UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission File Number 001-38281

ERYTECH Pharma S.A.

(Exact name of registrant as specified in its charter and translation of registrant's name into English)

France
(Jurisdiction of incorporation or organization)

60 Avenue Rockefeller
69008 Lyon France
(Address of principal executive offices)

Gil Beyen
Chairman and Chief Executive Officer
ERYTECH Pharma S.A.
60 Avenue Rockefeller
69008 Lyon France
Tel: +33 4 78 74 44 38 Fax: +33 4 78 75 56 29
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, nominal value €0.10 per share	**The Nasdaq Global Select Market**
Ordinary shares, nominal value €0.10 per share*	**The Nasdaq Global Select Market***

* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, nominal value €0.10 per share: 17,940,035 as of December 31, 2018

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Emerging growth company	☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐	International Financial Reporting Standards as issued by the International Accounting Standards Board ☒	Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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INTRODUCTION

Unless otherwise indicated in this Annual Report, “ERYTECH,” “the company,” “our company,” “we,” “us” and “our” refer to ERYTECH Pharma S.A. and its consolidated subsidiary.

“ERYTECH Pharma,” “ERYCAPS,” “GRASPA,” the ERYTECH logo and other trademarks or service marks of ERYTECH Pharma S.A. appearing in this Annual Report are the property of ERYTECH Pharma S.A. or its subsidiary, ERYTECH Pharma, Inc. Solely for convenience, the trademarks, service marks and trade names referred to in this Annual Report are listed without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their right thereto. All other trademarks, trade names and service marks appearing in this Annual Report are the property of their respective owners. We do not intend to use or display other companies’ trademarks and trade names to imply any relationship with, or endorsement or sponsorship of us by, any other companies.

Our audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our consolidated financial statements are presented in euros, and unless otherwise specified, all monetary amounts are in euros. All references in this Annual Report to “$,” “US$,” “U.S.$,” “U.S. dollars,” “dollars” and “USD” mean U.S. dollars and all references to “€” and “euros” mean euros, unless otherwise noted. Throughout this Annual Report, references to ADSs mean American Depositary Shares or ordinary shares represented by such ADSs, as the case may be.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than present and historical facts and conditions contained in this Annual Report, including statements regarding our future results of operations and financial positions, business strategy, plans and our objectives for future operations, are forward-looking statements. When used in this Annual Report, the words "anticipate," "believe," "can," "could," "estimate," "expect," "intend," "is designed to," "may," "might," "plan," "potential," "predict," "objective," "should," or the negative of these and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to attain, maintain and expand marketing approval for eryaspase, which is known under the trade name GRASPA in Europe and Israel;
- the initiation, timing, progress and results of our pre-clinical studies and clinical trials;
- our ability to successfully develop our ERYCAPS platform and advance our pipeline of product candidates;
- our ability to enter into and successfully complete collaborations, licensing arrangements or in-license or acquire rights to other products, product candidates or technologies;
- our reliance on third parties to manufacture and conduct the clinical trials of our lead product candidate, which we refer to as eryaspase or GRASPA, and our other ERYCAPS product candidates, which could limit our commercialization efforts or delay or limit their future development or regulatory approval;
- our ability to develop sales, commercialization, marketing and manufacturing capabilities and strategy, including future hiring plans;
- our ability to produce adequate supplies of our product candidates for preclinical and clinical testing and to fulfill our contractual obligations to third-party distributors;
- the effects of increased competition as well as innovations by new and existing competitors in our industry;
- our ability to obtain funding for our operations;
- our ability to maintain, protect and enhance our intellectual property rights and propriety technologies and to operate our business without infringing the intellectual property rights and proprietary technology of third parties;
- regulatory developments in the United States, Europe and other foreign countries;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- our planned level of capital expenditures and our belief that our existing cash, cash equivalents and short-term investments will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next 12 months;
- the uncertainty of economic conditions in certain countries in Europe and Asia, such as those related to the United Kingdom's referendum in June 2016 in which voters approved an exit from the European Union, commonly referred to as "Brexit," and general economic conditions; and
- other risks and uncertainties, including those listed in the section of this Annual Report titled "Item 3.D—Risk Factors."

You should refer to the section of this Annual Report titled “Item 3.D—Risk Factors” for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this Annual Report and the documents that we reference in this Annual Report and have filed as exhibits to this Annual Report completely and with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Unless otherwise indicated, information contained in this Annual Report concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size estimates, is based on information from independent industry analysts, third-party sources and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us based on such data and our knowledge of such industry and market, which we believe to be reasonable. In addition, while we believe the market opportunity information included in this Annual Report is generally reliable and is based on reasonable assumptions, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the section of this Annual Report titled “Item 3.D—Risk Factors.”

PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data

Our consolidated audited financial statements have been prepared in accordance with IFRS, as issued by the IASB. We derived the selected consolidated statement of income (loss) data for the years ended December 31, 2016, 2017 and 2018 and selected consolidated statement of financial position data as of December 31, 2016, 2017 and 2018 from our consolidated audited financial statements included elsewhere in this Annual Report. The selected consolidated statement of income data for the years ended December 31, 2014 and 2015 and the selected consolidated financial position data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements and notes thereto which are not included in this Annual Report. This data should be read together with, and is qualified in its entirety by reference to, "Item 5. Operating and Financial Review and Prospects" as well as our financial statements and notes thereto appearing elsewhere in this Annual Report. Our historical results are not necessarily indicative of the results to be expected in the future.

Selected Consolidated Statement of Income (Loss) Data (in thousands, except share and per share data):

	Year Ended December 31,					
	2014	2015	2016	2017	2018	
	Euros	Euros	Euros	Euros	Euros	US$(1)
Revenues	€ —	€ —	€ —	€ —	€ —	$ —
Other income	2,026	2,929	4,138	3,364	4,447	5,094
Total operating income	2,026	2,929	4,138	3,364	4,447	5,094
Operating expenses						
Research and development	(6,613)	(10,776)	(19,720)	(25,463)	(33,468)	(38,341)
General and administrative	(4,361)	(7,736)	(6,808)	(8,791)	(14,600)	(16,726)
Total operating expenses	(10,974)	(18,512)	(26,528)	(34,254)	(48,068)	(55,067)
Operating loss	(8,948)	(15,583)	(22,390)	(30,889)	(43,621)	(49,972)
Financial income (loss)	68	567	488	(2,644)	5,399	6,185
Income tax	20	3	(10)	3	(2)	(3)
Net loss	(8,860)	(15,013)	(21,913)	(33,530)	(38,224)	(43,790)
Basic and diluted loss per share (2)	€ (1.51)	€ (2.16)	€ (2.74)	€ (2.95)	€ (2.13)	$ (2.44)
Weighted number of shares used for computing basic and diluted loss per share	5,874,794	6,957,654	7,983,642	11,370,557	17,937,481	17,937,481

(1) Translated solely for convenience into dollars at the noon buying rate of the Federal Reserve Bank of New York of €1.00 = $1.1456 at December 31, 2018 (the last business day of 2018).

(2) See Note 4.19 to our consolidated financial statements for further details on the calculation of basic and diluted loss per ordinary share.

Selected Consolidated Statement of Financial Position Data (in thousands, except share data):

	As of December 31,					
	2014	2015	2016	2017	2018	
	Euros	Euros	Euros	Euros	Euros	US$(1)
Cash and cash equivalents	36,988	45,634	37,646	185,525	134,371	153,935
Total assets	40,607	53,004	44,967	195,261	167,840	192,277
Total shareholders' equity	35,824	47,132	35,638	181,419	145,602	166,802
Total non-current liabilities	525	251	2,982	2,236	1,590	1,821
Total current liabilities	4,258	5,621	6,347	11,606	20,648	23,654
Total liabilities	4,783	5,872	9,329	13,842	22,238	25,475
Total liabilities and shareholders' equity	40,607	53,004	44,967	195,261	167,840	192,277
Total capital stock	688	792	873	1,794	1,794	2,055
Total number of shares	6,882,761	7,924,611	8,732,648	17,937,559	17,940,035	17,940,035

(1) Translated solely for convenience into dollars at the noon buying rate of the Federal Reserve Bank of New York of €1.00 = $1.1456 at December 31, 2018 (the last business day of 2018). Note that the European Central Bank exchange rate of €1.00 = $1.145 at December 31, 2018 was used to convert the accounts of our U.S. subsidiary, ERYTECH Pharma, Inc., into euros before incorporation into our consolidated accounts.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business faces significant risks. You should carefully consider all of the information set forth in this Annual Report and in our other filings with the United States Securities and Exchange Commission, or the SEC, including the following risk factors which we face and which are faced by our industry. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this Annual Report and our other SEC filings. See "Special Note Regarding Forward-Looking Statements" above.

Risks Related to Our Business

We have no approved products, which makes it difficult to assess our future prospects.

A key element of our strategy is to use and expand our proprietary ERYCAPS platform to build a pipeline of innovative product candidates and to progress these drug candidates through clinical development for the treatment of severe forms of cancer and orphan diseases. The discovery of therapeutic drugs based on encapsulating molecules inside red blood cells is an emerging field, and the scientific discoveries that form the basis for our efforts to discover and develop drug candidates are relatively new. The scientific evidence to support the feasibility of developing drug candidates based on these discoveries is both preliminary and limited. Although our research and development efforts to date have resulted in a pipeline of product candidates, we have not yet obtained approval for any products, we have not yet generated any revenues from the sale of approved products and we may not be able to develop product candidates that are considered to be safe and effective. Our operations to date have been limited to developing our ERYCAPS platform technology and undertaking preclinical studies and clinical trials of our product candidates, including our lead product candidate, eryaspase, also known as GRASPA, the approved trade name for eryaspase in Europe. However, we have not yet demonstrated an ability to overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the pharmaceutical industry. Consequently, the ability to predict our future operating results or business prospects is more limited than if we had a longer operating history or approved products on the market.

We are heavily dependent on the success of our most advanced product candidate, eryaspase.

Our business and future success depends on our ability to obtain regulatory approval for and, together with third-party collaborators, to successfully commercialize our lead product candidate, eryaspase, which is under clinical development for oncology indications. Eryaspase is our only product candidate in late-stage clinical development, and our business currently depends heavily on its successful development. Eryaspase will require additional clinical and non-clinical development, regulatory review and approval in multiple jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from product sales. We cannot be certain eryaspase will receive regulatory approval or be successfully commercialized even if we receive regulatory approval. In addition, because eryaspase is our most advanced product candidate, and because our other product candidates are based on the same ERYCAPS platform technology, if eryaspase encounters safety or efficacy problems, developmental delays or regulatory issues or other problems, our development plans and business would be significantly harmed.

We may not be successful in our efforts to use and expand our ERYCAPS platform to develop marketable products.

We believe that our ERYCAPS platform has broad potential application and can be used to encapsulate a wide range of therapeutic agents within red blood cells for which long-circulating therapeutic activity and rapid and specific targeting is desired. However, we are at an early stage of development and our platform has not yet, and may never, lead to approved or marketable products. Even if we are successful in continuing to build our product pipeline, the potential product candidates that we identify may not be suitable for clinical development, including for reasons related to their harmful side effects, limited efficacy or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. Use of red blood cells as the basis for our ERYCAPS platform may result in similar risks that affect the ability of our products to receive marketing approval and achieve market acceptance. If we do not successfully develop and commercialize product candidates based upon our technological approach, we may not be able to obtain product or collaboration revenues in future periods, which would harm our business and our prospects.

We face substantial competition from companies with considerably more resources and experience than we have, which may result in others discovering, developing, receiving approval for, or commercializing products before or more successfully than us.

The biopharmaceuticals industry is highly competitive. Numerous biopharmaceutical laboratories, biotechnology companies, institutions, universities and other research entities are actively involved in the discovery, research, development and marketing of therapeutics to treat severe forms of cancer and orphan diseases, making it a highly competitive field. We have competitors in a number of jurisdictions, many of which have substantially greater name recognition, commercial infrastructures and financial, technical and personnel resources than we have.

L-asparaginase is currently available in four forms, and the current market primarily includes several products marketed by large pharmaceutical companies, including Jazz Pharmaceuticals PLC and Servier. To our knowledge, there is no potential treatment being developed using L-asparaginase for the treatment of pancreatic cancer or other solid tumor indications, but this may change and current marketed asparaginase products may attempt to broaden their indications. Our products and product candidates may also have to compete with other products and product candidates in development by established pharmaceutical companies and biotechnology companies.

Established competitors may invest heavily to quickly discover and develop novel compounds that could make our product candidates obsolete or uneconomical. Any new product that competes with an approved product may need to demonstrate compelling advantages in efficacy, convenience, tolerability and safety to be commercially successful. Any of our product candidates that are approved in the future will also face other competitive factors, including generic competition, which could force us to lower prices or could result in reduced sales. In addition, new products developed by others could emerge as competitors to our product candidates. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition and operations will suffer.

Administration of our product candidates could present risks that exist in relation to blood transfusions.

Our product candidates must be intravenously injected and are therefore subject to risks associated with blood transfusions and the blood type compatibility of the donor. We currently acquire red blood cells from blood donations prepared and tested by blood banks, notably the *Établissement Français du Sang*, the New York Blood Center and the American Red Cross. However, using donor-derived red blood cells presents risks associated with the potential transmission of infectious agents, such as viruses, bacteria, prions and parasites, as well as risks associated with the development of allergies or other complications, such as allo-immunization, post-transfusion graft-versus-host disease, anaphylactic shock or death. Risks associated with the encapsulation of molecules inside red blood cells may vary and will depend on their toxicity. Although the blood banks that supply our red blood cells follow a strict preparation process, approved by health authorities, to detect and reduce possible risks for contamination by infectious agents, we cannot guarantee that our product candidates will not be contaminated, which could be detrimental to our product development and commercialization efforts.

Risks Related to our Financial Position and Capital Needs

We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.

We have not yet generated significant revenues and have incurred significant operating losses since our inception. We incurred net losses of €21.9 million, €33.5 million and €37.8 million for the years ended December 31, 2016, 2017 and 2018, respectively; these losses have adversely impacted, and will continue to adversely impact, our equity attributable to shareholders and net assets. These losses are principally the result of our research expenditures and development costs for conducting preclinical studies and clinical trials, as well as general and administrative expenses associated with our operations. We anticipate that our operating losses will continue for at least the next several years as we continue our research and development activities and until we generate substantial revenues from approved product candidates. As of December 31, 2018, we had a consolidated accumulated deficit of €137.7 million.

We have devoted most of our financial resources to research and development, including our clinical and preclinical development activities. To date, we have financed our operations primarily through the sale of equity securities and by obtaining public assistance in support of innovation, such as conditional advances and subsidies from the Banque Publique d'Investissement, or BPI France, and research tax credits. The amount of our future net losses will depend, in part, on the pace and amount of our future expenditures and our ability to obtain funding through equity or debt financings, strategic collaborations or additional grants or tax credits until such time, if ever, as we can generate substantial product revenue. We have not yet received marketing approval for any of our product candidates. Even if we obtain regulatory approval to market a product candidate, our future revenues will depend upon the size of any markets in which our product candidates have received approval, and our ability to achieve sufficient market acceptance, reimbursement from third-party payors and adequate market share for our product candidates in those markets.

We anticipate that our expenses will increase substantially as we:

- continue the preclinical and clinical development of our product candidates;
- expand the scope of our current clinical trials for our product candidates;
- expand our clinical and commercial manufacturing capabilities for our product candidates;
- seek regulatory and marketing approvals for our product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval and for which we have not entered into a third-party collaboration;
- seek to identify and validate additional product candidates;
- acquire or in-license other product candidates and technologies;
- make milestone, royalty or other payments under in-license or collaboration agreements;
- maintain, protect and expand our intellectual property portfolio;
- attract new and retain existing skilled personnel; and
- create additional infrastructure to support our operations in the United States.

Our operating results may fluctuate significantly from year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. In any particular period or periods, our operating results could be below the expectations of securities analysts or investors, which could cause the price of the ordinary shares and ADSs to decline.

We may need to raise additional funding, which may not be available on acceptable terms, or at all, and failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We are currently advancing our product candidates through preclinical and clinical development. Developing product candidates is expensive, lengthy and risky, and we expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we advance our product candidates toward commercialization.

As of December 31, 2018, our cash and cash equivalents were €134.4 million ($154 million). In November 2017, we completed our global offering and the net proceeds were approximately €112.1 million ($130.4 million), after deducting underwriting commissions and offering expenses which in the aggregate amounted to €11.5 million ($13.4 million). We expect that our existing cash and cash equivalents (of which the net proceeds from the global offering are a part) will be sufficient to fund our current operations for at least the next 12 months. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to

seek additional funds sooner than planned, through public or private equity or debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements or a combination of these approaches. In any event, we will require additional capital to pursue preclinical and clinical activities, obtain regulatory approval for and commercialize our product candidates. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our shareholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of the ADSs or ordinary shares to decline. The sale of additional equity or convertible securities would be dilutive to our shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product candidate or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could impair our growth prospects.

We may be forced to repay conditional advances prematurely if we fail to comply with our contractual obligations under certain innovation grant agreements.

Through December 31, 2018, we have received €2.7 million in non-refundable grants and €2.0 million in conditional advances from BPI France. If we fail to comply with our contractual obligations under the applicable innovation grant agreements, including if we lose our exclusive right to commercially develop our product candidates, we could be forced to repay the conditional advances (amounting to €1.2 million at December 31, 2018) ahead of schedule. Such premature repayment could adversely affect our ability to finance our research and development projects, in which case we would need to locate alternative sources of capital, which may not be available on commercially reasonable terms or at all.

Risks Related to the Discovery and Development of and Obtaining Regulatory Approval for our Product Candidates

If our product candidates are not approved for marketing by applicable government authorities, we will be unable to commercialize them.

The European Commission (following review by the European Medicines Agency, or EMA) in Europe, the U.S. Food and Drug Administration, or FDA, in the United States and comparable regulatory authorities in other jurisdictions must approve new drug or biologic candidates before they can be commercialized, marketed, promoted or sold in those territories. We must provide these regulatory authorities with data from preclinical studies and clinical trials that demonstrate that our product candidates are safe and effective for a defined indication before they can be approved for commercial distribution. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. We must provide data to ensure the identity, strength, quality and purity of the drug substance and drug product. Also, we must assure the regulatory authorities that the characteristics and performance of the clinical batches will be replicated consistently in the commercial batches. We have focused our development and planned commercialization efforts on Europe and the United States.

The processes by which regulatory approvals are obtained from the EMA and FDA to market and sell a new product are complex, require a number of years and involve the expenditure of substantial resources. We cannot assure you that eryaspase or any of our future product candidates will receive EMA or FDA approval. For example, in September 2015, we submitted a Marketing Authorization Application, or MAA, to the EMA for the approval of GRASPA as a treatment for acute lymphoblastic leukemia, or ALL. However, in November 2016, we announced our withdrawal of the MAA for GRASPA. In October 2017, we resubmitted to the EMA our MAA for GRASPA for relapsed or refractory ALL and subsequently announced our withdrawal of the MAA for GRASPA in June 2018. Even if we obtain marketing approval of any of our product candidates in a major pharmaceutical market such as the United States or Europe, we may never obtain approval or commercialize our products in other major markets, due to varying approval procedures or otherwise, which would limit our ability to realize their full market potential.

Our product candidates will need to undergo clinical trials that are time-consuming and expensive, the outcomes of which are unpredictable, and for which there is a high risk of failure. If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the EMA, FDA and other regulators, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of these product candidates.

Preclinical testing and clinical trials are long, expensive and unpredictable processes that can be subject to extensive delays. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. It may take several years to complete the preclinical testing and clinical development necessary to commercialize a product candidate, and delays or failure can occur at any stage. Interim results of clinical trials do not necessarily predict final results, and success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical, biopharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials, and we cannot be certain that we will not face similar setbacks. The design of a clinical trial can determine whether its results will support approval of a product, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. An unfavorable outcome in one or more trials would be a major setback for our product candidates and for us. Due to our limited financial resources, an unfavorable outcome in one or more trials may require us to delay, reduce the scope of, or eliminate one or more product development programs, which could have a material adverse effect on our business and financial condition and on the value of our securities.

In connection with clinical testing and trials, we face a number of risks, including risks that:

- a product candidate is ineffective, inferior to existing approved medicines, unacceptably toxic, or has unacceptable side effects;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the product candidate being tested;
- extension studies on long-term tolerance could invalidate the use of our product;
- the results may not confirm the positive results of earlier testing or trials; and
- the results may not meet the level of statistical significance required by the EMA, FDA or other regulatory agencies to establish the safety and efficacy of our product candidates.

The results of preclinical studies do not necessarily predict clinical success, and larger and later-stage clinical trials may fail to show the desired safety and efficacy results despite having progressed through preclinical studies and initial clinical trials. Furthermore, there can be no assurance that any of our clinical trials will ultimately be successful or support further clinical development of any of our product candidates. Our clinical trials of eryaspase conducted to date have generated favorable safety and efficacy data, other than our Phase 2b clinical trial in acute myeloid leukemia for which we did not achieve the primary endpoint. However, we may have different results in other indications. Differences in enrollment criteria and different combinations with other treatment modalities may also lead to different outcomes in our future clinical trials. As a result, we may not observe a similarly favorable safety or efficacy profile as in our prior clinical trials. There is a high failure rate for drugs proceeding through clinical trials. Many companies in the pharmaceutical, biopharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials after achieving positive results in early-stage development and we cannot be certain that we will not face similar setbacks. These setbacks have been caused by, among other things, preclinical findings made while clinical trials were underway, or safety or efficacy observations made in preclinical studies and clinical trials, including previously unreported adverse events. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA or EMA approval. In addition, we cannot assure you that in the course of potential widespread use in the future, we will not suffer setbacks in maintaining production quality or stability.

If we do not successfully complete preclinical and clinical development, we will be unable to market and sell our product candidates and generate revenues. Even if we do successfully complete clinical trials, those results are not necessarily predictive of results of additional trials that may be needed before marketing applications may be submitted to the EMA or FDA, as applicable. For instance, despite having observed favorable results and safety profile in multiple clinical trials of eryaspase in patients with ALL, based on feedback from the regulatory agencies requiring additional investment, increasingly competitive landscape and the limited market opportunity for eyaspase with ALL, we decided in June 2018 to cease further clinical developments efforts in ALL. Although there are a large number of drugs and biologics in development in Europe, the United States and other countries, only a small percentage result in the submission of a marketing application, even fewer are approved for commercialization, and only a small number achieve widespread physician and consumer acceptance following regulatory approval. If our clinical trials are substantially delayed or fail to prove the safety and effectiveness of our product candidates in development, we may not receive regulatory approval of any of these product candidates and our business and financial condition will be materially harmed.

Delays, suspensions and terminations in our clinical trials could result in increased costs to us and delay or prevent our ability to generate revenues.

Human clinical trials are very expensive, time-consuming, and difficult to design, implement and complete. The completion of trials for eryaspase or our other product candidates may be delayed for a variety of reasons, including delays in:

- demonstrating sufficient safety and efficacy to obtain regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites;
- validating test methods to support quality testing of the drug substance and drug product;
- obtaining sufficient quantities of the drug substance or other materials necessary to conduct clinical trials;
- manufacturing sufficient quantities of a product candidate;
- obtaining approval of applications from regulatory authorities for the commencement of a clinical trial;
- obtaining institutional review board, or IRB, approval to conduct a clinical trial at a prospective clinical trial site;
- determining dosing and clinical trial design; and
- patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical trial sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial.

For example, in our Phase 1 clinical trial in the United States in adult ALL patients, patient enrollment took longer than expected.

The commencement and completion of clinical trials for our product candidates may be delayed, suspended or terminated due to a number of factors, including:

- lack of effectiveness of product candidates during clinical trials;
- adverse events, safety issues or side effects relating to the product candidates or their formulation;
- inability to raise additional capital in sufficient amounts to continue clinical trials or development programs, which are very expensive;
- the need to sequence clinical trials as opposed to conducting them concomitantly in order to conserve resources;
- our inability to enter into collaborations relating to the development and commercialization of our product candidates;
- our failure to conduct clinical trials in accordance with regulatory requirements;
- our inability to manufacture or obtain from third parties materials sufficient for use in preclinical studies and clinical trials;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines, including mandated changes in the scope or design of clinical trials or requests for supplemental information with respect to clinical trial results;
- delays in patient enrollment, variability in the number and types of patients available for clinical trials, and lower-than anticipated retention rates for patients in clinical trials;
- difficulty in patient monitoring and data collection due to failure of patients to maintain contact after treatment; and
- varying interpretations of our data, and regulatory commitments and requirements by the EMA, FDA and similar regulatory agencies.

For example, our Investigational New Drug application, or IND, submitted to the FDA for eryaspase was on clinical hold from its original submission in July 2011 until March 21, 2013. We cannot assure you that our current IND for eryaspase or any future IND will not be subject to clinical holds.

Many of these factors may also ultimately lead to denial of our marketing application for eryaspase or our other product candidates. If we experience delay, suspensions or terminations in a clinical trial, the commercial prospects for the related product candidate will be harmed, and our ability to generate product revenues will be delayed or such revenues could be reduced or fail to materialize.

We may find it difficult to enroll patients in our clinical trials, which could delay or prevent us from proceeding with clinical trials of our product candidates.

Identifying and qualifying patients to participate in clinical trials of our product candidates is critical to our success. The timing of our clinical trials depends on our ability to recruit patients to participate, as well as completion of required follow-up periods. If patients are unwilling to enroll in our clinical trials because of competitive clinical trials for similar patient populations or for other reasons, the timeline for recruiting patients, conducting studies and obtaining regulatory approval of our product candidates may be delayed. These delays could result in increased costs, delays in advancing our product candidates, delays in testing the effectiveness of our product candidates or termination of clinical trials altogether.

Some of our current product candidates are being developed to treat severe forms of cancer and other orphan diseases, which are generally defined as having a patient population of fewer than 200,000 individuals in the United States. For example, 150,000 new cases of pancreatic cancer are diagnosed each year in the United States and Europe. We may not be able to initiate or continue clinical trials if we cannot enroll a sufficient number of eligible patients to participate in the clinical trials required by the FDA, EMA or other regulatory authorities. Also, we may not be able to identify, recruit and enroll a sufficient number of patients, or those with required or desired characteristics, to complete our clinical trials in a timely manner. Patient enrollment can be affected by many factors, including:

- size of the patient population and process for identifying patients;
- eligibility and exclusion criteria for our clinical trials;
- perceived risks and benefits of our product candidates;
- severity of the disease under investigation;
- proximity and availability of clinical trial sites for prospective patients;
- ability to obtain and maintain patient consent;
- patient drop-outs prior to completion of clinical trials;
- patient referral practices of physicians; and
- ability to monitor patients adequately during and after treatment.

Our ability to successfully initiate, enroll and complete clinical trials in any foreign country is subject to numerous risks unique to conducting business in foreign countries, including:

- difficulty in establishing or managing relationships with CROs and physicians;
- different standards for the conduct of clinical trials;
- inability to locate qualified local consultants, physicians and partners; and
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology products and treatment.

If we have difficulty enrolling a sufficient number of patients or finding additional clinical trial sites to conduct our clinical trials as planned, we may need to delay, limit or terminate ongoing or planned clinical trials, any of which could have an adverse effect on our business, financial condition, results of operations and prospects.

Changes in regulatory requirements, guidance from regulatory authorities or unanticipated events during our clinical trials of our product candidates could necessitate changes to clinical trial protocols or additional clinical trial requirements, which would result in increased costs to us and could delay our development timeline.

Changes in regulatory requirements, FDA guidance or guidance from the EMA or other European regulatory authorities, or unanticipated events during our clinical trials, may force us to amend clinical trial protocols. The regulatory authorities could also impose additional clinical trial requirements. Amendments to our clinical trial protocols would require resubmission to the FDA, EMA, national clinical trial regulators and IRBs for review and approval, which may adversely impact the cost, timing or successful completion of a clinical trial. If we experience delays completing, or if we terminate, any of our clinical trials, or if we are required to conduct additional clinical trials, the commercial prospects for our product candidates may be harmed and our ability to generate product revenue will be delayed.

The United States and European formulations of eryaspase differ, and regulatory authorities in each jurisdiction may not accept data from alternative eryaspase formulations in other jurisdiction(s), which may result in delays and additional costs in order to conduct additional comparability studies or the need to repeat nonclinical and clinical studies in order to obtain approval in each jurisdiction in which we intend to commercialize eryaspase.

The formulations of eryaspase used to conduct clinical trials in the United States and Europe have differed in composition, manufacturing process and release specifications. After seeking feedback from regulatory agencies, we have conducted studies to harmonize the formulation of eryaspase, including in vitro comparability studies and stability studies. Even with this additional data, regulatory authorities may not find it acceptable to support the approval of eryaspase. If regulatory authorities require us to generate additional nonclinical or clinical data, the generation of additional data could result in submission delays and additional costs in order to obtain marketing approval of eryaspase.

In the United States, our product candidates will be regulated as biological products, or biologics, which may subject them to competition sooner than we currently anticipate.

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, was enacted as part of the 2010 enactments of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the ACA, to establish an abbreviated licensure pathway for biological products shown to be biosimilar to, or interchangeable with, an FDA-licensed biological reference product. “Biosimilarity” means that the biological product is highly similar to the reference product notwithstanding minor differences in clinically inactive components and there are no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency of the product. To meet the higher standard of “interchangeability,” an applicant must provide sufficient information to show biosimilarity and demonstrate that the biological product can be expected to produce the same clinical result as the reference product in any given patient and, if the biological product is administrated more than once to an individual, the risk in terms of safety or diminished efficacy of alternating or switching between the use of the biological product and the reference product is not greater than the risk of using the reference product without such alternation or switch.

Under the BPCIA, an application for a biosimilar or interchangeable product cannot be approved by the FDA until 12 years after the reference product was first licensed, and the FDA will not even accept an application for review until four years after the date of first licensure. The law is evolving, complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that any of our product candidates approved as a biological product under a Biologics License Application, or BLA, should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, potentially creating the opportunity for biosimilar or interchangeable competition sooner than we currently anticipate. Moreover, the process by which an interchangeable product, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products, such as drugs, is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing and subject to interpretation.

In the European Union, GRASPA contains a known active substance, which would undermine its data and marketing exclusivities; however, this will not affect GRASPA’s orphan product exclusivity.

Data exclusivity refers to the period of time during which another company cannot refer to our data held in the authority’s files in support of its marketing authorization. The subsequent market exclusivity refers to the period of time during which another company may use our data in support of its marketing authorization for a generic, hybrid or biosimilar product, but the product in question may not be placed on the market. For products containing new active substances, this effectively prevents certain products, such as generics and similar biological products, from being placed on the market during the combined data and marketing exclusivity period. This combined period usually lasts for 10 years from the date of approval of the product containing the new active substance.

Because the active ingredient in GRASPA is not a new active substance, the 10-year period of protection against generics and similar biological products is undermined. Competitors developing such products could receive European Union marketing authorizations and place their products on the European Union market within 10 years of GRASPA’s own marketing authorization, if obtained.

However, if we still have orphan drug designation for GRASPA at the time we receive marketing approval from the EMA, we would still benefit from the independent period of market exclusivity afforded to orphan products. In the European Union, this is usually a period of 10 years from the date of marketing approval. The exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified. The

exclusivity period may increase to 12 years if, among other things, the MAA includes the results of studies from an agreed pediatric investigation plan. During the orphan exclusivity period, regulators should not accept or approve applications for the approval of a similar medicine for the same therapeutic indication, unless the second product is demonstrably safer, more effective or otherwise clinically superior. Regulators may approve different products for the same condition as GRASPA.

We rely on third parties to assist in our discovery and development activities, and the loss of any of our relationships with research institutions could hinder our product development prospects.

We currently have and expect to continue to depend on collaborations with public and private research institutions to conduct some of our early-stage drug discovery activities. If we are unable to enter into research collaborations with these institutions, or if any one of these institutions fails to work efficiently with us, the research, development or marketing of our product candidates planned as part of the research collaboration could be delayed or canceled. In the event a research agreement is terminated or we become no longer in a position to renew the arrangement under acceptable conditions, our drug discovery and development activities may also be delayed.

We rely on third parties to conduct our clinical trials and perform data collection and analysis, which may result in costs and delays that prevent us from successfully commercializing our product candidates.

We rely, and will rely in the future, on medical institutions, clinical investigators, CROs, contract laboratories and collaborators to perform data collection and analysis and to carry out our clinical trials. Our development activities or clinical trials conducted in reliance on third parties may be delayed, suspended, or terminated if:

- the third parties do not devote a sufficient amount of time or effort to our activities or otherwise fail to successfully carry out their contractual duties or to meet regulatory obligations or expected deadlines;
- we replace a third party; or
- the quality or accuracy of the data obtained by third parties is compromised due to their failure to adhere to clinical protocols, regulatory requirements, or for other reasons.

We generally would not have the ability to control the performance of third parties in their conduct of development activities. In the event of a default, bankruptcy or shutdown of, or a dispute with, a third party, we may be unable to enter into a new agreement with another third party on commercially acceptable terms. Further, third-party performance failures may increase our development costs, delay our ability to obtain regulatory approval, and delay or prevent the commercialization of our product candidates. In addition, our third-party agreements usually contain a clause limiting such third party's liability, such that we may not be able to obtain full compensation for any losses we may incur in connection with the third party's performance failures. While we believe that there are numerous alternative sources to provide these services, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without incurring delays or additional costs.

We may enter into collaboration agreements with third parties for the development and commercialization of our product candidates, which may affect our ability to generate revenues.

We have limited capabilities for product development and may seek to enter into collaborations with third parties for the development and potential commercialization of our product candidates. Should we seek to collaborate with a third party with respect to a prospective development program, we may not be able to locate a suitable collaborator and may not be able to enter into an agreement on commercially reasonable terms or at all. Even if we succeed in securing collaborators for the development and commercialization of our product candidates, we will have limited control over the amount and timing that our collaborators may dedicate to the development or commercialization of our product candidates. These collaborations pose a number of risks, including the following:

- collaborators may not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as budget limitations, lack of human resources, or a change in strategic focus;
- collaborators may believe our intellectual property is not valid or is unenforceable or the product candidate infringes on the intellectual property rights of others;
- collaborators may dispute their responsibility to conduct development and commercialization activities pursuant to the applicable collaboration, including the payment of related costs or the division of any revenues;
- collaborators may decide to pursue a competitive product developed outside of the collaboration arrangement;

- collaborators may not be able to obtain, or believe they cannot obtain, the necessary regulatory approvals; or
- collaborators may delay the development or commercialization of our product candidates in favor of developing or commercializing another party's product candidate.

Thus, collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all.

Some collaboration agreements are terminable without cause on short notice. Once a collaboration agreement is signed, it may not lead to commercialization of a product candidate. We also face competition in seeking out collaborators. If we are unable to secure new collaborations that achieve the collaborator's objectives and meet our expectations, we may be unable to advance our product candidates and may not generate meaningful revenues.

