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Free translation of the original report entitled "Rapport du Commissaire à la fusion sur la valeur des apports" dated May 15, 2023. In case of discrepancies in translation or interpretation between English and French versions, only the French version shall prevail.

ERYTECH PHARMA

Limited company (*société anonyme*) with a Board of Directors and capital of
€3,101,855.30
60, avenue Rockefeller
69008, Lyon, France
Lyon Trade and Companies Register no. 479 560 013

Merger by absorption of PHERECYDES PHARMA by ERYTECH PHARMA

**Merger Auditor's report
on the value of the contributions**

*Order of the Presiding Judge
of the Commercial Court of Lyon
of February 28, 2023*



**Merger Auditor's report
on the value of the contributions to be made by PHERECYDES PHARMA to
ERYTECH PHARMA**

Dear Sir or Madam,

In accordance with the assignment entrusted to us by the Presiding Judge of the Commercial Court of Lyon on February 28, 2023, with regard to the merger by absorption of PHERECYDES PHARMA by ERYTECH PHARMA, we hereby report on the value of the contributions provided for by Articles L.236-10 and L.225-147 of the French Commercial Code, it being specified that our assessment of the fairness of the exchange ratio is the subject of a separate report.

The net assets contributed by PHERECYDES PHARMA to ERYTECH PHARMA were set out in the draft merger agreement signed by the representatives of the companies concerned on May 15, 2023 (hereafter the "Merger Agreement").

It is our responsibility to reach a conclusion as to whether the value of the contributions is not overvalued. To this effect, we carried out our procedures according to the professional standards issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) applicable to this assignment. These professional standards require that due diligence be performed to assess the value of the contributions, to ensure that it is not overvalued and to verify that it corresponds at least to the nominal value of the shares to be issued by the Acquiring Company, plus the merger premium.

As our assignment will end at the date this report is delivered, it is not our responsibility to update it in order to take into account events and circumstances occurring after its date of signature.

At no time did we find ourselves in any of the situations of incompatibility, prohibition or forfeiture provided for by law.

We specify that this report, prepared within the framework of French regulations, does not confer any right under any other law or regulation, even if the Merger is open to shareholders residing in other countries and in particular in the United States.



Please find our observations and conclusions below, presented in the following order:

1. Overview of the proposed operation and description of the contributions
2. Procedures carried out and assessment of the value of the contributions
3. Summary – Key points
4. Conclusion



1. Overview of the proposed operation and description of the contributions

1.1 Context of the operation

ERYTECH PHARMA (hereinafter “ERYTECH” or the “Acquiring Company”) is a clinical-stage biotechnology company developing innovative therapies based on internal research and development programs, to treat patients with diseases in therapeutic areas whose needs are currently not being met, mainly based on red blood cells.

PHERECYDES PHARMA (hereinafter, “PHERECYDES” or the “Acquired Company”) is a clinical-stage biotechnology company developing innovative treatments based on internal research and development programs, to treat patients with diseases in therapeutic areas whose needs are currently not being met, mainly based on bacteriophages.

On February 15, 2023, ERYTECH and PHERECYDES signed a memorandum of understanding (hereinafter, the “MoU”) for the planned merger by absorption of PHERECYDES by ERYTECH (hereinafter, “the Merger”).

On the same date, certain PHERECYDES shareholders undertook to contribute, prior to the completion of the Merger and in accordance with the support commitments entered into when the MoU was signed, a portion of their PHERECYDES shares to the Acquiring Company, in exchange for newly issued ERYTECH shares, according to the same exchange ratio as for the Merger.

The Merger is part of a strategic combination with the aim of creating a global leader in phagotherapy. It aims to leverage the financial resources and teams of PHERECYDES and ERYTECH to simultaneously accelerate and expand PHERECYDES’ existing phagotherapy development programs, launch new candidate phages and potentially broaden the scope of application of new therapeutic modalities by using advanced technological platforms and the expertise of both companies.

The financial visibility of the merged entity would last until the third quarter of 2024, with a consolidated cash position of around €41 million as at December 31, 2022, and would enable the financing of multiple clinical stages of some of its existing and future programs.

