

ERYTECH PHARMA

A limited liability company (*société anonyme*) with a share capital of €2,005,756.20
Registered office: 60, avenue Rockefeller – 69008 Lyon
Lyon Trade and Companies Register No. 479 560 013 LYON
(the “**Company**”)

ADDITIONAL REPORT OF THE BOARD OF DIRECTORS FOLLOWING THE IMPLEMENTATION BY THE BOARD OF DIRECTORS OF THE DELEGATION GRANTED BY THE TWENTY-FIFTH RESOLUTION OF THE COMBINED SHAREHOLDER’S MEETING OF JUNE 21, 2019

Dear Shareholders,

The Chief Executive Officer, by his decision dated June 24, 2020, acting by sub-delegation, of the Board of Directors on June 8, 2020, in accordance with the delegation granted by the Extraordinary Shareholders' Meeting of June 21, 2019, proceeded with the issue of convertible notes into new share with share warrants attached for the benefit of European High Growth Opportunities Securitization Fund, an entity related to Alpha Blue Ocean Inc.

It is specified that, in accordance with the instructions of the Board of Directors, the Chief Executive Officer has reported to the Board on the terms and conditions of the implementation of the sub-delegation granted to him on June 8, 2020, pursuant to paragraph 4 of Article L. 225-129-4 of the French Commercial Code.

This report has been prepared in accordance with Articles L. 225-129-5, R. 225-115 and R. 225-116 of the French Commercial Code following the use of this delegation by (i) the Board of Directors on June 8, 2020 and (ii) by the Chief Executive Officer in his decision dated June 24, 2020, and describes the final terms and conditions of the transaction and provides an assessment of the effective impact of the transaction on the situation of the Company's shareholders. The impact of the issue on the share of shareholders' equity and on the position of shareholders is set out in Appendix 1.

1. Delegation of the AGM to the Board of Directors dated June 21, 2019

The Board of Directors recalls that the General Shareholders' Meeting, in its twenty-fifth resolution, granted the Company's Board of Directors an 18-month authorization to increase the share capital by issuing ordinary shares or securities convertible to shares with preferential subscription rights waived for the benefit of certain categories of investors (the "**Twenty-Fifth Resolution**").

The Board of Directors indicates that under the terms of the Twenty-Fifth Resolution, the AGM decided, inter alia, that :

“The General Shareholders’ Meeting, voting under the rules of quorum and majority required for Extraordinary General Shareholders’ Meetings, after having read the Board of Directors’ report and the Statutory Auditors’ special report, in accordance with Articles L. 225-138 and L. 225-129-2 of the French Commercial Code:

- terminates, with immediate effect, the unused portion of the delegations granted by the thirty sixth resolution of the General Shareholders' Meeting of June 28, 2018,
- delegates the authority to the Board of Directors, which may further delegate such authority as provided by law, to decide to increase the share capital a maximum nominal amount of EUR 1,000,000 one or more times, at the time(s) it sets forth and in the proportion it deems fit (provided that (i) a portion of the ceiling is shared with the ceiling set forth in the twenty-first resolution and deducted from it, and that (ii) the total nominal amount of capital increases likely to result from this resolution, as well as twentieth to twenty-seventh resolutions submitted to this General Shareholders' Meeting, may not exceed the total ceiling of EUR 1,300,000 set forth in Resolution 20 by issuing shares as well as any other securities convertible to shares to be issued immediately or in the future by the Company.

The General Shareholders' Meeting decides that the marketable securities providing access to common shares to be issued by the Company either immediately or in the future that have already been issued may consist of debt securities or warrants or may be associated with the issue of such securities, or allow the issue as intermediate securities. The maximum nominal value of such debt securities may not exceed EUR 150,000,000 or the equivalent of that amount on the date of the decision to issue; (i) this amount does not include redemption premiums above par, if any, and that (ii) this amount is an overall ceiling covering all debt securities that may be issued under the twentieth to twenty-seventh resolutions submitted to this General Shareholders' Meeting. The General Shareholders' Meeting decides to remove shareholders' preemptive subscription rights to these common shares and marketable securities for this resolution and accord the right to subscribe to:

- i. physical and legal persons, including companies, trusts or investment funds, organized under French or foreign law, that habitually invest in the pharmaceutical, biotechnological or medical technology sector; and/or
- ii. companies, institutions or entities of any type, French or foreign, that exercise a significant part of their business in the pharmaceutical, cosmetic, chemical or medical devices and/or technologies or research in these sectors; and/or
- iii. French or foreign investment services companies, or any foreign firm with an equivalent status, that could guarantee to carry out an issue to be placed with the persons described in (i) and/or (ii) above, and, in this context, to subscribe to securities that are issued.