Due to our limited resources and access to capital, our decisions to prioritize development of certain product candidates may adversely affect our business prospects.

Because we have limited resources and access to capital to fund our operations, we must decide which product candidates to pursue and the amount of resources to allocate to each. As such, we are currently primarily focused on the development of eryaspase for the treatment of pancreatic cancer and other solid tumors. Our decisions concerning the allocation of research, collaboration, management and financial resources toward particular compounds, product candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources away from more promising opportunities. Similarly, our potential decisions to delay, terminate or collaborate with third parties with respect to some of our product development programs may also prove not to be optimal and could cause us to miss valuable opportunities. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights. If we make incorrect determinations regarding the market potential of our product candidates or misread trends in the pharmaceutical industry, our business prospects could be harmed.

Recent developments relating to the United Kingdom's referendum vote in favor of withdrawal from the European Union could adversely affect us.

The United Kingdom, or UK, held a referendum on June 23, 2016, in which a majority voted for the UK's withdrawal from the European Union, or EU, commonly known as 'Brexit'. As a result of this vote, on March 29, 2017, the UK officially started the separation process and commenced negotiations to determine the terms of the UK's withdrawal from the EU as well as its relationship with the EU going forward, including the terms of trade between the UK and the EU. As part of these negotiations, a transitional period was agreed to in principle, which would extend the application of EU law and provide for continuing access to the EU single market until the end of 2020. The UK is currently scheduled to leave the EU on May 22, 2019 subject to approval of the Brexit withdrawal agreement by the House of Commons by April 12, 2019. If the UK and the EU are unable to negotiate acceptable withdrawal terms, barrier-free access between the UK and other European Member States including Norway, Iceland and Liechtenstein in the European Economic Area could be diminished or eliminated. The effects of Brexit are expected to be far-reaching and will depend on any agreements (or lack thereof) between the UK and the EU and, in particular, any arrangements for the UK to retain access to EU markets either during a transitional period or more permanently. Given the level of uncertainty, Brexit, and the perceptions as to its impact, may adversely affect business activity and economic conditions in the UK, Europe and globally and could continue to contribute to instability in global financial and foreign exchange markets, asset valuations and credit ratings. Brexit could also have the effect of disrupting and potentially ending the free movement of goods, services and people between the UK and the EU, which may negatively affect our operations together with those of our customers and suppliers, particularly those which are based in the UK. For example, we are conducting clinical trials at certain sites in the UK for which we must supply eryaspase. We may face difficulties to have our product imported into the UK which could render it unavailable for use in our clinical trials or would force us to set up a new production facility in the UK. We could also face difficulties to obtain a specific MAA in the UK. This may force us to stop development in the UK and/or give up our intention to register any potential product in the UK.

In addition, we expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replicate or replace. If the UK were to significantly alter its regulations affecting our product candidates, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations and our product candidates may need to undergo a registration process in the UK in the future. Altered or divergent regulations could also add time and expense to the process by which our product candidates receive and maintain regulatory approval in the UK and EU.

Similarly, it is unclear at this time what Brexit's impact will have on our intellectual property rights and the process for obtaining, maintaining, defending and enforcing such rights. For example, whilst current guidance provided by the UK's government suggests that trademarks granted by the EU, known as EU registered trademarks or EUTMs, will continue to be protected in the UK after Brexit, it is unclear whether we will be required to refile our trademarks and other intellectual property applications domestically in the UK and whether any other steps will be required for us to protect our trade marks in the UK in the future. As a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership in the EU. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, we cannot be certain of the full extent to which Brexit could adversely affect our business, results of operations and financial condition.

Risks Related to the Commercialization of Our Product Candidates

Even if we successfully complete clinical trials of our product candidates, those candidates may not be commercialized successfully for other reasons.

Even if we successfully complete clinical trials for one or more of our product candidates and obtain relevant regulatory approvals, those candidates may not be commercialized for other reasons, including:

- failing to receive regulatory clearances required to market them as drugs;
- being subject to proprietary rights held by others;
- failing to obtain clearance from regulatory authorities on the manufacturing of our products;
- being difficult or expensive to manufacture on a commercial scale;
- having adverse side effects that make their use less desirable;
- failing to compete effectively with products or treatments commercialized by competitors; or
- failing to show that the long-term benefits of our products exceed their risks.

Even if any of our product candidates are commercialized, they may fail to achieve the degree of market acceptance by physicians, patients, third-party payors or the medical community in general necessary for commercial success.

Even if the medical community accepts a product as safe and efficacious for its indicated use, physicians may choose to restrict the use of the product if we are unable to demonstrate that, based on experience, clinical data, side-effect profiles and other factors, our product is preferable to any existing drugs or treatments. We cannot predict the degree of market acceptance of any product candidate that receives marketing approval, which will depend on a number of factors, including, but not limited to:

- the demonstration of the clinical efficacy and safety of the product;
- the approved labeling for the product and any required warnings;
- the advantages and disadvantages of the product compared to alternative treatments;
- our ability to educate the medical community about the safety and effectiveness of the product;
- the experience of clinicians with other potential treatments that use red blood cells to deliver therapeutics;
- the coverage and reimbursement policies of government and commercial third-party payors pertaining to the product; and
- the market price of our product relative to competing treatments.

If we are unable to establish sales, marketing and distribution capabilities for our product candidates, whether it be an internal infrastructure or an arrangement with a third party, we may not be successful in commercializing those product candidates if and when they are approved.

We do not have a sales or marketing infrastructure and have no experience in the sale, marketing or distribution of pharmaceutical drugs. To achieve commercial success for eryaspase, including in the United States, for the treatment of pancreatic cancer, as well as eryaspase for the treatment of other indications and any other product candidates for which we may obtain marketing approval, we will need to establish a sales and marketing organization to market or co-promote those products. There are risks involved with establishing our own sales, marketing and distribution capabilities. For example, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians and educate an adequate number of physicians on the benefits of any future products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more products; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish our own sales, marketing and distribution capabilities and enter into arrangements with third parties to perform these services, our revenue and our profitability, if any, are likely to be lower than if we were to sell, market and distribute any products that we develop ourselves.

Even though we have obtained orphan drug designation from the FDA and EMA for eryaspase for the treatment of pancreatic cancer, we may not be able to obtain orphan drug marketing exclusivity for eryaspase or any of our other product candidates for other indications.

Regulatory authorities in some jurisdictions, including the United States and the European Union, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a drug as an orphan drug if it is intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States. Similarly, in Europe, a medicinal product may receive orphan designation under Article 3 of Regulation (EC) 141/2000. This applies to products that are intended for a life-threatening or chronically debilitating condition and either the condition affects no more than five in 10,000 persons in the European Union when the application is made or the product, without the benefits derived from orphan status, would unlikely generate sufficient return in the European Union to justify the necessary investment. Moreover, in order to obtain orphan designation in the European Union, it is necessary to demonstrate that there exists no satisfactory method of diagnosis, prevention or treatment of the condition authorized for marketing in the European Union, or if such a method exists, that the product will be of significant benefit to those affected by the condition. The EMA will reassess whether GRASPA continues to meet the criteria for orphan drug designation in the European Union at the time it reviews a marketing authorization application for the product. If the EMA considers that GRASPA no longer meets these criteria, for example, because it does not offer a significant benefit over existing therapies, it may revoke GRASPA's orphan drug designation prior to approval.

The EMA has granted orphan drug designation for GRASPA for the treatment of pancreatic cancer, and the FDA has granted orphan drug designation for eryaspase for the same indication. We may seek orphan drug designation for our other product candidates, and with respect to other indications. Generally, if a drug with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the drug is entitled to a period of marketing exclusivity, which precludes the FDA from approving another marketing application for the same drug for that time period or the EMA or any other medicines regulator in the European Union from approving a similar medicinal product. The applicable period is seven years in the United States and usually 10 years in the European Union. The European Union exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

Even if we obtain orphan drug exclusivity for a product candidate, that exclusivity may not effectively protect the candidate from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved, the applicable regulatory authority can subsequently approve another drug for the same condition if it concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care. Similarly, if our competitors are able to obtain orphan product exclusivity for their products in the same indications for which we are developing our product candidates, we may not be able to have our products approved by the applicable regulatory authority for a significant period of time.

Even if we obtain marketing approvals for our product candidates, the terms of approvals and ongoing regulation of our products may limit how we or they market our products, which could materially impair our ability to generate revenues.

Even if we receive regulatory approval for a product candidate, this approval may carry conditions that limit the market for the product or put the product at a competitive disadvantage relative to alternative therapies. For instance, a regulatory approval may limit the indicated uses for which we can market a product or the patient population that may utilize the product, or may be required to carry a warning in its labeling and on its packaging. Products with boxed warnings are subject to more restrictive advertising regulations than products without such warnings. These restrictions could make it more difficult to market any product candidate effectively. Accordingly, assuming we receive marketing approval for one or more of our product candidates, we will continue to expend time, money and effort in all areas of regulatory compliance.

Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact our ability to generate revenues even if we obtain regulatory approval to market a product.

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and other third-party payors, such as private health insurers and health maintenance organizations, determine which medications they will cover and establish reimbursement levels. Assuming we obtain coverage for a given product by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with their prescription drugs. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover all or a significant portion of the cost of our products. Therefore, coverage and adequate reimbursement is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available.

Government authorities and other third-party payors are developing increasingly sophisticated methods of controlling healthcare costs, such as by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices as a condition of coverage, are using restrictive formularies and preferred drug lists to leverage greater discounts in competitive classes, and are challenging the prices charged for medical products. In addition, in the United States, federal programs impose penalties on drug manufacturers in the form of mandatory additional rebates and/or discounts if commercial prices increase at a rate greater than the Consumer Price Index-Urban, and these rebates and/or discounts, which can be substantial, may impact our ability to raise commercial prices. Further, no uniform policy requirement for coverage and reimbursement for drug products exists among third-party payors in the United States. Therefore, coverage and reimbursement for drug products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

The continuing efforts of governments, insurance companies, managed care organizations and other payors of healthcare costs to contain or reduce costs of healthcare may negatively affect our commercialization prospects, including:

- our ability to set a price we believe is fair for our products, if approved;
- our ability to obtain and maintain market acceptance by the medical community and patients;
- our ability to generate revenues and achieve profitability; and
- the availability of capital.

We cannot be sure that coverage and reimbursement will be available for any potential product candidate that we may commercialize and, if reimbursement is available, what the level of reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

In the United States, the ACA is significantly impacting the provision of, and payment for, healthcare. Various provisions of the ACA are designed to expand Medicaid eligibility, subsidize insurance premiums, provide incentives for businesses to provide healthcare benefits, prohibit denials of coverage due to pre-existing conditions, establish health insurance exchanges, and provide additional support for medical research. With regard to pharmaceutical products specifically, the ACA, among other things, expanded and increased industry rebates for drugs covered under Medicaid programs and made changes to the coverage requirements under the Medicare prescription drug benefit.

Some of the provisions of the ACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, the U.S. Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. Legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act, or the Tax Act, included a provision which repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” On January 22,

2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain ACA-mandated fees, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. The Bipartisan Budget Act of 2018, or the BBA, among other things, amended the ACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole." On December 14, 2018, a Texas U.S. District Court Judge ruled that ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. While the Texas U.S. District Court Judge, as well as the Trump administration and CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace ACA will impact ACA and our business.

In addition, both the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 have instituted, among other things, mandatory reductions in Medicare payments to certain providers. Additional legislative proposals to reform healthcare and government insurance programs, along with the trend toward managed healthcare in the United States, could influence the purchase of medicines and reduce reimbursement and/or coverage of our product candidates, if approved.

Recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. Such scrutiny has resulted in several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products. At the federal level, the Trump administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Further, the Trump administration released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. The Department of Health and Human Services, or HHS, has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. For example, in September 2018, CMS announced that it will allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2019. On January 31, 2019, the HHS Office of Inspector General, proposed modifications to the U.S. federal Anti-Kickback Statute discount safe harbor for the purpose of reducing the cost of drug products to consumers which, among other things, if finalized, will affect discounts paid by manufacturers to Medicare Part D plans, Medicaid managed care organizations and pharmacy benefit managers working with these organizations. While some of these and other proposed measures may require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved product candidate. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drugs. Moreover, we cannot predict what healthcare reform initiatives may be adopted in the future.

In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. In addition, in some foreign markets, the pricing of prescription drugs is subject to government control and reimbursement may in some cases be unavailable. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product, may refuse to reimburse a product at the price set by the manufacturer or may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for biopharmaceutical products will allow favorable reimbursement and pricing arrangements for eryaspase or any of our other product candidates that may be approved. Historically, biopharmaceutical products launched in the European Union do not follow price structures of the United States and generally tend to have significantly lower prices.

We believe that pricing pressures at the federal and state levels in the United States, as well as internationally, will continue and may increase, which may make it difficult for us to sell our potential product candidates that may be approved in the future at a price acceptable to us or any third parties with whom we may choose to collaborate.

Any of our product candidates for which we obtain marketing approval could be subject to post-marketing restrictions or withdrawal from the market, and we may be subject to substantial penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products following approval.

Any of our product candidates for which we obtain marketing approval, as well as the manufacturing processes, post-approval studies and measures, labeling, advertising and promotional activities for such products, among other things, will be subject to continual requirements of and review by the EMA, FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the FDA requirement to implement a REMS to ensure that the benefits of a drug or biological product outweigh its risks.

The EMA and FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a product, such as long term observational studies on natural exposure. The FDA and other agencies, including the Department of Justice, closely regulate and monitor the post-approval marketing and promotion of products to ensure that they are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The EMA and FDA impose stringent restrictions on manufacturers' communications regarding off-label use and if we do not market any of our product candidates for which we receive marketing approval for only their approved indications, we may be subject to warnings or enforcement action for off-label marketing. Violation of the Federal Food, Drug and Cosmetic Act, or FDCA, and other statutes, including the civil False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of federal and state health care fraud and abuse laws and state consumer protection laws.

The EMA, FDA and other regulatory agencies actively enforce the laws and regulations prohibiting the promotion of drugs for off-label uses. If we are found to have improperly promoted off-label use, we may become subject to significant liability.

The EMA, FDA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription drug products, such as our product candidates, if approved. In particular, a product may not be promoted for uses that are not approved by the EMA, FDA or such other regulatory agencies as reflected in the product's approved labeling. However, we may share truthful and not misleading information that is otherwise consistent with the product's approved labeling. For example, if we receive marketing approval for eryaspase, physicians, in their professional medical judgment, may nevertheless prescribe eryaspase to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label use, we may become subject to significant liability under the FDCA and other statutory authorities, such as laws prohibiting false claims for reimbursement. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we cannot successfully manage the promotion of our products, if approved, we could become subject to significant liability, which would harm our reputation and negatively impact our financial condition.

Our future growth depends, in part, on our ability to penetrate foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.

Our future profitability will depend, in part, on our ability to commercialize our product candidates in markets within and without the United States and Europe. If we commercialize our product candidates in foreign markets, we would be subject to additional risks and uncertainties, including:

- economic weakness, including inflation, or political instability in particular economies and markets;
- the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements, many of which vary between countries;
- different medical practices and customs in foreign countries affecting acceptance in the marketplace;
- tariffs and trade barriers;
- other trade protection measures, import or export licensing requirements or other restrictive actions by U.S. or foreign governments;

- longer accounts receivable collection times;
- longer lead times for shipping;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- workforce uncertainty in countries where labor unrest is common;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries, and related prevalence of generic alternatives to therapeutics;
- foreign currency exchange rate fluctuations and currency controls;
- differing foreign reimbursement landscapes;
- uncertain and potentially inadequate reimbursement of our products; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of our products could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions and changes in tariffs.

Adverse market and economic conditions may exacerbate certain risks associated with commercializing our product candidates.

Future sales of our product candidates, it they are approved, will be dependent on purchasing decisions of and reimbursement from government health administration authorities, distributors and other organizations. As a result of adverse conditions affecting the global economy and credit and financial markets, including disruptions due to political instability or otherwise, these organizations may defer purchases, may be unable to satisfy their purchasing or reimbursement obligations, or may delay payment for eryaspase or any of our product candidates that are approved for commercialization in the future. In addition, there have been concerns for the overall stability and suitability of the euro as a single currency given the economic and political challenges facing individual Eurozone countries. Continuing deterioration in the creditworthiness of Eurozone countries, the withdrawal of one or more member countries from the European Union, or the failure of the euro as a common European currency or an otherwise diminished value of the euro could materially and adversely affect our future product revenue from European sales of our products.

Risks Related to the Production and Manufacturing of our Product Candidates

Our production capacity could prove insufficient for our needs.

Our production capacity may prove insufficient in the future to meet the growth of our business, including producing sufficient quantities of product candidates for preclinical studies, clinical trials and, ultimately, our customers and distributors. For instance, we have initiated a Phase 3 clinical trial in Europe and the United States in patients with second-line metastatic pancreatic cancer. Although we are in the process of adding additional manufacturing capacity in the United States and have evaluated our production capacity needed in Europe, there is no guarantee that we will or have properly estimated our required manufacturing capacities in or outside of the United States or that the third parties we rely on to provide required machinery and materials for the manufacturing process will be able to perform on our proposed timelines or meet our manufacturing demands, if at all. Also, if we must increase production capacity for any reason, we may need to make considerable investments that could lead to significant financing needs or require us to enter into subcontracting agreements in order to outsource part of the production.

We may not have access to the raw materials and other components necessary for the manufacturing of our product candidates.

We are dependent on third parties for the supply of various materials that are necessary to produce our product candidates for clinical trials. With respect to eryaspase, we rely on medac GmbH, or Medac, for the supply of asparaginase and on the New York Blood Center and the American Red Cross in the United States and the Établissement Français du Sang in Europe for the supply of red blood cells. The Établissement Français du Sang is the sole operator in its territory for blood transfusions and is in charge of satisfying national needs for blood products. Although we have entered into agreements with the New York Blood Center, the American Red Cross and the Établissement Français du Sang related to the supply of those materials, the supply could be reduced or interrupted at any time. In such case, we may not be able to find other suppliers of acceptable materials in appropriate quantities at an acceptable cost. If we lose key suppliers or the supply of materials is diminished or discontinued, or in the event of a major or international crisis impacting blood banks and the practice of blood donation, we may not be able to continue to develop, manufacture and market our product candidates or products in a timely and competitive manner. In addition, these materials are subject to stringent manufacturing processes and rigorous testing. Delays in the completion and validation of facilities and manufacturing processes of these materials

could adversely affect our ability to complete trials and commercialize our products in a cost-effective and timely manner. If we encounter difficulties in the supply of these materials, chemicals or biological products, or if we were not able to maintain our supply agreements or establish new supply agreements in the future, our product development and our business prospects could be significantly compromised.

Our manufacturing facilities are subject to significant government regulations and approvals. If we or our third-party manufacturers fail to comply with these regulations or maintain these approvals, our business will be materially harmed.

We currently manufacture our product candidates for use in Europe in our facility in Lyon, France. In addition, we have entered into agreements with the American Red Cross, the French Blood Agency (*Etablissement Français du Sang*) and the New York Blood Center to produce eryaspase for use in our clinical trials in the United States and are building a U.S. manufacturing facility in Princeton, New Jersey, which we expect to begin producing eryaspase for use in our clinical trials in the second quarter of 2019. We also have an agreement with Medac to provide us with L-asparaginase for use in our production of eryaspase. We and our third-party manufacturers are subject to ongoing regulation and periodic inspection by the EMA, FDA and other regulatory bodies to ensure compliance with current Good Manufacturing Practices, or cGMP. Any failure to follow and document our or their adherence to such cGMP regulations or other regulatory requirements may lead to significant delays in the availability of products for commercial sale or clinical trials, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our products.

Failure to comply with applicable regulations could also result in the EMA, FDA or other applicable regulatory authorities taking various actions, including:

- levying fines and other civil penalties;
- imposing consent decrees or injunctions;
- requiring us to suspend or put on hold one or more of our clinical trials;
- suspending or withdrawing regulatory approvals;
- delaying or refusing to approve pending applications or supplements to approved applications;
- requiring us to suspend manufacturing activities or product sales, imports or exports;
- requiring us to communicate with physicians and other customers about concerns related to actual or potential safety, efficacy, and other issues involving our products;
- mandating product recalls or seizing products;
- imposing operating restrictions; and
- seeking criminal prosecutions.

Any of the foregoing actions could be detrimental to our reputation, business, financial condition or operating results. Furthermore, our key suppliers may not continue to be in compliance with all applicable regulatory requirements, which could result in our failure to produce our products on a timely basis and in the required quantities, if at all. In addition, before any additional products would be considered for marketing approval in the United States, Europe or elsewhere, our suppliers will have to pass an audit by the applicable regulatory agencies. We are dependent on our suppliers' cooperation and ability to pass such audits, and the audits and any audit remediation may be costly. Failure to pass such audits by us or any of our suppliers would affect our ability to commercialize our product candidates in the United States, Europe or elsewhere.

Our production costs may be higher than we currently estimate.

We manufacture our product candidates according to manufacturing best practices applicable to drugs for clinical trials and to specifications approved by the applicable regulatory authorities. If any of our products are found to be non-compliant, we would be required to manufacture the product again, which would entail additional costs and may prevent delivery of the product to patients on time.

Other risks inherent in the production process may have the same effect, such as:

- contamination of the controlled atmosphere area;
- unusable premises and equipment;

- new regulatory requirements requiring a partial and/or extended stop to the production unit to meet the requirements;
- unavailable qualified personnel;
- power failure of extended duration;
- logistical error; and
- rupture in the cold chain, which is a system for storing and transporting blood and blood products within the correct temperature range and conditions.

In addition, a rise in direct or indirect energy rates may increase product manufacturing and logistical costs. Any of these risks, should they occur, could disrupt our activities and compromise our financial position, results, reputation or growth.

Risks Related to Our Operations

We may encounter difficulties in managing our growth, which could disrupt our operations.

As of December 31, 2018, we had 172 full-time equivalent employees, and we expect to increase our number of employees and the scope of our operations. To manage our development and expansion, including the potential commercialization of our product candidates in Europe and the United States, we will need to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Also, our management may need to divert a disproportionate amount of its attention away from its day-to-day activities and devote a substantial amount of time to managing these development activities. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. This may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. The physical expansion of our operations may lead to significant costs and may divert financial resources from other projects, such as the development of our product candidates. If our management is unable to effectively manage our expected development and expansion, our expenses may increase more than expected, our ability to generate or increase our revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize our product candidates, if approved, and compete effectively will depend, in part, on our ability to effectively manage the future development and expansion of our company.

We depend on qualified management personnel and our business could be harmed if we lose key personnel and cannot attract new personnel.

Our success depends to a significant degree upon the technical and management skills of our senior management team. The loss of the services of any of these individuals could have a material adverse effect on our ability to achieve our corporate objectives and successfully execute our business plan. Our success also will depend upon our ability to attract and retain additional qualified management, marketing, technical, and sales executives and personnel. We compete for key personnel against numerous companies, including larger, more established companies with significantly greater financial resources than we possess. There can be no assurance that we will be successful in attracting or retaining such personnel, and the failure to do so, could harm our operations and our growth prospects.

Our failure to maintain certain tax benefits applicable to French biopharmaceutical companies may adversely affect our results of operations.

As a French biopharmaceutical company, we have benefited from certain tax advantages, including, for example, the CIR, which is a French tax credit aimed at stimulating research and development. The CIR can be offset against French corporate income tax due and the portion in excess, if any, may be refunded. The CIR is calculated based on our claimed amount of eligible research and development expenditures in France and amounted to €3.2 million and €4.8 million for the years ended December 31, 2017 and 2018, respectively. The French tax authorities, with the assistance of the Research and Higher Education Ministry, may audit each research and development program in respect of which a CIR benefit has been claimed and assess whether such program qualifies in its view for the CIR benefit. The French tax authorities may challenge our eligibility for, or our calculation of, certain tax reductions or deductions in respect of our research and development activities and, should the French tax authorities be successful, our credits may be reduced, which would have a negative impact on our results of operations and future cash flows. We believe, due to the nature of our business operations, that we will continue to be eligible to receive the CIR tax credit. However, if the French Parliament decides to eliminate, or to reduce the scope or the rate of, the CIR benefit, either of which it could decide to do at any time, our results of operations could be adversely affected.

Our business may be exposed to foreign exchange risks.

We incur some of our expenses, and may in the future derive revenues, in currencies other than the euro. In particular, as we expand our operations and conduct clinical trials in the United States, we will incur expenses in U.S. dollars. We also received and currently hold a portion of the net proceeds from our 2017 global public offering in U.S. dollars. As a result, we are exposed to foreign currency exchange risk as our results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. For example, an increase in the value of the euro against the U.S. dollar could have a negative impact on our revenue and earnings growth as U.S. dollar revenue and earnings, if any, are translated into euros at a reduced value. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our financial condition, results of operations and cash flows. The ADSs sold in the U.S. offering were quoted in U.S. dollars on the Nasdaq Global Select Market, while our ordinary shares (including those sold in the European private placement and the underlying ordinary shares of the ADSs sold in the U.S. offering) trade in euros on the Euronext Paris exchange. Our financial statements are prepared in euros. Therefore, fluctuations in the exchange rate between the euro and the U.S. dollar will also affect, among other matters, the value of our ordinary shares and ADSs.

We may use hazardous chemicals and biological materials in our business. Any claims relating to improper handling, storage or disposal of these materials could be time-consuming and costly.

Our research and development processes involve the controlled use of hazardous materials, including chemicals and biological materials. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed any insurance coverage and our total assets. French and U.S. federal, state, local or foreign laws and regulations govern the use, manufacture, storage, handling and disposal of these hazardous materials and specified waste products, as well as the discharge of pollutants into the environment and human health and safety matters. Compliance with environmental laws and regulations may be expensive and may impair our research and development efforts. If we fail to comply with these requirements, we could incur substantial costs, including civil or criminal fines and penalties, clean-up costs or capital expenditures for control equipment or operational changes necessary to achieve and maintain compliance. In addition, we cannot predict the impact on our business of new or amended environmental laws or regulations or any changes in the way existing and future laws and regulations are interpreted and enforced.

Product liability and other lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our product candidates.

The risk that we may be sued on product liability claims is inherent in the development and commercialization of biopharmaceutical products. Side effects of, or manufacturing defects in, products that we develop could result in the deterioration of a patient's condition, injury or even death. For example, our liability could be sought after by patients participating in the clinical trials in the context of the development of the therapeutic products tested and unexpected side effects resulting from the administration of these products. Once a product is approved for sale and commercialized, the likelihood of product liability lawsuits increases. Criminal or civil proceedings might be filed against us by patients, regulatory authorities, biopharmaceutical companies and any other third party using or marketing our products. These actions could include claims resulting from acts by our partners, licensees and subcontractors, over which we have little or no control. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forgo further commercialization of the affected products.

We maintain product liability insurance coverage for our clinical trials at levels which we believe are appropriate for our clinical trials. Nevertheless, our insurance coverage may be insufficient to reimburse us for any expenses or losses we may suffer. In addition, in the future, we may not be able to obtain or maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product or other legal or administrative liability claims by us or our collaborators, licensees or subcontractors, which could prevent or inhibit the commercial production and sale of any of our product candidates that receive regulatory approval. Product liability claims could also harm our reputation, which may adversely affect our ability to commercialize our products successfully.

Our internal computer systems, or those of our third-party contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.

Despite the implementation of security measures, our internal computer systems and those of our third-party contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we do not believe that we have experienced any such system failure, accident or security breach to date, including cybersecurity incidents, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs. For example, the loss of clinical trial data for our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications or other data or applications relating to our technology or product candidates, or inappropriate disclosure of confidential or proprietary information, we could incur liabilities and the further development of our product candidates could be delayed. As these threats continue to evolve, particularly around cybersecurity, we may be required to expend significant resources to enhance our control environment, processes, practices and other protective measures. Despite these efforts, such events could materially adversely affect our business, financial condition or results of operations.

We may acquire businesses or products, or form strategic alliances, in the future, and we may not realize the benefits of such acquisitions.

Our current growth strategy does not involve plans to acquire companies or technologies facilitating or enabling us to access to new medicines, new research projects, or new geographical areas, or enabling us to express synergies with our existing operations. However, if such acquisitions were to become necessary in the future, we may not be able to identify appropriate targets or make acquisitions under satisfactory conditions, in particular, satisfactory price conditions. In addition, we may be unable to obtain the financing for these acquisitions on favorable terms, which could require us to finance these acquisitions using our existing cash resources that could have been allocated to other purposes. If we acquire businesses with promising markets or technologies, we may not be able to realize the benefit of acquiring such businesses if we are unable to successfully integrate them with our existing operations and company culture. We may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. We cannot assure you that, following any such acquisition, we will achieve the expected synergies to justify the transaction.

European data processing is governed by restrictive regulations governing the collection, processing, and cross-border transfer of personal data.

The collection and use of personal data in the European Union is governed by the provisions of the General Data Protection Regulation ((EU) 2016/679), or GDPR. This legislation imposes requirements relating to having legal bases for processing personal data relating to identifiable individuals and transferring such data outside the European Economic Area including to the United States, providing details to those individuals regarding the processing of their personal data, keeping personal data secure, having data processing agreements with third parties who process personal data, responding to individuals' requests to exercise their rights in respect of their personal data, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, appointing data protection officers, conducting data protection impact assessments and record-keeping. The GDPR imposes additional responsibilities and liabilities in relation to personal data that we process and we may be required to put in place additional mechanisms ensuring compliance with the new data protection rules. Furthermore, specific national rules may apply to data processing for medical research purposes, potentially involving formalities by the national Data Protection Authorities. Failure to comply with the requirements of the GDPR and related national data protection laws of the member states of the European Union may result in substantial fines, other administrative penalties and civil claims being brought against us, which could have a material adverse effect on our business, results of operations and financial condition. Moreover, in some European countries, including France, the hosting of personal health data must be carried out by specifically certified hosting service providers. The absence or suspension of the appropriate certification of such hosting service provider may adversely affect our business, or even lead to penalties related to breach of security of personal data.

We are subject to U.S. and certain foreign export and import controls, sanctions, embargoes, anti-corruption laws, and anti-money laundering laws and regulations. Compliance with these legal standards could impair our ability to compete in domestic and international markets. We can face criminal liability and other serious consequences for violations, which can harm our business.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other state and national anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We may engage third parties to sell our products sell our products outside the United States, to conduct clinical trials, and/or to obtain necessary permits, licenses, patent registrations, and other regulatory approvals. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors, and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences.

Risks Related to Other Legal Compliance Matters

We are subject to anti-bribery, anti-kickback, fraud and abuse and other healthcare laws and regulations which may require substantial compliance efforts and could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings, among other penalties.

Healthcare providers, physicians and others will play a primary role in the recommendation and prescription of our products, if approved. Our business operations in the United States and our arrangements with clinical investigators, healthcare providers, consultants, third party payors and patients may expose us to broadly applicable federal and state anti-bribery fraud and abuse and other healthcare laws. These laws may impact, among other things, our research, proposed sales, marketing and education programs of our product candidates that obtain marketing approval. Restrictions under applicable U.S. federal, state and foreign healthcare laws and regulations include, but are not limited to, the following:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, including any kickback, bribe or rebate, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase or lease, order or recommendation of, any item, good, facility or service, for which payment may be made under federal healthcare programs such as Medicare and Medicaid;
- the U.S. federal civil and criminal false claims laws and civil monetary penalties laws, including the civil False Claims Act, which can be enforced by individuals, on behalf of the government, through civil whistleblower or qui tam actions, prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, claims for payment that are false or fraudulent or making a false statement to avoid, decrease, or conceal an obligation to pay money to the federal government;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal, civil and criminal statutes that impose criminal and civil liability for, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or knowingly and willingly falsifying, concealing or covering up a material fact or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, which impose requirements on certain healthcare providers, health plans and healthcare clearinghouses, known as “covered entities,” and persons or entities that perform functions or activities that involve individually identifiable health information on behalf of a covered entity, known as “business associates,” including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- U.S. federal transparency requirements under the Physician Payments Sunshine Act, enacted as part of the ACA, that require applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children’s Health Insurance Program, with specific exceptions, to track and annually report to the CMS payments and other transfers of value provided to physicians and teaching hospitals, and certain ownership and investment interests held by physicians or their immediate family members;
- analogous state or foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers, state marketing and/or transparency laws applicable to manufacturers that may be broader in scope than the federal requirements, state laws that require biopharmaceutical companies to comply with the biopharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers, marketing expenditures, or drug pricing, state and local laws that require the registration of pharmaceutical sales representatives, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect as HIPAA, thus complicating compliance efforts;
- GDPR, the local EU data protection laws, and other ex-U.S. protections;
- the French “transparency” provisions, or “French Sunshine Act” (Articles L. 1453-1 and D. 1453-1 and seq. PHC), which contains provisions regarding transparency of fees received by some healthcare professionals from industries, such as companies manufacturing or marketing healthcare products (medicinal products, medical devices, etc.) in France. According to the provisions, these companies shall publicly disclose (on a specific public website available at www.entreprises-transparence.sante.gouv.fr) the advantages and fees paid to healthcare professionals amounting to €10 or above, as well as the agreements concluded with the latter, along with detailed information about each agreement (the precise subject matter of the agreement, the date of signature of the agreement, its end date, the total amount paid to the healthcare professional, etc.); and
- the French “anti-gift” provisions (Articles L.1453-3 to L.1453-12 PHC), setting out a general prohibition of payments and rewards from industries, i.e. companies manufacturing or marketing health products, to healthcare professionals, with limited exceptions and strictly defines the conditions under which such payments or awards are lawful.

Ensuring that our business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, possible exclusion from government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could substantially disrupt our operations. If the physicians or other providers or entities with whom we expect to do business are found not to be in compliance with applicable laws, they may be subject to significant criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our research and development activities involve the use of biological and hazardous materials and produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Although we maintain professional liability insurance which cover for costs and expenses we may incur due to environmental liability that may be asserted against us or due to injuries to our employees resulting from the use of hazardous materials, may not provide adequate coverage against potential liabilities.

Our employees may engage in misconduct or other improper activities, including violating applicable regulatory standards and requirements or engaging in insider trading, which could significantly harm our business.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with legal requirements or the requirements of CMS, EMA, FDA and other government regulators, provide accurate information to applicable government authorities, comply with fraud and abuse and other healthcare laws and regulations in the United States and abroad, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of, including trading on, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Code of Business Conduct and Ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may be ineffective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, possible exclusion from government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations.

Comprehensive tax reform bills could adversely affect our business and financial condition.

In December 2017, the U.S. government enacted the Tax Act, a comprehensive piece of tax legislation that includes significant changes to the taxation of business entities. These changes included, among others, a permanent reduction to the corporate income tax rate. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain, and our business and financial condition could be adversely affected. This Annual Report does not discuss any such tax legislation or the manner in which it might affect holders or purchasers of our ordinary shares or ADSs. We urge our shareholders to consult with their legal and tax advisors with respect to any such legislation and the potential tax consequences of investing in our ordinary shares or ADSs.

