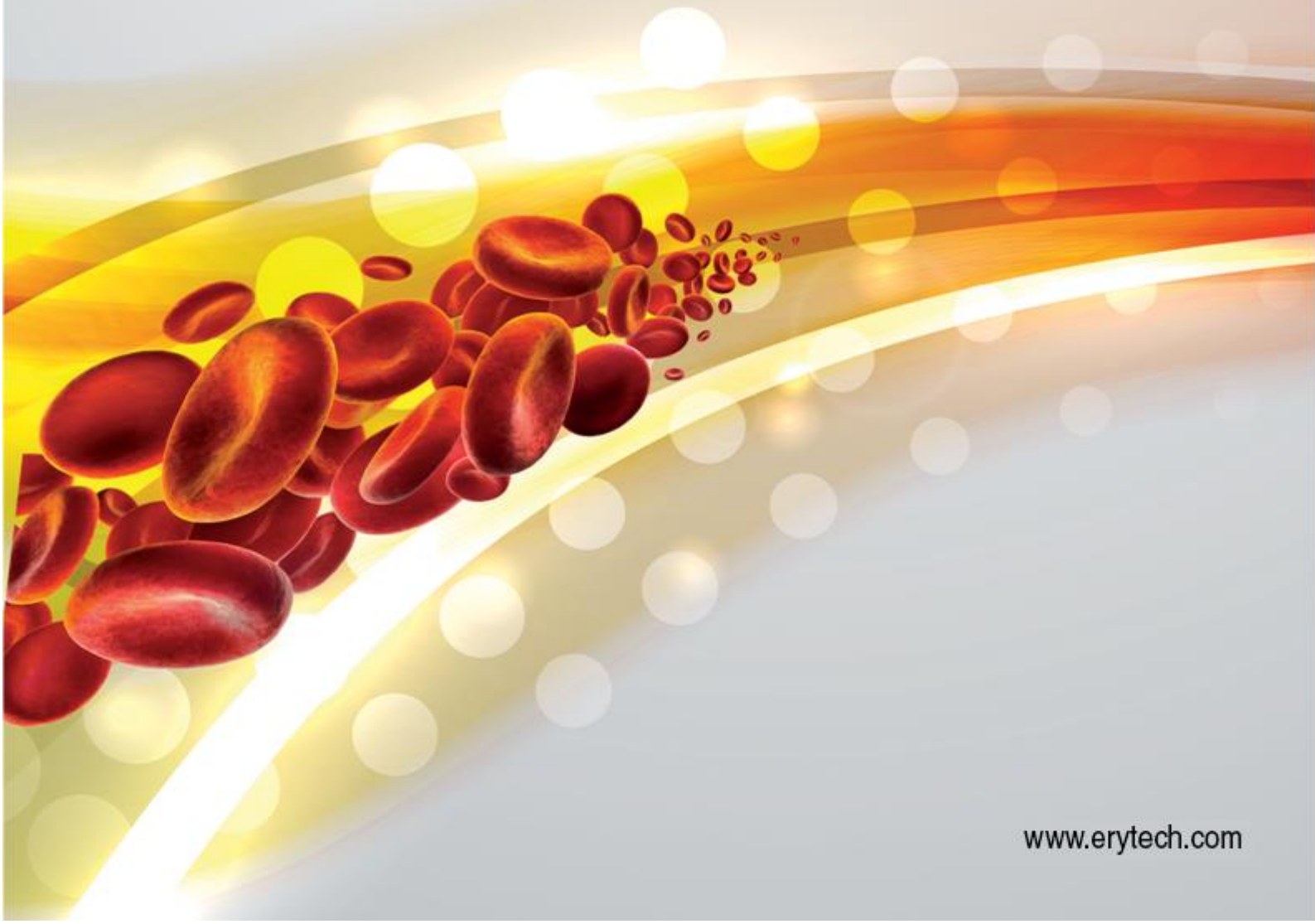
ERYTECH Pharma

QUARTERLY FINANCIAL REPORT

June 2014



www.erytech.com

I. KEY POINTS OF THE PERIOD

- Income and cash outflow were in line with forecasts.
- Liquid funds in the bank at the end of June 2014 amounted to €12.3 million.
- ERYTECH was granted Orphan Drug Status by the FDA (U.S. Food and Drug Administration) for its product ERY-ASP in the treatment of acute myeloid leukemia.
- ERYTECH extended its phase IIb study on acute myeloid leukemia in Finland, Spain, and Germany.
- ERYTECH received the authorization from the ANSM (Agence nationale de sécurité du médicament et des produits de santé [French National Agency of Medicine and Health Product Safety]) to launch its phase II clinical study on pancreatic cancer.
- ERYTECH added a new "tumor starving" candidate drug to its oncology portfolio.
- ERYTECH strengthened its patent portfolio:
  - European patent granted for ERY-ASP for the treatment of pancreatic cancer,
  - Patent granted in India for an "encapsulation method."
- ERYTECH created its U.S. subsidiary in April 2014.
- ERYTECH Pharma was listed on the CAC Small, CAC Mid&Small and CAC All Tradable exchanges.

II. ACTIVITY REPORT

A. Situation of the Company and results of its activity

a. Clinical trials

➔ GRASPA® in Europe (ERYASP)

The committee of independent experts (Data Safety Monitoring Board or DSMB), in charge of oversight for the clinical study for phase II/III for GRASPA ® in adults and children in relapse in ALL (acute lymphoblastic leukemia), held their meeting and gave a favorable opinion on pursuing this clinical trial in phase III according to the original protocol, with a total number of 80 patients.

The European Union granted orphan drug status to GRASPA ® for use in AML (acute myeloid leukemia).
The ANSM granted ERYTECH the right to begin a Phase IIb in AML. ERYTECH included its first patient in March.

The committee of independent experts (Data Safety Monitoring Board or DSMB), in charge of oversight for the clinical study for Phase IIb for GRASPA ® in AML, held their meeting and gave a favorable opinion on pursuing this clinical trial after evaluating the tolerance of the product in the first 30 patients.

ERYTECH received authorization in several European countries for its AML study, allowing it to expand patient recruitment.

A reminder is issued that the Company is the sponsor and party in charge of the AML clinical trial, whose costs are covered by the group Recodati [sic: Recordati] / Orphan Europe.
The costs that are directly invoiced to the Company as well as related internal costs are invoiced on a monthly basis to the partner, and other costs such as the CRO (clinical research officer) are directly invoiced by the service provider to Orphan Europe.