If the subscriptions, including those made by shareholders, where applicable, do not result in the purchase of the entire issue, the Board of Directors may limit the issue to the amount of subscriptions, provided that it is at least three-quarters of the decided issue, and/or to freely allocate all or some of the unsubscribed shares to the individuals of its choice.

This delegation shall act as a waiver by shareholders of their preferential subscription rights to shares to which the issued marketable securities will entitle, for those shareholders who hold marketable securities providing access to the Company's capital.

The General Meeting resolves that the Board of Directors will have full authority, and may further delegate such authority in accordance with the law, to implement this resolution, and in particular determine the list of beneficiaries from within the aforementioned category of investors who will benefit from the waiver of preferential subscription rights, including the features, amount and terms and conditions of any issue as well as the type of securities to be issued. In particular, it shall determine the number to be issued to each beneficiary and shall

define the subscription price of said securities, their entitlement date, as well as the duration, or the terms and conditions under which the marketable securities issued under this resolution will provide access to common shares to be issued by the Company, where applicable, given the instructions contained in its report. Any amount owed to the Company for each of the:

a) shares issued under this delegation of authority will be determined by the Board of Directors and at least equal, at the Board's discretion, at the closing price of the Company's share on the regulated Euronext Paris stock market at the last trading session preceding its being set or the volume-weighted average price (in the central order book and excluding off-market blocks) of the Company's share prices on the regulated Euronext Paris stock market from the three trading sessions preceding the date that the issue price was set. This average may be adjusted for differences in the entitlement date, where applicable, and may potentially be discounted by a maximum of 20%;

b) marketable securities issued under this delegation will be such that the amount received immediately by the Company plus any amount likely to be received subsequently by the Company, where applicable, be at least equal to the amount listed in paragraph "a)" above, for each common share issued as a result of the issue of these marketable securities.

The General Meeting resolves that the amount of any additional capital increases necessary to protect the rights of holders of securities giving access to Company capital shall be added to the EUR 1,000,000 amount defined above.

In accordance with Article L. 225-138 of the French Commercial Code, the Board of Directors will prepare a report for the next Ordinary General Shareholders' Meeting describing the definitive terms and conditions of the transactions completed, in accordance with this resolution.

The authorization thus granted to the Board of Directors is valid for a period of 18 months from the date of this General Shareholders' Meeting.

2. Decisions of the Board of Directors dated June 8, 2020

On June 8, 2020, the Board of Directors authorized the principle of an issue with cancellation of preferential subscription rights reserved for European High Growth Opportunities Securitization Fund (the "**Investor**"), an affiliate of Alpha Blue Ocean Inc, belonging to the category of investors defined in the 25th resolution of the Shareholders' Meeting (the "**Transaction**") of free note warrants (the "**Note Warrants**") giving access to notes convertible into new and/or existing shares of the Company (the "Note Shares") and/or redeemable in cash (the "**Notes**") for a maximum aggregate amount of approximately EUR 60,000,000, upon exercise of the Notes, and within the limit of 10,000,000 underlying shares. Share subscription warrants (*bons de souscription d'actions*) would also be attached to the Notes issued under a number of tranches to be determined and would be detached from the corresponding Notes as from their respective issue date and exercisable at any time during a period of five years (the "**Warrants**"). A Warrant would allow to purchase one (1) ordinary share, par value €0.10 per share (each, an "**Ordinary Share**") (as exercised, collectively the "**Warrant Shares**" together with the Note Shares, the "**New Shares**").