For U.S. tax purposes, our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the U.S. Internal Revenue Code, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating loss carryforwards, or NOLs, to offset future taxable income. We have not performed a detailed analysis to determine whether an ownership change under Section 382 of the Code has occurred after each of our previous issuances of ordinary shares. In addition, if we underwent an ownership change in the past, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our share ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes, which could negatively impact our future cash flows.

If a United States person is treated as owning at least 10% of our ordinary shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a U.S. holder (as defined below under "Item 10. E. Taxation—Material U.S. Federal Income Tax Considerations") is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our ordinary shares, such U.S. holder may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). Because our group includes at least one U.S. subsidiary (ERYTECH Pharma, Inc.), if we were to form or acquire any non-U.S. subsidiaries in the future, they may be treated as controlled foreign corporations (regardless of whether ERYTECH Pharma, Inc. is treated as a controlled foreign corporation). A U.S. shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income its pro rata share of "Subpart F income," "global intangible low-taxed income" and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a U.S. shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a U.S. shareholder that is a U.S. corporation. We cannot provide any assurances that we will assist investors in determining whether any non-U.S. subsidiaries that we may form or acquire in the future would be treated as a controlled foreign corporation or whether such investor would be treated as a U.S. shareholder with respect to any of such controlled foreign corporations. Further, we cannot provide any assurances that we will furnish to any U.S. shareholder information that may be necessary to comply with the reporting and tax paying obligations discussed above. Failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. U.S. holders should consult their tax advisors regarding the potential application of these rules to their investment in our ordinary shares.

Risks Related to Intellectual Property

Our ability to compete may decline if we do not adequately protect our proprietary rights.

Our commercial success depends on obtaining and maintaining proprietary rights to our product candidates and defending these rights against third-party challenges. We will only be able to protect our product candidates and their uses from unauthorized use by third parties to the extent that valid and enforceable patents, or effectively protected trade secrets, cover them. Our ability to obtain patent protection for our product candidates is uncertain due to a number of factors, including:

- we or our licensors may not have been the first to make the inventions covered by pending patent applications or issued patents;
- we or our licensors may not have been the first to file patent applications for our product candidates or the compositions we developed or for their uses;
- others may independently develop identical, similar or alternative products or compositions and uses thereof;

- our or our licensors' disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability;
- any or all of our or our licensors' pending patent applications may not result in issued patents;
- we or our licensors may not seek or obtain patent protection in countries that may eventually provide us a significant business opportunity;
- any patents issued to us or our licensors may not provide a basis for commercially viable products, may not provide any competitive advantages, or may be successfully challenged by third parties;
- our or our licensors' compositions and methods may not be patentable;
- others may design around our patent claims to produce competitive products which fall outside of the scope of our patents; or
- others may identify prior art or other bases which could invalidate our or our licensors' patents.

Even if we have or obtain patents covering our product candidates or compositions, we may still be barred from making, using and selling our product candidates or technologies because of the patent rights of others. Others may have filed, and in the future, may file, patent applications covering compositions or products that are similar or identical to ours. There are many issued U.S. and foreign patents relating to chemical compounds and therapeutic products, and some of these relate to compounds we intend to commercialize. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the cancer treatment field in which we are developing products. These could materially affect our ability to develop our product candidates or sell our products if approved. Because patent applications can take many years to issue, there may be currently pending applications unknown to us that may later result in issued patents that our product candidates or compositions may infringe. These patent applications may have priority over patent applications filed by us.

Obtaining and maintaining a patent portfolio entails significant expense and resources. Part of the expense includes periodic maintenance fees, renewal fees, annuity fees, various other governmental fees on patents and/or applications due in several stages over the lifetime of patents and/or applications, as well as the cost associated with complying with numerous procedural provisions during the patent application process. We may not choose to pursue or maintain protection for particular inventions. In addition, there are situations in which failure to make certain payments or noncompliance with certain requirements in the patent process can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we choose to forgo patent protection or allow a patent application or patent to lapse purposefully or inadvertently, our competitive position could suffer.

Legal actions to enforce our patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of our patents or a finding that they are unenforceable. We may or may not choose to pursue litigation or other actions against those that have infringed on our patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could harm our results of operations.

Issued patents covering our product candidates could be found invalid or unenforceable if challenged in court.

If we initiate legal proceedings against a third party to enforce a patent covering our product candidate or technology, the defendant could counterclaim that the patent covering our product candidate or technology is invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and unenforceability are commonplace. Grounds for a validity challenge include alleged failures to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for unenforceability assertions include allegations that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post-grant review and/or inter partes review and equivalent proceedings in foreign jurisdictions, and opposition proceedings. Such proceedings could result in revocation or amendment of our patents in such a way that they no longer cover our product candidates or competitive products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates.

Biopharmaceutical patents and patent applications involve highly complex legal and factual questions, which, if determined adversely to us, could negatively impact our patent position.

The patent positions of biopharmaceutical companies can be highly uncertain and involve complex legal and factual questions. The interpretation and breadth of claims allowed in some patents covering biopharmaceutical compositions may be uncertain and difficult to determine, and are often affected materially by the facts and circumstances that pertain to the patented compositions and the related patent claims. The standards of the U.S. Patent and Trademark Office, or USPTO, are evolving and could change in the future. Consequently, we cannot predict the issuance and scope of patents with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to reexamination proceedings, post-grant review and/or inter partes review in the USPTO. Foreign patents may be subject also to opposition or comparable proceedings in the corresponding foreign patent office, which could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination, post-grant review, inter partes review and opposition proceedings may be costly. Accordingly, rights under any issued patents may not provide us with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our or our licensors' discoveries or to develop and commercialize our technology and products without providing any compensation to us, or may limit the number of patents or claims we can obtain. The laws of some countries do not protect intellectual property rights to the same extent as U.S. laws and those countries may lack adequate rules and procedures for defending our intellectual property rights.

If we fail to obtain and maintain patent protection and trade secret protection for our product candidates, we could lose our competitive advantage and competition we face would increase, reducing any potential revenues and adversely affecting our ability to attain or maintain profitability.

Developments in patent law could have a negative impact on our business.

From time to time, the U.S. Supreme Court, other federal courts, the U.S. Congress, the USPTO or similar foreign authorities may change the standards of patentability and any such changes could have a negative impact on our business. In addition, the Leahy-Smith America Invents Act, or the America Invents Act, which was signed into law in 2011, includes a number of significant changes to U.S. patent law. These changes include a transition from a "first-to-invent" system to a "first-to-file" system, changes to the way issued patents are challenged, and changes to the way patent applications are disputed during the examination process. These changes may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. The USPTO has developed new regulations and procedures to govern the full implementation of the America Invents Act, and many of the substantive changes to patent law associated with the America Invents Act, and, in particular, the first-to-file provisions, became effective on March 16, 2013. Substantive changes to patent law associated with the America Invents Act, or any subsequent U.S. legislation regarding patents, may affect our ability to obtain patents, and if obtained, to enforce or defend them. Accordingly, it is not clear what, if any, impact the America Invents Act will have on the cost of prosecuting our U.S. patent applications, our ability to obtain U.S. patents based on our discoveries and our ability to enforce or defend any patents that may issue from our patent applications, all of which could have a material adverse effect on our business.

If we do not obtain protection under the Hatch-Waxman Amendments and similar non-U.S. legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments, and similar legislation in the European Union. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced, possibly materially.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to patent protection, because we operate in the highly technical field of development of therapies, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We have

entered into confidentiality and intellectual property assignment agreements with our employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us.

In addition to contractual measures, we try to protect the confidential nature of our proprietary information using physical and technological security measures. Such measures may not, for example, in the case of misappropriation of a trade secret by an employee or third party with authorized access, provide adequate protection for our proprietary information. Our security measures may not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive, and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. Trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed.

We will not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

Filing, prosecuting and defending patents on our product candidates in all countries and jurisdictions throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States could be less extensive than those in the United States, assuming that rights are obtained in the United States. Competitors may use our technologies in jurisdictions where we do not pursue and obtain patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Even if we pursue and obtain issued patents in particular jurisdictions, our patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from so competing.

In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the federal and state laws in the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to biopharmaceuticals or biotechnologies. This could make it difficult for us to stop the infringement of our patents, if obtained, or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, changes in the law and legal decisions by courts in the United States and foreign countries may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Third parties may assert ownership or commercial rights to inventions we develop.

Third parties may in the future make claims challenging the inventorship or ownership of our intellectual property. We have written agreements with collaborators that provide for the ownership of intellectual property arising from our collaborations. These agreements provide that we must negotiate certain commercial rights with collaborators with respect to joint inventions or inventions made by our collaborators that arise from the results of the collaboration. In some instances, there may not be adequate written provisions to address clearly the resolution of intellectual property rights that may arise from a collaboration. If we cannot successfully negotiate sufficient ownership and commercial rights to the inventions that result from our use of a third-party collaborator's materials where required, or if disputes otherwise arise with respect to the intellectual property developed with the use of a collaborator's samples, we may be limited in our ability to capitalize on the market potential of these inventions. In addition, we may face claims by

third parties that our agreements with employees, contractors, or consultants obligating them to assign intellectual property to us are ineffective, or in conflict with prior or competing contractual obligations of assignment, which could result in ownership disputes regarding intellectual property we have developed or will develop and interfere with our ability to capture the commercial value of such inventions. Litigation may be necessary to resolve an ownership dispute, and if we are not successful, we may be precluded from using certain intellectual property, or may lose our exclusive rights in that intellectual property. Either outcome could have an adverse impact on our business.

If we fail to comply with our obligations under license or technology agreements with third parties, we could lose license rights that are critical to our business.

We license intellectual property that is critical to our business, including licenses underlying the technology in our diagnostic tests, and in the future, we may enter into additional agreements that provide us with licenses to valuable intellectual property or technology. These licenses impose various royalty payments, milestones, and other obligations on us. If we fail to comply with any of these obligations, the licensor may have the right to terminate the license. Termination by the licensor would cause us to lose valuable rights, and could prevent us from distributing our current tests, or inhibit our ability to commercialize future test candidates. Our business would suffer if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensors fail to prevent infringement by third parties, if the licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms.

Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets.

We employ individuals who were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, and no such claims against us are currently pending, we may be subject to claims that we or our employees, consultants or independent contractors have used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time-consuming and costly, and an unfavorable outcome could harm our business.

There is significant litigation in the biopharmaceutical industry regarding patent and other intellectual property rights. While we are not currently subject to any pending intellectual property litigation, and are not aware of any such threatened litigation, we may be exposed to future litigation by third parties based on claims that our product candidates, technologies or activities infringe the intellectual property rights of others. If our development activities are found to infringe any such patents, we may have to pay significant damages or seek licenses to such patents. A patentee could prevent us from using the patented drugs or compositions. We may need to resort to litigation to enforce a patent issued to us, to protect our trade secrets, or to determine the scope and validity of third-party proprietary rights. From time to time, we may hire scientific personnel or consultants formerly employed by other companies involved in one or more areas similar to the activities conducted by us. Either we or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of prior affiliations. If we become involved in litigation, it could consume a substantial portion of our managerial and financial resources, regardless of whether we win or lose. We may not be able to afford the costs of litigation. Any adverse ruling or perception of an adverse ruling in defending ourselves against these claims could have a negative impact on our cash position. Any legal action against us or our collaborators could lead to:

- payment of damages, potentially treble damages, if we are found to have willfully infringed a party’s patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize, and sell products; or
- us or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, if at all.

Any of these outcomes could hurt our cash position and financial condition and our ability to develop and commercialize our product candidates.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we will need to build name recognition by potential partners or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively.

Risks Related to Ownership of our Securities and our Status as a Non-U.S. Company with Foreign Private Issuer Status

The market price of our equity securities may be volatile or may decline regardless of our operating performance.

The market price for our ADSs and ordinary shares has fluctuated and is likely to continue to fluctuate, substantially. The stock market in general and the market for biopharmaceutical companies in particular have experienced extreme volatility that in some instances is unrelated to the operating performance of particular companies. As a result of this volatility, holders of our equity securities may not be able to sell their ADSs or ordinary shares at or above the price originally paid for the security. The market price for our ADSs and ordinary shares may be influenced by numerous factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- actual or anticipated changes in our growth rate relative to our competitors;
- competition from existing products or new products that may emerge;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations, or capital commitments;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share and ADS price and volume fluctuations attributable to inconsistent trading volume levels of our shares and ADSs;
- additions or departures of key management or scientific personnel;
- lawsuits threatened or filed against us, disputes or other developments related to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- changes to coverage policies or reimbursement levels by commercial third-party payors and government payors and any announcements relating to coverage policies or reimbursement levels;
- announcement or expectation of additional debt or equity financing efforts;
- adverse regulatory decisions, including failure to receive regulatory approval for any of our product candidates;
- the termination of a strategic alliance or the inability to establish additional strategic alliances;
- sales of our ordinary shares or ADSs by us, our insiders or our other shareholders; and
- general economic and market conditions.

These and other market and industry factors may cause the market price and demand for our ordinary shares and ADSs to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent holders of our equity securities from readily selling their ordinary shares or ADSs and may otherwise negatively affect the liquidity of the trading market for the ordinary shares and ADSs.

In addition, in the past, stockholders have initiated class action lawsuits against pharmaceutical and biotechnology companies following periods of volatility in the market prices of these companies' stock. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources from our business.

The dual listing of our ordinary shares and our ADSs may adversely affect the liquidity and value of our ordinary shares and ADSs.

Our ADSs are listed on Nasdaq, and our ordinary shares are admitted to trading on Euronext Paris. We cannot predict the effect of this dual listing on the value of our ADSs and ordinary shares. However, the dual listing of our ADSs and ordinary shares may dilute the liquidity of these securities in one or both markets and may adversely affect the trading market or price for our ADSs or ordinary shares.

If we do not achieve our projected development and commercialization goals in the timeframes we announce and expect, our business will be harmed and the price of our securities could decline as a result.

We sometimes estimate for planning purposes the timing of the accomplishment of various scientific, clinical, regulatory and other product development objectives. These milestones may include our expectations regarding the commencement or completion of scientific studies, clinical trials, the submission of regulatory filings, or commercialization objectives. From time to time, we may publicly announce the expected timing of some of these milestones, such as the completion of an ongoing clinical trial, the initiation of other clinical programs, receipt of marketing approval, or a commercial launch of a product. The achievement of many of these milestones may be outside of our control. All of these milestones are based on a variety of assumptions which may cause the timing of achievement of the milestones to vary considerably from our estimates, including:

- our available capital resources or capital constraints we experience;
- the rate of progress, costs and results of our clinical trials and research and development activities, including the extent of scheduling conflicts with participating clinicians and collaborators, and our ability to identify and enroll patients who meet clinical trial eligibility criteria;
- our receipt of approvals by the EMA, FDA and other regulatory agencies and the timing thereof;
- other actions, decisions or rules issued by regulators;
- our ability to access sufficient, reliable and affordable supplies of compounds and raw materials used in the manufacture of our product candidates;
- the efforts of our collaborators with respect to the commercialization of our products; and
- the securing of, costs related to, and timing issues associated with, product manufacturing as well as sales and marketing activities.

If we fail to achieve announced milestones in the timeframes we expect, the commercialization of our product candidates may be delayed, our business and results of operations may be harmed, and the trading price of the ordinary shares and ADSs may decline as a result.

Our ownership is concentrated in the hands of our principal shareholders and ADS holders and management, who continue to be able to exercise a direct or indirect controlling influence on us.

As of December 31, 2018, our executive officers, directors, current 5% or greater shareholders and their respective affiliated entities, including Auriga Ventures III FCPR and BVF Partners L.P., together beneficially owned approximately 34% of our ordinary shares (including ordinary shares in the form of ADSs). As a result, these shareholders, acting together, will have significant influence over all matters that require approval by our shareholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other shareholders may view as beneficial.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the price of the ordinary shares and ADSs and their trading volume could decline.

The trading market for the ADSs and ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If no or few securities or industry analysts cover our company, the trading price for the ADSs and ordinary shares would be negatively impacted. If one or more of the analysts who covers us downgrades our equity securities or publishes incorrect or unfavorable research about our business, the price of the ordinary shares and ADSs would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, or downgrades our securities, demand for the ordinary shares and ADSs could decrease, which could cause the price of the ordinary shares and ADSs or their trading volume to decline.

We do not currently intend to pay dividends on our securities and, consequently, the ability of our shareholders and ADS holders to achieve a return on investment will depend on appreciation in the price of the ordinary shares and ADSs. In addition, French law may limit the amount of dividends we are able to distribute.

We have never declared or paid any cash dividends on our share capital and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, our shareholders and ADS holders are not likely to receive any dividends for the foreseeable future and any increase in value will depend solely upon future appreciation. Consequently, holders of our equity securities may need to sell all or part of their holdings of ordinary shares or ADSs after price appreciation, which may never occur, as the only way to realize any future gains.

Further, under French law, the determination of whether we have been sufficiently profitable to pay dividends is made on the basis of our statutory financial statements prepared and presented in accordance with accounting standards applicable in France. In addition, payment of dividends may subject us to additional taxes under French law. Please see the section of this Annual Report titled "Item 10.B—Memorandum and Articles of Association" for further details on the limitations on our ability to declare and pay dividends and the taxes that may become payable by us if we elect to pay a dividend. Therefore, we may be more restricted in our ability to declare dividends than companies not based in France.

In addition, exchange rate fluctuations may affect the amount of euros that we are able to distribute, and the amount in U.S. dollars that our shareholders receive upon the payment of cash dividends or other distributions we declare and pay in euros, if any. These factors could harm the value of our equity securities, and, in turn, the U.S. dollar proceeds that holders receive from the sale of ADSs.

Future sales, or the possibility of future sales, of a substantial number of our ADSs or ordinary shares could adversely affect the market price of our ADSs and ordinary shares.

Future sales of a substantial number of our ADSs or ordinary shares, or the perception that such sales will occur, could cause a decline in the market price of our ADSs and/or ordinary shares. Sales in the United States of our ADSs and ordinary shares held by our directors, officers and affiliated shareholders or ADS holders are subject to restrictions. If these shareholders or ADS holders sell substantial amounts of ordinary shares or ADSs in the public market, or the market perceives that such sales may occur, the market price of our ADSs or ordinary shares and our ability to raise capital through an issue of equity securities in the future could be adversely affected.

The rights of shareholders in companies subject to French corporate law differ in material respects from the rights of shareholders of corporations incorporated in the United States.

We are a French company with limited liability. Our corporate affairs are governed by our bylaws and by the laws governing companies incorporated in France. The rights of shareholders and the responsibilities of members of our board of directors are in many ways different from the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. For example, in the performance of its duties, our board of directors is required by French law to consider the interests of our company, its shareholders, its employees and other stakeholders, rather than solely our shareholders and/or creditors. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of our shareholders or holders of our ADSs. See the sections of this Annual Report titled "Item 10. B—Memorandum and Articles of Association" and "Item 16.G—Corporate Governance."

U.S. holders of our equity securities may have difficulty enforcing civil liabilities against our company and directors and senior management and experts named herein.

Certain members of our board of directors and senior management and certain experts named herein are non-residents of the United States, and all or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States. Additionally, it may be difficult to assert U.S. securities law claims in actions originally instituted outside of the United States. Foreign courts may refuse to hear a U.S. securities law claim because foreign courts may not be the most appropriate forums in which to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the law of the jurisdiction in which the foreign court resides, and not U.S. law, is applicable to the claim. Further, if U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process, and certain matters of procedure would still be governed by the law of the jurisdiction in which the foreign court resides. In particular, there is some doubt as to whether French courts would recognize and enforce certain civil liabilities under U.S. securities laws in original actions or judgments of U.S. courts based upon these civil liability provisions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in France. An award for monetary damages under the U.S. securities laws would be considered punitive if it does not seek to compensate

the claimant for loss or damage suffered but is intended to punish the defendant. French law provides that a shareholder, or a group of shareholders, may initiate a legal action to seek indemnification from the directors of a corporation in the corporation's interest if it fails to bring such legal action itself. If so, any damages awarded by the court are paid to the corporation and any legal fees relating to such action may be borne by the relevant shareholder or the group of shareholders.

The enforceability of any judgment in France will depend on the particular facts of the case as well as the laws and treaties in effect at the time. The United States and France do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

Our bylaws and French corporate law contain provisions that may delay or discourage a takeover attempt.

Provisions contained in our bylaws and French corporate law could make it more difficult for a third-party to acquire us, even if doing so might be beneficial to our shareholders. In addition, provisions of our bylaws impose various procedural and other requirements, which could make it more difficult for shareholders to effect certain corporate actions. These provisions include the following:

- under French law, the owner of 95% of voting rights of a public company listed on a regulated market in a Member State of the European Union or in a state party to the European Economic Area, or EEA, Agreement, including France, has the right to force out minority shareholders following a tender offer made to all shareholders;
- under French law, certain non-French residents must file a declaration for statistical purposes with the Bank of France (*Banque de France*) within 20 business days following the date of certain direct foreign investments in us, including any purchase of our ADSs if such investments exceed €15.0 million and lead to the acquisition of at least 10% of our share capital or voting rights or cross such 10% threshold; see the section of this Annual Report titled "Item 10.B—Memorandum and Articles of Association";
- a merger (i.e., in a French law context, a stock for stock exchange following which our company would be dissolved into the acquiring entity and our shareholders would become shareholders of the acquiring entity) of our company into a company incorporated in the European Union would require the approval of our board of directors as well as a two-thirds majority of the votes held by the shareholders present, represented by proxy or voting by mail at the relevant meeting;
- a merger of our company into a company incorporated outside of the European Union would require 100% of our shareholders to approve it;
- under French law, a cash merger is treated as a share purchase and would require the consent of each participating shareholder;
- our shareholders have granted and may grant in the future our board of directors broad authorizations to increase our share capital or to issue additional ordinary shares or other securities, such as warrants, to our shareholders, the public or qualified investors, including as a possible defense following the launching of a tender offer for our shares;
- our shareholders have preferential subscription rights on a *pro rata* basis on the issuance by us of any additional securities for cash or a set-off of cash debts, which rights may only be waived by the extraordinary general meeting (by a two-thirds majority vote) of our shareholders or on an individual basis by each shareholder;
- our board of directors has the right to appoint directors to fill a vacancy created by the resignation or death of a director, for the remaining duration of such director's term of office and subject to the approval by the shareholders of such appointment at the next shareholders' meeting, which prevents shareholders from having the sole right to fill vacancies on our board of directors;
- our board of directors can be convened by our chairman or our managing director, if any, or, when no board meeting has been held for more than two consecutive months, by directors representing at least one third of the total number of directors;
- our board of directors meetings can only be regularly held if at least half of the directors attend either physically or by way of videoconference or teleconference enabling the directors' identification and ensuring their effective participation in the board's decisions;
- our shares are nominative or bearer, if the legislation so permits, according to the shareholder's choice;
- approval of at least a majority of the votes held by shareholders present, represented by a proxy, or voting by mail at the relevant ordinary shareholders' general meeting is required to remove directors with or without cause;

- advance notice is required for nominations to the board of directors or for proposing matters to be acted upon at a shareholders' meeting, except that a vote to remove and replace a director can be proposed at any shareholders' meeting without notice;
- our bylaws can be changed in accordance with applicable laws;
- the crossing of certain thresholds has to be disclosed and can impose certain obligations; see the section of this Annual Report titled "Item 10.B—Memorandum and Articles of Association";
- transfers of shares shall comply with applicable insider trading rules and regulations and, in particular, with the Market Abuse Directive and Regulation dated April 16, 2014; and
- pursuant to French law, our bylaws, including the sections relating to the number of directors and election and removal of a director from office, may only be modified by a resolution adopted by two-thirds of the votes of our shareholders present, represented by a proxy or voting by mail at the meeting.

Holders of our ADSs may not be able to exercise their right to vote the ordinary shares underlying such ADSs.

Holders of our ADSs may exercise voting rights with respect to the ordinary shares represented by the ADSs only in accordance with the provisions of the amended and restated deposit agreement. The amended and restated deposit agreement provides that, upon receipt of notice of any meeting of holders of our ordinary shares, the depositary will fix a record date for the determination of ADS holders who shall be entitled to give instructions for the exercise of voting rights. Upon timely receipt of notice from us, if we so request, the depositary shall distribute to the holders as of the record date (1) the notice of the meeting or solicitation of consent or proxy sent by us and (2) a statement as to the manner in which instructions may be given by the holders.

Holders of our ADSs may instruct the depositary of their ADSs to vote the ordinary shares underlying such ADSs. Otherwise, holders of our ADSs will not be able to exercise voting rights unless they withdraw the ordinary shares underlying the ADSs they hold. However, a holder of our ADSs may not know about the meeting far enough in advance to withdraw those ordinary shares. If we ask for a holder of our ADSs' instructions, the depositary, upon timely notice from us, will notify him or her of the upcoming vote and arrange to deliver our voting materials to him or her. We cannot guarantee to any holder of ADSs that he or she will receive the voting materials in time to ensure that he or she can instruct the depositary to vote his or her ordinary shares or to withdraw his or her ordinary shares so that he or she can vote them directly. Pursuant to the terms of our amended deposit agreement, in certain situations if, in the opinion of our management, the matter is not materially adverse to the interests of our shareholders, we may request that if the depositary does not receive timely voting instructions from a holder of ADSs, the depositary may give a proxy to a person designated by us to vote, in its discretion, the ordinary shares underlying the unvoted ADSs, as long as the matter is endorsed by our board. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that a holder of ADSs may not be able to exercise his or her right to vote, and there may be nothing he or she can do if the ordinary shares underlying his or her ADSs are not voted as he or she requested.

The right as a holder of ADSs to participate in any future preferential subscription rights or to elect to receive dividends in shares may be limited, which may cause dilution to the holders of our ADSs.

Under French law, if we issue additional securities for cash, current shareholders will have preferential subscription rights for these securities on a pro rata basis unless they waive those rights at an extraordinary meeting of our shareholders (by a two-thirds majority vote) or individually by each shareholder. However, our ADS holders in the United States will not be entitled to exercise or sell such rights unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. In addition, the amended and restated deposit agreement provides that the depositary will not make rights available to holders of our ADSs unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act or exempted from registration under the Securities Act. Further, if we offer holders of our ordinary shares the option to receive dividends in either cash or shares, under the amended and restated deposit agreement the depositary may require satisfactory assurances from us that extending the offer to holders of our ADSs does not require registration of any securities under the Securities Act before making the option available to holders of our ADSs. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, ADS holders may be unable to participate in our rights offerings or to elect to receive dividends in shares and may experience dilution in their holdings. In addition, if the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case holders of our ADSs will receive no value for these rights.

Holders of our ADSs may be subject to limitations on the transfer of such ADSs and the withdrawal of the underlying ordinary shares.

ADSs, which may be evidenced by ADRs, are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the amended and restated deposit agreement, or for any other reason subject to an ADS holder's right to cancel such ADSs and withdraw the underlying ordinary shares. Temporary delays in the cancellation of such ADSs and withdrawal of the underlying ordinary shares may arise because the depositary has closed its transfer books or we have closed our transfer books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our ordinary shares. In addition, a holder of ADSs may not be able to cancel his or her ADSs and withdraw the underlying ordinary shares when he or she owes money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of our ADSs or ordinary shares.

We are a foreign private issuer, as defined in the SEC's rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, while we currently make annual and semi-annual filings with respect to our listing on Euronext Paris and expect to continue to file such reports, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies and we are not required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. Accordingly, there is less publicly available information concerning our company than there would be if we were a U.S. domestic issuer.

As a foreign private issuer, we are permitted and we follow certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq's corporate governance standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance standards of the Nasdaq Global Select Market.

As a foreign private issuer listed on the Nasdaq Global Select Market, we are subject to Nasdaq's corporate governance standards. However, Nasdaq rules provide that foreign private issuers are permitted to follow home country corporate governance practices in lieu of Nasdaq's corporate governance standards as long as notification is provided to Nasdaq of the intention to take advantage of such exemptions. We currently rely on exemptions for foreign private issuers and follow French corporate governance practices in lieu of Nasdaq's corporate governance standards, to the extent possible. Certain corporate governance practices in France, which is our home country, may differ significantly from Nasdaq corporate governance standards. For example, as a French company, neither the corporate laws of France nor our bylaws require a majority of our directors to be independent and we can include non-independent directors as members of our remuneration committee, and our independent directors are not required to hold regularly scheduled meetings at which only independent directors are present.

We are also exempt from provisions set forth in Nasdaq rules which require an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock. Consistent with French law, our bylaws provide that a quorum requires the presence of shareholders having at least (1) 20% of the shares entitled to vote in the case of an ordinary shareholders' general meeting or at an extraordinary shareholders' general meeting where shareholders are voting on a capital increase by capitalization of reserves, profits or share premium, or (2) 25% of the shares entitled to vote in the case of any other extraordinary shareholders' general meeting.

As a foreign private issuer, we are required to comply with Rule 10A-3 of the Exchange Act, relating to audit committee composition and responsibilities. Under French law, the audit committee may only have an advisory role and appointment of our statutory auditors, in particular, must be decided by the shareholders at our annual meeting.

Therefore, our shareholders may be afforded less protection than they otherwise would have under Nasdaq's corporate governance standards applicable to U.S. domestic issuers.

We are an "emerging growth company" under the JOBS Act and are able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make our ADSs less attractive to investors.

We are an "emerging growth company," as defined in the U.S. Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the U.S. Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. We have elected not to take advantage of the extended transition period provided under Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Since IFRS makes no distinction between public and private companies for purposes of compliance with new or revised accounting standards, the requirements for our compliance as a private company and as a public company are the same.

We cannot predict if holders of our ADSs will find the ADSs less attractive because we may rely on these exemptions. If some holders find the ADSs less attractive as a result, there may be a less active trading market for the ADSs and the price of the ADSs may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more; (ii) December 31, 2022, which is the last day of our fiscal year following the fifth anniversary of the date of the completion of our November 2017 global offering; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.

While we currently qualify as a foreign private issuer, the determination of foreign private issuer status is made annually on the last business day of our most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2019. In the future, we would lose our foreign private issuer status if we fail to meet the requirements necessary to maintain our foreign private issuer status as of the relevant determination date. We will remain a foreign private issuer until such time that more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents; (ii) more than 50% of our assets are located in the United States; or (iii) our business is administered principally in the United States.

The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer would likely be significantly more than costs we incur as a foreign private issuer. If we lost our foreign private issuer status, we would be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a foreign private issuer. We would be required under current SEC rules to prepare our financial statements in accordance with U.S. GAAP, rather than IFRS, and modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers. Such conversion of our financial statements to U.S. GAAP would involve significant time and cost. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers such as the ones described herein and exemptions from procedural requirements related to the solicitation of proxies.

U.S. holders of our ADSs may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

Generally, if, for any taxable year, at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. If we are characterized as a PFIC, U.S. holders of the ADSs may suffer adverse tax consequences, including having gains realized on the sale of the ADSs treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on the ADSs by individuals who are U.S. holders, and having interest charges apply to distributions by us and the proceeds of sales of the ADSs. See "Item 10. E. Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Considerations."

Our status as a PFIC will depend on the composition of our income (including whether we receive certain non-refundable grants or subsidies and whether such amounts and reimbursements of certain refundable research tax credits will constitute gross income for

purposes of the PFIC income test) and the composition and value of our assets, which may be determined in large part by reference to the market value of the ADSs and our ordinary shares, which may be volatile, from time to time. Our status may also depend, in part, on how quickly we utilize the cash proceeds from the November 2017 global offering in our business. Based on the composition of our gross income and assets in 2018, the nature of our business and due to a decline in our stock price, we believe that we were characterized as a PFIC for our taxable year ended December 31, 2018. There can be no assurance that we will not be considered a PFIC for any future taxable year. Our U.S. counsel expresses no opinion regarding our conclusions or expectations regarding our PFIC status.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the trading price of our ADSs or ordinary shares.

We have identified three material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

If we are unable to remediate these material weaknesses, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our securities.

In connection with the preparation of our financial results for the years ended December 31, 2016 and 2017, our management concluded that, as of December 31, 2017, our internal control over financial reporting was not effective as a result of a material weakness in our internal control over financial reporting related to the design and maintenance of controls over the operating effectiveness of information technology general controls for information systems that are relevant to the preparation of our financial statements. We believe this material weakness was fully remediated as of December 31, 2018.

However, in connection with the preparation of our financial results for the year ended December 31, 2018, our management concluded that, as of December 31, 2018, our internal control over financial reporting was not effective as a result of three new material weaknesses in our internal control over financial reporting. These material weaknesses remained unremediated as of December 31, 2018 and are described further below.

Our material weaknesses relate to: (i) the closing and consolidation process due to (a) an inadequate segregation of duties and a lack of resources, which did not allow some tasks to be adequately reviewed and (b) a lack of a consolidation tool, which led to difficulties in documenting an appropriate audit trail of entries made; (ii) the monitoring of research and development projects, as controls designed to track actual costs incurred against invoices received were not operating at a sufficient level of precision due to insufficient personnel with an appropriate level of knowledge and training in internal control over complex processes; and (iii) the lack of sufficiently developed and documented internal controls for our U.S. subsidiary.

We plan to initiate the following remediation efforts focused on improving our internal control over financial reporting and to specifically address the control deficiencies that led to our material weaknesses. These efforts include the following:

- hiring of finance and accounting personnel including: a consolidation manager, who will be responsible for the consolidation process and will be supervised by the head of finance, a head of finance in the United States and a financial controller who have the appropriate experience, certification, education, and training in financial reporting, accounting and internal control;
- implementation of consolidation software to ensure a proper audit trail;
- dedication of resources to the monitoring of specific research and development projects for which process level controls have not been considered as effective;
- conducting additional training to employees whose job functions impact our control activities, particularly in the research and development function; and
- designing and implementing a controls framework for all key processes for our U.S. subsidiary, using our framework in France as a model and rolling it out to the United States to ensure that identified process-level risks are mitigated.

We believe that these activities will further support the remediation of these material weaknesses. However, we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. In addition, our independent registered public accounting firm has not performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act because no such evaluation has been required. Had our independent registered public accounting firm performed an evaluation of our internal control over financial

reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional material weaknesses may have been identified. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting, and the trading price of our ADSs or ordinary shares may decline as a result.

If we fail to establish and maintain proper internal controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

We are required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, or Section 404(a), to furnish a report by management on, among other things the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. During our most recent evaluation and testing process, we identified three material weaknesses in our internal control over financial reporting, and our Management's Report on Internal Control over Financial Reporting included in this Annual Report describes these material weaknesses and includes our conclusion that our internal controls were not effective as of the end of the period covered by this Annual Report. While we have established certain procedures and control over our financial reporting processes, including initiating remediation efforts with respect to the material weaknesses, we cannot assure you that these efforts will prevent restatements of our financial statements in the future. Although Section 404(b) of the Sarbanes-Oxley Act, or Section 404(b), requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal control over financial reporting, we have opted to rely on the exemptions provided in the JOBS Act, and consequently will not be required to comply with SEC rules that implement Section 404(b) until such time as we are no longer an EGC.