When the Merger is complete, the former PHERECYDES shareholders will hold around 49.0% of the merged entity.



1.2 Presentation of the companies involved in the operation

1.2.1 ERYTECH, the Acquiring Company

ERYTECH is a limited company (*société anonyme*) whose registered office is located at 60, avenue Rockefeller, Lyon (69008), France. It has been entered in the Lyon Trade and Companies Register since November 22, 2004 under number 479 560 013.

Its share capital currently amounts to €3,101,855.30, divided into 31,018,553 shares, each with a nominal value of €0.10, fully paid up and all of the same class.

ERYTECH PHARMA's shares are listed on the Euronext Paris market under ISIN code FR0011471135 and on the Nasdaq Securities Market LLC in the form of American Depositary Shares.

According to its articles of association, ERYTECH has the corporate purpose, “*in France and in any country, of:*

- *the research, manufacture, import, distribution, and marketing of experimental drugs, drugs, devices, and medical 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.” »*

The financial year begins on January 1 and ends on December 31 of each year.

1.2.2 PHERECYDES, the Acquired Company

PHERECYDES is a limited company with its registered office at 22, boulevard Benoni Goullin in Nantes, France (44200). It has been entered in the Nantes Trade and Companies Register since March 23, 2010, under number 493 252 266.

Its share capital currently amounts to €7,939,179, divided into 7,939,179 shares, each with a nominal value of €1.00, fully paid up and all of the same class.



The shares of PHERECYDES are admitted to trading on the Euronext Growth multilateral trading facility, under ISIN code FR0011651694.

According to its articles of association, PHERECYDES has the corporate purpose of: “*in France and abroad:*

- *Developing know-how and obtaining patents and licenses in the field of biology and medicine;*
- *and more generally in the field of life sciences, on its own behalf or on behalf of third parties, with a view to marketing and distributing its products, as well as any service activity related to the field of life sciences;*
- *And, generally, all financial, commercial, industrial, securities and real estate transactions that may be directly or indirectly related to the above purpose or to any similar or related purposes, likely to promote its extension or development, including any agreement of any kind with manufacturers or investors.” »*

The financial year begins on January 1 and ends on December 31 of each year.

1.2.3 Capital ties between the Acquired Company and the Acquiring Company

As at the date of the Merger Agreement, no capital ties exist between the Acquiring Company and the Acquired Company.

However, it should be noted that, prior to the date of signature of the Merger Agreement, certain shareholders of the Acquired Company and the Acquiring Company entered into a contribution agreement, under which the aforementioned shareholders of the Acquired Company undertook to contribute 827,132 ordinary shares, i.e. around 10.42% of the capital of PHERECYDES, to ERYTECH, as set forth in Article 10.1 of the Merger Agreement. In light of this, as a Contribution Auditor, we have drawn up two reports, one on the value and the other on the remuneration of the contributions in kind. As at the date of the Merger Agreement, this prior contribution has not yet taken place.



1.3 General terms and conditions of the operation

The terms and conditions of the Merger, which are described in detail in the Merger Agreement signed by the parties on May 15, 2023 (please see this document for more information), can be summarized as follows.

1.3.1 Key characteristics of the Merger

Completion date and effective date for accounting and tax purposes

The final completion date of the Merger and of the capital increase of the Acquiring Company will be the date of fulfillment of the last of the conditions precedent set out in Article 16 of the Merger Agreement (hereinafter, the “Completion Date”).

The Acquiring Company will be the owner of the asset and liability items contributed by the Acquired Company, including any omitted either in the draft Merger Agreement or in the accounts of the Acquired Company, as of the Completion Date, and the assets of the Acquired Company will be transferred to the Acquiring Company in their present condition on that date.

Completion of the Merger will entail the dissolution without liquidation of the Acquired Company and the universal transfer of its assets to the Acquiring Company.

