



KPMG Audit
51 rue de Saint-Cyr
CS 60409
69338 Lyon Cedex 9
France



Erytech Pharma S.A.

*Statutory auditors' report on the financial
statements*

For the year ended 31 December 2020
Erytech Pharma S.A.
60 avenue Rockefeller - 69008 -Lyon
This report contains 8 pages



KPMG Audit
51 rue de Saint-Cyr
CS 60409
69338 Lyon Cedex 9
France



*This is a translation into English of the statutory auditors' report on the 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: €2.118.641,60

Statutory auditors' report on the financial statements

For the year ended 31 December 2020

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 financial statements of Erytech Pharma S.A. for the year ended 31 December 2020.

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 31 December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

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 Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2020 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.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Going concern

Note 3.1 "General accounting conventions and principles" and Note 7.5 "Equity risks" to the financial statements

Key audit matter

As described in Note 3.1 "General accounting conventions and principles" and Note 7.5 "Equity risks" to the financial statements, the Company believes it will be able to fund its operations until the first quarter 2022.

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 43.0 million euros as of 31 December 2020. They are composed of cash and term deposits readily available without penalty;
- Shares sold under the at-the-market ("ATM") program in February 2021, for gross proceeds of 6.6 million euros;

- The issuance of a tranche of convertibles notes of 3.0 million euros in March 2021, as part of the financing agreement signed with Luxembourg-based European High Growth Opportunities Securitization Fund;
- The possibility of further use of this financing agreement allowing a potential fundraising up to a maximum of 42.0 million euros until June 2022, subject to the regulatory limit of 20% dilution, representing approximately 33.0 million euros based on the closing market price the day before the approval date of the financial statements (€7.10);
- The cash consumption forecasted for the year 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 amounts that could be drawn down by the Company from available sources of funding, including the OCABSA program, depending on the stock market price and subject to the regulatory limit of 20% dilution;
- 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 31 December 2020, that might put into question the going concern assessment.

Estimate related to the accrual for hospital costs incurred in connection with the clinical trials

Note 3.3 "Clinical trials" and Note 4.2.5 "Trade payables" to the financial statements

Key audit matter

As described in Note 3.3 "Clinical trials" and Note 4.2.5 "Trade payables" to the financial statements, judgment is required from management when estimating the accrual for hospital costs incurred in connection with the clinical trials sponsored by the Company. This accrual amounts to 10.8 million euros as of 31 December 2020.

Considering the material amount of the accrual for hospital costs and the level of judgement required, we consider this estimate is a key audit matter.

How the matter was addressed in our audit

- We gained an understanding of the process for estimating the accrual for hospital costs incurred in connection with the clinical trials;
- We assessed the adequacy of the calculation model and the key assumptions used by management, in particular for the nature of costs incurred in ongoing clinical trials, and the consistency with the clinical protocol of the trials;
- We corroborated data used by the company for the number of active sites, the number of randomized patients and the variable cost per patient with available data in the clinical department of the company and with the contracts signed with active sites;
- We verified the accuracy of the calculation performed to estimate the total amount of hospital costs incurred and the amount of the related accrual.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the documents with respect to the financial position and the financial statements provided to the Shareholders

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 with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*).

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-4, L22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified the 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 controlled companies included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements included in the Annual Financial Report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to the year beginning on or after 1st January 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier).

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 2020, KPMG S.A. and RSM Paris were in the 5th year and 2nd year of total uninterrupted engagement, which are the 5th year and 2nd 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 financial statements.

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 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 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 financial statements of the current period and which are therefore the key audit matters that we are required to describe in this 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 8 mars 2021

Paris, on the 8 March 2021

The statutory auditors

French original signed by

Stéphane Devin
Partner

Jean-Charles Boucher
Partner