The presence of material weaknesses could result in financial statement errors which, in turn, could lead to errors in our financial reports, delays in our financial reporting, which could require us to restate our operating results or our auditors may be required to issue a qualified audit report. We might not identify one or more material weaknesses in our internal controls in connection with evaluating our compliance with Section 404(a). In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we will need to expend significant resources and provide significant management oversight. Implementing any appropriate changes to our internal control may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management's attention from other business concerns. These changes may not, however, be effective in maintaining the adequacy of our internal control.

If either we are unable to conclude that we have effective internal control over financial reporting, as is the case currently, or, at the appropriate time, our independent auditors are unwilling or unable to provide us with an unqualified report on the effectiveness of our internal control over financial reporting as required by Section 404(b), investors may lose confidence in the accuracy or completeness of our financial reports, the price of our ADSs or ordinary shares could decline and we may be subject to litigation, sanctions or investigations by regulatory authorities, including the SEC and Nasdaq. Failure to remediate any material weakness in our internal control over financial reporting, or to maintain other effective control systems required of public companies, could also restrict our future access to the capital markets. In addition, if we are unable to meet the requirements of Section 404, we may not be able to remain listed on Nasdaq.

Item 4. Information on the Company.

A. History and Development of the Company

Our legal and commercial name is ERYTECH Pharma S.A. We were incorporated as a *société par actions simplifiée*, or S.A.S., under the laws of the French Republic on October 26, 2004 and became a *société anonyme*, or S.A., on September 29, 2005. We are registered at the Register of Commerce and Companies of Lyon (*Registre du commerce et des sociétés*) under the number 479 560 013. In April 2014, we incorporated our wholly-owned U.S. subsidiary, ERYTECH Pharma, Inc. In February 2016, we opened our U.S. office in Cambridge, Massachusetts and in 2018, we entered into a lease agreement for a new manufacturing facility in Princeton, New Jersey, United States.

Our principal executive offices are located at 60 Avenue Rockefeller, 69008 Lyon, France. Our telephone number at our principal executive offices is +33 4 78 74 44 38. Our agent for service of process in the United States is ERYTECH Pharma, Inc. Our website address is *www.erytech.com*. The reference to our website is an inactive textual reference only and information contained in, or that can be accessed through, our website or any other website cited herein is not part of this Annual Report. The U.S. Securities and Exchange Commission maintains a website (*www.sec.gov*) that contains reports, proxy and information statements and other information regarding registrants, such as ERYTECH, that file electronically with the SEC.

Our actual capital expenditures for the years ended December 31, 2016, 2017 and 2018 amounted to €1.8 million, €1.7 million and €14.2 million, respectively. These capital expenditures were related primarily to the buildup of our fixed assets for our pharmaceutical facility and laboratory and to a lesser extent to the purchase of office and computer equipment. We do not capitalize clinical research and development costs until we obtain marketing authorization for a product candidate. We expect our capital expenditures to increase in absolute terms in the near term as we continue to advance our research and development programs and grow our operations. We anticipate our capital expenditures in 2019 to be financed from the proceeds of our November 2017 global offering. For the near future, these investments will be located in France where our primary executive offices and our primary production facility are currently located, and in the United States for our secondary production facility.

B. Business Overview

We are a biopharmaceutical company developing innovative therapies for severe forms of cancer and orphan diseases. Leveraging our proprietary ERYCAPS platform, which uses a novel technology to encapsulate therapeutic drug substances inside erythrocytes, or red blood cells, we are developing a pipeline of product candidates for patients with high unmet medical needs. Our lead product candidate eryaspase, which we also refer to as GRASPA, targets the metabolism of cancer cells by depriving the cells of asparagine, an amino acid necessary for their survival and critical in maintaining the cells' rapid growth rate. We are currently developing eryaspase for the treatment of severe solid tumors, including pancreatic cancer and triple negative breast cancer, or TNBC. Following positive results obtained in a Phase 2b clinical trial of second-line treatment of patients with metastatic pancreatic cancer and based on feedback from the FDA at our pre-IND meeting in October 2017 and the EMA's Committee for Medicinal Products for Human Use, or CHMP, in February 2018, we launched a pivotal Phase 3 clinical trial of eryaspase for the treatment of second-line pancreatic cancer patients. Patient enrollment in this trial, which we refer to as the TRYbeCA1 trial, began in September 2018 in Europe and in anticipation of extending the trial to the United States, we expect to submit an IND application to the FDA before the end of the second quarter of 2019.

We launched a proof-of-concept Phase 2 trial in TNBC in Europe, which we refer to as the TRYbeCA2 trial, in the fourth quarter of 2018. The first clinical sites have been initiated.

In addition to the encapsulation of L-asparaginase, we believe that our ERYCAPS platform has broad potential application and can be used to encapsulate a wide range of therapeutic agents for which long-circulating therapeutic activity or rapid and specific targeting is desired. In addition to our lead product candidate, we are developing erymethionase, which consists of methionine-γ-lyase, or MGL, encapsulated in red blood cells, to target the amino acid metabolism of cancer cells and induce tumor starvation. We expect to launch a Phase 1 trial in Europe in the first quarter of 2020. We are also exploring the use of our ERYCAPS platform for developing cancer immunotherapies (ERYMMUNE) and enzyme replacement therapies (ERYZYME).

Eryaspase—Our Lead Cancer Metabolism-Targeting Product Candidate

Eryaspase consists of the enzyme L-asparaginase encapsulated in red blood cells. L-asparaginase degrades asparagine, a naturally occurring amino acid. All cells in the body need asparagine for their protein synthesis and growth. Normal cells are able to produce most of their asparagine requirements internally. Tumor cells, to ensure their aggressive growth, are highly dependent on asparagine and often lack the enzymes necessary to produce sufficient asparagine internally. They therefore must obtain this nutrient from the asparagine that is present in the circulation. While L-asparaginase has been used for decades as a cancer metabolism treatment in ALL, the toxicity profiles of current commercially available forms of non-encapsulated, or free-form, L-asparaginases have generally limited their use to patients with good performance status, such as pediatric ALL patients. Encapsulation of L-asparaginase, utilizing our proprietary ERYCAPS platform, is designed to prolong the activity and reduce the side effects of L-asparaginase, which we believe broadens the potential use of L-asparaginase outside the pediatric ALL setting, including for the treatment of aggressive solid and liquid tumors. Eryaspase has been administered to more than 400 patients in clinical trials and compassionate use programs to date. In our clinical trials for the treatment of pancreatic cancer and ALL, patients treated with eryaspase in combination with chemotherapy achieved improvements in efficacy endpoints compared to standard of care chemotherapy or combinations of chemotherapy with native L-asparaginase. The treatment has generally been well tolerated in these clinical trials.

We are currently developing eryaspase for the treatment of the following types of cancer:

Pancreatic Cancer – Ongoing TRYbeCA1 Trial

Pancreatic cancer is a disease in which solid tumors form in the tissues of the pancreas. We estimate there are approximately 150,000 new cases of pancreatic cancer diagnosed each year in the United States and Europe. Pancreatic cancer is a particularly aggressive cancer, with a five-year survival rate of less than 10%, and is one of the fastest growing cancer indications. According to estimates published by the American Cancer Society, pancreatic cancer is currently the fourth largest cause of cancer deaths in the United

States. According to an article published in the scientific journal *Cancer Research*, pancreatic cancer is projected to surpass colon and breast cancer to become the second largest cause of cancer deaths by 2030.

In September 2017, we announced the full results from our Phase 2b clinical trial of eryaspase combined with chemotherapy in 141 patients suffering from second-line metastatic pancreatic cancer. Data demonstrated improvements in both overall survival (OS) and progression-free survival (PFS). The hazard ratio for OS in the entire patient population was 0.60 (nominal p-value = 0.009), meaning that treatment with eryaspase reduced the risk of death rate by 40% compared to treatment with chemotherapy alone. The PFS hazard ratio was 0.59 (nominal p-value = 0.011). We believe this clinical trial represents the first time an asparaginase-based therapy has been reported to have a survival benefit in a solid tumor indication. We presented these results at the European Society for Medical Oncology, or ESMO, Congress in Madrid, Spain in September 2017.

Based on the feedback on trial design that we received from the FDA at our pre-IND meeting in October 2017 and from the CHMP in February 2018, we launched TRYbeCA1, a pivotal Phase 3 clinical trial of eryaspase for second-line metastatic pancreatic cancer in Europe in September 2018. In anticipation of extending the trial to the United States, we expect to submit an IND application to the FDA before the end of the second quarter of 2019.The Phase 3 trial is evaluating eryaspase in combination with standard chemotherapy, compared to standard chemotherapy alone, in approximately 500 patients in more than 120 clinical sites in the United States and Europe. The primary endpoint is overall survival, or OS.

We are also considering the initiation of proof-of-concept studies in first-line pancreatic cancer patients, as well as in other pancreatic cancer settings. With this in mind, we have also initiated further preclinical work to assess the combinability of eryaspase with other compounds used in the treatment of first-line pancreatic cancer patients. We retain worldwide rights to commercialize eryaspase for the pancreatic cancer indication.

Triple Negative Breast Cancer – Planned TRYbeCA2 Trial

Following the results with eryaspase in the proposed treatment of second-line metastatic pancreatic cancer, we conducted a comprehensive evaluation to determine other potential solid tumor indications for developing eryaspase and selected metastatic TNBC to evaluate as the next indication to potentially expand the use of eryaspase. TNBC is an aggressive and metabolically active form of breast cancer with high rates of symptomatic metastases. TNBC cells lack expression of estrogen receptor, progesterone receptor and do not overexpress a protein called human epidermal growth factor receptor 2 (HER2). The authors of a September 2017 article in the scientific journal *The Oncologist* estimate that approximately 10% to 20% of the 600,000 breast cancers that are diagnosed each year in the United States and Europe in aggregate are classified as TNBC. As commonly-utilized hormone therapy and HER2 targeting agents are not treatment options for women with TNBC, there is significant unmet need for novel therapeutic approaches in this subtype of breast cancer. We launched a Phase 2 proof-of-concept clinical trial, which we refer to as the TRYbeCA2 trial, in this indication in the fourth quarter of 2018 in Europe. We will evaluate eryaspase in combination with gemcitabine and carboplatine chemotherapy, compared to chemotherapy alone, in approximately 64 patients, with previously untreated metastatic TNBC. The primary endpoint is objective response rate. The first clinical sites in this trial were initiated in December 2018, and the trial has been opened for enrollment in Spain and France since the first quarter of 2019.

Other Oncology Indications

In addition to the ongoing clinical developments in pancreatic cancer and TNBC, we are evaluating opportunities to potentially broaden the scope of eryaspase to other oncology indications.

Acute Lymphoblastic Leukemia

We started the development of eryaspase in acute lymphoblastic leukemia, or ALL, in 2005 with a Phase 1 clinical trial in patients with relapsed and refractory ALL. The clinical trial was completed in 2009. We also completed a Phase 2 study in elderly patients with ALL in 2010. In 2014, we completed a multi-center, open-label pivotal Phase 2/3 clinical trial in 80 children and adults with relapsed or refractory ALL in which we evaluated the safety and efficacy of GRASPA compared to free-form L-asparaginase derived from the bacteria *E. coli*, also known as native L-asparaginase. In this European trial, patients without a history of allergies to native L-asparaginase treatments were randomized to receive standard chemotherapy plus either GRASPA or native L-asparaginase. Patients with a known allergy to native L-asparaginase treatments were treated with standard chemotherapy plus GRASPA. The patients treated with GRASPA experienced a mean duration of L-asparaginase activity that was more than twice as long as for patients receiving native L-asparaginase. None of the non-allergic patients who received GRASPA experienced an allergic reaction, compared to 46% of non-allergic patients who received native L-asparaginase. Only 11.5% of patients with a prior L-asparaginase allergy experienced a new allergic reaction after receiving GRASPA, with no patients in the trial experiencing a severe allergic reaction. Patients in the GRASPA treatment arm also had overall higher complete remission rates during induction, and GRASPA was

also associated with fewer drug-related adverse events. After three years of follow-up, a nominal improvement in overall survival rates was observed.

In the United States, we have completed a Phase 1 dose escalation trial of eryaspase as a potential first-line treatment for adult ALL patients and have determined a recommended dose of eryaspase (100 U per kilogram) for evaluation in Phase 3 clinical trials in September 2017.

In September 2015, we submitted an MAA to the EMA for GRASPA for the treatment of relapsed or refractory ALL. Based on the feedback we received from CHMP at Day 180, we decided to withdraw the MAA in November 2016. To address the outstanding issues, we conducted activities that are designed to provide data regarding immunogenicity and pharmacodynamics of eryaspase, as well as comparability of eryaspase produced with native versus recombinant asparaginase, and we resubmitted to the EMA our MAA for GRASPA for relapsed or refractory ALL in October 2017.Despite having observed favorable efficacy results and safety profile in multiple clinical trials of eryaspase in patients with ALL, we now believe, based on feedback from the regulatory agencies in Europe and the United States, that significant additional investment would have been required in order to seek regulatory approval of eryaspase for the treatment of ALL. In the context of the rapidly changing and increasingly competitive landscape with newly-approved treatment options for ALL, the regulatory requirements and what we observed to be a limited market opportunity for eryaspase in ALL, we elected in June 2018 to cease further clinical development efforts in ALL and to withdraw our European MAA.

Although we ceased clinical development efforts in ALL, an investigator-sponsored trial, initiated in 2017 by the Nordic Society of Pediatric Haematology and Oncology, or NOPHO, is still ongoing. The Phase 2 clinical trial is expected to enroll approximately 30 patients at 23 sites across seven Nordic and Baltic countries. The main objectives of this trial are to evaluate the pharmacokinetic and pharmacodynamic activity, safety and immunogenicity profile of eryaspase in combination with NOPHO's multi-agent chemotherapy protocol for ALL, administered as second-intention treatment for children or adult ALL patients, one year to 45 years of age, who experience hypersensitivity reactions to PEG-asparaginase or silent inactivation. This trial is expected to continue into 2020.

Our Additional ERYCAPS Product Candidates

In addition to eryaspase, our product candidate based on L-asparaginase treatment, we believe that our ERYCAPS platform has broad potential application and can be used to encapsulate within red blood cells a wide range of therapeutic agents for which long-circulating therapeutic activity or rapid and specific targeting is desired.

- **Cancer Metabolism.** In addition to the development of eryaspase, we are developing erymethionase, methionine-γ-lyase, or MGL, encapsulated in red blood cells, as a potential novel amino acid agent targeting cancer metabolism. Based on our preclinical studies, we believe that erymethionase represents a promising new treatment approach against a broad range of cancers that rely on methionine metabolism. We expect to commence a Phase 1 clinical trial in Europe in the first quarter of 2020.
- **Enzyme Replacement.** Outside of the oncology field, we also are studying the use of our ERYCAPS platform to promote long-acting enzyme activity, which we believe may result in attractive partnering opportunities for the development of enzyme therapies in the field of metabolic diseases. We refer to this program under the name ERYZYME. We believe that encapsulation of the therapeutic enzymes may reduce the potential for allergic reactions and allow the therapeutic substance to remain in the body longer when compared to non-encapsulated enzymes.
- **Immunotherapy.** We have also initiated ERYMMUNE, a preclinical development program designed to explore the use of our ERYCAPS platform to encapsulate tumor antigens or adjuvants within red blood cells as an innovative approach to cancer immunotherapy. Based on our preclinical research, we believe that encapsulated tumor antigens can be targeted to key organs, such as the spleen, in order to induce an immune response, resulting in sustained activation of the body's immune system to fight cancers. Preclinical proof-of-concept studies of ERYMMUNE are ongoing.

Corporate Information

We were incorporated in 2004. In May 2013, we completed the initial public offering of our ordinary shares on Euronext Paris. In November 2017, we completed a global public offering, consisting of a U.S. initial public offering of American Depositary Shares, or ADSs, each representing one ordinary share, and a concurrent private placement in Europe and other countries outside of the U.S. and Canada of our ordinary shares. Our ordinary shares are listed on Euronext Paris under the ticker symbol "ERYP" and our ADSs are listed on the Nasdaq Global Select Market under the symbol "ERYP."

Our Strategy

Our mission is to help patients live better, longer. Our vision is to be the leader in red blood-cell based therapeutics to treat severe forms of cancer and orphan diseases. The key elements of our strategy to achieve this goal include the following:

- ***Rapidly advance the clinical development of eryaspase for the treatment of pancreatic cancer.*** Following positive Phase 2b clinical trial results with eryaspase in second-line treatment of metastatic pancreatic cancer, we launched a pivotal Phase 3 clinical trial of eryaspase for second-line metastatic pancreatic cancer. Patient enrollment began in Europe in September 2018. In anticipation of extending the trial to the United States, we expect to submit an IND application to the FDA in the second quarter of 2019. The Phase 3 clinical trial aims to evaluate eryaspase in combination with standard chemotherapy, compared to standard chemotherapy alone, in approximately 500 patients in Europe and the United States. The primary endpoint is overall survival. With the view of broadening our targeted indications for eryaspase beyond second-line pancreatic cancer, we are considering the initiation of proof-of-concept studies in first-line pancreatic cancer patients as well as in other pancreatic cancer settings.
- ***Develop eryaspase for the treatment of other solid tumor indications, including triple negative breast cancer.*** Based on the results of scientific publications and preclinical studies as well as our clinical trials to date, we believe that targeting the asparagine metabolism of cancer cells could potentially slow down or halt the growth of different tumor types. Based on these results, we are planning to conduct other clinical trials and to seek regulatory authorizations for eryaspase for the treatment of selected solid tumor indications beyond pancreatic cancer. In February 2018, we announced the selection of TNBC as the next target indication for expanding the potential treatment scope of eryaspase. We launched a Phase 2 proof-of-concept clinical trial for this indication in the fourth quarter of 2018 in Europe and the trial has been opened for enrollment in Spain and France since the first quarter of 2019.
- ***Leverage our ERYCAPS platform to develop additional innovative and novel red blood-cell based therapeutics targeting cancer and orphan diseases.*** In addition to encapsulating L-asparaginase, the active ingredient in eryaspase, we plan to leverage the broad applicability of our ERYCAPS platform to develop additional product candidates that use other therapeutic drug substances. As a potential next product candidate, we are developing erymethionase, methionine-γ-lyase, or MGL, encapsulated in red blood cells, to target the amino acid metabolism of cancer cells and induce tumor starvation. We expect to commence a Phase 1 clinical trial with erymethionase in Europe in the first quarter of 2020 in order to evaluate its safety of administration in methionine-γ-lyase, or MGL. We are also evaluating other cancer metabolism targeting enzymes such as arginine-deiminase. We also plan to expand our product pipeline to include other therapeutic approaches, such as cancer immunotherapy (ERYMMUNE) and enzyme replacement therapies (ERYZYME). To support this strategy, we intend to continue to seek robust worldwide intellectual property protection for our ERYCAPS platform and our resulting product candidates.
- ***Execute on research and development and commercialization opportunities that maximize the value of our proprietary ERYCAPS platform.*** We seek to maximize shareholder value from our proprietary platform technology through a combination of in-house development and well-selected partnering opportunities. In some instances, we may elect to continue development and commercialization activities through the expansion of our in-house capabilities, but we will also evaluate and pursue collaborative arrangements with third parties for the development and distribution of our product candidates for specified indications and in specified territories where appropriate. We may also explore co-development or out-licenses of our platform technology to third parties and the creation of spin-out companies. As we move our product candidates through development toward regulatory approval in the United States and Europe, we will evaluate several options for each product candidate's commercialization strategy. These options include building our own internal sales force and distribution units or entering into collaborations with third parties for the distribution and marketing of any approved products.

Our ERYCAPS Platform Technology

Our ERYCAPS platform uses our proprietary technology to entrap active drug substances inside red blood cells using reversible hypotonic and hypertonic osmotic stress. Our platform technology uses transfusion-grade, standard packed red blood cells of all four blood groups (O, A, B and AB) from blood donors with a specific blood type which we obtain from blood banks. We match the red blood cells used to the blood type of the patient receiving treatment. To allow the therapeutic compounds to enter into the red blood cells, we subject the red blood cells to a hypotonic solution. This causes swelling of cells and opening of pores in the cellular membrane. At this time, therapeutic molecules can enter the red blood cells. Once the desired concentration of molecules is reached inside the red blood cells, we subject the red blood cells to a hypertonic solution to restore the osmotic pressure to normal. This step causes water to flow out of the cell and the pores to close, rendering the cellular membrane impermeable to molecules above a specific size, including the molecules that have been trapped inside the cell.

The extent to which a red blood cell can swell, known as osmotic fragility, is not uniform and varies between packages of red blood cells. When we obtain a package of red blood cells from a blood bank, we measure a number of key hematological parameters, including the osmotic fragility of the particular sample. Based on the level of osmotic fragility measured, we are able to calculate the specific amount of osmotic pressure to apply in order to achieve the desired concentration of drug substance in each production batch. This patent-protected process allows us to reduce variations in the amount of drug substance to be encapsulated, which ensures that quantifiable amounts of drug substance can be captured in each batch. Our expertise in understanding osmotic fragility and optimizing the red blood cell encapsulation parameters is the cornerstone of our proprietary ERYCAPS platform.

We believe that our ERYCAPS platform technology is an innovative approach that offers several key potential benefits:

- ***Prolonged duration of activity***. Red blood cells are biocompatible carriers that have a half-life of approximately one month in the body, and this duration of activity appears not to be significantly affected by our proprietary encapsulation process. This long half-life, coupled with the protection from the cellular membrane, allows encapsulated therapeutic drug substances to remain in the body longer, thereby increasing the duration of their therapeutic activity and their potential efficacy with lower dosages and fewer injections. In the case of L-asparaginase, encapsulation of red blood cells has been shown in our clinical trials to extend the half-life of free-form L-asparaginase from one day to approximately two to three weeks.
- ***Decreased risk of side effects***. The red blood cell membrane protects the body from toxicities associated with the trapped drug substance, which reduces the potential for adverse side effects from the drug.
- ***High reproducibility with rapid turnaround on commercial scale***. Our encapsulation process is automated and is designed to produce batches of loaded red blood cells in a highly reproducible, reliable and rapid manner. At our cGMP-certified production facilities, the process for delivering eryaspase to patients typically takes approximately 24 hours from the start of production to delivery of the product candidate to the hospital. We have produced over 1,800 bags of eryaspase to date for use in clinical trials, and we estimate our current production facilities, including our newly constructed facility in Princeton, New Jersey, which we expect to be operational during the second quarter of 2019 will be sufficient to establish supply for our current and future clinical trials, as well as anticipated early commercial needs of eryaspase, if it is approved for marketing.
- ***Stability and ease of administration***. After manufacturing and release of the product, eryaspase has shown to remain stable for five days in refrigeration followed by six hours at room temperature. This allows efficient transportation to the hospitals where the patients are treated, as well as flexibility in the timing of the administration to the patients.
- ***Broad applicability***. Our initial efforts have focused on encapsulating enzymes, such as L-asparaginase, that deplete nutrients necessary for the growth and proliferation of tumor cells, resulting in their starvation and death. Based on our preclinical studies and clinical experience to date, we believe that a variety of additional therapeutic molecules can be encapsulated within red blood cells to induce tumor starvation, both for blood cancers and solid tumors, and to develop cancer immunotherapies and enzyme replacement therapies.

Our intellectual property portfolio contains issued patents and patent applications in the United States and foreign countries, including 16 patent families directed to our production process, our ERYCAPS® platform, our product candidates, methods of use and/or treatment, and related diagnostic tests. Our core patent covers eryaspase in the United States until the end of 2029, with potential extension to the end of 2034, and in Europe until 2025, with a potential extension to 2030. We have exclusively in-licensed one patent family from Radboud University in the Netherlands relating to synergistic combinations of amino acid depletion agents.

We maintain a cGMP-certified production facility in Lyon, France that we believe will be sufficient to supply our ongoing clinical trials and early commercial requirements. We also maintain a smaller production facility in Philadelphia, Pennsylvania, on the premises of the American Red Cross, which is currently used for our clinical trial production. In 2018, we entered into a lease

agreement for a new production facility in Princeton, New Jersey, to further expand our production capacity in the United States in addition to the Philadelphia facility. We expect the Princeton facility to be operational for cGMP production in the second quarter of 2019.

Our Product Development Pipeline

Using our proprietary ERYCAPS platform, we are developing a pipeline of product candidates to treat severe forms of cancer and selected orphan diseases. The following table summarizes our product development pipeline:

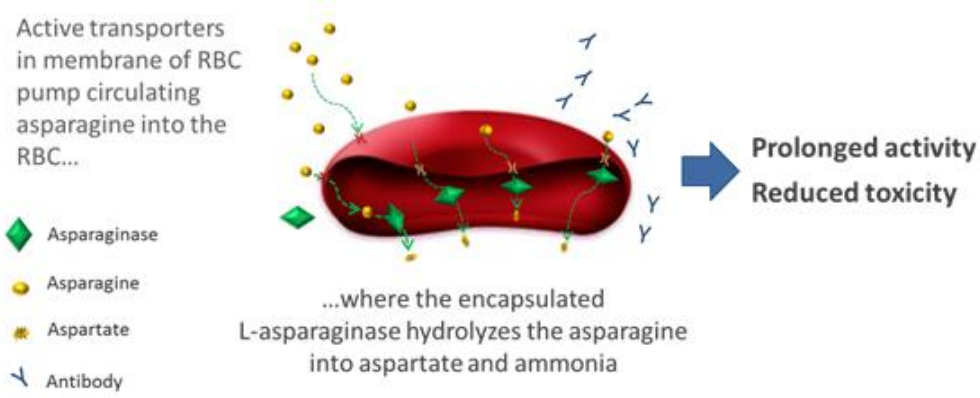
Mode of action	Product Candidate/ PROGRAM	Drug substance	Indication	Discovery	Pre-clinical	Phase 1	Phase 2	Phase 3/ Pivotal	Status/ Milestones
Cancer metabolism Tumor starvation	eryaspase	Asparaginase	PDAC 2L TRYbeCA1						Phase 3 trial enrolling patients in Europe; IND submission in the US in Q2 2019
			TNBC 1L TRYbeCA2						Phase 2b trial launched in Europe; sites in France and Spain opened for enrollment in Q1 2019
			ALL 2L				IST		Investigator Sponsored Trial (IST) ongoing in Nordic countries of Europe
			Other (Oncology)						Broadening of indication scope to other pancreatic cancer settings and other solid tumors under evaluation
	ery-methionase	Methionine-γ-lyase	Solid tumors						Preclinical toxicology studies completed; preparations of Phase 1 trial ongoing for expected launch Q1 2020
Immune-oncology	ERYMMUNE	Tumor antigens or adjuvants	Solid tumors						Preclinical proof-of-principle studies ongoing
Enzyme therapies	ERYZYME	Therapeutic enzymes	Metabolic diseases						Preclinical proof-of-principle studies ongoing

Our Lead Product Candidate Eryaspase—A Unique Approach to Cancer Treatment

Eryaspase, our first product candidate developed using our proprietary ERYCAPS platform consists of the enzyme L-asparaginase encapsulated inside erythrocytes, or red blood cells. L-asparaginase breaks down asparagine, a naturally occurring amino acid, into L-aspartic acid and ammonia. Asparagine is produced by healthy cells in the body for their own use in protein synthesis. Cancer cells also need asparagine to grow and proliferate, even more than normal cells, but most cancer cells cannot produce enough asparagine and must rely on circulating asparagine to survive. Injection of L-asparaginase, either by intravenous or intramuscular modes of administration, can lower asparagine levels throughout the body, thereby depriving cancer cells of a key nutrient and causing them to starve and ultimately die. The use of L-asparaginase to deplete asparagine is a well-established treatment for ALL patients, and in particular, pediatric ALL patients. However, important side effects including allergies, coagulation disorders, pancreatic and hepatic toxicities can limit treatment compliance, particularly in adults, limiting the potential use of current, non-encapsulated L-asparaginases beyond ALL. We believe that encapsulating L-asparaginase in red blood cells holds the potential to expand the population of cancer patients that may be treated with L-asparaginase, and in particular, to patients suffering from aggressive solid tumors.

Eryaspase is administered by intravenous infusion. Once administered, the red blood cells containing L-asparaginase circulate in the bloodstream and remove asparagine mainly through a mechanism of active transportation of asparagine into the red blood cells. Active transporters for asparagine are present in the membrane of red blood cells. They cause normal red blood cells to contain two to three times more asparagine within the cell than in the surrounding plasma. When L-asparaginase is encapsulated in the red blood cells, it causes the inner concentration of asparagine to decrease, which activates the natural mechanism of the red blood cell to draw asparagine circulating in the blood plasma into the red blood cell. This asparagine is rapidly degraded inside the red blood cells as well. When maintained long enough, this pumping and degradation activity leads to a systemic depletion of asparagine levels in the bloodstream without releasing L-asparaginase into the bloodstream. The red blood cell membrane also protects the encapsulated L-asparaginase from antibodies present in the patient's blood that would substantially lessen or neutralize the enzyme's activity or cause allergic reactions. As a result, the enzyme can remain active and potentially effective in the red blood cell for a longer period of time, while at the same time reducing the potential for toxicity and related side effects. Our research indicates that the encapsulation process does not significantly alter the life span of the red blood cell.

The following diagram illustrates the main mode of action of eryaspase:



Clinical Development of Eryaspase (GRASPA)

The table below sets forth summary information regarding our clinical trials of eryaspase conducted to date.

COMPLETED CLINICAL TRIALS

PHASE	TRIAL REFERENCE	# OF PATIENTS*	AGE	INDICATION	PRIMARY ENDPOINTS	DOSE	REGION	DESIGN
Metastatic Pancreatic Cancer								
2b	GRASPANC 2013-03	141	18+	Second-line	• Efficacy (progression-free survival or overall survival) of eryaspase in patients with low ASNS expression levels	100 U/kg	EU	Randomized, open label, controlled
1	GRASPANC 2008-02	12	18+	Second-line	• Determination of the maximum tolerated dose (MTD) and recommended Phase 2 dose	25 / 50 / 100 / 150 U/kg	EU	Non-randomized, open label
Acute Lymphoblastic Leukemia								
2/3	GRASPALL 2009-06	80	1 to 55	Relapsed/refractory	• Mean duration (days) of ASNase activity >100 U/L	150 U/kg	EU	Randomized, open label
					• Incidence of allergic reactions (induction phase)			
2a	GRAALL SA2-2008	30	55+	First-line	• Efficacy and safety of eryaspase with combination therapy and determination of the MTD in elderly	50 / 100 / 150 U/kg	EU	Non-randomized, open label
1/2	GRASPALL 2005-01	24	1 to 55	Relapsed/refractory	• Determination of the MTD and recommended Phase 2 dose	50 / 100 / 150 U/kg	EU	Randomized, open label
1	GRASPALL 2012-09	14	18+	First-line	• Determination of the MTD and recommended Phase 2 dose	50 / 100 / 150 / 200 U/kg	US	Non-randomized, open label
	GRASPALL 2012-10-EAP	18	Up to 55	At risk - all lines	• Safety of eryaspase in combination with polychemotherapy	150 U/kg	EU	Non-randomized, open label
Acute Myeloid Leukemia								
2b	ENFORCE 1	123	65 to 85	First-line, unfit	• Overall survival	100 U/kg	EU	Multicenter, open label, randomized, controlled

ONGOING CLINICAL TRIALS

PHASE	TRIAL REFERENCE	# OF PATIENTS*	AGE	INDICATION	PRIMARY ENDPOINTS	DOSE	REGION	DESIGN
				Solid Tumors				
3	TRYbeCa1	482	18+	Pancreatic adenocarcinoma	• Overall survival	100 U/kg	EU/US	Randomized, 2 treatment arm (Control and investigational arms)
2	TRYbeCa2	65	18+	Metastatic or locally recurrent Triple-Negative Breast Cancer / 1st line	• Objective response rate determined by an independent radiological review	100 U/kg	EU	Open-label, randomized 1:1 (chemotherapy ± eryaspase)
				Acute Lymphoblastic Leukemia				
2	NOPHO	30	1 to 45	Second-line post PEG-asparaginase	• PK / PD, safety and immunogenicity	150 U/kg	EU	Single arm, open label

* Number of patients planned/enrolled.

Eryaspase for the Treatment of Pancreatic Cancer and Other Solid Tumors

Researchers have investigated the potential to target asparagine metabolism in solid tumor indications, and based on the observation that many solid tumors, like lymphoblasts, lack the asparagine synthetase, or ASNS, enzyme, a rationale for the use of asparaginase in solid tumors exists. L-asparaginase has been shown to have growth inhibitory effects in different solid tumor cell lines and in xenograft models. The toxicity profile of existing asparaginase products has, however, been prohibitive for their use in patients. Historically, Phase 1 clinical trials conducted by researchers have been modified or halted because of excess toxicity.

We selected pancreatic cancer as the first solid tumor indication for clinical development of eryaspase based on preclinical findings, the metabolic activity of pancreatic cancer cells and the unmet medical need. After completion of a Phase 1 clinical trial, which we believe is the first Phase 1 clinical trial with an asparaginase-based product candidate to show an acceptable safety profile, we commenced a Phase 2b clinical trial of eryaspase combined with chemotherapy in 141 patients suffering from second-line metastatic pancreatic cancer in 2014. In March 2017, we reported top-line results of the study showing improvement in overall and progression-free survival rates for patients treated with eryaspase in combination with chemotherapy as compared to treatment with eryaspase alone. The hazard ratio for overall survival in the entire patient population was 0.60 (nominal p-value = 0.009), meaning that treatment with eryaspase reduced the risk of death rate by 40% compared to treatment with chemotherapy alone. We presented the full results of this trial at the ESMO Congress in Madrid, Spain in September 2017. We believe this clinical trial represents the first time an asparaginase-based therapy has been reported to have a survival benefit in a solid tumor indication. This trial forms the basis for our strategy to explore the further development of eryaspase for the treatment of pancreatic cancer and other solid tumor indications. Subsequently, we launched a pivotal Phase 3 clinical trial of eryaspase for second-line metastatic pancreatic cancer, which we refer to as the TRYbeCA1 trial. Patient enrollment for the TRYbeCA1 trial commenced in September 2018 in Europe.

Background and Potential for L-asparaginase as a Treatment for Pancreatic Cancer

We estimate there are approximately 150,000 new cases of pancreatic cancer diagnosed each year in Europe and the United States. Pancreatic cancer is a particularly aggressive cancer, with a five-year survival rate of less than 10%, and is one of the fastest growing cancer indications. According to estimates published by the American Cancer Society, pancreatic cancer is currently the fourth largest cause of cancer deaths in the United States. According to an article published in the scientific journal *Cancer Research*, pancreatic cancer is projected to surpass colon and breast cancer to become the second largest cause of cancer deaths by 2030. The following table summarizes the number of estimated cases and deaths in the United States in 2017 and 2030 in various solid tumor indications, as well as the five-year survival rate of each type of cancer for the years 2006 through 2012.

