)	(7 592 464)	(2 149 309)
Impôts sur les bénéfices	(3 347 142)	(2 219 406)	(1 523 688)	(1 366 656)	(812 570)
Participation des salariés au titre de l'exercice					
Résultat après impôts, participation des salariés et dotations aux amortissements et provisions	(17 407 816)	(11 797 253)	(7 283 237)	(6 478 994)	(2 011 394)
Résultat distribué					
RESULTAT PAR ACTION					
Résultat après impôts, participation des salariés mais avant dotations aux amortissements et provisions	(1,99)	(1,45)	(1,05)	(1,12)	(4,23)
Résultat après impôts, participation des salariés et dotations aux amortissements et provisions	(1,99)	(1,49)	(1,06)	(1,17)	(6,38)
Dividende distribué à chaque action					
PERSONNEL					
Effectif moyen des salariés employés pendant l'exercice	77	49	38	36	38
Montant de la masse salariale de l'exercice	3 487 637	2 707 422	2 402 291	2 504 423	1 718 300
Montant des sommes versées au titre des avantages sociaux de l'exercice	1 701 273	1 211 628	1 168 792	1 164 033	827 736

*selon l'hypothèse d'une levée de fonds de 18 millions d'euros avec une valorisation de 73,62 euros par action

** ne comprenant pas les bons de souscription devenus caducs au 31/12

*** division par 10 du nominal de l'action en 2013

5.7.6 Dividend distribution policy

5.7.6.1 Dividends paid during the last three financial years.

None

5.7.6.2 Dividend distribution policy.

No plan exists to initiate a dividend policy in the short term, given the Company's stage of development.

5.7.7 Income allocation

The Shareholders' Meeting will be asked to approve the annual financial statements (balance sheet, income statement and notes) as they are presented to you, and to allocate the loss of €17,407,816 to the "retained earnings" account.

5.7.8 Luxury expenditures and non-deductible expenses

The financial statements for 2016 include expenses of €30,473 corresponding to non-tax deductible expenditures.

Consequently, the tax sustained by reason of these expenditures and expenses totals €10,158.

5.7.9 Information on payment timeframes

The breakdown, at the end of the last two financial years, of the balance of debts to suppliers, by due date:

2016 financial year:

ECHU	**TOTAL**
Inférieur à 1 mois	-
Entre 1 et 3 mois	1 453 973
Entre 3 et 6 mois	306 392
Supérieur à 6 mois	114 256
TOTAL =	**1 874 621**
A ECHOIR	**TOTAL**
Inférieur à 1 mois	1 658 009
Entre 1 et 3 mois	-
Entre 3 et 6 mois	-
Supérieur à 6 mois	-
TOTAL =	**1 658 009**

Total trade payables €3,532,629.

2015 financial year:

ECHU	TOTAL
Inférieur à 1 mois	58 903
Entre 1 et 3 mois	4 063
Entre 3 et 6 mois	- 41 170
Supérieur à 6 mois	- 10 320
TOTAL =	**11 476 euros**
A ECHOIR	TOTAL
Inférieur à 1 mois	1 992 689
Entre 1 et 3 mois	710 874
Entre 3 et 6 mois	646
Supérieur à 6 mois	560 065
TOTAL =	**3 264 274 euros**

Total trade payables €3,275,750.

	Factures reçues non réglées à la date de clôture de l'exercice dont le terme est échu						Factures émises non réglées à la date de clôture de l'exercice dont le terme est échu					
	0 jour	1 à 30 jours	31 à 60 jours	61 à 90 jours	90 jours et plus	Total (1 jour et plus)	0 jour	1 à 30 jours	31 à 60 jours	61 à 90 jours	90 jours et plus	Total (1 jour et plus)
(A) Tranches de retard de paiement												
Nombre de factures concernées												
Montant total des factures concernées H.T		1 453 973			420 648	1 874 621						
Pourcentage du montant total des achats H.T de l'exercice		8%			2%	10%						
Pourcentage du chiffre d'affaires H.T de l'exercice												
(B) Factures exclues du (A) relatives à des dettes et créances litigieuses ou non comptabilisées												
Nombre de factures exclues	-						-					
Montant total des factures exclues	420 648 €						- €					
(C)Délais de paiement de référence utilisés (contractuel ou délai légal)												
Délai de paiement utilisés pour le calcul des retards de paiment	Délais contractuels : 30 jours date de facture Délais légaux : 45 jours date de facture						Délais contractuels : 30 jours date de facture Délais légaux : 45 jours date de facture					

6 OTHER INFORMATION ABOUT THE COMPANY

6.1 Identification

6.1.1 Corporate name, business name, and headquarters of the Company

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

The company's headquarters are located at Bâtiment Adénine, 60 Avenue Rockefeller, 69008 Lyon, France

The Company's telephone number is +33 (0)4.78.74.44.38

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

6.1.2 Location and registration number of the Company

The Company is registered with the Lyon Trade and Companies Register under number 479 560 013.

The Company's professional activity code (APE) is 7211Z and its computerized identification code (SIRET) is 479 560 013 000 19.

6.1.3 Date of establishment, duration, and transformation of the Company

ERYTECH was incorporated in the form of a French simplified limited company, pursuant to a private deed stipulated in Lyon dated October 26, 2004. ERYTECH was transformed into a French Joint Stock company with an Executive Board and a Board of Supervisors 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, subject to the Company's initial public offering, so as to implement a Board of Directors instead of the Executive Board and the Board of Supervisors.

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.

6.1.4 Legal form of the Company and governing law

The Company is a French Joint Stock company subject to the provisions of the French Commercial Code.

6.1.5 Fiscal year

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

6.1.6 Organizational structure

As of the date of this document, the Company has no branches or secondary establishments.

It owns 100% of "ERYTECH Pharma, Inc." incorporated in Delaware (U.S.) on April 9, 2014 whose headquarters is at Riverfront Office Park, One Main Street, Cambridge MA 02142, USA.

The purpose of the Company is:

- the research, manufacture, import, distribution, and commercialization of experimental drugs, medications, 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.

To date, the subsidiary ERYTECH Pharma Inc. operates only as support for the Company on United States territory, in particular for the Company's medical division, for progressing the MA application, and accelerating clinical trials carried out on U.S. territory, via its employees and external consultants. Research & Development activities and clinical trials are conducted or supported, as developer, exclusively by the Company.

Its executives are Gil Beyen (Chairman) and Eric Soyer (Treasurer and Secretary).

Its capital is $1.

The key financial aggregates of the Company's subsidiary as of December 31, 2016 are presented in Note 5 "Non-Current Financial Assets" in the notes to the Company's financial statements in Section 5.5 "Corporate Financial Statements" of this Reference Document.

