

ERYTECH PHARMA

A French joint-stock company (*Société anonyme*) with share capital of €1,795,611.50
Registered office: 60 Avenue Rockefeller, 69008 Lyon
Lyon Trade and Companies Register 479 560 013 RCS
(the “Company”)

ADDITIONAL REPORT OF THE BOARD OF DIRECTORS FOLLOWING THE IMPLEMENTATION BY THE BOARD OF DIRECTORS ON JULY 28, 2020 OF THE DELEGATION GRANTED BY THE COMBINED SHAREHOLDER’S MEETING OF JUNE 26, 2020

We present you here below our additional report on the following transactions decided by the Board of Directors on July 28, 2020 regarding the delegation of authority granted by the combined shareholder’s meeting of June 26, 2020:

1. Warrants (BSA) issuance under the delegation granted by the combined shareholder’s meeting of June 26, 2020:

The combined shareholder’s meeting of June 26, 2020 had taken the following decision:

“Resolution n°32: AUTHORIZATION FOR 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

The General Shareholders’ Meeting, voting under the rules of quorum and majority required for Extraordinary Shareholders’ Meetings, and having reviewed the Board of Directors’ Report and the Statutory Auditors’ special report,

– terminates, with immediate effect, the unused portion of the delegation given by the General Shareholders’ Meeting of June 21, 2019 in its thirty second resolution;

– authorizes the Board of Directors to decide to increase the share capital once or several times in the proportions and at the times that it deems fit, by issuing warrants under the terms and conditions below and in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-138 and L. 228-91 et seq. of the French Commercial Code.

The beneficiaries must be employees or corporate officers of the Company or of French or foreign companies or groups related to it in the meaning of Article L. 225-180 of the French Commercial Code, or certain categories among them.

The total number of options that may be granted under this resolution may not confer entitlement to subscribe or purchase a number of shares in excess of 100,000 shares, provided that the total nominal amount of capital increases likely to result from this resolution may not exceed (i) the 900,000 share ceiling for all of the issues likely to be carried out under the 30th to 32th resolutions submitted to this General Shareholders’ Meeting, and lastly (ii) that these ceilings are set without taking into account the nominal amount of common shares of the Company that may be issued in the future for legal or contractual adjustments made to protect those holding rights attached to the securities convertible to common shares.

This authorization is granted for an 18-month period starting from the day of this General Shareholders' Meeting.

The General Shareholders' Meeting takes note of and decides, where applicable, that this authorization shall act as an express waiver by shareholders of their preferential subscription rights to which the warrants issued entitle, for those who hold warrants issued under this resolution.

The General Shareholders' Meeting confers all powers to the Board of Directors, which may be assisted by a committee comprising members of its choice, in order to carry out the following, within the limits set forth above:

- establish the list of beneficiaries within the category of beneficiaries previously mentioned, for which preferential subscription rights have been eliminated;*
- approve the features, amounts and terms and conditions of any issue, as well as terms and conditions for paying up securities issued, provided that a warrant shall entitle the right to subscribe a Company share; notably*
- determine the number of warrants to issue for each beneficiary and set the subscription price and entitlement date for those warrants according to the information contained in its report, provided that the amount owed to the Company for each of the shares issued under this delegation shall be at least equal to the volume weighted average closing share price recorded during a period of no less than five consecutive trading days to no more than thirty consecutive trading days from the thirty trading days prior to setting the subscription price, potentially discounted by a maximum of 5% at the time the warrants are granted.*

The Board of Directors may, within the limits that it sets in advance, delegate to the Chief Executive Officer or, with the agreement of the latter, to one or more Chief Operating Officers, the power that is granted to it under this resolution.

The Board of Directors shall inform the General Shareholders' Meeting of transactions carried out under this resolution every year".

Within the BSA₂₀₂₀ Plan, the Board recalls that the Company has consulted a reference audit firm in order to receive assistance in the BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ valuing and specifically their subscription price in order to establish the BSA' market value in compliance with IFRS international standards and according to the Black & Sholes method.

The Board of Directors of July 28, 2020 implemented the aforementioned authorization in the following terms:

"IMPLEMENTATION OF THE DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS BY THE COMBINED GENERAL MEETING OF JUNE 26, 2020 AND DECISION TO ISSUE AND GRANT WARRANTS (BSA₂₀₂₀)"

The Chairman noted that the Combined General Meeting of June 26, 2020, delegated to the Board of Directors in Resolution thirty-second the necessary powers to grant, on one or more occasions, detachable ordinary stock subscription warrants granting the right to subscribe up to 100,000 common shares in the Company, to employees or corporate officers of the Company or of French or foreign companies or groups related to it within the meaning of Article L.225-180 of the French Commercial Code, or certain categories of them, it being specified that the total nominal amount of capital increases resulting from that delegation should not exceed 900,000 common shares, which shall be an overall

combined ceiling covering all awards of free share plans, share subscription warrants and share subscription and/or purchase options approved by the Board of Directors.