From an accounting and tax standpoint, the Merger will take effect retroactively on January 1, 2023 (hereinafter, the “Effective Date”). Consequently, the results of all operations relating to assets and liabilities, carried out by the Acquired Company as from January 1, 2023 until the Completion Date, will be exclusively for the benefit of or at the expense of the Acquiring Company and will be deemed to have been carried out by the Acquiring Company.

Legal jurisdiction

As it is a merger between limited companies (*société anonyme*), the Merger will take place in accordance with the provisions of Articles L.236-1 to L.236-6 and L.236-8 to L.236-15 of the French Commercial Code.

Tax regime

As regards corporate tax, the parties represent that the Merger will be subject to the preferential tax regime provided for by Article 210 A of the French General Tax Code. Consequently, the unrealized capital gains on all of the fixed assets contributed, as well as the provisions (other than those that become irrelevant), will not be subject to corporate tax at the level of the Acquired Company pursuant to the provisions of Article 210 A of the French General Tax Code.



As regards registration fees, the parties represent that the Merger is subject to the regime provided for in Articles 635, paragraphs 1-5 and 816 of the French General Tax Code. Consequently, the Merger will be registered free of charge within a period of one month from the Completion Date.

Where applicable, the transfer of any real estate deed shall be subject, upon its registration, to a real estate security contribution of 0.1% of the market value of said real estate, in accordance with Articles 879 and 881 K of the same Code.

1.3.2 Conditions precedent

The completion of the Merger and the resulting capital increase of the Acquiring Company are subject to fulfillment of the conditions precedent mentioned in Article 16 of the Merger Agreement, concerning:

- the delivery by the Merger Auditor of (i) a report on the value of the contributions and (ii) a report on the terms and conditions of the Merger, confirming the fairness of the exchange ratio adopted;
- the approval by the General Meeting of Shareholders of the Acquired Company of the Merger and the consequent dissolution of the Acquired Company;
- the approval by the General Meeting of Shareholders of the Acquiring Company of the Merger and the capital increase allowing for remuneration of the Merger; and
- the approval by the General Meeting of Shareholders of the Acquiring Company of resolutions on the appointment of directors designated by PHERECYDES and the amendment of the articles of association of ERYTECH relating to the elimination of the casting vote of the Chairman of the Board of Directors.

Should the conditions precedent not be fulfilled by midnight on July 31, 2023 at the latest, the Merger Agreement will be automatically considered null and void, with no compensation on either side, unless these conditions are waived by both parties.



1.4 Description and valuation of the contributions

1.4.1 Valuation method

As this is a regular merger involving entities under separate control, pursuant to French Accounting Standards Authority (*Autorité des normes comptables* – ANC) regulation no. 2014-03 of June 5, 2014 on the general chart of accounts, as last amended by ANC regulation no. 2022-01 of March 11, 2022, the parties have agreed to retain the actual value of the assets contributed by the Acquired Company and of the liabilities assumed by the Acquiring Company as part of the Merger, as the contribution value.

The contributions will comprise all of the items constituting the assets and liabilities of PHERECYDES as at the Completion Date.

Details of the valuation methods used to determine the actual value of the asset and liability items are provided in Annex 14.1 of the Merger Agreement and summarized in section 2.5.1 below.

On this basis, the actual value of the assets contributed by the Acquired Company to the Acquiring Company amounts to €16,537,386, resulting from the designations and valuations of the contributed assets and liabilities presented below.

1.4.2 Description of the assets and liabilities transferred

In accordance with the provisions of Article L.236-3 of the French Commercial Code, PHERECYDES will transfer to ERYTECH all of its assets and liabilities in the state in which they are found at the Completion Date of the Merger.

The actual value of the contributed assets and transferred liabilities determined by the parties can be summarized as follows:

Assets contributed:



Assets	Actual value (€)
Intangible assets	18 087 000
Property, plant and equipment	559 184
Financial assets	149 825
Total fixed assets	18 796 009
Receivables	2 367 790
Cash and cash equivalents	1 035 127
Total current assets	3 435 329
Unrealized exchange losses	-

The actual value of the contributed assets is therefore €22,231,338.