Intra-group financial flows are presented in Section 4.5.1. "Additional Information relating to the Balance Sheet" of this Reference Document.

6.2 Articles of Incorporation

6.2.1 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 commercialization of experimental drugs, medications, 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.

6.2.2 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 term of a director is three (3) years; this term ends at the close of the Ordinary General Meeting called to approve 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 may or may not be shareholders of the Company.

A Company employee may only be appointed director if 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. Legal entities as Directors

Directors can be physical 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 joint and 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 physical 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 identity 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. Failing such ratification, the resolutions made and acts performed by the Board prior to this meeting shall no longer be considered valid.

Should a director be absent from more than four consecutive Board of Directors' meetings, this director shall be considered as having resigned.

ORGANIZATION OF THE BOARD

The Board of Directors shall elect a Chairman from among its members. Only appointments of physical persons as Chairman are permitted. It shall determine the Chairman's compensation.

Any person older than sixty-five years of age may not be appointed Chairman. Where the Chairman in office exceeds this age, he/she shall be deemed as having resigned.

The Chairman is appointed for a period 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 physical persons, and this person shall preside over Board meetings in the Chairman's absence.

The Board may designate, up to a maximum of two observers who are physical persons, directors or otherwise, and who are 65 years of age at most on the day of their appointment.

These observers are appointed for a duration of two years.

These observer positions are unpaid. 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.

Summons 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. Directors may arrange to receive all documents and information necessary to the fulfillment of their mission.

The Board of Directors may decide on the creation of a study committee responsible for studying matters to which the Board of Directors or its Chairman submits.

SENIOR MANAGEMENT

1 - Operating methods

Senior Management is provided under this person's responsibility, by a physical person appointed by the Board of Directors and holding the title of Chief Executive Officer. This person can be the Chairman of the Board of Directors.

The Board of Directors chooses between two operating methods for Senior Management.

The Board resolution pertaining to the choice of operating method for 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 physical 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 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 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. The Chief Executive Officer shall exercise 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.

The Chief Executive Officer 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 Managers

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 physical persons assigned to assist the Chief Executive Officer, with the title of Deputy General Manager.

The Board of Directors may choose the Chief Operating Officers from among the directors or elsewhere, and cannot appoint more than five (5) persons.

The age limit is set at seventy (70) years. When Deputy General Managers reach this age limit, they shall be deemed as having resigned.

A Chief Operating Officer can 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 Chief Operating Officers 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 the Chief Operating Officers. The Chief Operating Officers 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 Manager. 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 applicable for agreements in which one of the persons referred to 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 Board of Supervisors, or generally any executive officer of this company.

Prior authorization by the Board of Directors is based on considerations of the benefit of the agreement to the Company, particularly in respect to the financial conditions associated with it.

Agreements concluded and authorized in previous years and in force the preceding year are reviewed each year by the Board of Directors and communicated to the Statutory Auditor as required by law.

The provisions of the foregoing paragraphs are not applicable to agreements involving current transactions and concluded under normal conditions, or to agreements concluded between two companies, one of which directly or indirectly holds the entire capital of the other, after deducting the minimum number of shares required to satisfy the requirements of Article 1832 of the French Civil Code or Articles L. 225-1 and L. 226-1 of the French Commercial Code.

The report specified in Article L. 225-102 of the French Commercial Code mentions, except where there are agreements involving current transactions and concluded under normal conditions, agreements entered into directly or through another person, between, the chief executive officer, a Deputy General Manager, a director, or a shareholder owning more than 10% of the voting rights in the Company, and another company in which the Company directly or indirectly owns more than half its capital".

6.2.3 Rights, privileges, and restrictions attached to shares (Articles 9 to 16 of the articles of incorporation)

SHAREHOLDING DISCLOSURES

All shareholders who 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, as provided for by the law and regulations.

Shareholders who have not complied with 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 up to two years following the date on which the declaration was normalized.

CAPITAL INCREASES

The share capital shall be increased by any means and according to any methods established by law.

Only an Extraordinary General Meeting, acting on a report by the Board of Directors, is competent to approve a capital increase. It may delegate such competency or powers to the Board of Directors.

The shareholders have, proportionately to the number of shares they own, a preferential right to subscribe to shares issued to carry out a capital increase, a right that they can waive individually. An Extraordinary General Meeting may decide to withdraw this preferential subscription right on legal grounds.

The right to the assignment of new shares to shareholders, following a capitalization of reserves, income, or issue premiums into the capital, belongs to the bare owner, subject 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 to at least half their nominal value at the time of their subscription.

Shares subscribed during a cash-based capital increase must be paid up to at least one quarter of their nominal value at the time of their subscription and, where applicable, the full 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.

Notification of calls for funds shall be made to 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 purpose.

Late payment of sums owing on the share amount not paid up shall automatically and without the need to proceed with any formalities whatsoever, incur 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 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 affect the equal treatment of the shareholders.

A reduction in share capital for an amount below the legal minimum can only be approved pursuant to a capital increase intended to return 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 such dissolution should, on the date on which it makes a ruling, the situation has been corrected.

The capital may be amortized in accordance with legal provisions. Amortization of the capital may be approved in an Extraordinary General 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 be registered in 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 inform the Company of their agreement by registered letter sent to the headquarters, the Company being required to observe this agreement for any General Meetings held for one month 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 for this purpose. Shares that must be registered in

nominal form may only be traded on the market if they have first been placed in a management account with an authorized broker.

Shares that are under no obligation to be registered in nominal form may only be traded on the market if they are converted to bearer shares.

Ownership of bearer shares shall result from their registration in a bearer account with an authorized financial broker.

Nominal or bearer shares may be assigned to third parties and the Company, by means of a transfer to the accounts of the issuing Company or those of the authorized financial broker.

The transfer of shares, free of charge or following a death, shall likewise take place by a transfer once the change has been duly justified in accordance with law.

RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

Each share gives right to the profits and company assets in a share proportional to the proportion of capital that it represents.

All shareholders shall have the right to be informed of the Company's performance and to obtain certain company documents at the times and according to law and regulations.

Shareholders shall only sustain losses up to the amount of their contributions.

The possession of a share automatically implies full adherence to the decisions of the shareholders in General Meetings and to these articles of incorporation. Assignments shall include all accrued dividends not paid or accruing 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.

6.2.4 Actions required to modify shareholders' rights

The rights of shareholders may be modified in accordance with legal conditions, by way of a modification of the Company's articles of incorporation, an operation that only the Extraordinary General Meeting is authorized to perform.

6.2.5 General Meetings (Articles 26 to 30 of the articles of incorporation)

NATURE OF GENERAL 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.

SUMMONS AND MEETINGS OF THE GENERAL SHAREHOLDERS

All shareholders have the right to participate in General Meetings or to be represented in accordance with the conditions established by law.