This clinical activity related to AML is therefore not included in the accounts, in accordance with the IFRS (International Financial Reporting Standards).

The Company announced the launch of a phase II study on pancreatic cancer with its product ERYASP™. The Company announced that it had added a new “tumor starving” candidate drug, ERY-MET, to its oncology portfolio.

➔ ERYASP in the U.S.

The FDA granted authorization to ERYTECH to launch phase Ib with ERYASP™ for treating ALL. The main recruitment centers for patients are open: Chicago, Duke, Colombus.

The USPTO delivered the patent protecting ERYTECH’s technology, granting it exclusivity until 2029 with the potential for extension into 2034.

Internationally, the company filed two new patent applications.

b. Research and Development

➔ TEDAC

In order to launch phase II clinical studies for solid cancer, a variety of experiments have been carried out on different types of tumors in order to test their sensitivity to asparaginase. The results of these studies will soon make it possible to select preliminary therapeutic guidelines for conducting phase II clinical studies.
Other experiments with other therapeutic enzymes will be rolled out according to the marketing plan that has been defined. The final goal of having a family of products that will make it possible to starve tumors, coupled with methods for selecting patients, is taking shape.
The first proof of concept evaluations in tumor sections are underway. Maintaining this rate of development and provided the results are positive, an initial clinical trial may be considered at the very end of 2015.

➔ Other projects being developed:

At the same time that ERYASP/GRAPSA® is being developed, ERYTECH has been conducting extensive research to identify other therapeutic enzymes that could starve tumors, whose encapsulation in red blood cells appears to be relevant. This research program benefits from financial support from BPI France in the amount of €7,000,000.
This has made it possible to identify another candidate drug, ERY-MET, made up of methionine gamma-lyase (MGL), encapsulated in red blood cells.

c. Industrial property

As of June 30, 2014, the Company holds 13 families of patents, in France and throughout the world, as well as a license granted by the *National Institute of Health* (U.S.A.), covering a diagnostic method to predict the efficacy of L. Asparaginase in a patient.

d. Workforce:

As of June 30, 2014, the Company employs 37 people.

e. Finance:

Profits and losses
Net losses for the first six months of 2014 amount to €3,184,056, representing a decrease of €871,885 when compared with the first quarter of 2013. This change can be explained by a number of factors:

- The main factor is related to the very significant decrease in net borrowing costs,
- The fact that Orphan Europe has covered the costs of the clinical trials for AML,
- A reduction in costs for clinical studies, because a certain number of studies are in their closing phase and others are in their design phase or launch phase at health centers,
- Research and development costs having been maintained at the same level for TEDAC and ERY-MET, with related costs for salaries having been optimized,
- A one-time increase in structuring and general costs related to the services and fees generated by developing business in the United States, as well as communication costs after the Company's listing on the stock exchange.

The total amount of R&D and clinical trial costs is €1,707,712, compared to €2,148,864 for the first quarter of 2013.

The burn rate is equal to €2,827,000 for the first quarter of 2014, which is in line with forecasts.

Cash position and position of other liquid assets
The amount of cash and other liquid assets is €12,285,523.

B. Forecasts

The second quarter of 2014 is going to be an important quarter in terms of clinical development, with:

- ➔ The results of the pivotal study for phase III for ALL expected in September,
- ➔ Continuing research for acute myeloid leukemia,
- ➔ The selection of first patients in the United States for studies with ERYASP, in adult patients suffering from acute lymphoblastic leukemia.

C. Important events that have happened between July 1, 2014 and the date that this report was written

During its General Meeting on July 17, 2014, the Company allocated the last tranche of its BSPCE (bons de souscription de parts de créateur d'entreprise [founder's share warrants])$_{2012}$ plan for its directors and executives, equaling 2515 BSPCE$_{2012}$.

The company has no other post-closing events of any significance to report.

D. Information pertaining to related parties

Relationships with related parties for the first quarter of 2014 are submitted in the quarterly Financial Information Note drawn up according to the following IAS 34 standard.

E. Risks and uncertainties

The risks and uncertainties that are likely to have a significant impact on the financial situation and the profits of the Company are exhaustively reported in the prospectus of the Company as mandated by the Autorité des Marchés Financiers [French Financial Markets Authority] on June 4, 2014 under number 14-038.

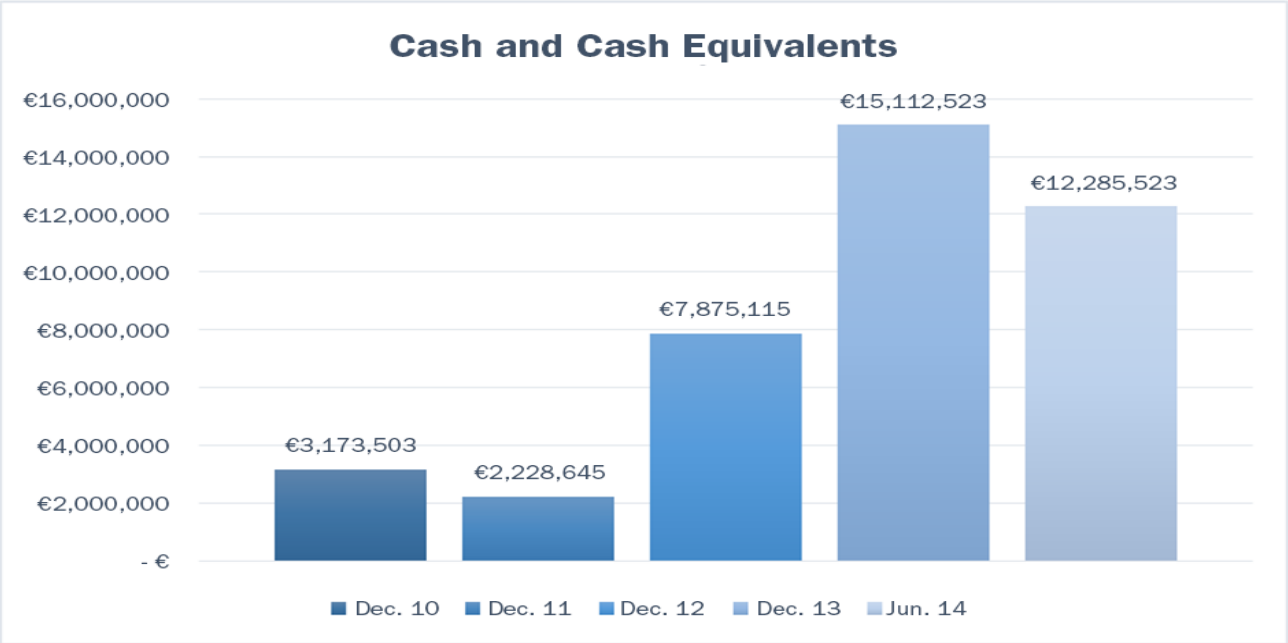
There have been no changes through this quarter to the risk factors or their nature or severity, and on the date that this document is being drawn up, there are no further risks or uncertainties for the last six months of the year.