At this meeting, the Board of Directors also decided :

- (i) to approve the principle of the Transaction as presented above by the Chairman;

- (ii) to sub-delegate to the Chief Executive Officer its authority to decide (i) the issuance reserved for specified categories of investors under the provisions of Article L. 225-138 of the French Commercial Code of free Note Warrants giving access to Notes for an aggregate nominal amount of approximately EUR 60,000,000, upon exercise of the Note Warrants in several tranches and, as the case may be, with Warrants attached to such Notes (ii) the successive capital increases of the New Shares, as the case may be, of a total maximum nominal value of EUR 1,000,000 upon conversion of the Notes and exercise of the Warrant, it being specified that such amount shall not take into account the nominal value of the ordinary shares to be issued in order to preserve the rights of holders of securities giving access to the issued capital or capital to be issued, in accordance with the legal and regulatory provisions and the contractual stipulations providing for other cases of adjustment where appropriate;
- (iii) that the Note Warrants will be issued for the benefit of the Investor;
- (iv) that the New Shares that may be issued in connection with the conversion of the Notes and the exercise of the Warrants, as the case may be, will be admitted to trading on compartment C of Euronext Paris on the same quotation line as the existing ordinary shares of the Company, €0.10 nominal value per share, it being specified that the Note Warrants, the Notes and the Warrants will not give any right to any request to be admitted for trading and negotiations on a regulated or non-regulated market;
- (v) to grant full powers to the Chief Executive Officer, with the option to sub-delegate such powers in accordance with applicable laws and regulations, to sign, in the name and on behalf of the Company, any deed, agreement, understanding or document necessary or useful for the final completion of the Transaction (including the execution of the Issuance Agreement), to prepare, negotiate, finalize and execute any related documents, to carry out all necessary formalities and filings, including with the AMF for the purpose of notably the Press Release and the French Listing Prospectus, and, more generally, to take all necessary measures to ensure that the Note Warrants, the Notes, the Warrants and the New Shares, as the case may be, are issued in accordance with applicable laws and regulations; and
- (vi) to grant the Chief Executive Officer all necessary powers to decide to carry out, on one or more occasions, the Transaction, in accordance with the conditions and limits set by the 25th resolution of the Meeting and by the present decision of the Board, including the power to postpone the Transaction, depending on market conditions, and in particular:
 - to determine the definitive list of beneficiaries belonging to the category of investors defined in the 25th resolution of the Meeting, the preliminary and final terms and conditions of the Transaction, in particular the contemplated calendar and the final terms and conditions of the Note Warrants, the Notes and the Warrants, the issue price of each security, the conversion price for the Notes, the number and nominal amount of the Notes to be issued upon exercise of the Note Warrants and of the Warrants, as well as the total nominal amount of the capital increases that may be implemented in the event of conversion of the Notes and exercise of the Warrants into new ordinary shares capital, the maturity of the Notes and its redemption method, subject to the aforementioned conditions and limits, as well as prepare and sign any document

relating to the admission to trading on Euronext Paris of the New Shares that may be issued,

- to set the date, even retroactively, of the potential New Shares to be issued;
- to determine at its sole discretion, in the event of exercise of the conversion or exchange option by any holder of Notes, whether to issue new shares or to deliver existing shares held by the Company, to proceed with the acquisition of the Company's shares within the limits set by the applicable resolutions of the general shareholders' meeting relating to the authorization granted by the general shareholders' meeting to the Board of Directors to trade in the Company's shares, in accordance with the law and regulations, and to determine at its sole discretion the source of the existing shares to be delivered,
- to set the terms and conditions under which the rights of the holders of Notes and of Warrants, as the case may be, will be preserved, if applicable,
- to proceed, as the case may be, with the deduction of all fees and expenses of any kind relating to this Transaction and the subsequent capital increases, as the case may be, from the share issue premium,
- to finalize the terms of the report provided for in Articles L.225-129-5 and R.225-116 of the French Commercial Code,
- to take any decision in view of the admission to trading on Euronext Paris on the same listing line as the Company's existing ordinary shares of the New Shares, as the case may be, and
- generally, take all appropriate measures for the issuance and the acknowledgment of the capital increase(s) resulting from the exercise of the Warrants and the conversion of the Notes, amend the bylaws accordingly and carry out all formalities for the purpose of the completion of the potential capital increases.