General Meetings are called either by the Board of Directors or 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 Employee Representative 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 (the "BALO"), French Bulletin of compulsory legal notices, 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 BALO.

Nevertheless, the notices outlined in the previous paragraph may 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 timelines 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.

Shareholders may be represented at general meetings by any physical or legal person of their 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 BALO.

Shareholders who use the electronic voting form offered on the website arranged by the coordinator of the shareholders' meeting for this purpose within the required timelines 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 under the paragraph two, sentence one, Article 1316-4 of the French Civil Code, i.e., the usage of a reliable identification process guaranteeing a link with the form, notably such as consists of an identifier and a password.

The proxy or vote thus expressed prior to the Shareholders' 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 second (2nd) business day preceding the shareholders' meeting at local Paris time, the Company shall consequently invalidate or modify, as applicable, the proxy or 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 Employee Representative Committee may likewise request that draft resolutions be included on a Meeting agenda.

Shareholders' meetings cannot deliberate on a matter that is not included on the agenda, which cannot be modified in the event of a second summons. Such meeting may nevertheless, in all circumstances, remove one or more members of the Board of Directors and replace them.

HOLDING MEETINGS - CHAIR COMMITTEE - MINUTES

Meetings shall be presided over by the Chairman of the Board of Directors or, in his absence, by a Deputy Chairman or by a director specially delegated to this end by the Board. Failing this, the shareholders' 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 scrutinizers and vote counters.

The committee 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 General 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 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 granted, in accordance with legal conditions, to all shares fully paid up for which evidence is provided, at the latest on the second 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 the shareholder’s 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 capitalization of reserves, profit, or issue premiums, the double voting right is granted, upon issue, to registered bonus shares awarded to replace existing shares already carrying double voting rights.

The double voting right will be automatically withdrawn from any share converted to a bearer share or subjected to a transfer of ownership, except where such transfer results from a succession, a sharing of the community of property between spouses, or an inter vivos gift granted by a shareholder to such shareholder’s 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.

6.2.6 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.

6.2.7 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).

6.2.8 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.

6.3 Capital

6.3.1 Amount of subscribed capital

As of December 31, 2016, the share capital, fully paid-up, totaled €873,264.80, divided into 8,732,648 common shares each with a par value of €0.10, all of the same class.

6.3.2 Shares not representing the capital

None

6.3.3 Acquisition of shareholder equity by the Company

The Company's Combined General Shareholders' Meeting of June 24, 2016, modified as follows the authorization given to the Board of Directors by the Combined General Shareholders' Meeting of June 23, 2015 to implement a buyback program of Company shares, according to the provisions of Article L. 225-209 of the French Commercial Code and the French Autorité des Marchés Financiers General Regulations.

Maximum number of shares that can be repurchased:

- Five percent (5%) of share capital existing on the day of this General Meeting (with the stipulation that the shares are repurchased to stimulate liquidity in accordance with the terms set out below, and that the number of shares taken into account for the calculation of that five percent (5%) limit corresponds to the number of shares repurchased minus the number of shares resold during the validity period of this authorization);

- Five percent (5%) of the amount of share capital existing on the day of this General Meeting if it refers to shares acquired by the Company with a view to holding them and using them in the future as payment or exchange as part of a merger, demerger, or asset contribution.

Objectives of the share buyback:

- awarding shares to employees or corporate officers of the Company and French or foreign companies or groups that may be legally connected with it, particularly in the context of employee participation in the company's expansion via employee shareholding and company savings plans, stock options plan, or by way of the award

of bonus shares or performance share in accordance with Articles L. 225-197-1 et seq. of the French Commercial Code;

- retaining the shares to use them for payment or exchange as part of external growth operations, in compliance with recognized market practice by the AMF and within the limits provided by Article L. 225-209 of the French Commercial Code;
- assuring liquidity of 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 AMF, it being noted that the number of shares used to calculate the 10% limit corresponds to the number of shares purchased, after deducting the number of shares resold during the term of this authorization;
- reducing the ERYTECH's share capital in application of Resolution 17 of this General Meeting of Shareholders if adopted;
- delivering shares upon exercise of rights attached to securities giving access to shares by any means, whether immediately or over time; and
- generally, to carry out any transactions authorized by law or any market practice permitted by market authorities, with the stipulation that, in such a case, ERYTECH must inform its shareholders of doing so.

Maximum purchase price: ninety (90) euros (excluding purchase costs), it being specified that, in the event of a capital transaction, such as one involving capitalization of reserves and award of bonus shares, or share splits or reverse splits, or even changes of the nominal value of shares, this price will be consequently adjusted.

During the year ended December 31, 2016, no share repurchase program was implemented and the authorization was not utilized by the Board of Directors (as no liquidity contract was in progress). ERYTECH Pharma had, in its securities portfolio on December 31, 2016, 2,500 treasury shares (0.03% of share capital).

6.3.4 Other securities giving access to the capital

All the securities giving access to the Company's capital outstanding at December 31, 2016, are described in Table 8 of Section 4.4.1 of this Reference Document.

6.3.5 Authorized capital not issued

The General Shareholders' Meeting of June 24, 2016 delegated powers to the Company's Board of Directors to issue securities in the proportions and for the amounts summarized in the table below.

Date of General Meeting	**Nature of authorization**	**Maximum nominal amount of capital increase or issue of securities representing debt securities resulting from the issue**	**Cumulative ceiling**	**Duration**	**Use**	**Maximum nominal amount remaining**
6/24/2016	Authorization to the Board of Directors to issue ordinary shares of the Company and securities giving access to shares to be issued immediately or in the future by the Company, with existing shareholders' preferential subscription rights maintained (**Resolution 18**).	€1,000,000 €80,000,000 (debt securities)	€1,000,000	26 months 8/24/2018	None	€920,612.30 (by allocating the amount used under Resolution 20) €80,000,000 (debt securities)
6/24/2016	Authorization to the Board of Directors to issue ordinary shares of the Company and securities giving access to shares to be issued immediately or in the future by the Company, with existing shareholders' preferential subscription rights waived, as part of a public offering (**Resolution 19**).	€500,000 €80,000,000 (debt securities)		26 months 8/24/2018	None	€420,612.30 (by allocating the amount used under Resolution 20) €80,000,000 (debt securities)
6/24/2016	Authorization to the Board of Directors to issue ordinary shares of the Company and securities giving access to shares to be issued immediately or in the future by the Company, with existing shareholders' preferential subscription rights waived, as part of offers described in Article L. 411-2-II of the French Monetary and Financial Code (**Resolution 20**).	€500,000 (counts towards the ceiling set in Resolution 19) 20% per year, of share capital at time of issue €80,000,000 (debt securities)		26 months 8/24/2018	€79,387.7 on 12/7/2016	€420,612.30