Liabilities contributed:

Liabilities	Actual value (€)
Provisions for contingencies and charges	-
Financial borrowings and debt	3 070 146
Operating liabilities	2 383 806
Deferred income	240 000
Total financial borrowings and debt	5 693 952
Unrealized exchange gains	-

The total amount of the liabilities included in the contribution is therefore €5,693,952.

The value of the net assets transferred is therefore €16,537,386.

1.4.3 Remuneration of contributions

The remuneration of the contributions corresponding to the net assets of PHERECYDES is based on the exchange ratio adopted by the parties, determined by reference to the relative values of the PHERECYDES shares, on the one hand, and of the ERYTECH shares, on the other.



The relative values of the PHERECYDES shares contributed and the ERYTECH shares issued as remuneration for the contribution are the result of free negotiation between independent parties, supported by the application of a multi-criteria valuation approach.

Following their negotiation, the relative values of the PHERECYDES and ERYTECH shares were set by the parties at €2.29 and €0.61 per share, respectively, by reference to the market spot prices of the two companies as of January 19, 2023, corresponding to the date of signature of the Letter of Intent (“LOI”), and to a multi-criteria valuation approach of the two companies.

On this basis, the parties adopted, within the context of the Merger, an exchange ratio of 4 PHERECYDES shares for 15 ERYTECH shares. Our assessment of this exchange ratio is the subject of a separate report.

Pursuant to the provisions of Article L.236-3 II of the French Commercial Code, there will be no exchange of the PHERECYDES shares held by the Acquiring Company after the contributions in kind made by certain PHERECYDES shareholders prior to the completion of the Merger and no exchange of the treasury shares held by PHERECYDES. These shares will be automatically canceled on the Completion Date.

The Acquiring Company will therefore only increase its share capital in order to remunerate the shareholders of the Acquired Company for the fraction of net assets corresponding to the shares that it does not hold in the Acquired Company on the Completion Date.

On the basis of:

- a number of PHERECYDES shares of 7,939,179 comprising the share capital at the date of this report;
- a number of treasury shares of 25,142 on the same date;
- the 827,132 PHERECYDES shares held by ERYTECH following the contribution in kind;
- the exchange ratio;

consideration will be made for the contributions via the allocation, to the shareholders of the Acquired Company, of 26,575,893 new shares with a nominal value of €0.10 each, to be issued by the Acquiring Company, which will increase its share capital by €2,657,589.30, combined with a balancing payment of €0.42.

The difference between the amount of the portion of remunerated net assets, i.e. €14,757,430.84, and the amount of the share capital increase of the Acquiring Company, with a balancing payment of €0.42, i.e. €2,657,589.72, will constitute a merger premium of €12,099,841.12, which will be accounted for as a liability of the Acquiring Company.



It should be noted that the final number of new shares to be issued, and, correspondingly, the nominal amount of the resulting share capital increase, will be automatically adjusted according to the exact number of PHERECYDES shares to be remunerated as part of the Merger, particularly if their amount is adjusted due to any operation that takes place between the date of the Merger Agreement and the Completion Date.

The newly issued ERYTECH shares will carry dividend rights as of the Completion Date, will be exactly the same as the existing ERYTECH shares and will confer the same rights and incur the same charges, including all tax withholdings, so that all ERYTECH shares without exception will confer the right to payment of the same net sum during any distributions, allocations or redemptions during the term of the Acquiring Company or during its liquidation.

2. Procedures and assessment of the value of the contributions

2.1 Procedures carried out by the merger auditors

Our assignment is one of the other procedures defined by law and provided for in the conceptual framework of the professional standards of the French Institute of Statutory Auditors.

Its purpose is to inform the shareholders of the Acquiring Company that the contributions of the Acquired Company have not been overvalued. Consequently, it is not defined as an audit assignment or a limited review assignment. It also does not involve the validation of the tax regime applicable to the operation. It cannot be assimilated to the due diligence carried out for a lender or an acquirer and does not include all the work necessary for this type of service. Therefore, our report cannot be used in this context.