INDICATION	***CASES (U.S., IN THOUSANDS)***		***DEATHS (U.S., IN THOUSANDS)***		
	2017	**2030**	**2017**	**2030**	**5-YEAR SURVIVAL RATE**
Lung and bronchus	223	225	156	156	19%
Pancreas	54	88	43	63	9
Liver	41	83	29	51	18
Colon and rectum	135	114	50	47	66
Breast	255	294	41	37	91(1)
Prostate	161	228	27	24	99
Bladder	79	113	17	22	79
Brain and other nervous system	24	N/A	17	17	35
Oesophagus	17	N/A	16	17	21
Kidney	64	69	14	16	75
Ovary	22	N/A	14	14	46

(1) Refers to female survival rate.

Completed Phase 1 Clinical Trial of Eryaspase for the Treatment of Pancreatic Cancer

In 2011, we completed an open-label Phase 1 clinical trial in 12 patients with pancreatic cancer at four sites in France. The enrolled patients were separated into four cohorts of three subjects each. Eryaspase was administered as one injection of four different doses, 25 Units, or U, per kilogram, 50 U per kilogram, 100 U per kilogram or 150 U per kilogram. The primary endpoint of the trial was the determination of the maximum tolerated dose. Secondary endpoints included assessments of safety and exploratory measures of efficacy. No dose-limiting toxicities were reported, even at the highest dose administered in the trial.

Phase 2b Clinical Trial for Eryaspase for the Treatment of Second-Line Metastatic Pancreatic Cancer

In 2014, we commenced a multi-center, open-label, randomized Phase 2b clinical trial to evaluate the efficacy of eryaspase as a second-line treatment for patients with metastatic pancreatic cancer. The trial was conducted at 16 sites in France and performed in collaboration with the Groupe Coopérateur Multidisciplinaire en Oncologie. Professor Pascal Hammel, a gastroenterologist-oncologist at Beaujon Hospital in Paris, was the principal investigator of the trial. The original recruitment objective was 90 patients. In February 2016, we elected to continue to enroll patients to increase the statistical power of the trial. In September 2016, we completed enrollment of 141 patients in this trial. In March 2017, we reported positive top-line results from this trial, which also included three data safety monitoring board, or DSMB, safety reviews. In September 2017, we presented the full results of this trial at the ESMO Congress in Madrid, Spain.

Trial Design

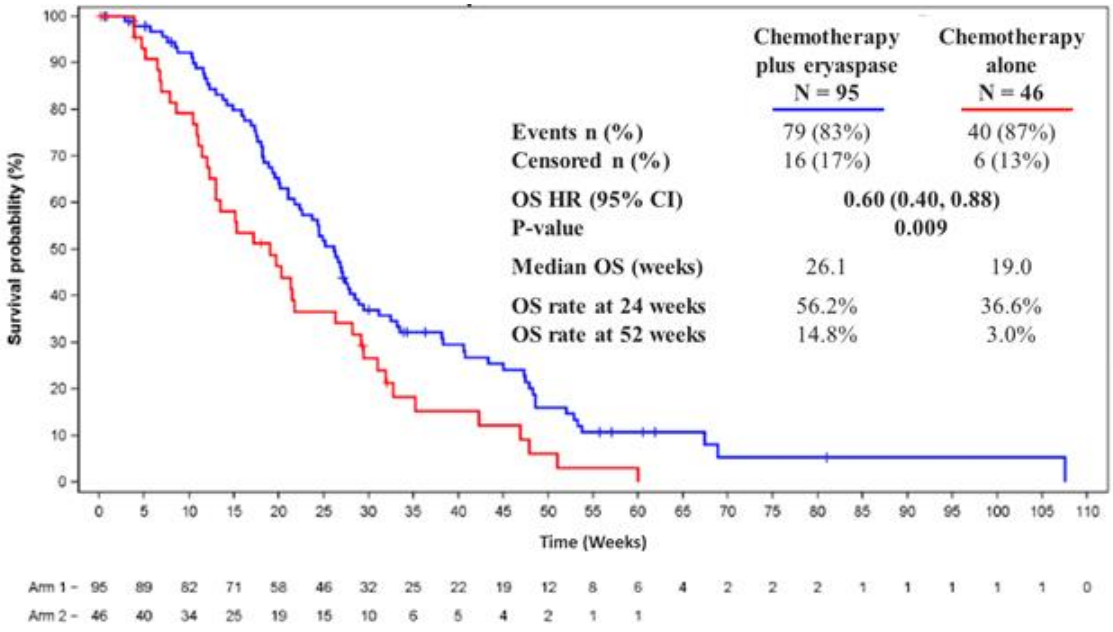
In this trial, patients in the active arm were treated with eryaspase in addition to the current standard of chemotherapy, consisting of either gemcitabine or FOLFOX, depending on which treatment the patient had received as first-line therapy. Patients in the control arm were patients treated with chemotherapy alone. Patients were randomized at a 2:1 ratio. Prior to enrolling each patient in this trial, we used a diagnostic test to assess the level of ASNS expression in such patient’s cancer cells. We included both patients with no or low ASNS expression levels and patients with normal or high ASNS expression levels in the trial.

Endpoints

The co-primary endpoints of the Phase 2b clinical trial were progression-free survival, or PFS, and overall survival, or OS, rates, as measured by the hazard ratio, or HR, for the patients that were enrolled with no or low ASNS expression levels. The HR represents the chance of events occurring in the treatment arm relative to the chance of events occurring in the control arm. An HR of one means that there is no difference in survival between the two groups, while an HR of greater than one or less than one means that survival was better in one of the groups. The outcome of the trial would be considered positive if the HR was below 0.85 for the low or no ASNS expression group, irrespective of statistical significance. The secondary endpoints of the clinical trial included overall progression-free survival and overall survival rates, as measured by HR, in the entire patient population and for the patients enrolled with normal or high ASNS expression levels, as well as objective response rates and safety outcomes.

Efficacy Results

The primary objectives of the trial were met, with an overall survival HR of 0.65 and a progression-free survival HR of 0.72 in the patient population with no or low ASNS expression levels. This sub-group of the patient population constituted approximately 70% of the trial population. There was also an overall survival benefit in the entire patient population, with a statistically significant overall survival HR of 0.60 (nominal p-value = 0.009), meaning that a reduction in risk of death rate of 40% was observed. The graph below shows the Kaplan-Meier overall survival curve of the trial in the entire patient population. A Kaplan-Meier plot is a graphical statistical method commonly used to describe survival characteristics. Similar results were observed for progression-free survival.



The baseline characteristics and demographics in the patient population were balanced, and overall survival and progression-free survival results appeared to be consistent across different sub-groups, including age, gender and prior treatment.

An unexpected finding from these results was that the ASNS expression level in the patients did not appear to be predictive of treatment efficacy. However, the ASNS expression level does appear to be a prognostic factor. Patients with high ASNS expression levels appear to have a worse prognosis, and their relative response to eryaspase seems to be relatively higher in this group than the patients with no, low or normal ASNS expression levels. Based on this finding, we believe future clinical trials may be conducted in the entire patient population, independent of ASNS expression levels.

Ongoing – TRYbeCA1 Trial

Following our positive Phase 2b clinical trial results, we launched a pivotal Phase 3 clinical trial of eryaspase for second-line metastatic pancreatic cancer. The Phase 3 trial, which we refer to as the TRYbeCA1 trial, is evaluating eryaspase in combination with standard chemotherapy, compared to standard chemotherapy (gemcitabine/nab-paclitaxel or an irinotecan-based regimen) alone, in approximately 500 patients in more than 120 sites in Europe and the United States. Patients who meet the eligibility criteria are

randomized 1-to-1 to receive eryaspase in combination with standard chemotherapy (gemcitabine/abraxane or irinotecan-based regimen) or chemotherapy alone until disease progression. The primary endpoint is overall survival. The main secondary endpoints include progression-free survival, objective response rate, disease control rate, quality of life and safety. The trial began in Europe with the first patient enrolled in September 2018. TRYbeCA1 is now actively enrolling patients in several European countries. In view of opening the trial to patients in the United States, we expect to submit an IND application to the FDA in the second quarter of 2019. We expect to conduct an interim analysis when approximately two-thirds of overall survival events have occurred.

Next Steps in Pancreatic Cancer

With the view of broadening our targeted indications for eryaspase beyond second-line pancreatic cancer, we are considering the initiation of proof-of-concept studies in first-line pancreatic cancer patients, as well as in other pancreatic cancer settings. With this in mind, we have initiated further preclinical work to assess the combinability of eryaspase with other compounds used in the treatment of pancreatic cancer patients.

Both the FDA and EMA have granted orphan drug designation for eryaspase or GRASPA for the treatment of pancreatic cancer. Orphan drug designation provides manufacturers with research grants, tax credits and eligibility for marketing exclusivity of up to seven years in the United States and 10 years in Europe.

We retain worldwide rights to commercialize eryaspase for the pancreatic cancer indication.

Ongoing and Planned Clinical Development in Triple Negative Breast Cancer and Other Solid Tumors

Following the results with eryaspase in the proposed treatment of second-line metastatic pancreatic cancer, we conducted a comprehensive evaluation to determine other potential solid tumor indications and selected metastatic TNBC as the next indication to evaluate in order to expand the potential use of eryaspase in solid tumors. TNBC is an aggressive and metabolically active form of breast cancer with high rates of symptomatic metastases. TNBC cells lack expression of estrogen and progesterone receptors and do not overexpress HER2. Scientific literature estimates that approximately 10% to 20% of the 600,000 breast cancers that are diagnosed each year in the United States and Europe in aggregate are classified as TNBC. As commonly-utilized hormone therapy and HER2 targeting agents are not treatment options for women with TNBC, there is significant unmet need for novel therapeutic approaches in this subtype of breast cancer. At the end of 2018, we launched a Phase 2 proof-of-concept clinical trial in this indication in Europe. This Phase 2 clinical trial, which we refer to as the TRYbeCa2 trial, will evaluate eryaspase in combination with chemotherapy, compared to chemotherapy alone in approximately 64 patients. The primary endpoint of the trial is objective response rate. The main secondary endpoints of the trial include progression free survival, metabolic response, safety and biomarkers. The first sites were initiated in December 2018, and the trial opened for enrollment in Spain and France in the first quarter of 2019.

Planned Clinical Development in Other Solid Tumors

Preclinical work is ongoing to identify other relevant solid tumor indications, including a review of the use of the product candidate in combination with chemotherapy and immunotherapy compounds.

Eryaspase for the Treatment of Acute Lymphoblastic Leukemia (ALL)

We were previously developing eryaspase, or GRASPA, for the treatment of children and adults with ALL in combination with chemotherapy. We have completed five clinical trials in ALL in Europe and in the United States in which a total of 166 patients with ALL were enrolled, of which 132 patients were treated with eryaspase.

Different hard-to-treat sub-indications of ALL were targeted in these trials, relapsed and refractory patients, adults and elderly patients and patients who were allergic to other asparaginases. We believe the results of our trials support our hypothesis that encapsulation could prolong asparaginase activity and reduce its side-effects. We also observed eryaspase to have an improved clinical benefit as compared to native L-asparaginase in our completed clinical trials, as described below.

A Phase 2/3 clinical trial in 80 children and adults with relapsed ALL, completed in 2014, achieved both of its primary endpoints:

- *Lower Incidence of Allergic Reactions*. Among the non-allergic patients, none of the 26 patients treated with GRASPA experienced an allergic reaction during the induction phase, compared to 13 patients out of 28, or 46%, of those treated with native L-asparaginase in the control group.
- *Superior Duration of L-Asparaginase Activity*. Among the non-allergic patients, the patients treated with GRASPA maintained a mean duration of L-asparaginase activity above 100 U per liter for 18.9 days, with at most two injections

during the first month of treatment. This result compared to a mean duration of activity of 8.5 days in the control group, who received up to eight injections of native L-asparaginase.

Eryaspase or GRASPA was also observed to have an improved clinical benefit as compared to native L-asparaginase based on its achievement of the secondary efficacy endpoints:

- *Higher Complete Remission Rate*. At the end of the induction phase, the non-allergic patients in the GRASPA treatment arm, or 76%, had achieved complete remission, or the disappearance of all signs of cancer in response to treatment, as compared to 46.4%, in the control arm. Among the allergic patients, 60% achieved complete remission after treatment with GRASPA.
- *Improved Minimal Residual Disease Rate*. Among the non-allergic patients, nine out of 26, or 35%, achieved low levels of residual leukemic cells classified as minimal residual disease, or MRD, at the end of the induction phase, as compared to seven out of 28, or 25%, of those in the control group. Among the allergic patients, six out of 26, or 23%, achieved MRD after treatment with GRASPA.
- *Improved Overall Survival Rates*. 12-month overall survival rates among the non-allergic patients treated with GRASPA were 76.9%, compared to 67.9%, for those in the control group. 12-month overall survival in the allergic group of patients was 50%. Based on three years of follow-up, a nominal improvement of overall survival was observed (HR = 0.73).

Treatment with GRASPA was generally well tolerated. Drug-related adverse events generally consisted of allergic reactions, clotting problems, liver toxicities and pancreas disorders. None of the 52 patients receiving GRASPA during the Phase 2/3 trial had an adverse event leading to discontinuation of the trial, as compared to 13 out of the 28 patients, or 46%, in the control arm. A total of three patients out of the 52 patients treated with GRASPA during the trial experienced serious adverse events determined to be drug-related.

Based on the positive efficacy and safety results from our Phase 2/3 pivotal trial, we submitted a Marketing Authorization Application, or MAA, to the EMA for GRASPA for the treatment of relapsed or refractory ALL in September 2015. Following discussions with the EMA, we withdrew the MAA in November 2016. We conducted activities designed to provide data regarding immunogenicity and pharmacodynamics of eryaspase, as well as comparability of eryaspase produced with native versus recombinant L-asparaginase, and resubmitted an MAA in October 2017. In June 2018, based on feedback from the EMA and FDA, it appeared that significant additional investment would be required in order to seek regulatory approval of eryaspase for the treatment of ALL. In the context of the rapidly changing and increasingly competitive landscape with newly-approved treatment options for ALL, the regulatory feedback and what we observed to be a limited market opportunity for eryaspase in ALL, we elected to cease further clinical development efforts in ALL. Accordingly, we withdrew our MAA in the second half of 2018.

Despite our ceasing clinical development efforts in this indication, an investigator-sponsored trial, initiated in 2017 by the Nordic Society of Pediatric Haematology and Oncology, or NOPHO, is still ongoing. The Phase 2 trial is expected to enroll approximately 30 patients at 23 sites across seven Nordic and Baltic countries. The main objectives of this trial are to evaluate the pharmacokinetic and pharmacodynamic activity, safety and immunogenicity profile of eryaspase in combination with NOPHO's multi-agent chemotherapy protocol for ALL, administered as second-intention treatment for children or adult ALL patients, one year to 45 years of age, who experience hypersensitivity reactions to PEG-asparaginase or silent inactivation. This trial is expected to continue into 2020.

Other ERYCAPS Development Programs

In addition to our product pipeline centered on L-asparaginase treatment, we are using our proprietary patent-protected ERYCAPS platform to identify additional enzymes that could induce tumor starvation. We have received funding from BPI France for a research program, known as the TEDAC program, intended to identify additional tumor starvation agents and to identify companion diagnostic tests. In preclinical studies performed under the TEDAC program, we have identified two other amino acids, methionine and arginine, and their respective enzymes, methionine-γ-lyase, or MGL, and arginine deiminase, or ADI, that we believe may be promising treatments when encapsulated inside red blood cells.

In 2017, we presented preclinical data with our product candidate erymethionase, which consists of MGL in red blood cells, at the American Society of Clinical Oncology Gastrointestinal Cancers Symposium and the American Association for Cancer Research conferences. We are performing preclinical toxicology studies and are planning to start a Phase 1 clinical trial in the first quarter of 2020 with erymethionase. We are also evaluating eryminase, which consists of ADI encapsulated inside red blood cells, as a potential product candidate for further clinical development.

In addition, we currently have two other preclinical development programs ongoing. ERYZYME is a preclinical development program designed to use our proprietary ERYCAPS platform for enzyme-based therapies beyond oncology. We encapsulate therapeutic enzymes inside donor-derived red blood cells using our proprietary ERYCAPS platform in order to create ERYZYME product

candidates to target certain metabolic diseases. We believe that the encapsulation of the therapeutic enzymes in the red blood cells may be able to reduce the potential for allergic reactions and to allow the therapeutic substance to remain in the body longer as compared to non-encapsulated enzymes. In 2017, we entered into a research collaboration with the Fox Chase Cancer Center to advance the preclinical development of erymethionase for the treatment of homocystinuria and with Queen's University of Canada to advance the preclinical development of eryminase for the treatment of arginase-1-deficiency. In September 2017, we presented early preclinical data on both programs at the 13th International Congress of Inborn Errors of Metabolism (ICIEM).

ERYMMUNE is a preclinical development program exploring the use of our proprietary ERYCAPS platform to encapsulate tumor antigens and/or adjuvants within red blood cells as an innovative approach to cancer immunotherapy. Based on our preclinical research, we believe that encapsulated tumor antigens can be targeted to the spleen, in order to induce an immune response, resulting in sustained activation of the body's immune system to fight cancers. In preclinical studies with three different antigens loaded in red blood cells, we have observed promising proof-of-concept data in three different tumor models. In these studies, we observed significantly increased antigen-specific CD8+ and CD4+ T-cell responses and delays in tumor growth when the encapsulated antigens were injected in mice with tumors, as compared to the injection of the unloaded antigens alone. We plan to continue incubating this platform to confirm our earlier preclinical data and to determine our development strategy for these earlier-stage programs. Proof-of-principle studies of ERYMMUNE are ongoing and will be the basis on which we will decide on the best way to value creation for this technology.

Manufacturing and Supply

We currently operate two manufacturing facilities to manufacture our product candidates. Our primary production facility for Europe is based in Lyon, France. This production facility complies with European cGMP. We are currently extending the capacity of our Lyon facility to ensure supply in our ongoing and future clinical trials, as well as anticipated early commercial needs, if GRASPA is approved for marketing.

For our clinical trials in the United States, we use a qualified production unit in Philadelphia, Pennsylvania in conjunction with the American Red Cross, from which we source the red blood cells bags. In 2018, we entered into a lease agreement for a new manufacturing facility in Princeton, New Jersey, to expand our U.S. production capacity to a similar scale as the expanded Lyon facility. We expect the new production facility to be operational for the production of cGMP batches of eryaspase in the second quarter of 2019 and we believe that the expanded capacity will be sufficient to supply eryaspase for the planned Phase 3 and Phase 2 clinical trials, as well as for the anticipated initial commercial needs of eryaspase, if it is approved for marketing.

In Europe, we purchase packed red blood cells from *Ėtablissement Français du Sang*, the French Blood Establishment. In the United States, we have supply agreements with the American Red Cross and the New York Blood Center.

In the case of eryaspase, we have the manufacturing and logistics in place to deliver eryaspase to patients in approximately 24 hours from the start of production to delivery of the product candidate to the hospital. Once a prescription is written, we receive an order for eryaspase from the hospital. We then source a pack of red blood cells, compatible with the patient's blood type, from one of our partner blood banks. After identification of the key parameters of the red blood cell unit, we encapsulate the L-asparaginase into the red blood cells using an automated process that takes three to four hours. Before release, the product must meet a number of quality control specifications, including the number of red blood cells in the packed product, the level of L-asparaginase activity, the amount of extracellular L-asparaginase in the blood and the integrity of the container holding the red blood cells. We then deliver the product to the hospital using a third-party commercial overnight delivery service. We ship the product at a refrigerated temperature of between two and eight degrees Celsius, or approximately 36 to 46 degrees Fahrenheit. At this temperature, the product has been shown to remain stable for five days. Once removed and ready for administration, the product remains stable for six hours at room temperature.

In May 2011, we entered into a second worldwide supply agreement, as subsequently amended on April 4, 2014 and July 25, 2016, which we refer to as the 2011 Medac Agreement, under which Medac has agreed to supply us with their new, recombinant free-form L-asparaginase, called Spectrila, for which Medac obtained a European marketing approval in 2016. The 2011 Medac Agreement includes an exclusivity period, starting from the date of commercial authorization of eryaspase/GRASPA for a duration of five years. The term of the 2011 Medac Agreement is until December 2028, provided, that Medac is entitled, upon expiration of the five-year exclusivity period, to terminate the agreement, upon five years' notice, in the event its supplier of the recombinant formulation of L-asparaginase discontinues supplying to Medac. The July 2016 amendment nullified the clauses providing that we could have been forced to refrain from any form of promotion of eryaspase/GRASPA if such product was produced from a new formulation of asparaginase registered and marketed prior to eryaspase/GRASPA as a first-line treatment. We are exclusively using this new recombinant formulation of L-asparaginase in eryaspase for new indications, including our ongoing clinical trials for pancreatic cancer, and no longer intend to use the native form of asparaginase for eryaspase.

We have also entered into a collaboration with Invetech, developer of cGMP manufacturing solutions for cell and advanced therapies, under which Invetech is assisting us in the development of systems to improve the efficiency of the future commercial-scale

manufacture of product candidates based on our proprietary ERYCAPS platform and to accommodate production volume needs for commercialization of our product candidates following the receipt of the necessary regulatory approvals.

Commercialization

As we move our product candidates through development toward regulatory approval in the United States and Europe, we will evaluate several options for each product candidate's commercialization strategy. These options include building our own internal sales force and distribution units or entering into collaborations with third parties for the distribution and marketing of the approved products. In 2018, we hired a Vice President of Commercial Strategy to perform a marketing assessment for eryaspase. We generally expect to retain commercial rights to our product candidates, but we will also evaluate collaborative arrangements with third parties for the commercialization and distribution of our product candidates for specified indications and in specified territories where appropriate. We previously entered into collaborations with Teva for the distribution of GRASPA as a treatment of ALL in Israel, and with Orphan Europe, part of the Recordati Group, for the distribution of GRASPA as a treatment of ALL and AML in Europe. As a consequence of our withdrawal of the MAA for ALL and our decision to focus on solid tumors, we initiated the termination process under our agreement with Orphan Europe in the first quarter of 2019. The agreement with Teva is still in effect, but, at this time, there are no current ongoing obligations under the agreement. We have retained the rights to commercialize eryaspase for the treatment of ALL outside Europe and Israel, including in the United States, and for the treatment of all other indications, including pancreatic cancer and TNBC, outside of Israel. We have retained worldwide commercial rights for all of our other product candidates.

Intellectual Property

Our patent portfolio includes pending patent applications and issued patents in the United States and foreign countries. These patents and applications include 15 patent families we own in our own name, summarized below:

TECHNOLOGY	NUMBER OF PATENT FAMILIES	EXPIRATION YEARS FOR EACH PATENT FAMILY *	COUNTRIES IN WHICH PATENTS ARE ISSUED (OR ALLOWED/ACCEPTED)
RBC Encapsulation Platform	2	2024 - 2030 2033 - 2034	Japan, Europe, Australia, China, United States, South Korea, India, Canada, Russia, Hong Kong
Eryaspase	3	2027 - 2029 2032 - 2033 2028 - 2029	Europe, United States, Australia, Singapore, Israel, Japan, South Korea, China, India
Other Onco-metabolism	4	2026 2034 - 2035 2035 - 2036 2038	Europe, Japan, China, Canada, South Korea, Australia, United States, Hong Kong, Israel, Russia, Singapore, United Arab Emirates, India
Rare Metabolic Disorders	3	2028 2033 - 2034 2037 - 2038	Europe, Israel
Immunology	2	2030 2027 - 2028	Australia, Singapore, France, China, Israel, South Korea, Europe, United States, Japan, United Arab Emirates
Small Molecule	1	2028 - 2029	Europe, Israel, China, Australia, Singapore, South Korea, Canada

* *This expiration year does not take into account supplementary patent protection that could be obtained for some of our patents in the United States, Europe, Japan and other countries. Expiration dates for U.S. patents not yet granted may be subject to patent term adjustment (PTA) and/or patent term extension (PTE).*

Of our 15 patent families, 11 currently include at least one issued patent.

The term of a U.S. patent may be eligible for patent term restoration under the Hatch-Waxman Act to account for at least some of the time the drug or method of manufacture is under development and regulatory review after the patent is granted. With regard to a drug or method of manufacture for which FDA approval is the first permitted marketing of the active ingredient, the Hatch-Waxman Act allows for extension of the term of one U.S. patent. The extended patent term cannot exceed the shorter of five years beyond the non-extended expiration of the patent or 14 years from the date of the FDA approval of the drug or method of manufacture. Some foreign jurisdictions have analogous patent term extension provisions that allow for extension of the term of a patent that covers a device approved by the applicable foreign regulatory agency. In the future, if and when our product candidates receive FDA approval, we expect to apply for patent term extensions on the patents that we believe will provide the best exclusivity position if extended.

In addition to patent protection, we have trademark protection in many countries for our name, logo and several product candidates. None of our trademarks are subject to a third-party license, except under our distribution agreements with Teva and Orphan Europe with respect to the trademark GRASPA.

Patent License from Radboud University

In 2018, we entered into an exclusive license agreement with Radboud University (the Netherlands), or Radboud, under which Radboud has granted us an exclusive license to a patent family, including an unpublished U.S. provisional application filed August 31, 2018 and an unpublished PCT application filed December 6, 2018, directed to synergistic combinations of amino acid depletion agents, or AADA, and amino acid depletion agent sensitizers. We intend to use the patent rights licensed from Radboud to develop product candidates, either alone or in collaboration with external partners, including product candidates that contain eryaspase as the AADA. Under the terms of the exclusive license agreement, we may also sublicense the patent rights to external partners to generate sublicense revenue.

Competition

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Significant competitive factors in our industry include product efficacy and safety; quality and breadth of an organization's technology; skill of an organization's employees and its ability to recruit and retain key employees; timing and scope of regulatory approvals; government reimbursement rates for, and the average selling price of, products; the availability of raw materials and qualified manufacturing capacity; manufacturing costs; intellectual property and patent rights and their protection; and sales and marketing capabilities. We cannot ensure you that any of our products that we successfully develop will be clinically superior or scientifically preferable to products developed or introduced by our competitors.

Our competitors may also succeed in obtaining EMA, FDA or other regulatory approvals for their product candidates more rapidly than we are able to do, which could place us at a significant competitive disadvantage or deny us marketing exclusivity rights.

Market acceptance of our product candidates will depend on a number of factors, including:

- potential advantages over existing or alternative therapies or tests;
- the actual or perceived safety of similar classes of products;
- the effectiveness of our sales, marketing, and distribution capabilities; and
- the scope of any approval provided by the FDA or foreign regulatory authorities.

Although we believe our product candidates possess attractive attributes, we cannot ensure that our product candidates will achieve regulatory or market acceptance, or that we will be able to compete effectively in the biopharmaceutical drug markets. If our product candidates fail to gain regulatory approvals and acceptance in their intended markets, we may not generate meaningful revenues or achieve profitability.

In general, eryaspase will be positioned as an add-on to standard chemotherapeutic regimens. In pancreatic adenocarcinoma, gemcitabine-based (e.g. gemcitabine and nab paclitaxel, Celgene's Abraxane) and fluoropyrimidine-based (e.g. FOLFIRINOX, comprised of fluorouracil, leucovorin, irinotecan and oxaliplatin) chemotherapy regimens are standards of care for the first-line treatment of patients with metastatic disease. Our ongoing TRYbeCA1 trial in second-line metastatic pancreatic adenocarcinoma is evaluating the addition of eryaspase to both (i) gemcitabine and Celgene's Abraxane in patients whose disease has progressed on a prior fluoropyrimidine-based chemotherapy and (ii) an irinotecan-based regimen, including the approved liposomal formulation of irinotecan, Ipsen/Servier's Onivyde, in combination with flurouracil and leucovorin in patients whose disease has progressed on a prior gemcitabine-based regimen. If approved, we anticipate that eryaspase will be used in combination with gemcitabine-based and irinotecan-based regimens.

Depending on the results of the TRYbeCA1 trial, we believe eryaspase has the potential to be seen as competitive to or as a combination partner for many of these agents. Eryaspase could potentially face competition from several investigational agents currently being evaluated in metastatic patients who have progressed on previous first-line chemotherapy. These include, but are not limited to, Eli Lilly's pegilodecakin, Eleison Pharmaceuticals' glufosfamide, SynCore Biotechnology's EndoTAG-1, BMS/Five Prime Therapeutics' cabiralizumab, and Tyme Technologies' SM-88. Eryaspase could also potentially compete with agents being evaluated in combination with standard chemotherapy regimens for the first-line treatment of metastatic disease. These include, but are not limited to, Halozyme Therapeutics' PEGPH20, Sumitomo Dainippon's napabucasin, and Rafael Pharmaceuticals' CPI-613.

In TNBC, we expect eryaspase to be used in combination with various chemotherapy agents that are used to treat metastatic triple negative disease, including taxanes (paclitaxel, docetaxel and Celgene's Abraxane), capecitabine, and Eisai's Halaven. Eryaspase could potentially face competition from small molecule poly-ADP ribose polymerase (PARP) inhibitors, including, but not limited to, AstraZeneca/Merck's Lynparza and Pfizer's Talzenna, which received FDA approval for the treatment of germline BRCA mutant metastatic breast cancer in 2018; PD-1/PD-L1 antibodies, including, but not limited to, Roche's Tecentriq, for which Roche submitted a supplemental Biologics License Application in metastatic TNBC; and other agents in development, including, but not limited to, Immunomedics' sacituzumab govitecan, Roche's ipatasertib and Seattle Genetics' ladiratuzumab vedotin.

Though there are several L-asparaginase based products approved for use in ALL, we do not believe that these products are being evaluated in the solid tumor indications we are pursuing with eryaspase at this time.

Many of the companies against which we are competing, or against which we may compete in the future, have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Government Regulation

Government authorities in the United States at the federal, state and local level and in other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of drug and biological products, or biologics, such as our product candidates. Generally, before a new drug or biologic can be marketed, considerable data demonstrating its quality, safety and efficacy must be obtained, organized into a format specific to each regulatory authority, submitted for review and approved by the regulatory authority.

U.S. Biological Product Development

In the United States, the FDA regulates biologics under the Federal Food, Drug, and Cosmetic Act, or FDCA, and the Public Health Service Act, or PHSA, and their implementing regulations. Biologics are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include, among other actions, the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, untitled or warning letters, product recalls or withdrawals from the market, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement, reputational harm, and/or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

Our product candidates must be approved by the FDA through the Biologics License Application, or BLA, process before they may be legally marketed in the United States. The process required by the FDA before a biologic may be marketed in the United States generally involves the following:

- completion of extensive nonclinical, sometimes referred to as preclinical laboratory tests, preclinical animal studies and formulation studies in accordance with applicable regulations, including the FDA's Good Laboratory Practice, or GLP, regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials in accordance with applicable IND and other clinical trial-related regulations, sometimes referred to as good clinical practices, or GCPs, to establish the safety and efficacy of the proposed product candidate for its proposed indication;
- submission to the FDA of a BLA;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities where the product is produced to assess compliance with the FDA's cGMP requirements to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality, purity and potency;

- potential FDA audit of the preclinical and clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval of the BLA prior to any commercial marketing or sale of the product in the United States.

The data required to support a BLA is generated in two distinct development stages: preclinical and clinical. The preclinical development stage generally involves laboratory evaluations of drug chemistry, formulation and stability, as well as studies to evaluate toxicity in animals, which support subsequent clinical testing. The conduct of the preclinical studies must comply with federal regulations, including GLPs. The sponsor must submit the results of the preclinical studies, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. An IND is a request for authorization from the FDA to administer an investigational drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for human trials. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials and places the IND on clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a product candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, we cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that could cause the trial to be suspended or terminated.

The clinical stage of development involves the administration of the product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety and assess efficacy. Each protocol, and any subsequent amendments to the protocol, must be submitted to the FDA as part of the IND. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Sponsors of clinical trials of FDA-regulated products, including biologics, are required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov. Information related to the product, patient population, phase of investigation, study sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved.

Clinical trials are generally conducted in three sequential phases that may overlap, known as Phase 1, Phase 2 and Phase 3 clinical trials. Phase 1 clinical trials generally involve a small number of healthy volunteers who are initially exposed to a single dose and then multiple doses of the product candidate. The primary purpose of these clinical trials is to assess the metabolism, pharmacologic action, side effect tolerability and safety of the product candidate and, if possible, to gain early evidence on effectiveness. Phase 2 clinical trials typically involve studies in disease-affected patients to determine the dose required to produce the desired benefits. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected, as well as identification of possible adverse effects and safety risks and preliminary evaluation of efficacy. Phase 3 clinical trials generally involve large numbers of patients at multiple sites, in multiple countries, from several hundred to several thousand subjects, and are designed to provide the data necessary to demonstrate the efficacy of the product for its intended use and its safety in use, and to establish the overall benefit/risk relationship of the product and provide an adequate basis for product approval. Phase 3 clinical trials may include comparisons with placebo and/or other comparator treatments. The duration of treatment is often extended to mimic the actual use of a product during marketing. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of a BLA.

Post-approval trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In some instances, FDA may condition approval of a BLA on the sponsor's agreement to conduct additional clinical trials to further assess the biologic's safety and effectiveness after BLA approval.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected suspected adverse events or any finding from tests in laboratory animals that suggests a significant risk for human subjects. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA, the IRB, or the sponsor may suspend or terminate a clinical

trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether or not a trial may move forward at designated intervals based on access to certain data from the trial. We may also suspend or terminate a clinical trial based on evolving business objectives and/or competitive climate. Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

BLA and FDA Review Process

Following trial completion, trial data is analyzed to assess safety and efficacy. The results of preclinical studies and clinical trials are then submitted to the FDA as part of a BLA, along with proposed labeling for the product and information about the manufacturing process and facilities that will be used to ensure product quality, results of analytical testing conducted on the chemistry of the product candidate, and other relevant information. The BLA is a request for approval to market the biologic for one or more specified indications and must contain proof of safety, purity, potency and efficacy, which is demonstrated by extensive preclinical and clinical testing. The application includes both negative or ambiguous results of preclinical and clinical trials, as well as positive findings. Data may come from company-sponsored clinical trials intended to test the safety and efficacy of a use of a product, or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the investigational product to the satisfaction of the FDA. FDA approval of a BLA must be obtained before a biologic may be offered for sale in the United States.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a significant user fee, which is adjusted on an annual basis. PDUFA also imposes an annual product fee for human drugs and an annual establishment fee on facilities used to manufacture prescription drugs. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business.