Date of General Meeting	Nature of authorization	Maximum nominal amount of capital increase or issue of securities representing debt securities resulting from the issue	Cumulative ceiling	Duration	Use	Maximum nominal amount remaining
6/24/2016	Authorization to the Board of Directors, in the case of an issue, with existing shareholders' preferential subscription rights waived, of ordinary shares of the Company or securities giving access to ordinary shares to be issued by the Company, to set the issue price in accordance with the terms and conditions set by the General Meeting, of up to 10% of share capital per year (**Resolution 21**)	€87,326.48 (10% per year, of share capital at time of issue)		26 months 8/24/2018	€79,387.7 on 12/7/2016	€7,938.80
6/24/2016	Authorization to the Board of Directors, in the case of a capital increase with existing shareholders' preferential subscription rights maintained, to increase the number of shares to be issued (**Resolution 22**).	15% of the initial issue, pursuant to Resolutions 18, 19, 20 and 21		26 months 8/24/2018 18 months in the case of the initial issue, pursuant to Resolution 23	N/A	N/A
6/24/2016	Authorization to the Board of Directors, with existing shareholders' preferential subscription rights maintained, to increase capital to the benefit of (i) physical persons or legal entities (including industrial or commercial companies), or French or foreign investment funds normally investing in the pharmaceutical, biotechnological or technological sectors, or (ii) French or foreign investment services providers, or any foreign establishment with equivalent legal status, likely to complete such a transaction including subscribe to the securities issued (**Resolution 23**)	€500,000 (counts towards the ceiling set in Resolution 19) €80,000,000 (debt securities)		18 months 12/24/2017	None	€420,612.30 (by allocating the amount used under Resolution 20) €80,000,000 (debt securities)

Date of General Meeting	**Nature of authorization**	**Maximum nominal amount of capital increase or issue of securities representing debt securities resulting from the issue**	**Cumulative ceiling**	**Duration**	**Use**	**Maximum nominal amount remaining**
6/24/2016	Authorization to the Board of Directors to issue ordinary shares of the Company and securities giving access to shares to be issued immediately or in the future by the Company, as a public offering initiated by the Company, with existing shareholders' preferential subscription rights waived (**Resolution 24**).	€500,000 (counts towards the ceiling set in Resolution 19) €80,000,000 (debt securities)		26 months 8/24/2018	None	€420,612.30 (by allocating the amount used under Resolution 20) €80,000,000 (debt securities)
6/24/2016	Authorization to the Board of Directors to issue, with existing shareholders' preferential subscription rights waived, ordinary shares or securities giving access to ordinary shares to be issued, to be used as payment for in-kind contributions to the Company consisting of equity securities or other securities giving access to capital (**Resolution 25**)	€79,373.31 (10% of the capital counts towards the ceiling set in Resolution 20) €80,000,000 (debt securities)		26 months 8/24/2018		€0 (by allocating the amount used under Resolution 20) €80,000,000 (debt securities)
6/24/2016	Authorization to the Board of Directors to increase capital by incorporating reserves, profits or premiums (**Resolution 26**)	€1,000,000		26 months 8/24/2018	None	€1,000,000
6/24/2016	Authorization to the Board of Directors to award existing or future bonus shares, with existing shareholders' preferential subscription rights waived, to corporate officers or employees of the Company or related companies (**Resolution 28**)	€25,000 €35,000 with the options and warrants (250,000 bonus shares 350,000 shares in total)	350,000 shares	38 months 8/24/2018	10/3/2016 €11,126.1 (111,261 shares)	€13,873.90 €14,874 in total (138,739 shares 148,740 shares in total)

Date of General Meeting	Nature of authorization	Maximum nominal amount of capital increase or issue of securities representing debt securities resulting from the issue	Cumulative ceiling	Duration	Use	Maximum nominal amount remaining
6/24/2016	Authorization to the Board of Directors to award Company share purchase or subscription options to corporate officers and employees of the Company or companies in Erytech Pharma Group, with existing shareholders' preferential subscription rights waived to the shares that are issued to service the exercise of the subscription options (**Resolution 29**)	€25,000 €35,000 with the bonus shares and warrants (250,000 shares 350,000 shares in total)		38 months 8/24/2018	10/3/2016 €4,499.9 (44,999 actions)	€14,874 €14,874 in total (205,001 shares 148,740 shares in total)
6/24/2016	Authorization to the Board of Directors to issue share subscription warrants, with existing shareholders' preferential subscription rights waived, to corporate officers or employees of the Company or Erytech Pharma Group companies (**Resolution 30**)	€6,000 €35,000 with the bonus shares and warrants (60,000 shares 350,000 shares in total)		18 months 12/24/2017	10/3/2016 €4,500 (45,000 shares)	€1,500 €14,874 in total (15,000 shares 148,740 shares in total)

Use of these delegations:

- The new 2016 shareholding plan of October 3, 2016

Under the authorizations granted by the Combined General Meeting of June 24, 2016 in its Resolutions 28, 29 and 30, the Board of Directors on October 3, 2016 awarded:

- 111,261 free performance shares to employees of ERYTECH;
- 44,499 stock options to employees of ERYTECH Inc; and
- 45,000 BSAs to independent members of the Board.

- Capital increase resulting from the private placement of December 7, 2016

The Combined General Meeting of June 24, 2016, in its Resolution 20, delegated to the Board of Directors powers to issue, on one or more occasions, ordinary shares as part of private placement offers to qualified investors or a restricted circle of investors, as described in Article L. 411-2-II of the French Monetary and Financial Code, which may be subscribed either in cash or by offsetting receivables for a nominal amount representing up to 20% of the existing share capital of the Company at the time of the issue.

The General Meeting of June 24, 2016, in its Resolution 21, authorized the Board of Directors to set the issue price of ordinary shares or securities giving access to ordinary shares to be issued, in accordance with the terms and conditions set by that General Meeting, representing up to 10% of existing share capital per year.

The Board of Directors made use of these authorizations at its meeting on December 26, 2016, by approving the principle of a capital increase based on Resolution 20 and, as the case may be, Resolution 21 of the General Meeting, with preferential subscription rights waived and in the form of a private placement by issuing a number of shares under certain conditions and decided to carry out a capital increase in cash with waiver of the preferential subscription rights for a nominal amount of €79,387.70 through the issue of 793,877 new ordinary shares with a nominal value of €0.10 at a fixed price at €12.50 per share (€0.10 par value and an issue premium of €12.40), for a capital increase of €79,387.70 and, issue premium included, of €9,923,462.5. The Board of Directors noted the final completion of the increase on December 7, 2016 and amended the bylaws of the Company accordingly.

The Board of Directors noted the use of these delegations by the Chairman and Chief Executive Officer on January 8, 2017 and amended the bylaws of the Company accordingly.