III. KEY FINANCIAL ELEMENTS FOR THE PERIOD

SUMMARY OF CONSOLIDATED STATEMENT OF INCOME (€)	06/30/2014 (6 months)	06/30/2014 (6 months)
Income from regular operations	721,980	858,379
Regular operating results	(3,183,393)	(2,938,711)
Operating results	(3,183,393)	(2,938,711)
Financial results	3,510	(1,123,241)
Before-tax results	(3,179,883)	(4,061,951)
NET INCOME	(3,184,056)	(4,055,941)
Other elements of overall income	(7,948)	4,976
OVERALL INCOME	(3,192,004)	(4,050,965)

FINANCIAL DEBTS

CASH POSITION OF THE COMPANY



CHANGES TO THE SHARE PRICE

IV. QUARTERLY CONSOLIDATED FINANCIAL SUMMARY STATEMENTS TO JUNE 30, 2014

STATEMENT OF CONSOLIDATED NET PROFIT AND STATEMENT OF OTHER ITEMS RELATED TO OVERALL RESULTS

(€)	notes	06/30/2014 (6 months)	06/30/2014 (6 months)
Sales revenue			
Other operating revenue	**4.1**	721,980	858,379
Income from regular operations		**721,980**	**858,379**
		(940,719)	(1,157,195)
Research and development expenses	**4.2, 4.3**	(766,993)	(991,669)
Clinical studies	**4.2, 4.3**	(206,273)	(198,239)
Costs for intellectual property	**4.2, 4.3**	(1,991,388)	(1,449,986)
Structuring and general costs	**4.2, 4.3**		
Results from regular operations		**(3,183,393)**	**(2,938,711)**
Regular operating results		**(3,183,393)**	**(2,938,711)**
Other operating income and expenses			
Operating results		**(3,183,393)**	**(2,938,711)**
Net cost of debt	**4.4**	(29,781)	(1,096,852)
Other financial income and expenses	**4.4**	33,292	(26,389)
Financial results		**3,510**	**(1,123,241)**
Before-tax results		(3,179,883)	(4,061,951)
Income tax	**4.5**	(4 173)	6,011
NET INCOME		(3,184,056)	(4,055,941)
Basic earnings per share		(0.57)	(1.05)
Diluted earnings per share		(0.57)	(1.05)

(€)	notes	06/30/2014 (6 months)	06/30/2014 (6 months)
Net income		**(3,184,056)**	**(4,055,941)**
Elements that can later be recycled in income			
Zero			
Elements that cannot later be recycled in income			
Reevaluation of liabilities because of defined contribution regimes		(12,121)	7,589
Tax effect		4,173	(2,613)
Other elements of overall income		**(7,948)**	**4,976**

OVERALL INCOME	**(3,192,004)**	**(4,050,965)**

CONSOLIDATED FINANCIAL STATEMENT

ASSETS (in euros)	**notes**	**06/30/2014**	**12/31/2013**
NON-CURRENT ASSETS		**959,194**	**910,132**
Intangible assets	**5.1**	19,744	14,277
Tangible fixed assets		857,739	812,947
Non-current financial assets		81,711	82,908
Other non-current assets		0	0
Deferred tax assets		0	0
CURRENT ASSETS		**13,947,737**	**17,038,828**
Stocks	**5.2**	159,883	138,238
Customers and related accounts	**5.3**	106,814	87,192
Other current assets	**5.4**	1,395,517	1,700,874
Cash and cash equivalents	**5.5**	12,285,523	15,112,523
TOTAL ASSETS		**14,906,931**	**17,948,960**

LIABILITIES (in euros)		**06/30/2014**	**12/31/2013**
EQUITY		**11,179,196**	**13,586,634**
Capital	**5.6**	556,068	550,602
Premiums		43,440,671	42,741,059
Reserves		(29,633,487)	(21,560,305)
Net income		(3,184,056)	(8,144,721)
NON-CURRENT LIABILITIES		**778,178**	**847,689**
Provisions - Non-current portion	**5.7**	159,263	117,144
Financial liabilities - Non-current portion	**5.8, 5.9**	618,915	730,545
Deferred tax liabilities		0	0
Other non-current liabilities		0	0
CURRENT LIABILITIES		**2,949,557**	**3,514,636**
Provisions - Current portion	**5.7**	0	0
Financial liabilities - Current portion	**5.8, 5.9**	351,368	281,341
Trade payables and related accounts		1,440,394	1,421,436
Other current liabilities	**5.1**	1,157,796	1,811,858
TOTAL LIABILITIES		**14,906,931**	**17,948,960**

STATEMENT OF VARIATION IN EQUITY

TABLE OF VARIATIONS IN EQUITY (in euros)	Capital	Issue premium	Reserves	Profit	Equity
12/31/2012	**315,355**	**17,767,715**	**(19,938,025)**	**(2,172,035)**	**(4,050,965)**
Issuance of ordinary shares	238,640				238,640
Increase in issue premium		25,511,631			25,511,631
Own shares					
Allocation of Profits N-1			(2,172,035)	2,172,035	
Income for the period				(4,055,941)	(4,055,941)
Actuarial gains and losses			4,976		4,976
Expenses IFRS 2					
06/30/2013	**553,995**	**43,279,346**	**(22,105,084)**	**(4,055,941)**	**17,672,316**

06/30/2013	**553,995**	**43,279,346**	**(22,105,084)**	**(4,055,941)**	**17,672,316**
Issuance of ordinary shares	1,900				1,900
Increase in issue premium		55,992			55,992
Own shares	(5,294)	(594,279)	(34,639)		(634,212)
Allocation of Profits N-1					
Income for the period				(4,088,780)	(4,088,780)
Actuarial gains and losses			(1,203)		(1,203)
Expenses IFRS 2			580,621		580,621
12/31/2013	**550,602**	**42,741,059**	**(21,560,305)**	**(8,144,721)**	**13,586,634**