Once a BLA has been accepted for filing, which occurs, if at all, 60 days after the BLA's submission, the FDA's goal is to review BLAs within 10 months of the filing date for standard review or six months of the filing date for priority review, if the application is for a product intended for a serious or life-threatening disease or condition and the product, if approved, would provide a significant improvement in safety or effectiveness. The review process is often significantly extended by FDA requests for additional information or clarification.

After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether the proposed product candidate is safe and effective for its intended use, and whether the product candidate is being manufactured in accordance with cGMP to assure and preserve the product candidate's identity, strength, quality, purity and potency. The FDA may refer applications for novel drug product candidates or drug product candidates which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA will likely re-analyze the clinical trial data, which could result in extensive discussions between the FDA and us during the review process.

The review and evaluation of a BLA by the FDA is extensive and time consuming and may take longer than originally planned to complete, and we may not receive a timely approval, if at all.

Before approving a BLA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new product to determine whether they comply with cGMPs. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. In addition, before approving a BLA, the FDA may also audit data from clinical trials to ensure compliance with GCP requirements. After the FDA evaluates the application, manufacturing process and manufacturing facilities, it may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application is not ready for approval. A Complete Response Letter usually describes all of the specific deficiencies in the BLA identified by the FDA. The Complete Response Letter may require additional clinical data and/or an additional pivotal

Phase 3 clinical trial(s), and/or other significant and time-consuming requirements related to clinical trials, preclinical studies or manufacturing. If a Complete Response Letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information is submitted, the FDA may ultimately decide that the BLA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data.

There is no assurance that the FDA will ultimately approve a product for marketing in the United States, and we may encounter significant difficulties or costs during the review process. If a product receives marketing approval, the approval may be significantly limited to specific populations, severities of allergies, and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling or may condition the approval of the BLA on other changes to the proposed labeling, development of adequate controls and specifications, or a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved products. For example, the FDA may require Phase 4 testing, which involves clinical trials designed to further assess the product's safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. The FDA may also place other conditions on approvals including the requirement for a Risk Evaluation and Mitigation Strategy, or REMS, to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS. The FDA will not approve the NDA without an approved REMS, if required. A REMS could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of products. Product approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following initial marketing.

Other U.S. Regulatory Matters

Manufacturing, sales, promotion and other activities following product approval are also subject to regulation by numerous regulatory authorities in addition to the FDA, including, in the United States, the Centers for Medicare & Medicaid Services, or CMS, other divisions of the Department of Health and Human Services, or HHS, the Drug Enforcement Administration, the Consumer Product Safety Commission, the Federal Trade Commission, the Occupational Safety & Health Administration, the Environmental Protection Agency and state and local governments. In the United States, sales, marketing and scientific or educational programs must comply with state and federal fraud and abuse laws, data privacy and security laws, transparency laws, and pricing and reimbursement requirements in connection with governmental payor programs, among others. The handling of any controlled substances must comply with the U.S. Controlled Substances Act and Controlled Substances Import and Export Act. Products must meet applicable child-resistant packaging requirements under the U.S. Poison Prevention Packaging Act. Manufacturing, sales, promotion and other activities are also potentially subject to federal and state consumer protection and unfair competition laws. The distribution of pharmaceutical products is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of pharmaceutical products.

The failure to comply with regulatory requirements subjects' entities to possible legal or regulatory action. Depending on the circumstances, failure to meet applicable regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of product approvals, or refusal to allow an entity to enter into supply contracts, including government contracts. In addition, even if an entity complies with FDA and other regulatory requirements, new information regarding the safety or efficacy of a product could lead the FDA to modify or withdraw product approval. Prohibitions or restrictions on sales or withdrawal of future products marketed by us could materially affect our business in an adverse way.

Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example: (i) changes to our manufacturing arrangements, and/or our commercial operations; (ii) additions or modifications to product labeling; (iii) the recall or discontinuation of our products; or (iv) additional record-keeping and/or documentation requirements. If any such changes were to be imposed, they could adversely affect the operation of our business.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA approval of our product candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of a BLA plus the time between the submission date of a BLA and the approval of that application. Only one patent applicable to an approved drug is eligible

for the extension and the application for the extension must be submitted prior to the expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we may apply for restoration of patent term for our currently owned or licensed patents to add patent life beyond their current expiration dates, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant BLA.

An abbreviated approval pathway for biological products shown to be similar to, or interchangeable with, an FDA-licensed reference biological product was created by the Biologics Price Competition and Innovation Act of 2009. Biosimilarity, which requires that the biological product is highly similar to the reference product notwithstanding minor differences in clinically inactive components and that there be no clinically meaningful differences between the product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical trial or trials. Interchangeability requires that a biological product is biosimilar to the reference product and the product can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the product and the reference product may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biological product. However, complexities associated with the larger, and often more complex, structure of biological products, as well as the process by which such products are manufactured, pose significant hurdles to implementation that are still being worked out by the FDA.

A reference biological product is granted 12 years of exclusivity from the time of first licensure of the reference product. The first biological product submitted under the abbreviated approval pathway that is determined to be interchangeable with the reference product has exclusivity against other biologics submitting applications under the abbreviated approval pathway for the lesser of one year after the first commercial marketing, 18 months after approval if there is no legal challenge, 18 months after the resolution in the applicant's favor of a lawsuit challenging the biologic's patents if an application has been submitted, or 42 months after the application has been approved if a lawsuit is ongoing within the 42-month period.

Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

European Union Drug Development

In the European Union, our product candidates may also be subject to extensive regulatory requirements. Medicinal products can only be marketed if a marketing authorization from the competent regulatory agencies has been obtained.

The various phases of preclinical and clinical research in the European Union are subject to significant regulatory controls. Clinical trials of medicinal products in the European Union must be conducted in accordance with European Union and national regulations and the International Conference on Harmonization, or ICH, guidelines on Good Clinical Practices, or GCP. Although the EU Clinical Trials Directive 2001/20/EC has sought to harmonize the European Union clinical trials regulatory framework, setting out common rules for the control and authorization of clinical trials in the European Union, the EU Member States have transposed and applied the provisions of the Directive differently. This has led to significant variations in the Member State regimes. To improve the current system, Regulation (EU) No 536/2014 on clinical trials on medicinal products for human use, which repealed Directive 2001/20/EC, was adopted on April 16, 2014 and published in the European Official Journal on May 27, 2014. The Regulation aims at harmonizing and streamlining the clinical trials authorization process, simplifying adverse event reporting procedures, improving the supervision of clinical trials, and increasing their transparency. Although the Regulation entered into force on June 16, 2014, it has not yet become applicable. The entry into application of the Regulation is expected to occur at some point in 2019 (its enactment will occur six months after the publication of a notice delivered by the European Commission on the European Union clinical trial portal and database, and is expected in 2019 according to the European Commission's website). Until then the Clinical Trials Directive 2001/20/EC will still apply. In addition, the transitory provisions of the new Regulation offer the sponsors the possibility to choose between the requirements of the Directive and the Regulation for one year from the entry into application of the Regulation.

Under the current regime, before a clinical trial can be initiated it must be approved in each of the EU Member States where the trial is to be conducted by two distinct bodies: the National Competent Authority, or NCA, and one or more Ethics Committees, or ECs. Under the current regime all suspected unexpected serious adverse reactions, or SUSARs, to the investigated drug that occur during the clinical trial have to be reported to the NCA and ECs of the Member State where they occurred.

European Union Marketing Authorizations

In the European Economic Area, or EEA (which is comprised of the 28 Member States of the European Union plus Norway, Iceland and Liechtenstein), medicinal products can only be commercialized after obtaining a Marketing Authorization, or MA. Marketing Authorizations may be granted either centrally (Community MA) or nationally (National MA).

The Community MA is issued centrally by the European Commission through the Centralized Procedure, based on the opinion of the CHMP of the EMA and is valid throughout the entire territory of the EEA.

Regulation (EC) No 726/2004 of the European Parliament and of the Council of 31 March 2014 provides for the Centralized authorization procedure. The centralized procedure results in a single marketing authorization, or MA, granted by the European Commission that is valid across the European Economic Area, or the EEA (i.e., the European Union as well as Iceland, Liechtenstein and Norway). The centralized procedure is compulsory for human drugs that are: (i) derived from biotechnology processes, such as genetic engineering, (ii) contain a new active substance indicated for the treatment of certain diseases, such as HIV/AIDS, cancer, diabetes, neurodegenerative diseases, autoimmune and other immune dysfunctions and viral diseases, (iii) officially designated orphan medicines and (iv) advanced-therapy medicines, or ATMPs, such as gene therapy, somatic cell therapy or tissue-engineered medicines.

Under Article 3 of the Regulation (EC) No 726/2004, the Centralized procedure is optional for any medicinal product not appearing in the Annex if: (1) the medicinal product contains a new active substance which, on the date of entry into force of this Regulation, was not authorised in the Community; or (2) the applicant shows that the medicinal product constitutes a significant therapeutic, scientific or technical innovation or that the granting of authorization in accordance with this Regulation is in the interests of patients or animal health at Community level.

National MAs are issued nationally by the competent authorities of the Member States of the EEA and only cover their respective territory. National MAs are available for products not falling within the mandatory scope of the Centralized Procedure. National MAs may be applied for through the Mutual Recognition Procedure or Decentralized Procedure in order that multiple competent authorities in different member states of the EEA may each issue a national MA in their territory for the same product on the back of the same application. We do not foresee that any of our current product candidates will be suitable for a National MA as they fall within the mandatory criteria for the Centralized Procedure. Therefore, our product candidates will be approved through Community MAs.

Under the above-described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Market exclusivities

The European Union also provides opportunities for market exclusivity. For example, under Article 14(11) of the Regulation (EC) No 726/2004, without prejudice to the law on the protection of industrial and commercial property, medicinal products for human use which have been authorized in accordance with the provisions of this Regulation shall benefit from an eight-year period of data protection and a ten-year period of marketing protection, in which connection the latter period shall be extended to a maximum of 11 years if, during the first eight years of those ten years, the MA holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies.

If granted, data exclusivity prevents regulatory authorities in the European Union from referencing the innovator’s data to assess a generic or biosimilar application. During the additional two-year period of market exclusivity, a generic or biosimilar marketing authorization can be submitted, and the innovator’s data may be referenced, but no generic or biosimilar product can be marketed until the expiration of the market exclusivity.

Pediatric clinical trials

Under European law, medicinal products for use in the pediatric population are eligible for rewards and incentives. Under Regulation No 1901/2006, when the intention is to apply for an MA in accordance with Article 7(1) (a) or (d), Article 8 or Article 30, a Pediatric Investigation Plan, or PIP, must be drawn up and submitted to the EMA with a request for agreement, unless a deferral or waiver applies (e.g., because the relevant disease or condition occurs only in adults) (Article 7).

Pursuant to Regulation (EC) No. 1901/2006, all applications for MA for new medicines must include to be valid, in addition to the particulars and documents referred to in Directive 2001/83/EC, the results of all studies performed and details of all information

collected in compliance with a pediatric investigation plan, or PIP, agreed between regulatory authorities and the applicant, unless the medicine is exempt because of a deferral or waiver of the EMA. Before the EMA is able to begin its assessment of a Community MA application, it will validate that the applicant has complied with the agreed pediatric investigation plan. The applicant and the EMA may, where such a step is adequately justified, agree to modify a pediatric investigation plan to assist validation. Modifications are not always possible; may take longer to agree than the period of validation permits; and may still require the applicant to withdraw its marketing authorization application and to conduct additional non-clinical and clinical studies.

Products that are granted an MA on the basis of the pediatric clinical trials conducted in accordance with the PIP are eligible for a six-month extension of the protection under a supplementary protection certificate (if any is in effect at the time of approval) (Regulation No 1901/2006) or, in the case of orphan medicinal products, a two-year extension of the orphan market exclusivity (Regulation (EC) No 1901/2006, see above). This pediatric reward is subject to specific conditions and is not automatically available when data in compliance with the PIP are developed and submitted.

We do not currently know whether our product candidates will need to be covered by a PIP.

Orphan designation

Under Article 8 of the Regulation (EC) No 141/2000, products receiving orphan designation in the European Union can receive ten years of market exclusivity, during which time no similar medicinal product may be placed on the market for the same therapeutic indication. Under Article 37 of the Regulation (EC) No 1901/2006, an orphan product can also obtain an additional two years of market exclusivity in the European Union for pediatric studies (in this case for orphan drugs no extension to any supplementary protection certificate can be granted, see further detail below).

Under Article 3 of the Regulation (EC) No 141/2000, a medicinal product may be designated as orphan if: (1) (a) it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in ten thousand persons in the European Union when the application is made, or (b) it is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that the marketing of the drug in the European Union would generate sufficient return to justify the necessary investment; and (2) that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the European Union or, if such method exists, that the drug will be of significant benefit to those affected by that condition, as defined in Regulation (EC) 847/2000.

Pursuant to Regulation (EC) No. 847/2000 of April 27, 2000 laying down the provisions for implementation of the criteria for designation of a medicinal product as an orphan medicinal product and definitions of the concepts “similar medicinal product” and “clinical superiority”, an application for the designation of a drug as an orphan drug may be submitted at any stage of development of the drug before filing of an MA application.

Orphan medicinal products are eligible for financial incentives such as reduction of fees or fee waivers and scientific assistance for study proposals (Articles 6 and 9). The application for orphan drug designation must be submitted before the application for marketing authorization (Article 5). The applicant will receive a fee reduction for the marketing authorization application if the orphan drug designation has been granted, but not if the designation is still pending at the time the marketing authorization is submitted. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

The 10-year market exclusivity may be reduced to six years if, at the end of the fifth year, it is established, in respect of the drug concerned, that the above-mentioned criteria for orphan drug designation are no longer met, in other words, when it is shown on the basis of available evidence that the product is sufficiently profitable not to justify maintenance of market exclusivity (Article 8).

Notwithstanding the foregoing, an MA may be granted, for the same therapeutic indication, to a similar drug if:

- the holder of the MA for the original orphan drug has given its consent to the second applicant;
- the holder of the MA for the original orphan drug is unable to supply sufficient quantities of the drug; or
- the second applicant can establish in the application that the second drug, although similar to the orphan drug already authorized, is safer, more effective or otherwise clinically superior.

Pharmacovigilance system

The holder of an MA must establish and maintain a pharmacovigilance system and appoint an individual qualified person for pharmacovigilance, or QPPV, who is responsible for oversight of that system. Key obligations include expedited reporting of suspected serious adverse reactions and submission of periodic safety update reports, or PSURs.

All new MAAs must include a risk management plan, or RMP, describing the risk management system that the company will put in place and documenting measures to prevent or minimize the risks associated with the product. The regulatory authorities may also impose specific obligations as a condition of the MA. Such risk-minimization measures or post-authorization obligations may include additional safety monitoring, more frequent submission of PSURs, or the conduct of additional clinical trials or post-authorization safety studies. RMPs and PSURs are routinely available to third parties requesting access, subject to limited redactions.

Advertising

All advertising and promotional activities for the product must be consistent with the approved summary of product characteristics, and therefore all off-label promotion is prohibited. Direct-to-consumer advertising of prescription medicines is also prohibited in the European Union. Although general requirements for advertising and promotion of medicinal products are established under EU directives, the details are governed by regulations in each EU Member State and can differ from one country to another.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution..

Other European Regulatory Matters

French Regulatory Framework

France: Clinical trials

General framework: In the European Union, pending the entry into force of Regulation No. 536/2014, the regulation governing clinical trials is currently based on European Directive No. 2001/20/EC of April 4, 2001 relative to the implementation of good clinical practices in the conduct of clinical trials on medicinal products for human use. Each Member State of the European Union had to transpose this Directive into national law, which resulted in Member States adapting it to their own regulatory framework.

In France, for example, Directive No. 2001/20/EC has been implemented by Law 2004-806 of August 9, 2004 regarding the public health policy and Decree 2006-477 of April 26, 2006, modifying the section of the Public Health Code, or PHC, on biomedical research. The Act of August 9, 2004 was notably amended by Law No. 2012-300 of March 5, 2012, or the "Loi Jardé," related to biomedical research involving human subjects, and French Order No. 2016-800 of June 16, 2016 related to clinical trials of medicinal products for human use, which has recently adapted French law to the new provisions of Regulation No. 536/2014 of the European Parliament and of the Council of April 16, 2014 related to clinical trials of medicinal products for human use, which repealed Directive 2001/20/EC. The Jardé Act was inapplicable for a long time, and applicable since November 18, 2016, date of its enforcement decree.

Applicable provisions: French Act No. 2012-300 of March 5, 2012, or the "Loi Jardé," related to research involving the human person, and French Order No. 2016-800 of 16 June 2016 related to research involving the human person have adapted French law to the new provisions of Regulation No. 536/2014. Article L. 1121-4 and L. 1123-8 PHC currently in force (as amended by Law 2004-806, Law 2012-300 Order 2016-800), establishes a system of prior authorization for interventional clinical trials only. This authorization is granted by the French Medicines Agency, or ANSM. The conduct of all clinical trials (interventional or not) also requires a favorable opinion of the competent Ethics Committee (Comité de protection des personnes – CPP).

Ethics Committee assessment: Under Article L. 1123-7 of the PHC, the competent Ethics Committee—selected randomly by drawing lots under Article L. 1123-6 of the PHC—shall notably assess whether the conditions in which the trial will be conducted are valid. This assessment should be based on whether: adequate protection is offered to individuals, in particular to participants; adequate information is provided to the participants and appropriate procedure is in place to obtain their informed consent; the project is relevant; the benefits/risks assessment is satisfactory; the objectives of the trial are adequate to the means implemented; the qualification of the investigator(s) is satisfactory; the conditions and amount of patients' remuneration is compliant; and the method for recruiting participants is adequate.

ANSM authorization: The ANSM, after submission of the complete file containing not only information on the clinical protocol, but also specific product data and its quality control, as well as results of preclinical studies, may inform the sponsor that it objects to the implementation of the research. The sponsor can then modify the contents of its research project and submit this amended or

supplemented request to the ANSM. If the sponsor does not alter the content of its request, the request is considered rejected. Under Article R. 1123-38 of the PHC, the time limit for the examination of a request for authorization cannot exceed 60 days from the receipt of the complete file. Under Article L. 1123-11 of the PHC, in the event of risk to public health or if the ANSM considers that the conditions in which the research is implemented no longer correspond to the conditions indicated in the request for authorization or does not comply with the provisions of the Public Health Code, it may at any time request changes to procedures for the realization of research, and suspend or ban this research.

The decision of the ANSM of November 24, 2006 sets the rules for Good Clinical Practice, or GCPs, for clinical trials on medicines for human use as referred to in Article L. 1121-3 of the PHC. GCPs aim to ensure both the reliability of data arising from clinical trials and the protection of the persons participating in these clinical trials. GCPs apply to all clinical trials, including pharmacokinetics, bioavailability and bioequivalence studies in healthy volunteers as well as Phase 2 to Phase 4 clinical trials.

Depending of the type of personal data processing carried out during clinical trials and the nature of such trials, it might be necessary to carry out formalities by the French Data Protection Authority, or the CNIL. The sponsor of the trial might have to file with the CNIL a compliance undertaking with one of CNIL's reference methodologies through a simplified notification procedure or file for a request of authorization. Patients then always shall have a right to access and correct their personal data, and to object to their processing/withdraw their consent, require their deletion or a limitation of the processing pursuant to the GDPR.

The main French legislative and regulatory texts relating to the conduct of clinical trials are as follows (which are mainly codified in the French Public Health Code (Articles L. 1121-1 to L. 1126-12 and Articles R. 1121-1 to R. 1125-26)):

- Regulation No. 536/2014, of the European Parliament and of the Council of April 16, 2014 related to clinical trials of medicinal products for human use, which repealed Directive No. 2001/20/EC;
- Decree No. 2017/884 of May 9, 2017 modifying regulatory provisions related to research involving human subjects;
- Decree No. 2016-1538 of November 16, 2016 on the Unique Agreement for the implementation of commercial clinical trials involving human beings in health care institutions;
- Decree No. 2016-1537 of November 16, 2016 related to research involving human beings;
- Order No. 2016-800 of June 16, 2016 related to research involving human beings;
- Loi Jardé, Law No. 2012-300 of March 5, 2012, related to biomedical research involving human subjects;
- Law 2004-806 of August 9, 2004 related to the public health policy;
- Decision of December 29, 2015 establishing the rules of Good Manufacturing Practice;
- Law 78-17 of January 6, 1978, as amended, on data protection and its implementing decrees;
- Law 2002-303 of March 4, 2002 and its implementing decrees regarding patient’s rights and the quality of the healthcare system;
- Deliberation No. 2018-153 of May 3, 2018 approving a reference methodology relating to the processing of personal data implemented in the context of research in the field of health with the consent of the person concerned (MR -001);
- Decision No. 2016-262 of July 21, 2016 concerning the standard methodology for the processing of personal data carried out within the context of clinical trials (standard methodology MR-001);
- Deliberation No. 2015-256 of July 16, 2015 approving a reference methodology relating to the processing of personal data implemented in the context of non-interventional performance studies on in vitro diagnostic medical devices (MR- 002);
- Decision No. 2016-263 of July 21, 2016 concerning the approval of a standard methodology for processing personal data in the context of research in the field of health, which does not require the express consent of the person involved (methodology MR-003);
- Deliberation No 2018-154 of May 3, 2018 approving the reference methodology relating to the processing of personal data implemented in the context of research in the field of health that does not require the collection of the consent of the person concerned (MR-003);
- Deliberation No 2018-155 of May 3, 2018 approving the reference methodology relating to the processing of personal data implemented in the framework of research not involving the human person, studies and evaluations in the field of health (MR-004);

- Deliberation No. 2018-256 of June 7, 2018 approving a reference methodology relating to data processing requiring access by health institutions and federations to PMSI data and centralized emergency passage summaries (ERs) and made available on the secure platform of the ATIH (MR-005);
- Deliberation No. 2018-257 of June 7, 2018 approving a reference methodology relating to the processing of data requiring access on behalf of persons producing or marketing products mentioned in II of Article L. 5311-1 of the public health code to centralized PMSI data and made available by ATIH through a secure solution (MR-006);
- Law 2011-2012 of December 29, 2011 strengthening the safety of medicines and health products;
- Law 2000-230 of March 13, 2000, Decree 2001-272 of March 30, 2001 as amended, and Decree 2002-535 of April 18, 2002, relating to electronic signatures;
- Decree No. 2016-1871 of December 28, 2016 concerning the processing of personal data on the new "National Health Data System" of France;
- Decision of November 24, 2006 establishing the rules for Good Clinical Practice;
- Law of January 6, 1978 on Information Technology, Data Files and Civil Liberties as amended; and
- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

Protection of Clinical Trial Subjects

Under French law (Article L. 1121-2 PHC), a clinical trial may be undertaken only if (i) it is based on the latest stage of scientific knowledge and on sufficient preclinical testing, (ii) the foreseeable risk incurred by the subjects is outweighed by the benefit expected for these persons or the interest of the research, (iii) it aims at expanding scientific knowledge and the means possible to improve the human condition and (iv) the research was designed to reduce the pain, inconveniences, fear and other predictable inconvenience connected to the disease or to the research, by taking into account in particular the degree of maturity of minors and the capacity of understanding of adults unable to express an informed consent. All these conditions must be fulfilled in order to start a clinical trial.

A clinical trial (Article L. 1121-3 PHC) may be undertaken under the following technical conditions: (a) under the direction and the supervision of a qualified physician and (b) under adapted material and technical conditions, compatible with the rigorous imperatives of science and the safety of the clinical trial subjects.

Two documents must be provided to clinical trial subjects before the conduct of the trial. First, the patient must receive a patient information sheet which must contain in particular a description of the objective, the methodology and the time period of the research, as well as a description of the alternative treatments, the number of subjects expected to take part in the study, the anticipated benefits, the constraints and the foreseeable risks resulting from the administration of the products that are the object of the clinical trials but also the favorable opinion of the ethics committee and the authorization of the ANSM, and information on processing of personal data. The information communicated must be summarized in a written document delivered to the patient prior to any administration of products by the investigator or a physician (Article L. 1122-1 PHC).

Second, the patient must confirm his or her agreement to participate in the clinical study by signing an informed consent form (Article L. 1122-1-1 PHC). For each study, patient information must include a right to refuse to participate and to withdraw consent at any time and by any means without further consequences or prejudice. A clinical trial on a minor may be undertaken only if, in particular, the informed consent of the parents or legal representative has been obtained. Furthermore, a clinical trial on adults under guardianship requires the informed consent of the adult's legal representative.

Responsibility of the sponsor and insurance obligation of the sponsor

The sponsor shall indemnify the subject of the trial in case of damage arising as a consequence of the research, unless he proves that the damage does not result from his fault or the fault of any other person intervening in the trial (Article L.1121-10 PHC). The sponsor must have an insurance covering its civil liability and the liability of any person intervening in the research, for any damage arising from the trial for a minimum of 10 years as of the end of the trial (Article L.1121-10 PHC).

France: Post-marketing requirements

Any pharmaceutical product distributed in France will be subject to pervasive and continuing regulation by the ANSM, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing updated safety and

efficacy information, distribution requirements, complying with promotion and advertising requirements. French law strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market and imposes requirements and restrictions on drug manufacturers, such as those related to direct-to-consumer advertising, the prohibition on promoting products for uses or in patient populations that are not described in the product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities.

Failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible administrative or criminal sanctions.

***France**: Declaration of Financial Interests*

"Transparency" or "French Sunshine Act": The French Public Health Code (PHC) contains certain provisions regarding transparency of fees and rewards received by some healthcare professionals from industries, i.e. companies manufacturing or marketing health products, resulting from an Act No. 2011-2012 of December 29, 2011, amended by an Act No. 2016-41 of 26 January 2016, and corresponding implementing decrees. It results from these provisions (Article L.1453-1 and D. 1453-1 and seq. PHC) that companies manufacturing or marketing healthcare products (medicinal products, medical devices, etc.) in France shall publicly disclose (on a specific public website available at: https://www.entreprises-transparence.sante.gouv.fr) the advantages and fees paid to healthcare professionals amounting to 10 euros or above, as well as the agreements concluded with the latter, along with detailed information about each agreement (the precise subject matter of the agreement, the date of signature of the agreement, its end date, the total amount paid to the healthcare professional, etc.).

"Anti-gift": The French Public Health Code also contains "anti-gift" provisions setting out a general prohibition of payments and rewards from industries, i.e. companies manufacturing or marketing health products, to healthcare professionals, with limited exceptions and strictly defines the conditions under which such payments or rewards are lawful. The provisions resulting from an Act No. 2011-2012 were amended by an Order No. 2017-49 of January 19, 2017 which notably extended their application to a broader range of legal and physical persons, specified the scope of the operations excluded from the prohibition and those authorized under some conditions, and provided for a new authorization process. The changes of the "anti-gift" rules were aimed to enter into force on a date provided by decree or, at the latest, on July 1, 2018. In the absence of implementing texts to date, the new provisions (Articles L. 1453-3 to L. 1453-12 PHC) entered into force on July 1, 2018. The implementing texts are still missing. In the meantime, since the former implementing provisions (article R. 4113-104 and seq. PHC) have not been abrogated they remain applicable to the extent that they are accurate and not in contradiction with the new enacted rules. Some of the new legal provisions can already be applied without awaiting the new implementing provisions.

French Pharmaceutical Company Status

We have the regulated status of pharmaceutical establishment and operating company, which allows us to manufacture and market our product candidates. Obtaining a pharmaceutical establishment license, either as a distributor or as a manufacturer requires the submission of an application dossier to the ANSM. The application package will vary depending on the type of application (distribution license or manufacturing license). The ANSM grants such license after verifying that the company has adequate premises, the necessary personnel and adequate procedures to carry out the proposed pharmaceutical activities.

Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In the case of GRASPA, we have entered into distribution arrangements with Orphan Europe and Teva for marketing in Europe and Israel, respectively, and those third parties will be responsible for obtaining coverage and reimbursement for GRASPA in those territories if it is approved. Sales of our products will depend, in part, on the extent to which our products, once approved, will be covered and reimbursed by third-party payors, such as government health programs, commercial insurance and managed healthcare organizations. These third-party payors are increasingly reducing reimbursement levels for medical products and services. The process for determining whether a third-party payor will provide coverage for a drug product typically is separate from the process for setting the price of a drug product or for establishing the reimbursement rate that a payor will pay for the drug product once coverage is approved. Third-party payors may limit coverage to specific drug products on an approved list, also known as a formulary, which might not include all of the approved drugs for a particular indication.

To secure coverage and reimbursement for any product candidate that might be approved for sale, we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product candidate, in addition to the costs required to obtain FDA or other comparable regulatory approvals. Whether or not we conduct such studies, our product candidates may not be considered medically necessary or cost-effective. A third-party payor's decision to provide coverage for a drug

product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage, and adequate reimbursement, for the product. Third-party reimbursement may not be sufficient to enable us to maintain price levels high enough to realize an appropriate return on our investment in product development.

The containment of healthcare costs has become a priority of federal and state governments, and the prices of drugs have been a focus in this effort. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement, utilization management and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Decreases in third-party reimbursement for our product candidates or a decision by a third-party payor to not cover our product candidates could reduce physician usage of the product candidates and could have a material adverse effect on our sales, results of operations and financial condition.

For example, the ACA has already had, and is expected to continue to have, a significant impact on the health care industry. The ACA has expanded coverage for the uninsured while at the same time containing overall healthcare costs. With regard to pharmaceutical products, among other things, the ACA expanded and increased industry rebates for drugs covered under Medicaid programs and made changes to the coverage requirements under the Medicare Part D program. Some of the provisions of the ACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Act included a provision which repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." On January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain ACA-mandated fees, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. Further, the BBA, among other things, amended the ACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole." On December 14, 2018, a Texas U.S. District Court Judge ruled that ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. While the Texas U.S. District Court Judge, as well as the Trump administration and CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace ACA will impact ACA.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. For example, on August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. Specifically, the Joint Select Committee on Deficit Reduction was created to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2012 through 2021, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, started in April 2013 and which, due to subsequent legislative amendments, including the BBA, will stay in effect through 2027 unless additional Congressional action is taken. Additionally, on January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. Such scrutiny has resulted in several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare and reform government program reimbursement methodologies for drug products. At the federal level, the Trump administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Further, the Trump administration released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by

consumers. HHS has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. For example, in September 2018, CMS announced that it will allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2019. On January 31, 2019, the HHS Office of Inspector General, proposed modifications to the U.S. federal Anti-Kickback Statute discount safe harbor for the purpose of reducing the cost of drug products to consumers which, among other things, if finalized, will affect discounts paid by manufacturers to Medicare Part D plans, Medicaid managed care organizations and pharmacy benefit managers working with these organizations. While some of these and other proposed measures may require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that additional federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, and in turn could significantly reduce the projected value of certain development projects and reduce our profitability.

In addition, in some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its Member States to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A Member State may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. For example, in France, effective market access will be supported by agreements with hospitals and products may be reimbursed by the Social Security Fund. The price of medicines is negotiated with the Economic Committee for Health Products, or CEPS. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our product candidates. Historically, products launched in the European Union do not follow price structures of the United States and generally prices tend to be significantly lower.

Other Healthcare Laws and Compliance Requirements

Our business operations in the United States and our arrangements with clinical investigators, healthcare providers, consultants, third party payors and patients may expose us to broadly applicable federal and state fraud and abuse and other healthcare laws. These laws may impact, among other things, our research, proposed sales, marketing and education programs of our product candidates that obtain marketing approval. The laws that may affect our ability to operate include, among others:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration (including any kickback, bribe or rebate), directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order, or recommendation of, an item, good, facility or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- the U.S. federal civil and criminal false claims laws and civil monetary penalty laws, including the civil False Claims Act, which can be enforced by individuals, on behalf of the government through civil whistleblower or qui tam actions, prohibits individuals and entities from, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, or making a false statement or record material to payment of a false claim or avoiding, decreasing, or concealing an obligation to pay money to the federal government, including for example, providing inaccurate billing or coding information to customers or promoting a product off-label;
- HIPAA, which created additional federal, civil and criminal statutes that prohibit knowingly and willfully executing or attempting to execute a scheme to defraud any healthcare benefit program, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willingly falsifying, concealing or covering up a material fact or making materially false statements, fictitious, or fraudulent statements in connection with the delivery of or payment for healthcare benefits, items, or services;
- the federal Physician Payments Sunshine Act, enacted as part of the ACA, which requires applicable manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children’s Health Insurance Program, with specific exceptions, to track and annually report to CMS payments and other transfers of value provided to physicians and teaching hospitals and certain ownership and investment interests held by physicians or their immediate family members;

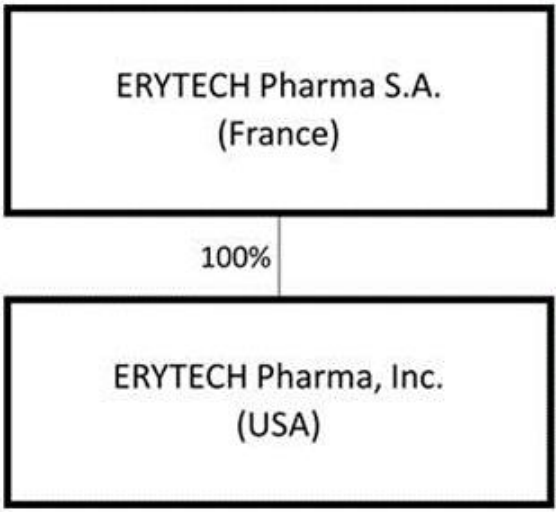
- HIPAA, as amended by HITECH, and their implementing regulations, which imposes certain requirements on covered entities, and their business associates that perform functions or activities that involve individually identifiable health information on their behalf, relating to the privacy, security and transmission of individually identifiable health information; and
- State and/or foreign equivalents of each of the above federal laws and regulations, such as: state anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state marketing and/or transparency laws applicable to manufacturers that may be broader in scope than the federal requirements; state laws that require biopharmaceutical companies to comply with the biopharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers, marketing expenditures, or drug pricing; state and local laws that require the registration of pharmaceutical sales representatives; and state and/or foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect as HIPAA, thus complicating compliance efforts.

The ACA broadened the reach of the federal fraud and abuse laws by, among other things, amending the intent requirement of the U.S. federal Anti-Kickback Statute and certain federal criminal healthcare fraud statutes. Pursuant to the statutory amendment, a person or entity no longer needs to have actual knowledge of those statutes or specific intent to violate them in order to have committed a violation. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to, for example, significant administrative, civil, and criminal penalties, damages, fines, disgorgement, contractual damages, reputational harm, diminished profits and future earnings, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws and the curtailment or restructuring of our operations. If the physicians or other healthcare providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to significant administrative, civil, and criminal sanctions, including exclusions from government funded healthcare programs.