Likewise, our work is not comparable to that of an independent expert appointed by the administrative or supervisory body of one of the parties.

In accordance with the assignment entrusted to us, we have performed the procedures which we considered necessary to comply with the professional guidance issued by the French Institute of Statutory Auditors, in order to verify that the net asset value contributed is not overvalued.

To this end, we have:

- Ascertained the reality and the ownership of the contributions and assessed the possible impact of elements likely to affect their ownership;
- Assessed the value of the contributions set out in the Merger Agreement;
- Verified compliance with the accounting regulations in force on the valuation of contributions;



- Verified that the actual value of the contributions taken as a whole is at least equal to the overall value of the contributions proposed in the Merger Agreement;
- Verified, up to the date of drafting of this report, the absence of facts or events likely to call into question the overall value of the contributions.

In particular, the procedures we carried out consisted mainly of:

- Becoming familiar with the context, objectives and the process that led to the Merger;
- Meeting with the representatives of ERYTECH and PHERECYDES in order to become familiar with the proposed operation and its context, as well as to analyze the accounting, financial and legal terms and conditions proposed;
- Reviewing the Merger Agreement and its appendices signed by the parties on May 15, 2023;
- Becoming familiar with the legal and financial documentation on the operation, including the memorandum of understanding (MoU) and its appendices and the Draft Exemption Document to be sent to the French Financial Markets Authority (Autorité des marchés financiers – AMF);
- Reviewing the legal documentation related to PHERECYDES;
- Becoming familiar with the corporate financial statements of PHERECYDES as at December 31, 2022, examining the statutory auditor’s report drawn up within the framework of its audit of the annual financial statements and ensuring that such report did not contain any reservations;
- Analyzing and reviewing, along with the financial advisor mandated under the Merger (ODDO BHF), the PHERECYDES valuation elements that appear in Appendix 14.1 of the Merger Agreement, as well as the valuation report underlying these analyses;
- Monitoring the valuation of contributions, reviewing and assessing the valuation methods used, and implementing similar or alternative methods to ensure an appropriate multi-criteria approach that includes the most relevant criteria;
- Reviewing the projections of PHERECYDES’ management and examining, alongside management, the fundamentals of the business and the growth and operational profitability perspectives with regard to the evolution of the market;
- Obtaining a letter of representation from the representatives of PHERECYDES and ERYTECH, who have confirmed the material elements used as part of our assignment.



We have also relied on our work to assess the fairness of the exchange ratio used for the consideration paid for the contributions, which we report on separately.

2.2 Assessment of the contribution valuation method and its compliance with accounting regulations

Under the terms of the Merger Agreement, the parties have agreed to use the actual value of the assets and liabilities making up the net assets of the Acquired Company.

As this is a regular merger involving companies under separate control, it must be carried out at the actual value in accordance with the provisions of ANC regulation no. 2014-03 of June 5, 2014 on the general chart of accounts, as last amended by ANC regulation no. 2022-01 of March 11, 2022.

The choice made in the Merger Agreement regarding the contribution valuation method complies with the aforementioned regulation and does not call for any comments on our part.

2.3 Reality of the contributions

We have verified that the assets contributed and the liabilities transferred, as identified and described in sections 11.2 and 11.3 of the Merger Agreement and recalled in section 1.4.2 of this report, constituted the assets and liabilities of the Acquired Company as at December 31, 2022, and that the latter was free to use such assets and liabilities as it deemed fit. In addition, we have received confirmation in a representation letter that there are no restrictions on the transfer of such transferred assets and liabilities.

2.4 Assessment of the individual value of the contributions

The identification of the assets contributed and liabilities assumed has been made on the basis of PHERECYDES' annual financial statements as of December 31, 2022.

PHERECYDES' annual financial statements as at December 31, 2022 are set out in Appendix 6 of the Merger Agreement and were not the subject of any reservations by the statutory auditor in its report issued on April 26, 2023.

The actual values of the assets and liabilities transferred have been estimated to be equal to their book values according to the balance sheet of the Acquired Company as at December 31, 2022, with the exception of intangible assets, which have been subject to a revaluation of €9,015,228.