12/31/2013	**550,602**	**42,741,059**	**(21,560,305)**	**(8,144,721)**	**13,586,634**
Issuance of ordinary shares	762				762
Increase in issue premium		55,336			55,336
Own shares	4,704	644,275			648,980
Allocation of Profits N-1			(8,144,721)	8,144,721	
Income for the period				(3,184,056)	(3,184,056)
Actuarial gains and losses			(7,948)		(7,948)
Expenses IFRS 2			79,488		79,488
06/30/2014	**556,068**	**43,440,671**	**(29,633,486)**	**(3,184,056)**	**11,179,196**

CONSOLIDATED CASH FLOW STATEMENT

(In euros)	notes	06/30/2014 (6 months)	06/30/2014 (6 months)
Net income		**(3,184,056)**	**(4,055,941)**
Expenses (income) not affecting cash			
- Depreciation (write backs) and provisions of non-current assets		139,142	118,302
- Allocations (reversals) to depreciation and provisions on current assets		-	-
- Expenses (income) as share-based payments		79,488	-
- Investment grants written back to income		-	-
- Gains and losses on disposals		-	-
Operating subsidies	6.1	(707,266)	(858,379)
Cost of net financial debt		29,781	1,096,852
Income tax expense (current and deferred)		4,173	(6,011)
Internal financing capacity before financial results and tax		(3,638,739)	(3,705,177)
Taxes paid		-	-
Changes in working capital needs related to business activities		336,252	212,457
Net cash flow generated by business activities		**(3,302,486)**	**(3,492,720)**
Cash flow related to investment transactions			
Purchase of intangible assets		(163,117)	(690,355)
- Intangible assets		(8,777)	(14,046)
- Tangible assets		(154,340)	(74,809)
- Financial assets		-	(601,500)
Sale of intangible assets		1,197	-
- Intangible assets		-	-
- Tangible assets		-	-
- Financial assets		1,197	-
Deposit of subsidies		-	-
The effects of changes in perimeter		-	-
Net cash flow generated by investment activities		**(161,919)**	**(690,355)**
Cash flows from financing activities			
Increase in cash capital		56,098	16,710,774
Costs of cash capital increase		-	(1,932,003)
Loan issue		-	-
Costs of loan issue		-	-
Repayment of loans		(63,641)	(7,500)
Treasury shares		648,980	-
Interest paid		(4,031)	(2,105)
Net cash flow generated by financing activities		**637,407**	**14,769,166**
Cash variations		**(2,826,999)**	**10,586,092**
Cash at the beginning of the fiscal year		15,112,523	7,875,115
Cash at the end of the fiscal year		12,285,523	18,461,207
Net cash variations		**(2,827,000)**	**10,586,092**

V. NOTES ATTACHED TO THE CONSOLIDATED FINANCIAL STATEMENT

This appendix is an integral part of the quarterly consolidated financial statements to June 30, 2014. The books were approved by the Board of Directors on August 29, 2014.

The group is made up of the parent company, Erytech Pharma S.A. (société anonyme [French corporation]), as well as a wholly-owned subsidiary located in the United States, Erytech Pharma, Inc.

I. Description of the activities of the Company

The Company's primary activity is research and development in the areas of treatment for acute leukemia and other orphan diseases.

Since its founding, the Company has focused its efforts on the following:

- On developing patented technology based on encapsulating molecules in red blood cells, offering a novel approach to the treatment of acute leukemia and other solid tumors. The development of the main product, Graspa®, beginning when the Company was created, has led to the issuance of 10 families of patents held by the Company. The Company also implemented a patented industrial process capable of manufacturing clinical batches of Graspa®, capable of meeting demand when the product is commercialized.
- The implementation of clinical studies programs intended first of all to evaluate Graspa® in terms of safety of use and toxicology, thanks to a phase I clinical study for acute lymphoblastic leukemia (ALL) in adult and child patients with relapsed ALL. Based on the results obtained, the Company conducted a phase II clinical trial that also demonstrated the safety of the product and its efficacy in patients over 55 years for ALL. The Company has begun a phase II/III clinical study, at the end of which Erytech expects to register a request for authorization to market Graspa® for use in ALL in Europe. The company has also begun a phase I study for acute myeloid leukemia (AML).

The Company's business model is to develop its products and obtain marketing approval in Europe and the United States. Commercial partnerships that have been negotiated by Erytech will make it possible to distribute Graspa®, first in Europe and then in the United States and throughout the world. Erytech is capable of meeting the demand for the first few years when Graspa® will be sold in Europe, thanks to its production facilities in Lyon.

II. Important events for the period

The company continues with its clinical trials, especially its phase IIb study for acute myeloid leukemia (AML), in cooperation with the company Orphan Europe (Recordati Group), and it has included 60 patients out of the 123 required patients. Furthermore, the company has extended its study in Finland, Germany, and Spain. For the same drug, the company has obtained Orphan Drug status from the FDA.

The company also received the authorization from the ANSM to launch its phase II clinical study on pancreatic cancer.

The company created its U.S. subsidiary in April 2014. The company then appointed the firm RSM-CCI Conseils as Joint Statutory Auditor during its Annual General Meeting held on June 17, 2014. On June 30, 2014, the financial statements of the Group included the consolidation of the wholly-owned American subsidiary for

the first time. On June 30, 2014, the contribution of the subsidiary to the consolidated financial statements was zero, because it had no activity over the period.

Finally, the company recovered the Crédit d'Impôt Recherche (CIR) 2013 [2013 Research Tax Credit] in June 2014, in the amount of €1,366,656, and therefore the debt in the balance sheet up to June 30, 2014 corresponds to the CIR for the first quarter of 2014.

III. Principles and accounting methods

Pursuant to the European Regulation 1606/2002 dated July 19, 2002, the consolidated financial statements of the Company are drawn up according to the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board), as adopted by the European Union on June 30, 2014.

This reference is available on the website of the European Commission at the following address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The quarterly financial statements, presented as a summary, were drawn up according to the IAS 34 international financial reporting standard ("Interim Financial Reporting").