3. Decision of the Chief Executive Officer dated June 24, 2020

On June 24, 2020, the Chief Executive Officer decided to make use of the Delegation granted under the terms of the Twenty-Fifth Resolution and the sub-delegation granted by the Board of Directors on June 8, 2020 pursuant to Article L. 225-129-4 of the French Commercial Code and, consequently a :

- decided the consecutive issue of 1,200 free Note Warrants to the benefit of the Investor, in accordance with the limits set by the 25th resolution of the Shareholders' Meeting and the decisions of the Board of Directors, it being specified that the Note Warrants will not be the subject of a request for admission to trading on Euronext Paris and that they will be issued in registered form and recorded in the accounts of the intermediary authorized by the Company, CM-CIC Banque Transatlantique ("**CM-CIC**"), in the name of the Investor ;

- decided that the maximum number of New Shares that may be issued upon conversion of the Notes and exercise of the Warrants will not exceed the limit of 10,000,000 shares in accordance with the limits set by the 25th resolution of the General meeting, it being specified that it is initially provided that the number of New Shares shall remain below the threshold of 20% of the Company's ordinary shares of the same class already admitted to Euronext Paris over a rolling 12-month period, the New Shares issued above this threshold being subject to an admission prospectus submitted for approval by the AMF
- decided that the Notes Warrants may be exercised in tranches within a period of 24 months from their issuance, i.e. until June 24, 2022 ;
- decided that (i) the Notes Warrants shall oblige their holder, upon request of the Company, to subscribe for a tranche of OCABSAs (as defined below) per exercise of 60 Notes Warrants, or 30 Notes Warrants in the event that the capitalization of the Issuer is less than 50 million euros during 20 consecutive Trading Days (as defined in the Issuance Agreement) (a "**Market Event**"), it being specified that this reduction in the size of the tranches, which may only be carried out at the request of the Investor, will be automatically cancelled if this threshold is again exceeded without any duration condition, under the conditions described in the Issue Agreement and (ii) each exercise of a tranche will give rise to the issue of 60 Notes (or 30 Notes in the event of a Market Event), to which are attached warrants (together the "**OCABSA**");
- decided that the Notes will be issued at zero coupon upon exercise of the Notes Warrants, in one or more tranches of 60 Notes corresponding to a total nominal value of 3 million euros (or 30 Notes with a total nominal value of 1.5 million euros in the event of a Market Event), 60 million in the event of full exercise of the Notes Warrants and that each Note will have a par value of 50,000 euros with a maturity of 12 months, it being specified that the Notes will not be the subject of a request for admission to trading on Euronext Paris and that they will be issued in registered form and recorded in the accounts of CM-CIC, in the name of the Investor;
- decided that (i) the number of Warrants and the exercise price of the Warrants will be set on the date of the drawdown of the first tranche and that the total number of New Shares to be issued by the Company to the holder of the said Warrants in the event of exercise of all the Warrants will be equivalent to 10% of the total nominal amount of the Notes to be issued divided by the exercise price of the Warrants, (ii) each Warrant will be detached from the Notes as soon as it is issued and may be exercised by its holder for a period of five years as from this date, knowing that the warrants not exercised at the end of this period will automatically lapse and will lose all value, and will give the right to subscribe to a New Share of the Company, subject to possible legal adjustments, it being specified that the warrants will not be the subject of a request for admission to trading on Euronext Paris and that they will be issued in registered form and recorded in the accounts of CM-CIC, in the name of the Investor;
- resolves that the Notes Warrants, the Notes and the Warrants may not be sold without the prior agreement of the Company, with the exception of sales to affiliates of the Investor;

- consequently decides to determine the main characteristics, terms and financial conditions of the Notes Warrants, Notes, Warrants and Potential New Shares, in accordance with the terms of the Issuance Agreement

An additional report from your Statutory Auditor is also submitted to you, under the terms of which he has verified the conformity of our decisions with the authorization you have granted us.