6.3.6 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 awarded by the latter and pertaining to the Company shares.

6.3.7 Change in share capital

The table below outlines the evolution of the Company's share capital during the last three financial years, it being specified that in 2016 the Company undertook the following:

- On January 10, 2016, a capital increase resulting from the exercise of warrants in the amount of €7,508 by the issue of 75,080 new ordinary shares at a par value of €0.10.
- On December 6, 2016,

  a capital increase resulting from the exercise of warrants as of December 6, 2016 in the amount of €1,416 by the issue of 14,160 new ordinary shares at a par value of €0.10.

- On December 7, 2016, a capital increase by the issue, with existing shareholders' preferential subscription rights waived and via a private placement, of 793,877 new ordinary shares with a par value of €0.10 each, making an increase of €79,387.10.

		12/31/2014			12/31/2015			12/31/2016		
	SHAREHOLDERS	**SHARES**	**% OF capital**	**% of total voting rights[1]**	**SHARES**	**% of capital**	**% of total voting rights[1]**	**SHARES**	**% of capital**	**% of total voting rights[1]**
REGISTERED	***MANAGEMENT***	***599,230***	***8.71%***	***13.94%***	***225,670***	***2.85%***	***3.80%***	**3,130**	0.04%	0.04%
	Gil BEYEN	*34,000*	*0.49%*	*0.41%*	*0*	*0.00%*	*0.00%*	*0*	*0.00%*	*0.00%*
	Pierre-Olivier GOINEAU	*263,490*	*3.83%*	*6.36%*	*No longer part of management[2]*			*No longer part of management[2]*		
	Yann GODFRIN	*292,990*	*4.26%*	*7.07%*	*218,070*	*2.75%*	*3.72%*	*No longer part of management[2]*		
	Jérôme BAILLY	*3,500*	*0.05%*	*0.04%*	*2,040*	*0.03%*	*0.02%*	*280*	*0.00%*	*0.00%*
	Other management	*5,250*	*0.08%*	*0.06%*	*5,560*	*0.07%*	*0.06%*	*2,850*	*0.03%*	*0.04%*
	FINANCIAL INVESTORS/PE FUNDS	***1,069,742***	***15.54%***	***22.70%***	***1,069,742***	***13.50%***	***22.23%***	***1,018,212***	***11.66%***	***19.54%***
	AMORCAGE RHONE ALPES	*0*	*0.00%*	*0.00%*	*0*	*0.00%*	*0.00%*	*0*	*0.00%*	*0.00%*
	IDINVEST Partners[3]	*51,530*	*0.75%*	*1.24%*	*51,530*	*0.65%*	*1.06%*	*0*	*0.00%*	*0.00%*
	AURIGA Partners[4]	*1,018,212*	*14.79%*	*21.46%*	*1,018,212*	*12.85%*	*20.98%*	*1,018,212*	*11.66%*	*19.54%*
	RECORDATI ORPHAN DRUGS	**431,034**	**6.26%**	**5.20%**	**431,034**	**5.44%**	**8.88%**	**431,034**	4.94%	**8.27%**
	MEMBERS OF THE BOARD OF DIRECTORS	**10,500**	**0.15%**	**0.13%**	**12,500**	**0.16%**	**0.13%**	10,300	0.12%	0.13%
	OTHER SHAREHOLDERS	***61,263***	***0.89%***	***1.21%***	***163,534***	***2.06%***	***3.11%***	**301,634**	3.45%	**5.14%**
	SUB-TOTAL REGISTERED SHAREHOLDERS	***2,171,769***	***31.55%***	***43.17%***	***1,902,480***	***24.01%***	***37.96%***	***1,764,310***	***20.20%***	***33.13%***
BEARER	***Treasury shares***	4,500	0.07%	0.00%	2,500	0.03%	0.00%	2,500	0.03%	0.00%
	Baker Bros	674,027	9.79%	8.13%	674,027	8.51%	6.94%	842,795	9.65%	8.09%
	JP Morgan	0	0.00%	0.00%	375,000	4.73%	3.86%	608,061	6.96%	5.84%
	Other	4,032,465	58.59%	48.70%	5,345,604	62.72%	51.24%	5,514,982	63.15%	52.95%
	SUB-TOTAL BEARER SHAREHOLDERS	***4,710,992***	***68.45%***	***56.83%***	***6,022,131***	***75.99%***	***62.04%***	***6,968,338***	***79.80%***	***66.87%***
	TOTAL	**6,882,761**	**100.00%**	**100.00%**	**7,924,611**	**100.00%**	**100.00%**	**8,732,648**	**100.00%**	**100.00%**

[1] See Section 6.4.3 of the Reference Document on voting rights
[2] As Pierre-Olivier Goineau and Yann Godfrin resigned on January 11, 2015 and January 17, 2016, respectively, their holdings were moved to the line "Other shareholders".
[3] Based on the latest declarations of having breached thresholds and the information available
[4] Based on the latest declarations of having breached thresholds and the information available AURIGA Partners hold an additional 129,310 bearer shares bringing its total shareholding to 13.14% of share capital and 20.78% of voting rights.

To its knowledge, the Company has no pledges on its capital.

The table below summarizes the operations occurring on the share capital during the last three financial 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
5/5/2014	Capital increase	BSA_{2012} $BSPCE_{2012}$	€762.00	7,620	€0.10	€7.262	5,566,572	€7.362	€556,657.20
12/4/2014	Capital increase	BSA_{2012} $BSPCE_{2012}$	€9,170	91,700	€0.10	€7.262	5,658,272	€7.362	€565,827.20
12/4/2014	Capital increase	Issue of new shares	€122,448.90	1,224,489	€0.10	€24.40	6,882,761	€24.50	€688,276.1
6/23/2015	Capital increase	BSA_{2012} $BSPCE_{2012}$	€653	6,530	€0.10	€7.262	6,889,291	€7.362	€688,929.10
12/2/2015	Capital increase	BSA_{2012} $BSPCE_{2012}$ $BSPCE_{2014}$	€1,375	13.750	€0.10	€7.262 $BSPCE_{2012}$ €12.15 $BSPCE_{2014}$	6,903,041	€7.362 $BSPCE_{2012}$ €12.25 $BSPCE_{2014}$	€690,304.10
12/2/2015	Capital increase	$BSPCE_{2012}$	€649	6,490	€0.10	€7.262	6,909,531	€7.362	€690,953.10
12/3/2015	Capital increase	Issue of new shares	€94,000	940,000	0.10	€26.90	7,849,531	€27	€784,953.10
1/10/2016[1]	Capital increase	$BSPCE_{2012}$	€7,508	75,080	0.10	€7.262	7,924,611	€7.362	€792,461.10
12/6/2016	Capital increase	BSA_{2012} $BSPCE_{2012}$ $BSPCE_{2014}$	€1,416	14,160	0.10	7.262 BSA_{2012} $BSPCE_{2012}$ 12.15 $BSPCE_{2014}$	7,938,771	€7.362 BSA_{2012} $BSPCE_{2012}$ €12.25 $BSPCE_{2014}$	€793,877.10
12/7/2016[2]	Capital increase	Issue of new shares	€79,387.70	793,777	0.10	€12.40	8,732,648	€12.50	€873,264.80

(1) Date of the confirmation of capital increase by the Board of Directors following the exercise on December 23, 2015, of 7,508 $BSPCE_{2012}$.
(2) Capital increase confirmed by the Board of Directors on January 8, 2017.