The actual value of the intangible assets, i.e. €18,087,000, is made up of €17,070,000 in development costs, determined on the basis of the valuation work carried out by an appraiser commissioned by the Acquiring Company, and €1,017,000 in goodwill, determined by the difference between the actual value of the net assets transferred and the value attributed to the other assets and liabilities.

As indicated below in our assessment of the overall value of the contributions, we have taken note of the valuation made by the parties in order to determine the actual value of the net assets transferred, i.e. €16,537,386.

We have no comments to make on the individual values of the transferred assets and liabilities.

2.5 Assessment of the overall value of the contributions

2.5.1 Value used by the parties

The value of the contributions is the result of a free negotiation between independent parties, which was supported by the implementation of a multi-criteria valuation approach.

In this context, ERYTECH's financial advisor has implemented a multi-criteria valuation approach by focusing on the following methods:

- Reference to the stock price;
- Discounted cash flows (DCF);
- Reference to the values expressed by the analysts who monitor the PHERECYDES share.

The following methods were not used:

- Reference to the net asset value as at December 31, 2022;
- Approaches based on stock market comparables and comparable transactions;
- Recent capital increases.

Below we present the valuation elements detailed in Appendix 14.1 of the Merger Agreement.



(i) Bridge from enterprise value to equity value

The bridge from the enterprise value to the equity value was determined, as at December 31, 2022, on the basis of the net financial debt of PHERECYDES, adjusted for certain debt-like and cash-like items of PHERECYDES.

(i) Reference to the stock price:

The stock price is an instrument to measure the price of the company's shares, freely traded subject to sufficient free float and liquidity levels.

This reference was primarily used as of January 19, 2023, corresponding to the date of signature of the letter of intent ("LOI") and the determination of the parity as part of the Merger, for the analysis of the stock price. Analyses were also performed on the 20-day, 60-day, 120-day and 250-day VWAP (volume-weighted average price) calculated at the above date.

This reference shows a value per share range of between €2.15 and €3.51, i.e. an overall value of between €15,745,256 and €25,705,029.

For information purposes, the stock price as of February 15, 2023 was also analyzed.

(ii) Discounted cash flows (DCF):

According to this method, the value of an enterprise or business is equal to the sum of (i) the discounted values of the future cash flows that the operation is likely to generate over the business plan horizon and (ii) a terminal value over the horizon of these forecasts determined on the basis of an estimated standard cash flow.

Cash flows are discounted at a rate that reflects the market's expectation of profitability for the company being valued.

The implementation of this method relies on the projections of PHERECYDES' management.

These management projections take into account the capacity of PHERECYDES to finance its development on a stand-alone basis given the strong cash consumption expected at the beginning of the period.

These projections assume that the first treatment developed by PHERECYDES will be launched in 2026, and that it will rapidly gain market share after that date, generating significant revenue. The second treatment is expected to be launched on the market in 2027.



The terminal value has been calculated in 2033, on the basis of the latest cash flow.

The discount rate used is 17.5%, reflecting the execution risk level of management's projections, and the perpetual growth rate is 1.1%.

On these bases, the discounted cash flow method results in a value of €2.62 per PHERECYDES share as the central value, i.e. an overall value of €19,187,229.

(iii) Reference to analysts' price targets

The analysis of financial analysts' price targets does not represent a valuation method as such, but rather summarizes opinions on the value. This reference consists of observing the value of a company on the basis of the price targets published by financial analysts.

PHERECYDES is subject to limited monitoring by a single analyst, PORTZAMPARC.

The last price target published before the announcement of the operation was €7.40 per share, i.e. an overall value of €54,192,938.

2.5.2 Assessment of the overall value by the merger auditor

In order to assess the overall value of the contribution, we performed our own valuation work using a multi-criteria approach based on:

- primarily, reference to the PHERECYDES stock price and the discounted cash flow method;
- for information purposes, reference to analysts' price targets.

