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CS 60409
69338 Lyon Cedex 9
France



26 rue Cambacérés
75008 Paris

Erytech Pharma S.A.
**Statutory auditors' report on the consolidated
financial statements**

For the year ended 31 December 2019
Erytech Pharma S.A.
60, avenue Rockefeller – 69008 - Lyon
This report contains 8 pages



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This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Erytech Pharma S.A.

Registered office: 60, avenue Rockefeller – 69008 - Lyon
Share capital: €1,794,003.50

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2019

To the shareholders of Erytech Pharma S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Erytech Pharma S.A. for the year ended 31 December 2019.

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 31 December 2019 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of Matter

We draw attention to the Note 2.6 to the consolidated financial statements describing the change in accounting method due to the adoption of IFRS 16 "Leases" on January 1st, 2019. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Going concern

Note 2.1 to the consolidated financial statements

Key audit matter

As described in Note 2.1 to the consolidated financial statements, the Company believes it will be able to fund its operations until February 2021.

At the approval date of the financial statements, the Company assessed the underlying assumptions of going concern, considering:

- Cash and cash equivalents held by the Company amounting to 73.2 million euros as of December 31, 2019. They are composed of cash and term deposits readily available without penalty;
- The collection of a subsidy and a reimbursable advance from BPI France in February 2020 (€3.3 million);
- The expected receipt of the Research Tax Credit for the 2019 financial year (€3.9 million);
- The cash consumption forecasted for 2020 and early 2021.

We identified the assessment of the Company's ability to continue as a going concern as a key audit matter because the assessment of going concern is dependent upon certain management assumptions and judgments and due to the inherent uncertainty involved in forecasting future cash flows.

How the matter was addressed in our audit

We obtained and assessed the relevance of the analysis performed by management on the Company's ability to continue as a going concern during the 12 months after the closing date.

- We gained an understanding of the process implemented to prepare the cash flow forecasts and estimated expenditures;
- We assessed the key assumptions used by management in the cash flow forecast, based on our understanding of the Company's business and future plans approved by the directors;
- We assessed the appropriateness of the related disclosures in the financial statements;
- We enquired of management whether there are circumstances or events which occurred since December 31, 2019, that might put into question the going concern assessment.

Classification of research and development expenses and general and administrative expenses in the consolidated statement of income (loss)

Note 2.7 to the consolidated financial statements

Key audit matter

The group has defined analytical functions "research and development expenses" and "general and administrative expenses" as indicated in Note 2.7 to the consolidated financial statements. Personnel expenses, investments, purchases and external charges are allocated to these functions. Research and development expenses and general and administrative expenses amount to 52,193 thousand euros and 17,164 thousand euros, respectively, for the year ended 31 December 2019.

The proportion of research and development expenses versus general and administrative expenses is a key indicator in the financial communication for biotechnology companies, therefore we consider this classification is a key audit matter.

How the matter was addressed in our audit

We gained an understanding of the procedures used by the group in order to allocate expenses to analytical functions.

For purchases and external charges, we selected a sample of invoices recorded during the year ended 31 December 2019 and we verified if the analytical allocation performed by the group was appropriate.

For personnel expenses, we verified the proper application of the procedure used by the group to allocate employees to analytical functions and we tested the analytical allocation of related personnel costs.

Share based payments

Note 3.3.3 to the consolidated financial statements

Key audit matter

The amount of share based payments expenses recorded in the consolidated financial statements for the year ended 31 December 2018, is 1.359 thousand euros.

As indicated in Note 3.3.3 to the consolidated financial statements, the group uses the Black & Scholes valuation model, the Cox-Ross-Rubinstein valuation model and the Monte-Carlo valuation model. These models require the use of data and assumptions with a high level of judgement from management, especially for market data at the grant date (volatility, expected dividends, repo margin), for the appraisal of a possible performance condition attached to warrants and for the recipient behavior assumptions (attrition rate).

Considering the high level of judgement and the complexity of the valuation models, we consider the valuation of share based payments is a key audit matter.

How the matter was addressed in our audit

- We gained an understanding of the valuation methodology used by the group;
- We considered the appropriateness of the valuation models used by the group for each kind of warrants as compared to models recommended by IFRS2 and those commonly used;
- We considered the appropriateness of assumptions used by the group for the expected dividend and the repo margin;
- We reperformed the calculation of historical volatility used in the valuation of warrants granted during the period;
- When applicable we reperformed simulations on the likelihood of the performance condition to be achieved;
- We considered the attrition rate compared to the past behavior of recipients;
- We reperformed the calculation of share based payment schemes granted during the period in order to compare it to the calculation performed by the group.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.



Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Erytech Pharma S.A. by the annual general meeting held on 24 June 2016 for KPMG S.A. and on 21 June 2019 for RSM Paris.

As at 31 December 2019, KPMG S.A. and RSM Paris were in the 4th year and 1st year of total uninterrupted engagement, which are the 4th year and 1st year since securities of the Company were admitted to trading on a regulated market, respectively.

Furthermore, KPMG Audit Rhône-Alpes-Auvergne, member of the KPMG network, was previously statutory auditor of the entity from 2010 to 2015, and KPMG S.A. was previously statutory auditor of the entity from 2004 to 2010. RSM Rhône-Alpes, member of the RSM network, was previously statutory auditor of the entity from 2014 to 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We



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also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon, on the 17 March 2020

Paris, on the 17 March 2020

The statutory auditors

French original signed by

Sara Righenzi de Villers
Partner

Jean-Charles Boucher
Partner