C. Organizational Structure.

The following diagram illustrates our corporate structure:



D. Property, Plants and Equipment.

Our principal executive offices are located at 60 Avenue Rockefeller, 69008 Lyon, France. We lease office and laboratory space, which together consist of approximately 1,800 square meters, in Lyon, France. The lease for this facility expires in June 2024, and we have the ability to terminate the lease early in either June 2019 or June 2021. We have entered into another lease in Lyon for additional offices and laboratory space, which together will consist of approximately 3,000 square meters. This new facility is under construction and we anticipate taking occupancy in August 2019. The lease for this facility expires in June 2029, and we will have the ability to terminate the lease either in June 2025 or June 2028. We believe our current leased space is sufficient to meet our current needs in Europe.

In February 2016, we opened our U.S. office in Cambridge, Massachusetts. We currently lease 6,289 square feet of office space in Cambridge, Massachusetts under a lease that expires in June 2029. In 2018, we entered into a lease for 34,000 square feet of manufacturing and office space in Princeton, New Jersey, which will expire in December 2028. We believe our current leased space is sufficient to meet our current needs in the United States.

In addition, we have an agreement with the American Red Cross that provides us with a production facility in Philadelphia, Pennsylvania.

Item 4A. Unresolved Staff Comments.

Not applicable.

Item 5. Operating and Financial Review and Prospects.

You should read the following discussion of our operating and financial review and prospects in conjunction with our audited consolidated financial statements and the related notes thereto included elsewhere in this Annual Report. In addition to historical information, the following discussion and analysis contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results and the timing of events could differ materially from those anticipated in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report, particularly in sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

We are a clinical-stage biopharmaceutical company developing innovative red blood cell-based therapeutics for cancer and orphan diseases. Leveraging our proprietary ERYCAPS platform, a novel technology to encapsulate drug substances inside red blood cells, we are developing a pipeline of product candidates to address markets with high unmet medical need.

Our primary focus is on the development of product candidates that target the altered metabolism of cancer cells by depriving them of amino acids necessary for their growth and survival. Our lead product candidate, eryaspase, which consists of L-asparaginase encapsulated inside donor-derived red blood cells, targets the cancer cell's altered asparagine and glutamine metabolism. Eryaspase is in Phase 3 clinical development for the treatment of second-line pancreatic cancer and in Phase 2 clinical development for the treatment of triple-negative breast cancer. Our next product candidate erymethionase, which consists of methionine-gamma-lyase encapsulated in red blood cells to target methionine-dependent cancers, is in preparations to enter Phase 1 clinical development based on promising clinical results.

We are also exploring the use of our ERYCAPS platform for developing cancer immunotherapies (ERYMMUNE) and enzyme therapies (ERYZYME).

We produce product candidates at our GMP-approved manufacturing site in Lyon, France, and at the American Red Cross in Philadelphia, Pennsylvania in the United States. A large-scale GMP manufacturing facility is under construction in Princeton, New Jersey, in the United States.

We have never generated any revenues from product sales. We do not expect to generate material revenue from product sales unless and until we successfully complete development of, obtain marketing approval for and commercialize our product candidates. Clinical development, regulatory approval and commercial launch of a product candidate can take several years and are subject to significant uncertainty. Historically, we have financed our operations and growth through issuances of share capital and convertible bonds and through conditional advances and subsidies from Bpifrance Financement (formerly Oséo), part of BPI France, a French public investment bank and from research tax credits. In May 2013, we completed the initial public offering of our ordinary shares on Euronext Paris, from which we raised €17.7 million in cash proceeds, and in October 2014, we raised an additional €30 million in

gross proceeds from the issuance of additional ordinary shares. We also conducted three private placements with institutional investors in the United States and in Europe in December 2015, December 2016 and April 2017, raising €25.4 million, €9.9 million and €70.5 million in gross proceeds, respectively.

In November 2017, we completed a global offering of an aggregate of 6,180,137 ordinary shares, including the full exercise of the underwriters' options to purchase additional shares, for gross proceeds of $143.7 million. The global offering consisted of a U.S. initial public offering of 5,389,021 American Depositary Shares, each representing one ordinary share and a concurrent private placement in Europe and other countries outside of the U.S. and Canada of 791,116 ordinary shares. Our net proceeds from the global offering were approximately €112.1 million ($130.4 million). In connection with our 2017 global offering, our share capital increased by €618,013.70 with a corresponding increase of €122,984,726 in our share premium.

Since our inception in 2004, we have incurred significant operating losses. Our net loss was €21.9 million, €33.5 million and €38.2 million for the years ended December 31, 2016, 2017 and 2018, respectively. We had a consolidated accumulated deficit of €137.7 million as of December 31, 2018, and we expect to incur significant expenses and substantial operating losses over the next several years as we continue our research and development efforts and advance our clinical development programs in Europe and the United States. Our net losses may fluctuate significantly from quarter to quarter and year to year, depending on the timing of our clinical trials, the receipt of milestone payments, if any, and our expenditures on other research and development activities. We anticipate that our expenses will increase substantially in connection with our ongoing activities, as we:

- initiate and conduct our ongoing and planned clinical trials of eryaspase in Europe and in the United States;
- continue the research and development of our other product candidates, including planned and future clinical trials;
- seek to discover and develop additional product candidates;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- scale-up our manufacturing capabilities to support the launch of additional clinical studies and the commercialization of our product candidates, if approved;
- establish a sales and marketing infrastructure for the commercialization of our product candidates, if approved;
- maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, medical, regulatory, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development, manufacturing and commercialization efforts and our operations as a public company listed in the United States.

Until such time that we can generate substantial revenue from product sales, we expect to finance these expenses and our operating activities through our existing cash and cash equivalents. If we are unable to obtain required marketing approvals and generate revenue from product sales, we will need to raise additional capital through the issuance of our shares, through other equity or debt financings or through collaborations or partnerships with other companies. However, we may be unable to raise additional funds or enter into other funding arrangements when needed on favorable terms, or at all, which would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our development programs or commercialization efforts or grant rights to third parties to develop or market product candidates that we would otherwise prefer to develop and market ourselves.

Although it is difficult to predict future liquidity requirements, we believe that our existing cash and cash equivalents, together with interest thereon, will be sufficient to fund our operations for at least the next 12 months. However, our ability to successfully transition to profitability will be dependent upon achieving a level of revenues adequate to support our cost structure. We cannot assure you that we will ever be profitable or generate positive cash flow from operating activities.

Due to the listing of our ordinary shares on Euronext Paris and in accordance with the European Union's regulation No. 1606/2002 of July 19, 2002, statutory consolidated financial statements were prepared in accordance with IFRS, as adopted by the European Union for the years ended December 31, 2016, 2017 and 2018 and were approved and authorized for issuance by our board of directors on March 1, 2017, March 9, 2018 and March 8, 2019, respectively.

The consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018 included in this Annual Report have been prepared in accordance with IFRS as issued by the IASB with no difference with the statutory consolidated financial statements and were approved and authorized for issuance by our board of directors on March 8, 2019.

Financial Operations Overview

Operating Income

Our operating income consists of other income.

Revenues

To date, we have not generated any revenue from the sale of products. Our ability to generate product revenue and to become profitable will depend upon our ability to successfully develop and commercialize eryaspase and our other product candidates. Because of the numerous risks and uncertainties associated with product development and regulatory approval, we are unable to predict the amount or timing of product revenue.

Other Income

Our other income consists of research tax credits, grants from BPI France for our preclinical research programs in 2016 and reimbursements from Orphan Europe for some of the internal costs we incur under our distribution agreement with them.

Research Tax Credit

The research tax credit (*crédit d'impôt recherche*), or CIR, is granted to companies by the French tax authorities in order to encourage them to conduct technical and scientific research. Companies demonstrating that they have expenses that meet the required criteria, including research expenses located in France or, since January 1, 2005, within the European Union or in another state that is a party to the agreement in the European Economic Area that has concluded a tax treaty with France that contains an administrative assistance clause, receive a tax credit which can be used against the payment of the corporate tax due the fiscal year in which the expenses were incurred and during the next three fiscal years, or, as applicable, can be reimbursed for the excess portion. The expenses taken into account for the calculation of the CIR only involve research expenses.

The main characteristics of the CIR are the following:

- the CIR results in a cash inflow from the tax authorities paid directly to us as we are not subject to corporate income tax;
- a company's corporate income tax liability does not limit the amount of the CIR—a company that does not pay any corporate income tax can request direct cash payment of the research tax credit; and
- the CIR is not included in the determination of the corporate income tax.

As a result, we have concluded that the CIR meets the definition of a government grant as defined in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, and, as a result, it has been classified as other income within operating income in our statement of income (loss).

We will request the reimbursement of the CIR receivable under the community tax rules for small and medium firms in compliance with the current regulations.

Subsidies and Conditional Advances

We have received financial assistance from BPI France and other governmental organizations in connection with the development of our product candidates. BPI France's mission is to provide assistance and support to emerging French enterprises to facilitate the development and commercialization of innovative technologies. Such funding, in the form of non-refundable subsidies and conditional advances, is intended to finance our research and development efforts and the recruitment of specific personnel.

We account for non-refundable subsidies as other income ratably over the duration of the funded project. Funds are recognized in other income in our consolidated statement of income (loss) for the fiscal year in which the financed expenses were recorded. Through December 31, 2018, we have received €2,738 thousand in nonrefundable subsidies, mainly from BPI France. For the year ended December 31, 2016, we recorded €463 thousand as other income in the consolidated statement of income (loss) based on research and development expenses incurred for the period. We had no similar income for the years ended December 31, 2017 and 2018.

Funds received from BPI France in the form of conditional advances are recognized as financial liabilities, as we are obligated to reimburse BPI France for such conditional advances in cash based on a repayment schedule if specified conditions are met. Our advances from BPI France are summarized below under "Liquidity and Capital Resources— Non-refundable Subsidies and Conditional Advances from BPI France."

Reimbursements from Orphan Europe

Under our distribution agreement with Orphan Europe, we are reimbursed by Orphan Europe for some of our internal clinical costs, such as personnel costs associated with the management of clinical trials, or personnel involved in the production of batches necessary for our clinical trial of eryaspase for AML patients and for the NOPHO clinical trial. These invoiced internal costs are classified as "other income" in our consolidated statement of income and amounted to €327 thousand, €178 thousand and €72 thousand for the years ended December 31, 2016, 2017 and 2018, respectively.

Operating Expenses

Our operating expenses consist primarily of research and development activities and general and administrative costs.

Research and Development

We engage in substantial research and development efforts to develop innovative pharmaceutical product candidates. Research and development expenses consist primarily of:

- sub-contracting, collaboration and consultant expenses, that primarily include the cost of third-party contractors such as contract research organizations, or CROs, who conduct our non-clinical studies and clinical trials;
- personnel costs, including salaries, related benefits and share-based compensation, for our employees engaged in scientific research and development functions;
- licensing and intellectual property costs;
- purchases, real-estate leasing costs as well as conferences and travel costs; and
- depreciation and amortization.

Since 2015, our research and development efforts have been related primarily to our completed and ongoing clinical trials of eryaspase for the treatment of pancreatic cancer, ALL and AML. In June 2018, we ceased the development program for eryaspase in ALL and are focusing our development efforts on eryaspase for the treatment of selected solid tumors. The resources that became available as a result of this strategic decision were allocated to what we estimate is a significantly larger unmet medical need and market opportunity for the potential treatment of solid tumors, including pancreatic cancer and TNBC. This decision did not have a significant impact on our consolidated financial statements.

Our direct research and development expenses consist principally of external costs, such as manufacturing expenses, non-clinical studies, fees paid to consultants, laboratories and CROs in connection with our clinical trials, and costs related to our collaborations, which we allocate to our specific research programs. We also allocate some personnel-related costs, depreciation and other indirect costs to specific programs, although costs for some scientific personnel associated with the development of our ERYCAPS platform generally are not allocated to specific programs.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase in the foreseeable future as we initiate clinical trials for certain product candidates and pursue later stages of clinical development of other product candidates.

We cannot determine with certainty the duration or costs of the current or future clinical trials of our product candidates or if, when, or to what extent we will generate revenue from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our product candidates. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress and expense of our ongoing, as well as any additional, non-clinical studies, clinical trials and other research and development activities;
- clinical trial and early-stage results;
- the terms and timing of regulatory approvals;

- the expense of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights; and
- the ability to market, commercialize and achieve market acceptance for eryaspase or any other product candidate that we may develop in the future.

A change in the outcome of any of these variables with respect to the development of product candidates that we are developing could mean a significant change in the costs and timing associated with the development of such product candidates. For example, if the FDA, the EMA or other regulatory authority were to require us to conduct non-clinical and clinical studies beyond those which we currently anticipate will be required for the completion of clinical development, or if we experience significant delays in enrollment in any clinical trials, we could be required to spend significant additional financial resources and time on the completion of clinical development.

Under our license and distribution agreement with Orphan Europe related to the development of eryaspase for the treatment of AML, we re-invoiced, with no margin, some of the clinical costs that we incurred from external providers. In application of IAS 18 *Revenue* in 2016 and 2017 and IFRS 15 *Revenue from contracts with customers* in 2018, we considered that, within the context of our agreement with Orphan Europe, we acted as agent regarding these re-invoiced external costs, as:

We did not have primary responsibility for provision of the goods or services, and the majority of services were provided by third parties. Costs of CROs were the most significant external costs, and such costs were directly invoiced to Orphan Europe. We were directly invoiced only for secondary services.

We did not bear any inventory risk.

We had no capacity to determine prices, as all of the external costs were re-invoiced for the exact amount of the initial invoice, with no margin, and we were not affected by any price changes applied by the suppliers.

We bore a credit risk that we did not consider to be significant.

Consequently, the re-invoicing of these external costs to Orphan Europe was presented as a decrease in corresponding research and development expenses incurred by us.

General and Administrative

General and administrative expense consists primarily of personnel costs including share-based compensation for personnel other than employees engaged in scientific research and development functions. General and administrative expense also consists of fees for professional services, mainly related to audit, IT, accounting, recruitment and legal services, communication and travel costs, real-estate leasing costs, office furniture and equipment costs, allowance for amortization and depreciation, directors' attendance fees, insurance costs and overhead costs, such as postal and telecommunications expenses.

We anticipate that our general and administrative expenses will increase in the future as we grow our support functions for the expected increase in our research and development activities and the potential commercialization of our product candidates.

Financial Income (Expense)

Financial income (expense) relates primarily to interest and other expense for loans and other financial debts, including leases, offset by income received from cash and cash equivalents, as well as foreign exchange gains and losses related to exchange rate differences on cash held in U.S. dollars as of December 31, 2018 and our purchases of services in U.S. dollars.

Our cash and cash equivalents have been deposited primarily in cash accounts, money market funds and term deposit accounts with short maturities and therefore generate only a modest amount of interest income. We expect to continue this investment philosophy in the future.

A. Operating Results

Comparison of the Years Ended December 31, 2017 and 2018

Operating Income

We generated operating income of €3,364 thousand in 2017 and €4,447 thousand in 2018, an increase of 32.2%. The components of our operating income are set forth in the table below. Other income was primarily generated by the CIR and re-invoicing of clinical trials co-financed by Orphan Europe.

	FOR THE YEAR ENDED DECEMBER 31,	
	2017	2018
	(in thousands of €)	
Revenues	—	—
Other income		
Research Tax Credit	3,187	4,375
Subsidies	—	—
Other income	178	72
Total operating income	**3,364**	**4,447**

As no research and development expenditure is capitalized before obtaining a marketing authorization, the CIR related to a research program is entirely recognized as operating income.

The CIR recognized for each of the years ended December 31, 2017 and 2018 is expected to be received in cash in 2019.

Other income totaled €178 thousand and €72 thousand in 2017 and 2018, respectively. These amounts represent the sum of internal costs incurred by us within the context of the AML and the NOPHO studies, which were re-invoiced to Orphan Europe.

Research and Development Expenses

In 2018, our research and development expenses increased from €25,463 thousand to €33,467 thousand, an increase of 31.4% compared to 2017.

Our research and development expenses are broken down in the table below. Our research and development expenses consist principally of external costs, such as startup fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical studies, and costs related to acquiring and manufacturing clinical study materials. We do not allocate personnel-related costs, costs associated with our general platform improvements, depreciation or other indirect costs to specific projects, as they are deployed across multiple projects under development.

	FOR THE YEAR ENDED DECEMBER 31,		
	2017	2018	
	(in thousands of €)		% CHANGE
ERYASPASE / GRASPA	10,264	12,883	26%
TEDAC (ERYMETHIONASE / ERYMINASE)	2,378	2,472	4%
ERYMMUNE	146	389	167%
ERYZYME	99	256	158%
Total direct research and development expenses	**12,887**	**16,000**	**24%**
Consumables	663	938	42%
Rental and maintenance	628	793	26%
Services, subcontracting and consulting fees	3,028	4,532	50%
Personnel expenses (1)	7,916	10,914	38%
Depreciation and amortization expense	81	233	187%
Other	259	58	-77%
Total indirect research and development expenses	**12,575**	**17,468**	**39%**
Total research and development expenses (2)	**25,463**	**33,468**	**31%**

(1) Includes €833 thousand and €1,158 thousand related to share-based compensation expense for 2017 and 2018, respectively.
(2) Of which €19,476 thousand and €23,965 thousand are related to clinical studies for 2017 and 2018, respectively.

The increase of research and development expenses of €8,004 thousand from 2017 to 2018 was mainly due to:

- A €2,619 thousand increase in costs related to eryaspase due to our decision to cease development programs related to ALL and to shift our focus to solid tumors. The Phase 3 clinical trial of eryaspase for second-line metastatic pancreatic cancer, which we refer to as the TRYbeCA1 trial, began in September 2018; and
- A €2,998 thousand increase in personnel expenses, mainly related to the increased headcount of our research and development workforce, especially in pharmaceutical operations and preclinical departments. This increase was linked to our ongoing preclinical and clinical trials and particularly, the launch of the TRYbeCA1 trial in September 2018. The average number of full-time employees, or FTEs, allocated to our research and development workforce was 71 in 2017 and 99 in 2018.

General and Administrative Expenses

In 2018, our general and administrative expenses increased from €8,791 thousand to €14,600 thousand, an increase of 66% compared to 2017.

Our general and administrative expenses are broken down as follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	2017	2018	
	(in thousands of €)		% CHANGE
Consumables	148	33	-78%
Rental and maintenance	894	1,584	77%
Services, subcontracting, and consulting fees	2,867	5,409	89%
Personnel expenses (1)	3,688	5,925	61%
Depreciation and amortization expense	266	529	99%
Other (2)	927	1,122	21%
Total general and administrative expenses	**8,791**	**14,600**	**66%**

(1) Includes €936 thousand and €849 thousand related to share-based compensation expense for 2017 and 2018, respectively.
(2) Includes €300 thousand and €442 thousand related to share-based compensation expense (warrants allocated to directors) for 2017 and 2018, respectively.

The increase of general and administrative expenses of €5,809 thousand from 2017 to 2018 was mainly due to:

- A €2,237 thousand increase in personnel expenses, mainly related to the increase of the average number of FTEs. The average number of FTEs allocated to our general and administrative workforce was 25 in 2017 and 39 in 2018; and
- A €2,542 thousand increase in service and consulting fees, mainly related to an increase of legal and internal control fees as a result of our status as a U.S. public company since November 2017.

Financial Income (Loss)

Our financial income resulted in a profit of €5,399 thousand in 2018, as compared to a loss of €2,644 thousand in 2017 and is broken down as follows:

	FOR THE YEAR ENDED DECEMBER 31,	
	2017	2018
	(in thousands of €)	
Financial expenses	(3,183)	(29)
Financial income	539	5,427
Net financial income (loss)	**(2,644)**	**5,399**

The financial income (loss) related mainly to:

- foreign currency exchange gains and losses:
  - In 2017, we recognized a loss of €3,026 thousand (of which €3,159 was generated by the conversion into euros of our U.S. dollar bank accounts); and
  - In 2018, we recognized a foreign currency gain of €3,993 thousand (of which €3,981 thousand was generated by the conversion into euros of our U.S. dollar bank account) and a gain on cross-currency swap transaction of €1,254 thousand; and
- interest income from short-term deposits (€539 thousand in 2017 and €163 thousand in 2018).

Comparison of the Years Ended December 31, 2016 and 2017

Operating Income

We generated operating income of €4,138 thousand in 2016 and €3,364 thousand in 2017, a decrease of 18.7%. The components of our operating income are set forth in the table below. Other income was primarily generated by the CIR, subsidies received from BPI France for our research projects and re-invoicing of clinical trials co-financed by Orphan Europe.

	FOR THE YEAR ENDED DECEMBER 31,	
	2016	2017
	(in thousands of €)	
Revenues	—	—
Other income		
Research Tax Credit	3,347	3,187
Subsidies	463	0
Other income	327	178
Total operating income	**4,138**	**3,364**

As no research and development expenditure is capitalized before obtaining a marketing authorization, the CIR related to a research program is entirely recognized as operating income.

Grants recorded in operating income represents non-reimbursable subsidies. The amounts recorded in 2016 related to grants associated with the preclinical research programs in partnership with BPI France. In the context of this research program, no subsidy was recorded in 2017.

Other income totaled €327 thousand and €178 thousand in 2016 and 2017, respectively. These amounts represent the sum of internal costs incurred by us within the context of the AML and the NOPHO studies, which were re-invoiced to Orphan Europe.

Research and Development Expenses

In 2017, our research and development expenses increased from €19,720 thousand to €25,463 thousand, an increase of 29.0% compared to 2016. While most of our research and development expenses related to completed and ongoing clinical trials of eryaspase, we also incurred preclinical costs in connection with the discovery of additional enzymes beyond L-asparaginase for development as potential therapies to treat cancers. This research program, known as TEDAC, has resulted in the identification of our early-stage product candidate, erymethionase.

Our research and development expenses are broken down as set forth in the table below. Our direct research and development expenses consist principally of external costs, such as startup fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical studies, and costs related to acquiring and manufacturing clinical study materials. We do not allocate personnel-related costs, costs associated with our general platform improvements, depreciation or other indirect costs to specific projects, as they are deployed across multiple projects under development.

	FOR THE YEAR ENDED DECEMBER 31,		
	2016	2017	
	(in thousands of €)		% CHANGE
ERYASPASE / GRASPA	5,636	10,264	82%
TEDAC (ERYMETHIONASE / ERYMINASE)	3,120	2,378	-24%
ERYMMUNE	139	146	5%
ERYZYME	15	99	560%
Total direct research and development expenses	**8,910**	**12,887**	**45%**
Consumables	2,071	663	-68%
Rental and maintenance	645	628	-3%
Services, subcontracting and consulting fees	2,499	3,028	21%
Personnel expenses (1)	5,282	7,916	50%
Depreciation and amortization expense	277	81	-71%
Other	35	259	640%
Total indirect research and development expenses	**10,810**	**12,575**	**16%**
Total research and development expenses (2)	**19,720**	**25,463**	**29%**

(1) Includes €688 thousand and €833 thousand related to share-based compensation expense for 2016 and 2017, respectively.
(2) Of which €14,397 thousand and €19,476 thousand are related to clinical studies for 2016 and 2017, respectively.

The increase in research and development expenditures from 2016 to 2017 was primarily the result of a €4,628 thousand increase in costs related to eryaspase due to the additional work performed as requested by the EMA prior to our resubmission of the MAA for eryaspase in October 2017. Personnel expenses increased from €5,282 thousand in 2016 to €7,916 thousand in 2017. The increase of €2,634 thousand was mainly due to increased wages of research and development personnel as we increased headcount in connection with our ongoing and planned clinical trials. Services, subcontracting and consulting fees, including third-party fees and other service provider fees for our manufacturing and clinical trials, also increased to €3,028 in 2017, reflecting an increase of €529 thousand as compared to 2016. This increase was primarily related to additional activities in connection with our resubmitted MAA and expenses related to our pancreatic clinical trial. We also experienced a €1,408 thousand decrease in consumables costs, which was primarily the result of a decrease in production of GMP batches for use in pre-clinical development.

General and Administrative Expenses

In 2017, our general and administrative expenses increased from €6,808 thousand to €8,791 thousand, an increase of 29% compared to 2016. The increase of €1,983 thousand in general and administrative expenses was primarily due to an increase of €1,269 thousand in personnel expenses in 2017, partly as a result of an increase in share-based compensation expense and partly related to our increase in headcount. The increase in our general and administrative costs was also due to an increase in the amount of rental and maintenance fees we incurred related to the development of our offices in both Lyon (France) and in Cambridge (United States).

Our general and administrative expenses are broken down as follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	2016	2017	
	(in thousands of €)		% CHANGE
Consumables	66	148	124%
Rental and maintenance	511	894	75%
Services, subcontracting, and consulting fees	2,793	2,867	3%
Personnel expenses (1)	2,713	3,688	36%
Depreciation and amortization expense	148	266	80%
Other (2)	577	927	61%
Total general and administrative expenses	**6,808**	**8,791**	**29%**

(1) Includes €490 thousand and €936 thousand related to share-based compensation expense for 2016 and 2017, respectively.
(2) Includes €37 thousand and €300 thousand related to share-based compensation expense (warrants allocated to directors) for 2016 and 2017, respectively.

The increase in general and administrative expenses in 2017 by €1,983 thousand was due to:

- an increase in personnel expenses in the amount of €975 thousand;
- an increase of rental and maintenance costs in the amount of €383 thousand, primarily related to our new leased office space in Lyon, fixtures and fittings, as well as IT service costs; and
- an increase in "other" costs related to share-based compensation expense in the amount of €325 thousand to warrants allocated to directors and board fees.

Financial Income (Loss)

Our financial income resulted in a loss of €2,644 thousand in 2017, as compared to a loss of €488 thousand in 2016 and is broken down as follows:

	FOR THE YEAR ENDED DECEMBER 31,	
	2016	2017
	(in thousands of €)	
Financial expense	(70)	(3,183)
Financial income	558	539
Net financial income (loss)	**488**	**(2,644)**

Net financial income (loss) consisted primarily of:

- interest earned on interest-bearing accounts (€558 thousand and €539 thousand for the years ended December 31, 2016 and 2017, respectively); and
- foreign exchange gains and losses related to purchases of services in U.S. dollars and funds held in our bank account in U.S. dollars (loss of €3,026 thousand in 2017).

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with IFRS. Some of the accounting methods and policies used in preparing our consolidated financial statements under IFRS are based on complex and subjective assessments by our management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of our assets, liabilities and shareholders' equity and of our earnings could differ from the value derived from these estimates if conditions change and these changes had an impact on the assumptions adopted. We believe that the most significant management judgments and assumptions in the preparation of our consolidated financial statements are described below. See Note 4 to our consolidated financial statements for a description of our other significant accounting policies.

Share-Based Compensation

We have five share-based compensation plans for employees and non-employees, the 2012 Plan, the 2014 Plan, the 2016 Plan, the 2017 Plan and the 2018 Plan.

As of December 31, 2018, we have granted share-based compensation under these plans to certain employees as well as to members of our board of directors in the form of free shares (*Actions gratuites*, or AGA), stock options, or SOs, share warrants (*Bons de Souscription d'Actions*, or BSA) and founder's share warrants (*Bons de Souscription de Parts de Créateur d'Entreprise*, or BSPCE) with the following exercise prices and on each of the grant dates reflected below.

AWARDS	GRANT DATE	NUMBER OF AWARDS GRANTED	EXERCISE PRICE PER SHARE	ORDINARY SHARE FAIR MARKET VALUE PER SHARE AT GRANT DATE
BSA 2012	May 31, 2012	2,027	€ 7.362	—
BSPCE 2012	May 31,2012	7,434	€ 7.362	—
BSA 2012	August 3, 2012	1,539	€ 7.362	—
BSA 2012	July 18, 2013	459	€ 7.362	€ 10.27
BSPCE 2012	July 18, 2013	13,177	€ 7.362	€ 10.27
BSPCE 2014	January 22, 2014	12,000	€ 12.250	€ 12.77
BSA 2012	July 17, 2014	1,000	€ 7.362	€ 14.90
BSPCE 2012	July 17, 2014	13,176	€ 7.362	€ 14.90
BSA 2012	April 29, 2015	2,150	€ 7.362	€ 31.19
BSPCE 2014	June 23, 2015	2,500	€ 12.250	€ 32.75
BSA 2014	June 23, 2015	3,000	€ 12.250	€ 32.75
BSA 2012	August 31, 2015	3,585	€ 7.362	€ 37.52
BSPCE 2014	May 6, 2016	5,000	€ 12.250	€ 24.75
AGA 2016	October 3, 2016	111,261	—	€ 18.52
SOP 2016	October 3, 2016	44,499	€ 18.520	€ 18.52
BSA 2016	October 3, 2016	45,000	€ 18.520	€ 18.52
AGA 2016	January 8, 2017	15,000	—	€ 13.60
BSA 2016	January 8, 2017	15,000	€ 13.60	€ 13.60
SOP 2016	January 8, 2017	3,000	€ 15.65	€ 15.65
AGA 2016	June 27, 2017	8,652	—	€ 26.47
SOP 2016	June 27, 2017	18,000	€ 26.47	€ 26.47
AGA 2017	June 27, 2017	74,475	—	€ 26.47
SOP 2017	June 27, 2017	22,200	€ 26.47	€ 26.47
BSA 2017	June 27, 2017	55,000	€ 26.47	€ 26.47
AGA 2016	October 3, 2017	16,650	—	€ 24.48
SOP 2016	October 3, 2017	30,000	€ 23.59	€ 23.59
AGA 2016	January 7, 2018	40,500	€ 20.12	€ —
AGA 2017	January 7, 2018	113,940	€ 20.12	€ —
SOP 2017	January 7, 2018	97,203	€ 18.00	€ —
BSA 2017	January 7, 2018	40,500	€ 18.00	€ —
SOP 2018	September 07, 2018	24,000	€ 9.26	€ —

The share-based compensation granted under the 2016 Plan, 2017 Plan and 2018 Plan by our board of directors at meetings or by decisions made by our Chief Executive Officer and Chairman, as applicable, dated October 3, 2016, January 8, 2017, June 27, 2017, October 3, 2017, January 7, 2018 and September 7, 2018 was valued using Monte Carlo, Black-Scholes and Cox-Ross-Rubinstein methods. Assumptions were updated at the grant date.

Following the resignation of our former Chief Scientific Officer in January 2016, 1,000 $BSPCE_{2014}$ of the 3,000 $BSPCE_{2014}$ initially allocated on January 22, 2014 will not be granted.

Following the resignation of certain other employees, our Chief Executive Officer acknowledged on October 3, 2017 that 1,017 AGA 2016 shares allocated on October 3, 2016 would not be granted to these employees and would be forfeited.

Following the resignation of certain other employees, our Chief Executive Officer acknowledged on June 27, 2018 that the following awards would not be granted to these terminated employees and would be forfeited: (i) 7,238 AGA 2016 shares allocated on October 3, 2016; (ii) 750 AGA 2016 shares allocated on October 3, 2017; (iii) 1,302 AGA 2016 shares allocated on June 27, 2017; (iv) 3,975 AGA 2017 shares allocated on June 27, 2017; (v) 5,400 AGA 2017 shares allocated on January 7, 2018; (vi) 12,000 SOP 2016 options allocated on October 3, 2016; (vii) 3,000 SOP 2016 options allocated on January 8, 2017; (viii) 3,000 SOP 2016 options allocated on October 3, 2017; (ix) 6,000 SOP 2017 options allocated on June 27, 2017; and (x) 12,150 SOP 2017 options allocated on January 7, 2018.

Following the resignation of certain other employees, our Chief Executive Officer acknowledged on October 3, 2018 that the following awards would not be granted to these terminated employees and would be forfeited: (i) 1,500 AGA 2016 shares allocated on October 3, 2016; (ii) 750 AGA 2017 shares allocated on June 27, 2017; (iii) 1,350 AGA 2017 shares allocated on January 7, 2018; and (iv) 1,500 SOP 2016 options allocated on October 3, 2016.

We account for share-based compensation in accordance with the authoritative guidance on share-based compensation, IFRS 2 *Share-based payment*, or IFRS 2. Under the fair value recognition provisions of IFRS 2, share-based compensation is measured at the grant date based on the fair value of the award and is recognized as an expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award.

Determining the fair value of share-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of certain warrants and for our stock options. We use the Monte-Carlo and Cox-Ross-Rubinstein option-pricing models to determine the fair value of free shares and certain warrants, respectively. The determination of the grant date fair value of warrants using an option-pricing model is affected by assumptions regarding a number of complex and subjective variables. These variables include the fair value of our ordinary shares on the date of grant, the expected term of the awards, our share price volatility, risk-free interest rates and expected dividends. We estimate these items as follows:

Fair Value of Our Ordinary Shares. As our ordinary shares are publicly traded on Euronext Paris, for purposes of determining the fair value of our ordinary shares we have established a policy of using the closing sales price per ordinary share as quoted on Euronext Paris on the date of the grant by the *Conseil d'Administration* or the shareholders' meeting.

Expected Term. The expected term represents the period that our share-based awards are expected to be outstanding. As we do not have sufficient historical experience for determining the expected term of the warrant awards granted, we have based our expected term on the simplified method, which represents the average period from vesting to the expiration of the award.

Expected Volatility. We use the historical volatility of the Next Biotech index observed on Euronext Paris for the 2014 Plan and the historical volatility of our ordinary shares on Euronext Paris for the 2016 Plan, the 2017 Plan and the 2018 Plan.

Risk-Free Interest Rate. The risk-free interest rate is based on the yields of French government bonds with maturities similar to the expected term of the warrants for each warrant group.

Dividend Yield. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we have used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes, Monte-Carlo and Cox-Ross-Rubinstein models change significantly, share-based compensation for future awards may differ materially compared with the awards granted previously.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the periods presented:

Allocation date	May 2016	October 2016	January 2017	June 2017	October 2017	January 2018	September 2018
Volatility	21.25% - 22.27%	45.00%	48.00%	48.00%	48.00%	43.94%	41.59%
Risk free interest rate	(0.18)% - (0.11)%	0%	0%	0%	0%	0%	0%
Expected life (in years)	5 - 5.51	3	3	3	3	5.5 - 6.5	6 - 6.5
Dividend yield	0%	0%	0%	0%	0%	0%	0%

For the years ended December 31, 2016, 2017 and 2018, we recorded share-based compensation expense of €1,178 thousand, €1,769 thousand and €2,449 thousand, respectively.

New Accounting Standards

In January 2016, the IASB issued a new accounting standard, *IFRS 16 Leases*, or IFRS 16. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 requires all leases to be recognized on the lessee's balance sheet, in the form of an asset (representing the right to use the rented asset during the duration of the contract) and of a liability (corresponding to the future lease payments).

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. This standard allows companies to apply two transition methods: full retrospective or modified retrospective. We plan to apply the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the transition date (January 1, 2019). Consequently, IFRS 16 will not apply to comparative periods presented in our financial statements.

The expected impact of the adoption of IFRS 16 relates primarily to our balance sheet, resulting from the initial recognition of lease liabilities and corresponding right to use assets for our existing operating leases. For additional information, see Note 3 to our consolidated financial statements.