The quarterly financial statements do not include all of the information and appendices as submitted with the annual financial reports. Because of this, it is appropriate to read them together with the financial reports of the Company up to December 31, 2013.

The financial statements are presented in euros, which is the currency used by the Company. All of the amounts mentioned in this appendix with the financial statements are in euros, unless otherwise indicated.

With the exception of any standards that have come into effect on January 1, 2014 described below, the accounting methods and principles applied in order to draw up the interim financial reports are identical to the ones used to draw up the financial statements as of December 31, 2013.

Standards, amendments, and interpretations in effect throughout the European Union beginning from the fiscal year which started on January 1, 2014

The Company has adopted the following standards, amendments, and interpretations, which apply beginning from January 1, 2014:

- IFRS 10 - Consolidated Financial Statements;
- IFRS 11 - Joint Arrangements;
- IFRS 12 - Disclosure of Interests in Other Entities;
- Amendments pursuant to IFRS 10, 11, 12 and for IAS 27 and IAS 28;
- Amendments IFRS 10, 11, and 12: transitory provisions;
- Amendment IAS 32 - Offsetting financial assets and liabilities;
- Amendment to IAS 36 - Information to provide on the recoverable value of non-financial assets;
- Amendment IAS 39 - Novation of derivatives and maintaining hedge accounting;

These new texts did not have any significant effect on profits and on the financial situation of the company.

Presentation

The statement of profit and loss classifies expenses and income by function.

The comparative information is presented using an identical classification.

The cash flow table was prepared according to the indirect method.

The financial statements are prepared in accordance with the principles of business continuity and the permanence of accounting methods.

Use of estimates

Preparation of the financial statements in accordance with the rules prescribed by the IFRS requires the use of estimates and the formulation of hypotheses having an impact on the financial statement. These estimates can be revised where the circumstances on which they are based change. The actual results may therefore differ from the estimates initially formulated. The main estimates used are described in the annual financial reports.

Industry information

In compliance with IFRS 8, "Operating segments," reporting by operating segment is derived from the internal organization of the company's activities; it reflects the management's viewpoint and is established based on internal reporting used by the chief operating decision maker (the Chairman - CEO) to implement the allocation of resources and to assess performance.

The company's current reporting has enabled it to define a single operating segment.

The operations section is individually monitored in terms of internal reporting, according to performance indicators.

IV. Notes on consolidated net profits

4.1 Other profits from activity

The other income from activities is composed of the following elements:

(In euros)	06/30/2014 (6 months)	06/30/2014 (6 months)
Research tax credit	607,390	710,124
Grants	99,876	148,255
Other earnings	14,713	-
Other profits from activity	**721,980**	**858,379**

It should be noted that Erytech re-invoices certain clinical costs to its partner Orphan Europe at no margin, incurred in the context of GRASPA AML 2012-01 study on acute myeloid leukemia. These amounts that are re-invoiced are not included in the sales revenue, but they are applied to the related costs inasmuch as the company is considered to be acting as an agent according to the IAS 18 standard.

Therefore, for this period, Erytech re-invoiced €308,833 to Orphan Europe (€253,787 for the first quarter of 2013) that therefore do not appear in the operating profits.

4.2 Details of costs by type

06/30/2014 in €	Research and development costs	Clinical studies	Intellectual property costs	General and structuring costs	Overall total
Consumables	162,532	40,654	-	15,042	**218,228**
Leasing and maintenance	69,186	80 626	-	201,540	**351,352**
Services, subcontracting and fees	220,513	246,749	173,611	496,433	**1,137,305**
Personnel expenses	460,398	249,979	32,662	682,211	**1,425,250**
Other	11,713	64,137	-	583,443	**659,293**
Net allocations for depreciation and provisions	16,378	84,848	-	12,720	**113,945**
Grand total	**940,719**	**766,993**	**206,273**	**1,991,388**	**3,905,373**

06/30/2013 in €	Research and development costs	Clinical studies	Intellectual property costs	General and structuring costs	Overall total
Consumables	145,752	100,709	-	15,093	**261,553**
Leasing and maintenance	42,407	156,755	-	143,924	**343,086**
Services, subcontracting and fees	263,219	291,968	168,781	156,749	**880,717**
Personnel expenses	658,800	315,241	29,458	780,492	**1,783,990**
Other	11,542	26,974	-	336,472	**374,988**
Net allocations for depreciation and provisions	35,476	100,023	-	17,257	**152,756**
Grand total	**1,157,195**	**991,669**	**198,239**	**1,449,986**	**3,797,090**

The line item "Clinical studies" shows reduced expenses, because the Company is in a phase of momentum for the period being presented, in the course of which:

- Trials are being completed or are completed,
- Trials are in the launch phase, as is the case for the pancreatic cancer trial,
- Costs invoiced for AML that were paid by Recordati/Orphan Europe were not presented as expenses, because they were compensated for by income that came in after re-invoicing. This clinical activity related to AML is therefore not included in the accounts, in accordance with the IFRS (International Financial Reporting Standards).

The line item "Structuring and general costs" has experienced a one-time increase related to the services and fees generated by developing business in the United States, as well as communication costs after the Company's listing on the stock exchange.

4.3 Personnel costs

The personnel costs are broken down as follows:

06/30/2014 in €	Research and development costs	Clinical studies	Intellectual property costs	General and structuring costs	**Grand total**
Wages and salaries	323,675	173,678	21,268	435,332	**953,953**
Fair value of remuneration plan based on shares (IFRS 2)				79,488	**79,488**
Social security contributions	136,724	76,301	11,394	167,391	**391,810**
Total personnel costs	**460,398**	**249,979**	**32,662**	**682,211**	**1,425,250**

06/30/2013 in €	Research and development costs	Clinical studies	Intellectual property costs	General and structuring costs	**Grand total**
Wages and salaries	436,689	213,480	19,683	515,102	**1,184,953**
Fair value of remuneration plan based on shares (IFRS 2)					-
Social security contributions	222,110	101,761	9,776	265,390	**599,037**
Total personnel costs	**658,800**	**315,241**	**29,458**	**780,492**	**1,783,990**

On January 22, 2014, the Board of Directors used the mandate granted by the Mixed General Meeting on April 2, 2013, in its 25th resolution, to make a decision on an allocation plan to give away 22,500 founder's share warrants (hereinafter known as $BSPCE_{2014}$) free of charge to the directors of Erytech (12,000 warrants) and for a category of "employees who are executives," as yet unidentified by name (10,500 warrants).