6.3.8 Share price movements

Since the first listing of the Company's shares for trading on the regulated market of NYSE Euronext in Paris on May 7, 2013 and up to December 31, 2016, 28,592,139 shares were traded.

The share, which traded at €11.60 at the first listing of the Company's shares, traded at €13.74 on December 31, 2016.

The low recorded in 2016 was €11.50 on November 29, 2016, and the high was €28.18 on April 19, 2016.

Market capitalization at 12/31/2016 was €119,986,584. From December 31, 2016 until January 31, 2017, 875,078 shares were traded.

The share traded at €12.66 on January 31, 2017.

Market capitalization at January 31, 2017 was €110,555,324.

6.4 Shareholding

6.4.1 Distribution of share capital and voting rights

In accordance with the provisions of Article L. 233-13 of the Commercial Code, we provide you below with the identity of shareholders who hold a stake exceeding the threshold of 5% of the share capital and/or 5% of the voting rights. The change in share capital over the past three years is presented in Section 6.3.7 of this Reference Document.

The Company's shareholder structure as of December 31, 2016 was as follows, based on information available:

	Last name, First name / Company Name	% Share capital	% Voting rights[1]	Number of shares
REGISTERED	FCPR AURIGA VENTURES III	11.66%.	19.54%.	1,018,212
	RECORDATI ORPHAN DRUGS	4.94%.	8.27%.	431,034
	Other registered shareholders with a capital holding less than 5%	3.61%.	5.31%.	315,064
BEARER	Held by the Company at the end of the buyback program[2]	0.03%.	0.00%.	2,500
	Baker Bros	9.65%.	8.09%.	842,795
	JP Morgan	6.96%.	5.84%.	608,061
	OTHER BEARER SHARES	63.15%.	52.95%.	5,514,982
TOTAL		**100.00%.**	**100.00%.**	**8,732,648**

[1] Voting rights take into account double voting rights as described in Section 6.4.3
[2] See Section 6.3.3 of this Reference Document.

The Company's shareholder structure as of March 17, 2017 was as follows, based on information available:

During the year ended December 31, 2016, the Company received information on the following thresholds crossed:

- On February 12, 2016, JP Morgan Asset Management exceeded the threshold of 5% of share capital. On that date, the JP Morgan Asset Management held 471,320 shares representing 5.95% of the share capital and 4.86% of the voting rights.
- On December 14, 2016, JP Morgan Asset Management exceeded the threshold of 5% of share capital. On that date, the JP Morgan Asset Management held 608,061 shares representing 6.96% of the share capital and 5.84% of the voting rights.

Since December 31, 2016, the Company has received one threshold crossing statement: JP Morgan Asset Management reported that on March 31, 2017 it had fallen below the 5% voting rights threshold, holding 497,226 shares representing 5.69% of share capital and 4.78% of voting rights.

6.4.2 Major shareholders not represented on the Board of Directors

At the date of this Reference Document, four major registered shareholders, i.e. Auriga Venture III, Baker Bros, JP Morgan Asset Management and Recordati Orphan Drugs, were not represented on the Board of Directors.

6.4.3 Shareholder voting rights

In the Ordinary and Extraordinary General Meetings of the Company, each share gives the right to one vote, except where there is a right to a double vote.

A double voting right is nevertheless granted, in accordance with legal conditions, to all shares fully paid up for which evidence is provided, at the latest on the second 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 the shareholder’s 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 capitalization of reserves, profit, or issue premiums, the double voting right is granted, upon issue, to registered bonus shares awarded to replace existing shares already carrying double voting rights.

The double voting right will be automatically withdrawn from any share converted to a bearer share or subjected to a transfer of ownership, except where such transfer results from a succession, a sharing of the community of property between spouses, or an inter vivos gift granted by a shareholder to such shareholder’s 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.

6.4.4 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, which may create a presumption of control of the Company with regard to one of the shareholders or a group of shareholders.

Shareholders' agreement

To the Company's knowledge, there are no agreements among the shareholders.

Concerted action

To the Company's knowledge, there is no concerted action among the shareholders.

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.

6.5 Responsible parties

6.5.1 Person responsible for the reference document

Gil Beyen, Chairman and Chief Executive Officer;

6.5.2 Certification by the responsible party

"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.

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and fairly present the assets, financial position, and results of operations of the company and all of the companies included in the consolidation, and that the attached management report is an accurate presentation of the changes, results, and financial position of the company and all of the companies included in the consolidation and describes the main risks and uncertainties that they are facing.

I have obtained a completion letter (lettre de fin de travaux) from the statutory auditors, in which they declare that they have audited the information relating to the financial position and the financial statements presented in this document, and read the Reference Document in its entirety.

March 31, 2017

Gil Beyen

Chairman and Chief Corporate Officer

6.5.3 Persons responsible for the financial information

Gil Beyen Chairman & Chief Executive Officer and Eric Soyer Chief Financial Officer and Chief Operating Officer

Tel.: +33 4.78.75.56 38

Fax: +33 4.78.75.56 29e-mail : investors@erytech.com

6.6 Statutory Auditors

6.6.1 Principal Statutory Auditors

KPMG S.A., limited liability company, Nanterre Trade & Companies Register 775 726 417, Paris la Défense (92066 CEDEX), 2 Avenue Gambetta - CS 60055 - Tour Eqho.

Date of first appointment: June 24, 2016.

Expiration date for term of office: The General Shareholders' Meeting voting on the financial statements for the year ending December 31, 2021.

KPMG Audit Rhône Alpes Auvergne was principal statutory auditor from June 11, 2010 until its mandate expired and was replaced by KPMG S.A. on June 14, 2016.

RSM Rhône Alpes, Lyon Trade & Companies Register 398 384 198, 2 bis, rue Tête d'Or, Lyon 6, France.

Date of first appointment: June 17, 2014

Expiration date for term of office: The General Shareholders' Meeting voting on the financial statements for the year ending December 31, 2019.