In accordance with applicable laws and regulations, this report is immediately made available to shareholders at the Company's registered office and brought to their attention at the next shareholders' meeting.

The Chairman of the Board

APPENDIX 1:

IMPACT OF THE TRANSACTION ON THE COMPANY'S SHAREHOLDERS

The impact of the issue and conversion of the Notes and the exercise of the Warrants on the situation of holders of equity securities and securities giving access to the Company's capital is described below.

INCIDENCE TABLES

Impact of the issue and conversion of the Notes and the exercise of the Warrants on the share of shareholders' equity

The impact of the issuance and conversion of the Notes and the exercise of the Warrants on the Company's share of shareholders' equity per share (calculated on the basis of shareholders' equity at December 31, 2019¹ and the number of the Company's shares at June 24, 2020 excluding treasury shares) is as follows

	Share of equity per share (in euros)	
	Non-diluted basis	Diluted basis ²
Before issuance of new shares resulting from the conversion of all the associated Notes and Warrants	€6,07	€6,14
After issuance of 7,242,878 new shares from the conversion of all Notes ³	€6,71	€6,72
After issuance of 7,242,878 new shares resulting from the conversion of all the Notes and issuance of 573,394 new shares upon exercise of all the associated Warrants ⁴	€6,79	€6,80

¹ At the close of the last financial year or, if the close is more than 6 months earlier, in view of the interim financial situation (art. R. 225-115 Ccom)

² The calculations are based on the assumption that all share subscription warrants (BSA), founders warrants (BSCPE) and stock options will be exercised and that all bonus shares granted will vest.

³ Based on a conversion price equal to the par value of the ordinary share, i.e., 0.10 euro, and a bid price equal to 8.72 euro. This dilution is without prejudice to the final number of shares to be issued or their issue price, which will be determined on the basis of the share price.

Impact of the issue and conversion of the Notes and the exercise of the Warrants on the shareholders' situation

The impact of the issue and conversion of the Notes and the exercise of the Warrants on the equity interest of a shareholder holding 1% of the Company's share capital and not subscribing to the Company (calculations based on shareholders' equity at December 31, 2019 and the number of shares of the Company at June 24, 2020 excluding treasury shares) is as follows:

	Share of capital (%)	
	Non-diluted basis	Diluted basis ⁴
Before issuance of new shares resulting from the conversion of all the associated Notes and Warrants	1,00 %	0,92 %
After issuance of 7,242,878 new shares from the conversion of all Notes ⁵	0,71 %	0,67 %
After issuance of 7,242,878 new shares resulting from the conversion of all the Notes and issuance of 573,394 new shares upon exercise of all the associated warrants 573,394 new shares upon exercise of all the associated warrants	0,70 %	0,66 %

⁴ The calculations are based on the assumption that all share subscription warrants (BSA), founders warrants (BSCPE) and stock options will be exercised and that all bonus shares granted will vest.

⁵ Based on a conversion price equal to the par value of the ordinary share, i.e., 0.10 euro, and a bid price equal to 8.72 euro. This dilution is without prejudice to the final number of shares to be issued or their issue price, which will be determined on the basis of the share price.

Impact of the issuance and conversion of the Notes and the exercise of the Warrants on the current stock market value

The theoretical impact of the issue and conversion of the Notes and the exercise of the warrants on the current market value of the Company's shares as determined by the average of the last twenty trading sessions preceding the use of the delegation is as follows

	Current market value (in euros)	
	Non-diluted basis	Diluted basis ⁶
Before issuance of new shares resulting from the conversion of all the associated Notes and Warrants	€152,151,140	€165,501,233
After issuance of 7,242,878 new shares from the conversion of all Notes	€213,523,666	€226,873,758
After issuance of 7,242,878 new shares resulting from the conversion of all the Notes and issuance of 573,394 new shares upon exercise of all the associated warrants upon 573,394 new shares upon	€218,382,324	€231,732,417

⁶ The calculations are based on the assumption that all share subscription warrants (BSA), founders warrants (BSCPE) and stock options will be exercised and that all bonus shares granted will vest.