Each $BSPCE_{2014}$ gives the right to 10 ordinary shares of Erytech's company capital at a price of €12.25 per share, or €122.50 for each BSPCE.

As such, the Board of Directors decided that the warrants for subscription may be subscribed in tranches of one third in the course of the second quarter of each year, for the period of 2015 to 2017.

In the event that any of the beneficiaries leaves the Company for any reason whatsoever, the said beneficiary shall retain the $BSPCE_{2014}$ that he or she has subscribed before leaving. On the other hand, if any beneficiary leaves the company for any reason whatsoever before subscribing the $BSPCE_{2014}$ that they have the right to, their right to subscribe the $BSPCE_{2014}$ will be extinguished. In such a case, the unallocated $BSPCE_{2014}$ may be allocated to other beneficiaries of the same category and/or those who replace the person who has left the Company.

In all cases, the $BSPCE_{2014}$ not exercised by January 22, 2024 shall become automatically null and void.

In the case of directors, it has been deemed that all of the 12,000 warrants have been allocated according to IFRS 2 on January 22, 2014. The fact that the directors can only subscribe these warrants in the amount of one third per year constitutes a condition of service. In other words, these warrants may be gradually acquired over three years.

In the absence of allocation to "employees who are executives," the company has deemed that the definition of the date of allocation according to IFRS 2 could not be January 22, 2014 for these warrants, and that each tranche of warrants would be allocated later in the course of the second quarter of each year over the period from 2015 to 2017, as soon as the beneficiaries were identified (with the rights attached to each tranche of warrants being immediately acquired). As a consequence, inasmuch as no one has yet been identified up to June 30, 2014, the Company did not add any expenses to its books because of these $BSPCE_{2014}$.

In compliance with IFRS 2, Erytech has proceeded to value the $BSPCE_{2014}$ allocated to directors, using the Black & Scholes valuation model to do so.

The main factors used to determine the fair value of the $BSPCE_{2014}$ allocated to directors are as follows:

- Rates without risk: between 1.12% and 1.70% depending on the tranches (based on the zero coupon government bond curve);
- Expected dividends: zero;
- Volatility: 18.98% based on historical volatility observed on the NextBiotech index;
- Expected maturity: between 5 to 6 and 6 to 7 years depending on the allocation of the tranches.

The fair value of the plan amounts to €372,059. This expense will be gradually spread out over the three-year duration of the plan according to IFRS 2 ("graded vesting method"). A cost of €79,488 was included in the books on this account for personnel costs under "Structuring and general costs" as of June 30, 2014.

4.4 Financial results

(In euros)	06/30/2014 (6 months)	06/30/2014 (6 months)
Interest on lease financing	(3,681)	(2,753)
Interest on mandatory loans	-	(819,272)
Financial expenses	(26,100)	(274,826)
Net borrowing costs	**(29,781)**	**(1,096,852)**
Income (expenses) on transfer of investment securities		
Other Financial Income	37,349	8,379
Other Financial Expenses	(4,057)	(34,768)
Other Financial Income and Expenses	**33,292**	**(26,389)**
Total Income (Expenses)	**3,510**	**(1,123,241)**

Interest on mandatory loans as of June 30, 2013 was related to the conversion of convertible debentures when the Company was listed on the stock exchange.

4.5 Income taxes

The amount of tax loss carryforwards is €34.3 million as of 12/31/2013 (€26.3 million to 12/31/2012 and €23.6 million as of 12/31/2011).
The effective rate is -0.01%, in particular due to losses generated over the period that were not activated.

V. Notes on the consolidated financial situation

5.1 Assets

(In euros)	Intangible assets	Tangible assets	Non-current financial assets
Fiscal year ending December 31, 2013			
Net opening balance	29,593	771,430	79,670
Acquisitions	9,009	418,691	3,238
Transfers		(142,340)	
Depreciation	(24,325)	(234,834)	
Net closing balance	**14,277**	**812,947**	**82,908**
Accounting period of six months ending on June 30, 2014			
Net opening balance	14,277	812,947	82,908
Acquisitions	8,777	154,340	
Transfers			(1,197)
Depreciation	(3,310)	(109,548)	
Net closing balance	**19,744**	**857,739**	**81,711**

No further lease financing agreements have been signed over the period.

5.2 Stocks

(In euros)	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31 2013
Production inventory	74,931	55,848
Laboratory inventory	84,952	82,391
Net closing balance	**159,883**	**138,238**

5.3 Customers and related accounts

Net closing balance

	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31, 2013
Customers	106,814	87,192
Net closing balance	**106,814**	**87,192**

Accounts receivable as of June 30, 2014 are exclusively made up of debts of Orphan Europe for the last two months, in the context of its partnership agreement to develop GRASPA®, to treat children and adults suffering from acute lymphoblastic leukemia and acute myeloid leukemia (ALM).

5.4 Other currentassets

(In euros)

	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31 2013
Research tax credit	607,390	1,366,656
VAT (value-added tax)	241,752	233,151
Supplier payables	35,140	
Known fees for deposits	261,828	101,067
Cash from the liquidity contract with limited availability	249,407	
Net closing balance	**1,395,517**	**1,700,874**

The company received the reimbursement for its Research Tax Credit for 2013, in the course of June 2014, for the amount of €1,366,656. The cash balance entrusted to BRYAN GARNIER up until June 30, 2014 in the context of the mandate to manage the funds under a liquidity contract amounts to €249,407.

5.5 Cash management

(In euros)	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31 2013
Cash and equivalents	12,285,523	15,112,523
Bank overdrafts	-	-
Net closing balance	**12,285,523**	**15,112,523**

The cash position is composed of the following items:

- 06/30/2014: €4.3 million in cash and €8,000,000 in term accounts (accessible within less than one month);
- 12/31/2013: €12.1 million in cash and €3,000,000 in term accounts (accessible within less than one month);

5.6 Equity

As of December 31, 2013, the capital was made up of 5,558,952 shares, entirely paid-up, with a nominal value of €0.10.

Because the company was listed on NYSE Euronext on May 6, 2013, some of the owners of $BSPCE_{2012}$ wished to exercise the $BSPCE_{2012}$ that they had subscribed. On May 5, 2014, the Board of Directors, acting within the scope of the authority granted by the Extraordinary General Meeting on May 21, 2012, in light of the list provided by Société Générale, holder of the titles, noted that 7,620 new shares were entirely subscribed and paid up for a total amount of €56,098.44, or €762, corresponding to the nominal value of the share, and €55,336.44, corresponding to the issue premium.