6.6.2 Deputy Statutory Auditors

SALUSTRO REYDEL, limited liability company, Nanterre Trade & Companies Register 652 044 371, Paris la Défense (92066 CEDEX), 2 Avenue Gambetta - CS 60055 - Tour Eqho.

Date of first appointment: June 24, 2016.

Expiration date for term of office: The General Shareholders' Meeting voting on the financial statements for the year ending December 31, 2021.

The alternate statutory auditor from June 11, 2010 until the expiry of its mandate on June 24, 2016 was KPMG Audit Sud-Est.

Pierre-Michel MONNERET, 2 bis, rue Tête d'Or, 69006 Lyon, France.

Date of first appointment: June 17, 2014

Expiration date for term of office: The General Shareholders' Meeting voting on the financial statements for the year ending December 31, 2019.

6.6.3 Declaration of fees paid to the auditors

The table below presents the auditor fees paid by the Company in the last two years

Exercices couverts : 01/01/2016 - 31/12/2016

	KPMG Rhône-Alpes Auvergne				RSM Rhône-Alpes			
en euros	*Montant (HT)*		*%*		*Montant (HT))*		*%*	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Audit								
Commissariat aux comptes, certification, examen des comptes individuels et consolidés								
•Emetteur •Filiales intégrées globalement	305 000	336 067	96%	93%	72 000	59 375	86%	80%
Autres diligences et prestations directement liées à la mission de commissaires aux comptes								
•Emetteur •Filiale intégrées globalement	11 500	25 000	4%	7%	11 600	15 000	14%	20%
Sous-total	**318 500**	**361 067**	**100%**	**100%**	**83 600**	**74 375**	**100%**	**100%**
Autres prestations et services								
❑Juridique, fiscal et social ❑Autres	None							
	0	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**318 500**	**361 067**	**100%**	**100 %**	**83 600**	**74 375**	**100%**	**100%**

The other diligence activities and services directly associated with the auditor's mission include:

- fees corresponding to the preparation of auditor certifications relating to expenses incurred within the context of various R&D projects;
- fees relating to the certification of financial statements prepared in accordance with IFRS, IASB and PCAOB audit standards;
- fees relating to the securities note dated November 2015 on the capital increase dated December 2015.

Fees for KPMG Rhône Alpes Auvergne are rising significantly mainly because of their due diligence conducted for the Company's IPO on NASDAQ.

6.7 Documents accessible to the public

Copies of this Reference Document are available free of charge at the Company's headquarters, 60 avenue Rockefeller, 69008 Lyon, France. This Reference Document can also be found on the Company's website (http://www.erytech.com) and on the AMF website (http://www.amf-france.org/).

The Articles of Incorporation, General Meeting minutes, and other Company documents, as well as the historical financial information and all assessments 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, free of charge, at the Company's registered office.

These documents are also available in paper format upon a simple request to the Company.

Further, pursuant to Article 221-3 of the General Regulation of the AMF, the information regulated under Article 221-1 of the same Regulations is available on the Company's website (http://www.erytech.com/).

T CONCORDANCE TABLES

The following concordance tables allow readers to locate the following information in this Reference Document:

- the information specified in Appendix 1 of European Regulation 809/2004/EC;
- the information which forms the annual financial report (article L. 451-1-2 of the French Monetary and Financial Code and article 222-3 of the General Regulation of the AMF), and
- the information which forms the annual management report (article L. 225-100 et seq. of the French Commercial Code).

Information specified in European Regulation 809/2004/EC		Reference Document
1	**Responsible parties**	**Section 6.5, page** 334
2	**Statutory Auditors**	**Section 6.6, page** 335
3	**Selected financial information**	**Section 5.1, page** 219
4	**Risk factors**	**Chap. 2, page** 98
5	**Information about the Company**	
5.1	History and evolution of the Company	
	5.1.1 Corporate name and business name	Section 6.1.1, page 310
	5.1.2 Location and registration number of the Company	Section 6.1.2, page 310
	5.1.3 Date of establishment and duration of the Company	Section 6.1.3, page 310
	5.1.4 Headquarters, legal form and governing law, corporate purpose and fiscal year	Sections 6.1.4 and 6.1.5, page 310
	5.1.5 Significant events in the development and activities of the Company	Section 1.1.2, page 13
5.2	Investments	Section 5.2.3, page 231
6	**Overview of business activities**	
6.1	Main activities	Sections 1.2 and 1.3, page 18 and 1.5, page 45
6.2	Main markets	Section 1.4, page 30
6.3	Exceptional events	Section 2.3.2, page 118
6.4	Dependency in terms of patents, licenses, contracts, main customers, and manufacturing processes	Sections 1.7, page 81 and 2.2.9, page 115
6.5	Competitive position	Section 1.2.2, page 20
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4. Health and safety	
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6. Equality of treatment	
• Measures taken to promote gender equality • Measures taken to promote the employment and inclusion of persons with disabilities • Anti-discrimination policy	See Section 3.2.2.6, page 141
7. Promotion and compliance with the stipulations of the fundamental Conventions of the International Labor Organization	See Section 3.2.2.7, page 141
8. General environmental policy	
• Organization of the Company to take into account environmental issues, and environmental assessment or certification initiatives, if any. • Employee information and training initiatives in environmental protection • Resources devoted to the prevention of environmental and pollution risks • Amount of provisions and guarantees for environmental risks, provided such disclosure is not seriously prejudicial to the Company in any litigation it is currently involved in	See Section 3.3.1, page 148
9. Pollution	
• Measures for the prevention, reduction or remedying of releases into air, water or soil seriously affecting the	See Section 3.3.2.1, page 148

environment • Consideration of noise and any other form of pollution specific to an activity	
10. Circular economy • Measures for waste prevention, recycling, and reuse of other forms of recovery and disposal. • Anti-food-waste measures • Water consumption and water supply based on local constraints • Consumption of raw materials and measures taken to improve efficiency in their use • Energy consumption, measures taken to improve energy efficiency and recourse to renewable energies • Land use	See section 3.3, page 147
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CSR Information	Reference Document
1. Jobs • Total workforce and breakdown of employees by gender, age and geographic region • Hires and dismissals • Remuneration and pay evolution • Absenteeism	See Sections 3.2.2.1 and 3.2.3.1
2. Organization of work • Organization of work time	See Section 3.2.2.2
3. Labor relations • Organization of corporate dialog, procedures for informing and consulting personnel and collective bargaining • Report of collective agreements	See Section 3.2.2.3
4. Health and safety • Workplace health and safety conditions • Report of agreements signed with unions or staff representatives regarding workplace health and safety • Workplace accidents (frequency and severity) and occupational diseases	See Section 3.2.2.4
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6. Equality of treatment • Measures taken to promote gender equality • Measures taken to promote the employment and inclusion of persons with disabilities • Anti-discrimination policy	See Section 3.2.2.6
8. Promotion and compliance with the stipulations of the fundamental Conventions of the International Labor Organization	See Section 3.2.2.7
7. General environmental policy • Organization of the Company to take into account environmental issues, and environmental assessment or certification initiatives, if any. • Employee information and training initiatives in environmental protection • Resources devoted to the prevention of environmental and pollution risks	See Section 3.3.1