The Chairman proposes his intention to the Board of Directors to make use of the delegation granted to him and to adopt the provisions of the terms and conditions for BSA₂₀₂₀ (the "**Terms and Conditions for BSA₂₀₂₀**") and to issue and award a total of 15,000 BSA (the "BSA₂₀₂₀₋₂₈₀₇₂₀₂₀")

The Chairman notes the main provisions of the BSA₂₀₂₀ Terms and Conditions prepared in accordance with the authorization by the Combined General Meeting of June 26, 2020, and in particular, specified the following:

- **Allocation price of the BSA₂₀₂₀:** BSA₂₀₂₀ will be subscribed upon payment of a subscription price as determined by the issuance decision, on the basis of their fair market value price, of the board of directors or, as the case may be, of the Chief Executive Officer acting upon delegation granted by the Board
- **Exercise price of BSA₂₀₂₀:** each common share in the Company subscribed when exercising the BSA₂₀₂₀ will have a subscription price, issue premium included, equal to the maximum of (i) the closing price of the Company's stock on the day preceding the date of allocation of the BSA₂₀₂₀ and the (ii) the volume-weighted average closing price of the stock recorded over a period of at least five consecutive trading days as chosen by the Board of Directors or Chief Executive Officer to at most thirty consecutive trading days out of the thirty trading days prior to the setting of the exercise price, possibly less a 5% discount.
- **Exercise schedule:** the BSA₂₀₂₀ may be exercised by each warrant holder at the expiration of a twenty-four (24) months period following the date of the Board of Directors' meeting or, as the case may be, of the decision of the Chief Executive Officer acting upon delegation of the Board, having granted the BSA₂₀₂₀ to said holder.

After deliberation, the Board of Directors unanimously:

decides to adopt the "**Terms and Conditions for BSA₂₀₂₀**" presented by the Chairman and shown in Appendix 5 of these minutes,

decides to issue 15,000 BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ under the conditions defined below and under the Terms and Conditions for BSA₂₀₂₀

decides to grant 15,000 BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ to the persons and in the proportion indicated in Appendix 6 of these minutes;

approved, in accordance with Article 4.1 of the Terms and Conditions for BSA₂₀₂₀, a subscription price of €1,63 for the common shares in the Company entitled by the BSA₂₀₂₀₋₂₈₀₇₂₀₂₀;

approved, in accordance with Article 4.4 of the Terms and Conditions for BSA₂₀₂₀, an exercise price of €6,97 for the common shares in the Company entitled by the BSA₂₀₂₀₋₂₈₀₇₂₀₂₀;

decided to issue up to 15,000 common shares to service the BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ issued, corresponding, at par value, to a maximum capital increase of € 1,500;

specified that pursuant to Articles L. 228-91 and L. 225-132 of the French Commercial Code, this decision benefits holders of BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ by requiring existing shareholders to waive their preferential subscription rights to the common shares servicing the BSA₂₀₂₀₋₂₈₀₇₂₀₂₀;

***decides** that the Board of Directors will always be able to amend the terms and conditions of the exercise of some or all of the BSA₂₀₂₀ to make them more favorable to the beneficiary concerned;*

***granted** all powers to the Chief Executive Officer, including the option to sub delegate, to sign and accept all documents relating to the allocation of the 15,000 BSA₂₀₂₀₋₂₈₀₇₂₀₂₀, subject to the aforementioned terms and conditions;*

***noted** that, due to these allocations, the number of shares of the Company which may be issued under authorizations granted to the Board of Directors by the Combined General Meeting on June 26, 2020 is 85,000, it being specified that only 260,988 shares may effectively be issued, due to the limit of 900,000 common shares applicable to issues likely to be performed under the share subscription warrants plan approved by the Board of Directors”.*

The impact of this issuance on shareholders' equity is detailed in Appendix 1 of this report.

2. Company' business and activities

The Company continues the clinical development programs as planned.

Chairman of the Board of Directors
Jean-Paul Kress

APPENDIX 1

Impact of the issuance on holders of shares and securities giving access to the capital

Calculations are based on an accounting situation as at June 30, 2020

The impact of the capital increase on holders of shares and securities giving access to the capital of the Company are detailed hereinafter.

TABLES OF IMPACT

Impact of the issuance on the share of shareholder's equity

	Accounting situation as at June 30, 2020	After exercise of 15,000 BSA ₂₀₂₀₋₂₈₀₇₂₀₂₀ (at an exercise price of € 6,97 and subscription price of € 1,63)	In event of the exercise of dilutive instruments existing as at July 28, 2020 giving entitlement to 2,214,523 additional potential shares
Amount of shareholders' equity	€ 74,561,723	€ 74,690,723	€ 88,212,809
Total number of shares	17,956,115	17,971,115	20,170,638
Portion per share in euro (rounded)	€ 4,15	€ 4,16	€ 4,37

Impact of the issuance for existing shareholders (dilution)

The impact of the issuance of 15,000 BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ on a shareholder holding 1% of the share capital of the Company is the following:

Shareholder' stake	Non-diluted basis	Diluted basis*
Before issuance of 15,000 new shares resulting from the exercise of 15,000 BSA ₂₀₂₀₋₂₈₀₇₂₀₂₀	1,000%	0.891%
After issuance of 15,000 new shares resulting from the exercise of 15,000 BSA ₂₀₂₀₋₂₈₀₇₂₀₂₀	0,999%	0.890%
In the event of existing shares acquisition (with no new shares issuance)	1,000%	0,891%
In the event of treasury shares' use by the Company as at June 30, 2020 (2,500 shares) and issuance of 12,500 new shares (15,000 - 2 500)	0,999%	0,890%

*In the event of the exercise of dilutive instruments as at July 28, 2020 and entitling to the allotment of 2,214,523 potential additional shares.

Theoretical impact on stock-market value

The theoretical impact of the shares issuance following the 15,000 BSA₂₀₂₀₋₂₈₀₇₂₀₂₀ exercise on the current share market value as resulting from the average of the twenty trading sessions preceding July 28, 2020 is the following:

	Before share issuance	After share issuance
Amount of shares	17,956,115	17,971,115
Market capitalization	€ 110,950,834.59	€ 111,043,519.59
Share market value	€ 6,179	€ 6,179