The company capital increased by an overall amount of €762, bringing it from €555,895.20 to the amount of €556,657.20, divided into 5,566,572 shares each worth €0.10.

5.7 Provisions

Provisions are broken down as follows

(In euros)	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31, 2013
IDR (indemnité de départ à la retraite [retirement benefit]) provision	159,263	117,144
Provision for litigation	-	-
Net closing balance	**159,263**	**117,144**

The regime that applies to Erytech Pharma is defined by the collective agreement of the pharmaceutical industry.

Actuarial gains and losses are recognized in other comprehensive earnings. The pension commitments are not covered by plan assets. The portion of the provision for which the maturity is less than one year is not significant.

The calculations used to evaluate the provision for employees are as follows:

	06/30/2014	**12/31/2013**
Discount rate	2.40%	3.17%
Salary increase	3%	3%
Social security contribution rate	Non-executive 47% Executive 55%	Non-executive 47% Executive 55%
Retirement age	65 to 67 years of age	65 to 67 years of age
Mortality table	INSEE 2013	INSEE 2013

Movements affecting line items for provisions have been the following:

in €	OPENING	Other *	Allocations	Unused reversals	Used reversals	CLOSING
Period from 01/01 to 06/30/2013						
IDR (indemnité de départ à la retraite [retirement benefit]) provision	97,098	18,211				115,309
Provision for litigation	106,665			52,665		54,000
Net closing balance	**203,763**	**18,211**		**52,665**		**169,309**
Period from 07/01 to 12/31/2013						
IDR (indemnité de départ à la retraite [retirement benefit]) provision	115,309	1,835				117,144
Provision for litigation	54,000			54,000		-
Net closing balance	**169,309**	**1,835**		**54,000**		**117,144**
Period from 01/01 to 06/30/2014						
IDR (indemnité de départ à la retraite [retirement benefit]) provision	117,144	42,119				159,263
Provision for litigation	-					-
Net closing balance	**117,144**	**42,119**				**159,263**

* "Other movements" corresponds to actuarial gains and losses recognized.

5.8 Financial liabilities

Debt by type

(In euros)	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31 2013
Debts related to lease financing	262,076	303,217
Bank overdrafts		
Conditional advances	700,706	693,669
Convertible bonds		
Loans	7,500	15,000
Net closing balance	**970,283**	**1,011,886**

Debt by maturity

(In euros)	Accounting period of six months ending on June 30, 2014	
	to less than one year	to more than one year
Debts related to lease financing	81,868	180,209
Bank overdrafts		
Conditional advances	262,000	438,706
Convertible bonds		
Loans	7,500	-
Net closing balance	**351,368**	**618,915**

(In euros)	Fiscal year ending December 31, 2013	
	to less than one year	to more than one year
Debts related to lease financing	82,841	220,376
Bank overdrafts		
Conditional advances	183,500	510,170
Convertible bonds		
Loans	15,000	
Net closing balance	**281,341**	**730,546**

5.9 Conditional advances

The conditional advances from public authorities form the object of agreements with OSEO. The company benefits from three agreements on repayable advances with OSEO Innovation. These advances are not interest-bearing and are 100% repayable (nominal value) in the event of technical and/or commercial success.

The portion of the conditional advances at more than one year is recorded under financial debts - non-current portion, while the portion at less than one year is recorded under financial debts - current portion.

Since the time it was created, the Company has benefited from three types of reimbursable assistance subject to certain conditions granted by OSEO

5.10 Other currentliabilities

(In euros)	Accounting period of six months ending on June 30, 2014	Fiscal year ending on December 31 2013
Tax debts and social security debts	404,902	815,617
Deferred revenue	539,790	648,854
Other debts	213,104	347,388
Net closing balance	**1,157,796**	**1,811,859**

5.11 Relationships disclosed

In the course of the first quarter of 2014, members of the Board of Directors have paid a gross remuneration to themselves amounting to €566,779. For the same period in 2013, the gross remuneration granted amounted to €386,778.

On January 22, 2014, the Board of Directors used the powers granted to it by the Mixed General Meeting on April 2, 2013 in its 25th resolution to allocate, at no cost, 12,000 founder's share warrants (hereinafter known as $BSPCE_{2014}$). Pursuant to IFRS 2, expenses were recorded over the period in the amount of €79,488.

5.12 Own shares

In the course of the first quarter of 2014, the company reduced the amount of its liquidity contract managed by the company BRYAN GARNIER, reducing it from €600,000 to €200,000.

As of June 30, 2014, the company BRYAN GARNIER owns 5,891 shares, with a weighted value of €14.08, for a total amount of €82,960.11. As of June 30, 2014, the company BRYAN GARNIER owned 52,925 shares of its own, with a weighted value of €11.34, for a total amount of €599,573.

The cash balance entrusted as of June 30, 2014 amounts to €249,407.05.

5.13 Financial instruments recorded on the balance sheet and their effect on profits

06/30/2013 in €	Note	Value on the balance sheet	Fair value by income	Loans and credits	Debts with amortized costs	Fair value
Non-current financial assets	(1)	681,170		681,170		681,170
Other current assets	(1)	2,014,822		2,014,822		2,014,822
Cash and cash equivalents	(2)	18,461,207	18,461,207			18,461,207
						-
Total financial assets		**21,157,199**	**18,461,207**	**2,695,992**	**-**	**21,157,199**
Financial liabilities, portion owing more than one year away	(1)	575,218			575,218	575,218
Financial liabilities, portion owing less than one year away	(1)	385,603			385,603	385,603
Supplier debts and related accounts	(1)	1,926,431			1,926,431	1,926,431
						-
Total		**2,887,252**	**-**	**-**	**2,887,252**	**2,887,252**

12/31/2013 in €		Value on the balance sheet	Fair value by income	Loans and credits	Debts with amortized costs	Fair value
Non-current financial assets	(1)	82,908		82,908		82,908
Other current assets	(1)	1,700,874		1,700,874		1,700,874
Cash and cash equivalents	(2)	15,112,523	15,112,523			15,112,523
						-
Total financial assets		**16,896,305**	**15,112,523**	**1,783,782**	**-**	**16,896,305**
Financial liabilities, portion owing more than one year away	(1)	730,545			730,545	730,545
Financial liabilities, portion owing less than one year away	(1)	281,341			281,341	281,341
Supplier debts and related accounts	(1)	1,421,436			1,421,436	1,421,436
						-
Total		**2,433,323**	**-**	**-**	**2,433,323**	**2,433,323**