2.5.2.1 Reference to the stock price

In order to implement this approach, we have used the stock price of PHERECYDES as of January 19, 2023, corresponding to the date of signature of the letter of intent ("LOI") and of the determination of the parity as part of the Merger; and as of February 15, 2023, corresponding to the date on which the operation was announced to the market (after the stock market close).

Our analyses were conducted on the basis of the spot price and the 1-month, 60-day, 3-month, 6-month and 12-month VWAP calculated at the two dates mentioned above.



2.5.2.2 Discounted cash flows (DCF)

We have been provided with the projections of PHERECYDES' management, which take into account PHERECYDES' ability to finance its development on a stand-alone basis given the expected cash consumption at the beginning of the period.

In accordance with our procedures, we have reviewed the main assumptions used to estimate future cash flows and have carried out our own valuation.

Discount rate and perpetual growth rate:

The weighted average cost of capital to discount the future cash flows of PHERECYDES takes into account a risk-free rate based on the TEC 10 OAT, an equity market risk premium, an unlevered beta of identified comparables and a specific risk premium to reflect the risk related to the development and obtaining of marketing authorizations for the treatments currently in phase I or II.

In terms of perpetual growth, we have used a rate consistent with the long-term inflation assumptions for France.

Net debt position:

PHERECYDES' adjusted net debt has been determined on the basis of the company's financial statements as at December 31, 2022.

Summary:

On this basis, taking into account its debt position as at December 31, 2022, the overall value of the contribution is in the middle of PHERECYDES' share valuation range resulting from our analysis.

2.5.2.3 Reference to analysts' price targets

To implement this approach, which is presented for information purposes, we have used the last price target published by the only analyst monitoring PHERECYDES.

3. Summary – Key points

The contribution value of €16,537,386 was determined on the basis of the actual value of the assets and liabilities making up the net assets of the Acquired Company.



The range of PHERECYDES values, derived from our multi-criteria approach, supports the contribution value used by the parties, it being specified that:

- The contribution value was determined, in particular, by referring to the market spot price of PHERECYDES on January 19, 2023;
- The contribution value falls within the range of the volume-weighted average stock price on January 19, 2023;
- The contribution value falls in the middle of our range of values resulting from the application of the discounted cash flow (DCF) valuation approach, which we consider to be the most appropriate in view of PHERECYDES' specificities.

Our value estimates are based on a stand-alone approach and do not include any of the synergies anticipated by the parties.

We have confirmed with PHERECYDES and ERYTECH that there were no elements that significantly called into question the data provided to us and that we used in the context of our work.

The results of our valuation work and the sensitivity analyses of certain structuring parameters (discount rate, perpetual growth rate and operating parameters) do not call into question the value of the net assets of the Acquired Company used as the contribution value.

It should be noted that prior to the completion of the Merger, some shareholders of the Acquired Company undertook to contribute 827,132 ordinary shares of PHERECYDES to ERYTECH. Under the terms of the Merger Agreement, it is stipulated that the PHERECYDES shares that will be held by the Acquiring Company following this contribution in kind will not be subject to the exchange ratio. Consequently, the Acquiring Company will only increase its share capital for the portion of assets corresponding to the shares that it does not hold in the Acquired Company on the Completion Date, i.e. €14,757,430.84 corresponding to the value of the contributions for which consideration will be paid.



4. Conclusion

On the basis of our work and as of the date of this report, we are of the opinion that the value of the contributions, amounting to €16,537,386, is not overstated. It should be noted that only the portion of the net assets corresponding to the shares of the Acquired Company not held by the Acquiring Company on the Completion Date, i.e. €14,757,430.84, will give rise to the share capital increase. As such, the value of the contributions for which consideration will be paid, amounting to €14,757,430.84, is at least equal to the amount of the share capital increase of the Acquiring Company plus the merger premium.

Paris (France), May 15, 2023

The Merger Auditor

FINEXSI EXPERT & CONSEIL FINANCIER

Christophe Lambert

Statutory Auditor

Members of the Paris Regional Association of Statutory Auditors (Compagnie
Régionale de Paris)