• Amount of provisions and guarantees for environmental risks, provided such disclosure is not seriously prejudicial to the Company in any litigation it is currently involved in	
8. Pollution • Measures for the prevention, reduction or remedying of releases into air, water or soil seriously affecting the environment • Consideration of noise and any other form of pollution specific to an activity	See Section 3.3.2.1
9. Circular economy • Measures for waste prevention, recycling, and reuse of other forms of recovery and disposal. • Anti-food-waste measures • Water consumption and water supply based on local constraints • Consumption of raw materials and measures taken to improve efficiency in their use • Energy consumption, measures taken to improve energy efficiency and recourse to renewable energies • Land use	See section 3.3
10. Climate change • Significant greenhouse gas emissions generated by the Company's activity, particularly by the use of the goods and services that it produces • Adjustment to the consequences of climate change	See Section 3.3.3
11. Protection of biodiversity • Measures taken to preserve or develop biodiversity	See section 3.3
12. Information regarding corporate commitments promoting sustainable development	
• Territorial, economic and social impact of the Company's activity on jobs and regional development, and on local or neighboring populations	See Section 3.4.1
• Relations with persons or organizations interested in the Company's activity, in particular inclusion associations, educational institutions, environmental protection associations, consumer associations and neighbors	See Section 3.4.2
• Subcontracting and suppliers: consideration of social and environmental challenges in its procurement policy; importance of subcontracting, and the inclusion in its relations with suppliers and subcontractors of their social	See Section 3.4.3

and environmental responsibilities. • Fair practices: anti-corruption measures; measures promoting consumer health and safety	See sections 3.4.4 and 3.4.5
13. Other actions taken to promote human rights	See Section 3.4.6

G 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 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.

- **DSMB (Data Safety Monitoring Board)**: A committee of independent experts responsible for monitoring the performance of clinical studies.

- **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.

- **Eryaspase/GRASPA® or Eryaspase or GRASPA®** 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® brand has been licensed to Orphan Europe (Recordati Group) to market the product in ALL and AML in Europe and to Teva Group for 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 there is no 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 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 II/III**: A study combining a Phase II and a Phase III, studying efficacy and the overall risk/benefit ratio at the same time.

- **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.

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ERYTECH Pharma SA

Report of the inspecting organization

Year ended December, 31 2016

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

Following the request made to us by ERYTECH Pharma SA and in our capacity as an independent third-party organization accredited by COFRAC under no. 3-1081 (scope available at www.cofrac.fr), we submit to you our report on the consolidated corporate social responsibility information presented in the management report written with regard to the period ending December 31, 2016 pursuant to Article L. 225-102-1 of the French Commercial Code.

Company responsibility

It is the duty of the Board of Directors to prepare a management report including the consolidated corporate social responsibility information referred to in Article R. 225-105-1 of the French Commercial Code (hereinafter the "Information") and prepared in accordance with the guidelines (the "Guidelines") used by the Company and available on request at the Group's registered office.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession, and the provisions of Article L. 822-11 of the French Commercial Code. Furthermore, we have implemented a quality control system including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Third party assurance report

It is our role, based on our work:

- To attest whether the required CSR Information is present in the Management Report or, in the case of its omission, that an appropriate explanation has been provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code and Decree No. 2012-557 of April 24, 2012 (Attestation of presence of CSR information);

- To express a limited assurance on whether the CSR information is presented, in all material aspects, in accordance with the Reporting Criteria.

Attestation of presence of CSR information

We conducted the following procedures in accordance with professional standards applicable in France:

- We compared the Information presented in the Management Report with the list as provided for in Article R. 225 -105-1 of the French Commercial Code;

- We verified that the Information covers the consolidated perimeter, namely the Company and its subsidiaries as aligned with the meaning of Article L. 233-1 and the entities which it controls as aligned with the meaning of Article L. 233 -3 of the French Commercial Code;

- In the absence of certain consolidated information, we have verified that explanations were provided in accordance with the provisions of Decree No. 2012-557 of April 24, 2012.

Based on this work, and given limitations mentioned above, we confirm the presence in the Management Report of the required CSR information.

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Opinion stating reasons on the accuracy and fairness of the CSR information

Nature and scope of our work

Our work was carried out by a team of two people between February 7, 2017 and February 28, 2017, for a period of about five person-days.

We conducted the work in accordance with the standards of professional practice applicable in France, with ISAE 3000 and with the decree of May 13, 2013 stating how the third-party independent organization is to carry out the assignment.

We conducted five interviews with the persons responsible for preparing the CSR information in the departments in charge of the process of gathering the information and, when necessary, those responsible for the internal control and risk management procedures, so as to:

- Assess the appropriateness of the Guidelines in terms of their relevance, completeness, neutrality, comprehensibility and reliability, taking into consideration best practices, if any, in the sector;

- Verify the implementation within the Group of a process for collecting, compiling, processing and checking the CSR Information with regard to its completeness and consistency. We reviewed the internal control and risk management procedures relating to the preparation of the CSR Information.

We identified consolidated information to test and determined the nature and extent of tests, taking into account the importance of the information in question in relation to the social, societal and environmental consequences of the activity and the characteristics of the Group, its CSR objectives and best practices in its sector.

For the CSR Information we judged to be most important at the level of the consolidating entity:

- We consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.);

- We carried out analytical procedures on the quantitative information and, based on sampling, verified the calculations and the consolidation of the data;

- We carried out detailed tests based on sampling that consisted of verifying the calculations made and comparing them with the data in the supporting documents, and we verified their consistency with the other information contained in the management report.

For the other consolidated CSR information, we judged its consistency in light of our knowledge of the Company.

Finally, we judged the validity of any explanations given as to the total or partial absence of certain information.

It is our belief that the sampling methods and sample sizes we used in exercising our professional judgment allow us to draw a conclusion of moderate assurance. A higher level of assurance would have required a more extensive review.

Our work covered on average 50% of the consolidated value of the numerical indicators in the employment portion and 50% of the consolidated value of the numerical indicators in the environmental portion.

Due to the use of sampling techniques as well as to the limitations inherent in the operation of any information and internal control system, the risk of not detecting a material irregularity in the CSR information cannot be totally ruled out.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that CSR information, taken together, have not been fairly presented, in accordance with the Reporting criteria.

Lyon, March 2, 2017

FINEXFI
Isabelle Lhoste
Partner

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