06/30/2014 in €		Value on the balance sheet	Fair value by income	Loans and credits	Debts with amortized costs	Fair value
Non-current financial assets	(1)	81,711		81,711		81,711
Other current assets	(1)	1,395,517		1,395,517		1,395,517
Cash and cash equivalents	(2)	12,285,523	12,285,523			12,285,523
						-
Total financial assets		**13,762,751**	**12,285,523**	**1,477,228**	**-**	**13,762,751**
Financial liabilities, portion owing more than one year away	(1)	618,915			618,915	618,915
Financial liabilities, portion owing less than one year away	(1)	351,368			351,368	351,368
Supplier debts and related accounts	(1)	1,440,394			1,440,394	1,440,394
						-
Total		**2,410,676**	**-**	**-**	**2,410,676**	**2,410,676**

Note:

(1) The accounting value of these assets and liabilities is a reasonable estimate of their fair value.

(2) Level 2 fair value

5.14 Obligations not on the balance sheet

By means of a decision made by the Board of Directors on January 22, 2014, the Company undertook to allocate 10,500 BSPCE 2014 to the category of "employees who are executives" (see Note 4.3).

5.15 Events occurring after closing

During its General Meeting on July 17, 2014, the Company allocated the last tranche of its BSPCE (bons de souscription de parts de créateur d'entreprise [founder's share warrants])$_{2012}$ plan for its directors and executives, equaling 2515 BSPCE$_{2012}$.

The company has no other post-closing events of any significance to report.

VI. Notes related to the cash flow table

6.1 Operating subsidies

The CIR is recorded in the books as a subsidy pursuant to the IFRS. As such, on June 30, 2014 as well as on December 31, 2013, the Group presents the Research Tax Credit (CIR) under the line "operating subsidy" in the cash flow table; how much it amounts to and the fact that it has not been received at the end of the period is the reason for presenting it in this way.

Nevertheless, this method of presenting it had not been applied when the accounts were accepted on June 30, 2013. The CIR had been presented under line item "variation in needs for operating funds related to operations."

The table below shows the cash flow generated by operations from June 2013 presented currently as well as historically:

(In euros)	06/30/2014 (6 months)	06/30/2013 history (6 months)
Net income	**(4,055,941)**	**(4,055,941)**
Expenses (income) not affecting cash		
- Allocations (reversals) to depreciation and provisions on non-current assets	118,302	118,302
- Allocations (reversals) to depreciation and provisions on current assets	-	-
- Expenses (income) for payments in shares	-	-
- Portion of subsidy reallocated to profits	-	-
- Profits or losses from transfers	-	-
Operating subsidies	(858,379)	(148,255)
Cost of net financial debt	1,096,852	1,096,852
Income tax expense (current and deferred)	(6,011)	(6,011)
Internal financing capacity before financial results and tax	(3,705,177)	(2,995,053)
Taxes paid	-	-
Changes in working capital needs related to business activities	212,457	(497,667)
Net cash flow generated by business activities	**(3,492,720)**	**(3,492,720)**

VI. AUDITOR'S REPORT

Erytech Pharma S.A.

Headquarters: 60, avenue Rockefeller- 69008 Lyon
Share capital: €556 657,20

Auditor's report on quarterly financial information 2014

For the period of January 1, 2014 to June 30, 2014

Ladies and gentlemen of the shareholders,

In execution of the task that has been entrusted to us by your General Meeting, and pursuant to article L. 451-1-2 III of the Financial and Monetary Code, we have carried out the following actions:

- A limited examination of the quarterly consolidated accounts for the company Erytech Pharma S.A., pertaining to the period of January 1 to June 30, 2014, as attached to this report;

- Verification of the information provided in the quarterly operating report.

These consolidated quarterly reports are drawn up under the responsibility of the Board of Directors. Based on the limited examination that we have performed, we have been tasked with providing our conclusions on these accounts.

I - Conclusions on the accounts

We have carried out our limited examination of the accounts according to the professional standards that apply in France. A limited examination essentially consists of meeting with the members of the Board of Directors who are in charge of accounting and financial matters, and carrying out an analysis. This work has a more limited scope than the work that is required for an audit carried out according to the professional standards for auditing that apply in France. As a consequence, any assurance that the accounts, when taken as a whole, do not contain any significant anomalies, based on the limited examination that we have performed, is subject to reservations, unlike the results obtained within the context of a full audit.

Based upon the limited examination that we have performed, we have not found any significant anomalies that could call into question the accuracy and correctness of the consolidated quarterly accounts, based on the IFRS as adopted in the European Union, and the faithful image that they provide of the assets and financial situation of the Company to the end of the quarter, as well as of the profits for the quarter that has ended, for the persons and companies contained in the consolidation.

II - Specific verification

We have also verified the information provided in the quarterly operations report providing comments on the consolidated quarterly accounts that we examined in a limited way. We have no comments to make on how accurate they are and how much they conform to the consolidated quarterly accounts.

Lyon, September 1, 2014	Lyon, September 1, 2014
KPMG Audit Rhône Alpes Auvergne Sara Righenzi de Villers *Auditor*	RSM CCI Conseils Gaël Dhalluin *Partner*

VII. DECLARATION OF THE PERSON RESPONSIBLE FOR THE QUARTERLY FINANCIAL REPORT

"I hereby certify that, to my knowledge, the financial accounts for the quarter that has ended have been drawn up according to applicable accounting standards and that they provide a faithful picture of the assets, financial situation, and profits of the Company, and that the quarterly activities report that is attached presents a faithful picture of the significant events that have occurred throughout the first six months of the fiscal year, as well as of their impact on the accounts, the main transactions that have occurred with related parties, and a description of the main risks and uncertainties mentioned in paragraph II.E for the six months that remain of this fiscal year."

Lyon, August 29, 2014

Gil Beyen

Chairman and Chief Executive Officer

Disclaimer

This document was translated from French for convenience purposes only. This translation is, to the best of our professional knowledge and belief, a faithful rendering of the following document: Rapport Financier Semestriel 2014.