B. Liquidity and Capital Resources

We have financed our operations since our inception through several rounds of public and private financings. Through 2012, we raised an aggregate of €17.7 million from the issuance of ordinary and preference shares and an additional €9.0 million from the issuance of convertible bonds. In 2013, we issued ordinary shares in our initial public offering on Euronext Paris, raising net proceeds of €14.7 million and in 2014, we issued additional ordinary shares, raising net proceeds of €28.4 million. In 2015, we raised €23.5 million of net proceeds through the issuance of ordinary shares in our December 2015 offering. In December 2016, we raised an additional €9.2 million of net proceeds through the issuance of ordinary shares. In April 2017, we raised an additional €65.2 million of net proceeds through the issuance of ordinary shares. In November 2017, we completed a global offering of an aggregate of 6,180,137 ordinary shares, including the full exercise of the underwriters' options to purchase additional shares, for net proceeds of €112.1 million ($130.4 million). The global offering consisted of a U.S. initial public offering of American Depositary Shares and a concurrent private placement of ordinary shares in Europe and other countries outside of the United States and Canada.

We have also financed our operations through:

- an aggregate amount of €2.7 million in non-refundable grants from BPI France and €2.0 million in conditional advances received from BPI France since our inception in 2004 through December 31, 2018.
- research tax credits since our inception in 2014. The research tax credit recognized for the years ended December 31, 2016, 2017 and 2018 amounted to €10.9 million, of which €3.3 million are received as of the date of this Annual Report. The remaining balance is expected to be received in 2019.
- an unsecured bank loan with Société Générale subscribed in 2016 for a total amount of €1.9 million. The outstanding amount drawn at December 31, 2018 was €0.8 million.

Cash Flows

The table below summarizes our sources and uses of cash for the years ended December 31, 2016, 2017 and 2018.

	December 31,		
	2016	2017	2018
	(in thousands of €)		
Net cash flows used in operating activities	(17,614)	(24,702)	(39,270)
Net cash flows used in investing activities	(1,786)	(1,791)	(15,037)
Net cash flows from (used in) financing activities	11,393	177,545	(818)
Net currency exchange variation	19	(3,183)	3,981
Net increase (decrease) in cash and cash equivalents	**(7,988)**	**147,869**	**(51,144)**

Our net cash flows used in operating activities were €17,614 thousand, €24,702 thousand and €39,270 thousand for the years ended December 31, 2016, 2017 and 2018, respectively. From 2016 to 2018, our net cash flows used in operating activities increased due to our efforts in advancing our research and development programs in both preclinical and clinical research.

Our net cash flows used in investing activities were €1,786 thousand, €1,791 thousand and €15,037 thousand in the years ended December 31, 2016, 2017 and 2018, respectively. The slight increase for 2017 mainly reflected fixtures and fittings acquired for our offices in Cambridge and Lyon together with our project to develop and optimize our second-generation production facility. Cash flows used in investing activities in 2018 related mainly to assets under construction as part of the establishment of a manufacturing facility in the United States (Princeton, New Jersey) and the expansion of the manufacturing capacity in France (Lyon) for €11.9 million and €1.2 million, respectively.

Our net cash flows from financing activities were €11.4 million in 2016, €177.5 million in 2017 and €(0.8) million in 2018.

The increase to €177.5 million in 2017 from €11.4 million in 2016 was primarily the result of our fundraising efforts in April 2017 and our underwritten global offering in November 2017, which included the issuance of ordinary shares and ADSs.

Cash flows used in financing activities in 2018 related mainly to the reimbursement of a portion of our outstanding loan with Société Générale.

Non-refundable Subsidies and Conditional Advances from BPI France

Since our inception in 2004 through December 31, 2018, we have received non-refundable subsidies from BPI France in the amount of €2.7 million in connection with our preclinical research programs.

Since our inception in 2004 through December 31, 2018, we have also received three conditional advances from BPI France in relation to the development of our encapsulation platform technology. These conditional advances are recorded under the “proceeds from borrowings” line item in our consolidated statements of cash flows. We recognize advances as current or non-current liabilities, as applicable, in the statement of financial position, based on the repayment schedule. During the year ended December 31, 2016, we repaid advances in the amount of €508 thousand. No similar advances were repaid for the years ended December 31, 2017 and 2018.

The TEDAC research program, which is funded by non-refundable subsidies and conditional advances from BPI, will be funded according to a specified schedule set forth in the contract, subject to completion of milestones. As the program advances, we will provide BPI France with interim progress reports and a final report when the funded project ends. Based on these reports, we are entitled to conditional advances and non-refundable subsidies, each award being made to help fund a specific development milestone. The total amount of the subsidies to be granted is €2,058 thousand, of which we have received an aggregate amount of €1,455 thousand through December 31, 2018. The total amount of conditional advances to be granted is €4,895 thousand, of which we have received an aggregate amount of €1,182 thousand through December 31, 2018.

The remaining milestones that we may achieve generally relate to development of product candidates such as erymethionase and eryminase under the TEDAC research program. If and to the extent that we earn these conditional advances, we will be obligated to make repayments based on the achievement of specified sales levels as well as a percentage of sales.

Operating Capital Requirements

We believe our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital

resources sooner than we currently expect. Until we can generate a sufficient amount of revenue from our product candidates, if ever, we expect to finance our operating activities through our existing cash and cash equivalents.

Our present and future funding requirements will depend on many factors, including, among other things:

- the size, progress, timing and completion of our clinical trials for eryaspase and any other current or future product candidates;
- the number of potential new product candidates we identify and decide to develop;
- the costs involved in filing patent applications and maintaining and enforcing patents or defending against claims of infringement raised by third parties;
- the time and costs involved in obtaining regulatory approval for our product candidates and any delays we may encounter as a result of evolving regulatory requirements or adverse results with respect to any of these product candidates;
- selling and marketing activities undertaken in connection with the anticipated commercialization of eryaspase and any other current or future product candidates, including other product candidates in preclinical development, together with the costs involved in the creation of an effective sales and marketing organization; and
- the amount of revenues, if any, we may derive either directly, or in the form of royalty payments from any future potential collaboration agreements, from our ERYCAPS platform or relating to our other product candidates.

For more information as to the risks associated with our future funding needs, see the section entitled “Item 3.D—Risk Factors.”

Capital Expenditures

Our main capital expenditures in the years ended December 31, 2016, 2017 and 2018 were related primarily to the buildup of our fixed assets for our pharmaceutical manufacturing facilities and laboratories and to a lesser extent to the purchase of office and computer equipment. We do not capitalize clinical research and development costs until we obtain marketing authorization for a product candidate.

Our non-current assets are broken down as follows:

	December 31,		
	2016	2017	2018
	(in thousands of €)		
Intangible assets	57	53	1,613
Property, plant and equipment	2,245	3,406	15,274
Other non-current financial assets	132	234	1,046
Total	**2,434**	**3,693**	**17,933**

For the year ended December 31, 2016:

- we capitalized costs related to the new production facility in the amount of €830 thousand, which have been recognized as tangible assets in progress as of December 31, 2016 and fixtures, fittings and office equipment for our offices in Lyon, France and Cambridge, Massachusetts in the amount of €864 thousand; and
- non-current financial assets related to deposits paid on bank collateral and operating leases for our premises.

For the year ended December 31, 2017:

- we capitalized costs related to the new production facility in the amount of €868 thousand, which have been recognized as tangible assets in progress as of December 31, 2017, general equipment and computer equipment in the amount of €407 thousand and building improvements in the amount of €389 thousand; and
- non-current financial assets related to deposits paid on bank collateral and operating leases for our premises in Lyon, France and in Cambridge, Massachusetts.

For the year ended December 31, 2018:

- we recognized in intangible assets expenses incurred as part of a new production process in the amount of €1,596 thousand, which was recognized in assets in progress as of December 31, 2017.

- we capitalized costs related to the establishment of a manufacturing facility in the United States (Princeton, New Jersey) in the amount of €11,873 thousand and the expansion of the manufacturing capacity in France (Lyon) in the amount of €1,194 thousand, which amounts were recognized in assets under construction as of December 31, 2018; and
- non-current financial assets related mainly to deposits paid on bank collateral and operating leases in the amount of €446 thousand and advance payments to suppliers in the amount of €511 thousand.

C. Research and Development

For a discussion of our research and development activities, see "Item 4.B—Business Overview" and "Item 5.A—Operating Results."

D. Trend Information

For a discussion of trends, see "Item 5.A—Operating Results" and "Item 5.B—Liquidity and Capital Resources."

E. Off-Balance Sheet Arrangements

During the periods presented, we did not and do not currently have any off-balance sheet arrangements as defined under Securities and Exchange Commission rules, such as relationships with other entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheet.

The off-balance sheet commitments related to operating leases as of December 31, 2018 amounted to €8,268 thousand, of which €1,478 thousand is due within a year, €5,894 thousand between one and five years and the balance at more than five years. These commitments relate primarily to leases of buildings.

F. Tabular Disclosure of Contractual Obligations

The following table discloses aggregate information about our material contractual obligations and the periods in which payments were due as of December 31, 2018. Future events could cause actual payments and timing of payments to differ from the contractual cash flows set forth below.

	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
			(in thousands of €)		
Bank loans*	738	62	—	—	799
Conditional advances*	—	—	—	1,181	1,181
Finance lease agreements	39	—	—	—	39
Pension and employee benefits	347	—	—	347	2,019
Operating lease agreements	1,478	3,544	2,351	896	—
Total	**2,601**	**3,605**	**2,351**	**2,424**	**4,038**

* *Potential interest payments not included.*

The amounts of contractual obligations set forth in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts. The table does not include obligations under agreements that we can cancel without a significant penalty.

G. Safe Harbor.

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See "Special Note Regarding Forward-Looking Statements."

Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management.

The following table sets forth information concerning our executive officers and directors as of March 29, 2019. Unless otherwise stated, the address for our executive officers and directors is 60 Avenue Rockefeller 69008 Lyon France.

NAME	AGE	POSITION(S)
Executive Officers		
Gil Beyen	57	Chief Executive Officer and Chairman of the Board
Eric Soyer	52	Chief Financial Officer and Chief Operating Officer
Jean-Sébastien Cleiftie (1)	45	Chief Business Officer
Iman El-Hariry, M.D., Ph.D. (1)	58	Chief Medical Officer
Alexander Scheer, Ph.D.	56	Chief Scientific Officer
Alex Dusek (1)	53	Vice President of Commercial Strategy
Jérôme Bailly, Pharm.D.	40	Vice President and Director of Pharmaceutical Operations and Qualified Person
Non-Employee Directors		
Sven Andréasson (2)(3)(4)	66	Director
Philippe Archinard, Ph.D. (2)(3)(5)	59	Director
Allene Diaz (3)(5)	54	Director
Luc Dochez, Pharm.D. (2)(5)	44	Director
Martine Ortin George, M.D. (5)	70	Director
Hilde Windels (2)(6)	53	Director

(1) Employee of our wholly-owned U.S. subsidiary, ERYTECH Pharma, Inc.
(2) Member of the audit committee.
(3) Member of the remunerations and appointment committee.
(4) As representative of Galenos SPRL, the legal entity that holds this board seat.
(5) Member of the clinical strategy committee.
(6) As representative of BVBA Hilde Windels, the legal entity that hold this board seat.

Executive Officers

Gil Beyen has served as our Chief Executive Officer since May 2013 and Chairman of the Board since August 2013. Prior to his appointment as Chief Executive Officer, he assisted our company in a consulting role as of 2012 and also served as Chairman of our supervisory board from August 2012 until May 2013. Between 2000 and 2013, Mr. Beyen was Chief Executive Officer and director of TiGenix, a company he co-founded. He previously served as the head of the Life Sciences division of Arthur D. Little, an international management consulting firm, in Brussels. Mr. Beyen received an M.S. in Bioengineering from the University of Leuven (Belgium) and an M.B.A. from the University of Chicago.

Eric Soyer has served as our Chief Financial Officer and Chief Operating Officer since September 2015 and as our *Directeur Général Délégué*, or Deputy General Manager, since January 2019. Prior to his appointment as our Chief Financial Officer, he served for eight years as Chief Financial Officer of EDAP TMS S.A., a French therapeutic ultrasound company. He also was Managing Director of the French affiliate of EDAP TMS from May 2012 to August 2015, and previously was EDAP TMS's Executive Vice President of Finance, Human Resources and Administration from December 2006 to May 2012. From 2005 to 2006, he served as Chief Financial Officer for Medica, a company operating nursing homes and post-care clinics throughout France and Italy. From 1999 to 2005, he served in various positions of increasing responsibility for April Group, an insurance services company. He has international experience as a controller and cost accountant for Michelin Group in France, the United States and Africa. Mr. Soyer graduated from the ESC Clermont School of Management (France) and holds an M.B.A. from the University of Kansas and an Executive M.B.A. from the HEC Paris School of Management (France).

Jean-Sébastien Cleiftie has served as our Chief Business Officer since October 2016. Prior to joining us, he served as Associate Vice-President, Global Business Development & Licensing at Sanofi in Paris, France from October 2010 to August 2016. Prior to joining Sanofi, Mr. Cleiftie served as a principal at Innoven Partners, a European venture capital firm focused on investments in the healthcare and information technology industries in Europe and the United States, from February 2004 to October 2010. From 1997 to 1999, Mr. Cleiftie was a research scientist with Aventis (now Sanofi) in the fields of immunotherapy and gene therapy for cancer. Mr. Cleiftie holds an M.S. in Biological & Medical Sciences and an M.S. in Immunology from the University of Paris V, and received his M.B.A from Cornell University.

Iman El-Hariry, M.D., Ph.D. has served as our Chief Medical Officer and employee of our wholly-owned U.S. subsidiary, ERYTECH Pharma, Inc., since June 2015. Prior to her appointment as Chief Medical Officer, she served as President of Azure Oncology Consulting from July 2014 to June 2015 and also assisted us in a consulting role from November 2014 to June 2015. Dr. El-Hariry served as Vice President of Clinical Research at Synta Pharmaceuticals from November 2010 to July 2014 and as Global Head of Oncology at Astellas Pharma, Inc. from June 2009 to July 2010. From 2001 to 2009, she served as Director of Clinical Development, Oncology at Glaxo Smith Kline. Dr. El-Hariry is a licensed oncologist with an M.D. from Alexandria Medical School (Egypt) and a Ph.D. in Cancer Research from Imperial College of Science and Medicine (United Kingdom).

Alexander Scheer, Ph.D. has served as our Chief Scientific Officer since October 2016. Prior to joining us, he served as the Head of Research at Pierre Fabre Laboratories, a pharmaceutical company, in France from 2014 to 2016, and also served as a Deputy Head of Research at Pierre Fabre from 2012 to 2014. Prior to joining Pierre Fabre, Dr. Scheer served as a Director, Global Research Informatics & Knowledge Management R&D and Project Leader, Neglected Diseases at Merck Serono in Switzerland from 2007 to 2012. From 2001 to 2007, Dr. Scheer served as Head of Molecular Screening and Cellular Pharmacology Department, Group Leader of Biochemical Pharmacology and Research Scientist at Merck Serono. Dr. Scheer holds a B.Sc. in Natural Sciences and M.Sc. in Chemistry, both from the University of Gottingen (Germany), and a Ph.D. in Chemistry and Biochemistry from the German Cancer Research Center.

Alex Dusek has served as our Vice President of Commercial Strategy since June 2018. Prior to his appointment, Mr. Dusek served as Vice President of Commercial Strategy at Argos Therapeutics, a publicly traded immuno-oncology company. From 2010 to 2015, he served as the Global Brand Strategy Leader at Bayer HealthCare Pharmaceuticals. From 2007 to 2010, he served as the Senior Director of Marketing at United Therapeutics. Mr. Dusek earned a B.A. from the College of William and Mary, completed a post-baccalaureate pre-medical program at Columbia University, and received his M.B.A from the University of North Carolina, Kenan-Flagler School of Business.

Jérôme Bailly, Pharm.D. has served as our Qualified Person since December 2011, as our Director of Pharmaceutical Operations since 2007 and as a Vice President and *Directeur Général Délégué*, or Deputy General Manager, since 2017. Prior to 2007, he was the Director of QA/Production at Skyepharma and Laboratoire Aguettant. Dr. Bailly holds a Pharm.D. and a degree in Chemical Engineering, specializing in Biopharmaceutical Engineering and Cellular Production from École Polytechnique de Montréal (Canada).

Non-Employee Directors

Sven Andréasson (acting as legal representative of Galenos Sprl) has served as a member of our board of directors since 2013 and has served as representative of Galenos SPRL, the legal entity that holds this board seat, since 2014. He also served as a member of our supervisory board from 2009 to May 2013. Mr. Andréasson has served as Senior Vice President, Corporate Development for Novavax, Inc. (United States), a pharmaceutical company, since June 2014. From 2012 to 2013, he served as Chief Executive Officer of Isconova AB (Uppsala, Sweden), a leading international vaccine adjuvant company acquired by Novavax in 2013, currently operating as Novavax AB. Prior to his role at Novavax AB, he served as Chief Executive Officer of Beta-Cell N.V. (Brussels, Belgium) from 2008 to 2012 and as Chief Executive Officer of Active Biotech AB (Lund, Sweden) from 1999 to 2008. Mr. Andréasson spent a number of years in roles at Pharmacia Corporation (merged with Pfizer Inc.), including President of Pharmacia SA, France, President of KabiPharmacia International and President of Pharmacia Arzneimittel GmbH. He has extensive experience in international biotechnology companies and in the pharmaceutical industry. Mr. Andréasson received his B.S. in Business Administration and Economics from the Stockholm School of Economics (Sweden).

Philippe Archinard, Ph.D. has served as a member of our board of directors since 2013 and was previously a member of our supervisory board from 2007 to May 2013. Dr. Archinard was appointed General Manager, Chief Executive Officer and director of Transgene S.A. in December 2004 and its chairman of the board of directors in June 2010. Prior to joining Transgene, he served as chief executive officer of Innogenetics N.V., from 2000 to December 2004. Dr. Archinard previously spent 15 years in various positions of increasing responsibility at bioMérieux, a multinational biotechnology company, including serving as chief executive officer of its U.S. subsidiary. He has served as a member of bioMérieux's board of directors since 2005. Dr. Archinard is a chemical engineer, holds a Ph.D. in biochemistry from the University of Lyon (France), and completed Harvard Business School's Program for Management Development (PMD).

Allene Diaz has served as a member of our board of directors since 2017. She currently serves as Senior Vice President, Global Commercial Development and Program Strategy at TESARO, Inc. (Waltham, Massachusetts, United States), a biopharmaceutical company, a position she has held since May 2015. Prior to joining TESARO, Ms. Diaz served as Senior Vice President, Managed Markets at EMD Serono, an affiliate of Merck KGaA, Darmstadt, Germany, from October 2013 to May 2015. Previously from June 2008 to October 2013, Ms. Diaz also held the positions of Senior Vice President, Head of Oncology Commercial, U.S. and Vice President, Oncology Marketing at EMD Serono, where she oversaw the commercial pre-launch efforts for EMD Serono's oncology products. Ms. Diaz has held executive, management and/or line positions at other companies including Amylin Pharmaceuticals,

Cancervax Corporation, Biogen Idec, Pfizer Inc. and Parke-Davis Pharmaceuticals. Ms. Diaz received her B.Sc. from Florida State University. She has also attended executive education programs at the London School of Business and Finance, University of Michigan School of Business, China Europe International Business School (Shanghai, China), Stanford University School of Business and INSEAD (Fontainebleau, France).

Luc Dochez, *Pharm.D.* has served as a member of our board of directors since 2015. Mr. Dochez is currently a venture partner at DROIA N.V., a position he has held since October 2018. Prior to then, he served as Chief Executive Officer of Tusk Therapeutics Ltd., a private company focused on developing novel immuno-oncology products, from March 2015 until its acquisition by Roche in September 2018. Mr. Dochez has over 15 years of experience in the biotechnology industry. He served as the Chief Business Officer and Senior Vice President of Business Development of Prosensa Holding N.V., a biotechnology company, from November 2008 until its acquisition by BioMarin Pharmaceutical Inc. in January 2015. Before joining Prosensa, he served as Vice President of Business Development at TiGenix, Director Business Development at Methexis Genomics, and a consultant at Arthur D. Little. Mr. Dochez is a board member of Pharvaris BV, a Dutch company focused on rare diseases, as well as Bioncotech Therapeutics SL, a Spanish oncology company. He serves as an advisor to EverImmune S.A., a French microbiome company, and is an expert member of the Investment Committee of QBIC II, a Belgian seed investment fund. Mr. Dochez holds a Pharm.D. degree and a postgraduate degree in business economics from the University of Leuven (Belgium) and an M.B.A. degree from Vlerick Management School (Belgium).

Martine Ortin George, *M.D.* has served as a member of our board of directors since 2014. She has extensive experience in the United States in clinical research, medical affairs and regulatory issues, acquired in small and large companies specialized in oncology. She currently serves as principal and senior executive consultant-life sciences for Global Development Inc. Dr. George held the position of Vice President in charge of Global Medical Affairs for Oncology at Pfizer Inc., New York from 2010 to 2015. Previously, Dr. George held the positions of Senior Vice President and Chief Medical Officer at GPC Biotech, Princeton and Senior Vice President, Head of the Oncology Department at Johnson &Johnson, New Jersey. She is a qualified gynecologist and oncologist, trained in France and in Montreal. Dr. George began her career as Chief of Service at the Institut Gustave Roussy (France), was a visiting professor at the Memorial Sloan Kettering Cancer Center, New York, and then held positions of increasing responsibility at Lederle Laboratories (a predecessor company to Pfizer Inc.), Sandoz (now a division of Novartis AG) and Rhône-Poulenc Rorer (today part of Sanofi).

Hilde Windels (acting as legal representative of BVBA Hilde Windels) has served as a member of our board of directors since 2014 and has served as the representative of BVBA Hilde Windels, the legal entity that holds this seat, since 2017. She has over 20 years of experience in corporate finance, capital markets and strategic initiatives. She currently serves as an executive chairman of the board of directors and co-Chief Executive Officer of Mycartis NV, a private immune diagnostics company in Belgium and a spin-out of Biocartis Group NV. Ms. Windels initially joined Biocartis in August 2011 as its Chief Financial Officer, a position she held until September 2015 when she was appointed co-Chief Executive Officer, a position she held until early 2017, when she became interim Chief Executive Officer of Biocartis until September 2017. From early 2009 to mid-2011, she worked as an independent chief financial officer for several private biotechnology companies. Ms. Windels served as Chief Financial Officer of Devgen from 1999 to 2008 and as a member of its board of directors from 2001 to 2008. Ms. Windels also currently serves on the board of directors of Ablynx, MDx Health NV, Celyad NV and VIB in Belgium. Ms. Windels holds a Masters in Economics from the University of Leuven (Belgium).

Family Relationships

There are no family relationships among any of our executive officers or directors.

B. Compensation.

The aggregate compensation paid and benefits in kind granted by us to our current executive officers and directors, including share-based compensation, for the year ended December 31, 2018 was €3.2 million. The total amount set aside or accrued to provide pension, retirement or similar benefits for our executive officers was €99 thousand. We did not set aside any similar pension or retirement benefits for the benefit of our directors.

Director Compensation

At our combined general meetings of shareholders held on June 24, 2016, June 27, 2017 and June 28, 2018, shareholders set the total annual attendance fees (*jetons de présence*) to be distributed among non-employee directors at €240 thousand for 2016 and €280 thousand for 2017 and 2018. The following table sets forth information regarding the compensation earned by our non-employee directors for service on our board of directors during the year ended December 31, 2018. Gil Beyen, our Chief Executive Officer and Chairman of the Board, is a director but does not receive any additional compensation for his services as a director.

NAME	FEES EARNED (€)	WARRANTS (1) (€)	TOTAL (€)
Philippe Archinard	48,500	50,040	98,540
Allene Diaz	43,500	50,040	93,540
Luc Dochez	37,000	50,040	87,040
Galenos SPRL	38,500	50,040	88,540
Martine Ortin George	43,500	50,040	93,540
BVBA Hilde Windels	29,500	50,040	79,540

(1) As required by SEC rules governing disclosures in this Annual Report, our equity grants (e.g., options, warrants or free shares) are required to be disclosed at their fair value on the date of grant and do not have any intrinsic value to their recipients if the strike price of the warrants is higher than the underlying share price. The assumptions we used in valuing these awards are described in Note 5.3 to our consolidated financial statements and do not necessarily correspond to the actual value recognized or that may be recognized by our directors. Any intrinsic value would only be recognized for tax purposes upon exercise of the equity grants and/or sale of the shares pursuant to applicable tax laws.

Executive Committee Compensation

Our executive committee consists of (i) our Chief Executive Officer, (ii) our Chief Financial Officer, Chief Operating Officer and Deputy General Manager, (iii) our Chief Business Officer, (iv) our Chief Medical Officer, (v) our Chief Scientific Officer, (vi) our Vice President of Commercial Strategy and (vii) our Vice President and Director of Pharmaceutical Operations and Qualified Person. The executive committee discusses and consults with the board and advises the board on our day-to-day management. The following table sets forth information regarding compensation earned by Gil Beyen, our Chairman and Chief Executive Officer, and by Jérôme Bailly, our Vice President and Director of Pharmaceutical Operations and Qualified Person, during the year ended December 31, 2018.

NAME AND PRINCIPAL POSITION	SALARY (€)	BONUS (€)	EQUITY AWARDS (€)	ALL OTHER COMPENSATION (€)	TOTAL (€)
Gil Beyen *Chief Executive Officer and Chairman of the Board*	345,000 (1)	103,500 (2)(7)	200,250 (3)	7,923 (4)	656,673
Jérôme Bailly *Vice President and Director of Pharmaceutical Operations and Qualified Person*	168,024 (1)	36,795 (2)	100,125 (5)	29,463 (6)	334,407
All other executive committee members	938,137	336,868	584,732	40,087	1,899,824

(1) Reflects gross remuneration before taxes.
(2) Reflects compensation received for achievement of strategic goals related to (i) the advancement of clinical trials with eryaspase, (ii) the advancement of other development programs and (iii) building the organization and securing additional financing.
(3) Reflects the valuation of 27,000 free shares granted during the year ended December 31, 2018.
(4) Reflects benefits in kind related to vehicle rentals.
(5) Reflects the valuation of 13,500 performance shares granted during the year ended December 31, 2018.
(6) Reflects (i) €3,834 for benefits in kind related to vehicle rentals and (ii) €25,629 for retirement benefits.
(7) Subject to approval of our shareholders at the next Annual General Meeting of Shareholders.

Executive Compensation Arrangements

For a discussion of our employment arrangements with our executive officers, see “Item 7.B.—Related Party Transactions—Arrangements with Our Directors and Executive Officers.” Except the arrangements described in “Item 7.B.—Related Party

Transactions—Agreements with Our Directors and Executive Officers," there are no arrangements or understanding between us and any of our other executive officers providing for benefits upon termination of their employment, other than as required by applicable law.

Limitations on Liability and Indemnification Matters

Under French law, provisions of bylaws that limit the liability of directors are prohibited. However, French law allows *sociétés anonymes* to contract for and maintain liability insurance against civil liabilities incurred by any of their directors and officers involved in a third-party action, provided that they acted in good faith and within their capacities as directors or officers of the company. Criminal liability cannot be indemnified under French law, whether directly by the company or through liability insurance.

We have obtained directors and officers' liability insurance for our directors and officers, which includes coverage against liability under the Securities Act. We have entered into agreements with our directors and executive officers to provide contractual indemnification. With certain exceptions and subject to limitations on indemnification under French law, these agreements provide for indemnification for damages and expenses including, among other things, attorneys' fees, judgments and settlement amounts incurred by any of these individuals in any action or proceeding arising out of his or her actions in that capacity.

These agreements may discourage shareholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and executive officers, even though such an action, if successful, might otherwise benefit us and our shareholders. Furthermore, a shareholder's investment in our equity securities may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these insurance agreements.

Equity Incentives

We believe our ability to grant equity incentives is a valuable and necessary compensation tool that allows us to attract and retain the best available personnel for positions of substantial responsibility, provides additional incentives to employees and promotes the success of our business. Due to French corporate law and tax considerations, we have historically granted several different equity incentive instruments to our directors, executive officers, employees and other service providers, including:

- founder's share warrants (otherwise known as *bons de souscription de parts de créateurs d'entreprise*, or BSPCE), which are granted to our officers and employees;
- share warrants (otherwise known as *bons de souscription d'actions*, or BSA), which have historically only been granted to non-employee directors;
- restricted, or free, shares (otherwise known as *actions gratuites*); and
- stock options (otherwise known as *options de souscription et/ou d'achat d'actions*).

Our board of directors' authority to grant these equity incentive instruments and the aggregate amount authorized to be granted under these instruments must be approved by a two-thirds majority of the votes held by our shareholders present, represented or voting by authorized means, at the relevant extraordinary shareholders' meeting. Once approved by our shareholders, our board of directors can grant share warrants (BSA) for up to 18 months, and restricted (free) shares and stock options for up to 38 months from the date of the applicable shareholders' approval. The authority of our board of directors to grant equity incentives may be extended or increased only by extraordinary shareholders' meetings. As a result, we typically request that our shareholders authorize new pools of equity incentive instruments at every annual shareholders' meeting.

We have five share-based compensation plans for our executive officers, non-employee directors and employees, the 2012 Plan, the 2014 Plan, the 2016 Plan, the 2017 Plan and the 2018 Plan. In general, founder's share warrants and share warrants no longer continue to vest following termination of the employment, office or service of the holder and all vested shares must be exercised within post-termination exercise periods set forth in the grant documents. In the event of certain changes in our share capital structure, such as a consolidation or share split or dividend, French law and applicable grant documentation provides for appropriate adjustments of the numbers of shares issuable and/or the exercise price of the outstanding warrants.

As of December 31, 2018, employee warrants, non-employee warrants, employee stock options and free shares were outstanding allowing for the purchase of an aggregate of 1,090,123 ordinary shares at a weighted average exercise price of €17.27 ($19.78) per ordinary share based on the exchange rate in effect as of such date (this weighted average exercise price does not include 342,020 ordinary shares issuable upon the vesting of outstanding free shares that may be issued for free with no exercise price being paid).

Founder's Share Warrants (BSPCE)

Founder's share warrants have traditionally been granted to certain of our employees who were French tax residents because the warrants carry favorable tax and social security treatment for French tax residents. Similar to options, founder's share warrants entitle a holder to exercise the warrant for the underlying vested shares at an exercise price per share determined by our board of directors and at least equal to the fair market value of an ordinary share on the date of grant. However, unlike options, the exercise price per share is fixed as of the date of implementation of the plans pursuant to which the warrants may be granted, rather than as of the date of grant of the individual warrants.

We have issued two types of founder's share warrants as follows:

Plan Title	BSPCE 2014	BSPCE 2012
Meeting date	April 2, 2013	May 21, 2012
Dates of allocation	January 22, 2014 June 23, 2015 May 6, 2016	May 31, 2012 July 18, 2013 July 17, 2014
Total number of BSPCEs authorized	19,500 (1)	33,787
Total number of BSPCEs granted	18,410 (2)	33,787
Start date for the exercise of the BSPCEs	For senior management, one-third was vested in 2015 and two-thirds were vested in 2016; for other employees, immediately upon each grant except for 6,500 BSPCE2014 which could not be exercised before July 1, 2017	From May to July 2012, 2013 and 2014
BSPCE expiry date	January 22, 2024	May 20, 2020
BSPCE exercise price per share	€12.250	€7.362
Number of shares subscribed as of December 31, 2018	15,000	168,110
Total number of BSPCEs granted but not exercised as of December 31, 2018	16,910	16,976
Total number of shares available for subscription as of December 31, 2018	169,100	169,760
Maximum number of new shares that can be issued	169,100	169,760

(1) 22,500 $BSPCE_{2014}$ were originally allocated by the board of directors on January 22, 2014. On December 4, 2014, the board of directors approved the conversion of 3,000 $BSPCE_{2014}$ into 3,000 BSA_{2014}.

(2) Excludes 1,000 BSPCE initially allocated to a former officer which were forfeited following his resignation in January 2016 and 90 BSPCE allocated to a former employee which were forfeited.

Our shareholders, or pursuant to delegations granted by our shareholders, our board of directors, determines the recipients of the warrants, the dates of grant, the number and exercise price of the founder's share warrants to be granted, the number of shares issuable upon exercise and certain other terms and conditions of the founder's share warrants, including the period of their exercisability and their vesting schedule. However, notwithstanding any shareholder authorization, under applicable law, we are no longer eligible to issue any further founders' share warrants (BSPCE).

Share Warrants (BSA)

Share warrants have historically only been granted to our non-employee directors. Similar to options, share warrants entitle a holder to exercise the warrant for the underlying vested shares at an exercise price per share determined by our board of directors and at least equal to the fair market value of an ordinary share on the date of grant. However, unlike options, the exercise price per share is fixed as of the date of implementation of the plans pursuant to which the warrants may be granted, rather than as of the date of grant of the individual warrants.

As of December 31, 2018, we have issued four types of share warrants as follows:

Plan title	BSA 2017	BSA 2016	BSA 2014	BSA 2012
Meeting date	June 27, 2017	June 24, 2016	April 2, 2013	May 21, 2012
Dates of allocation	June 27, 2017 January 7, 2018	October 3, 2016 January 8, 2017	June 23, 2015	May 31, 2012 August 3, 2012 July 18, 2013 July 17, 2014 April 29, 2015 August 31, 2015
Total number of BSAs authorized	100,000	60,000	3,000(1)	11,263
Total number of BSAs granted	95,500	60,000	3,000	10,760
Start date for the exercise of the BSAs	(5)	(2)	One-third vested in 2015 and two-thirds vested in 2016 for senior management	From May to July 2012, 2013, 2014 and 2015
BSA expiry date	(6)	(3)	January 22, 2024	May 20, 2020
BSA exercise price per share	(7)	(4)	€ 12.25	€ 7.362
Number of shares subscribed as of December 31, 2018	0	0	1,000	67,420
Total number of BSAs granted but not exercised as of December 31, 2018	95,500	60,000	2,900	4,018
Total number of shares available for subscription as of December 31, 2018	18,333	50,000	29,000	40,180
Maximum number of new shares that can be issued	95,500	60,000	29,000	40,180

(1) Reflects conversion of 3,000 $BSPCE_{2014}$ into 3,000 BSA_{2014} pursuant to a decision of the board of directors on December 4, 2014.

(2) For the 45,000 BSA_{2016} granted on October 3, 2016, half can be exercised as from October 4, 2017. The remainder can be exercised as from October 4, 2018. For the 15,000 BSA_{2016} granted on January 8, 2017, one-third can be exercised as from January 8, 2018, one-third as from January 8, 2019 and the remainder as from January 8, 2020.

(3) October 3, 2021 for the 45,000 BSA granted on October 3, 2016. January 8, 2022 for the 15,000 BSA granted on January 8, 2017.

(4) €18.52 for the 45,000 BSA granted on October 3, 2016. €13.60 for the 15,000 BSA granted on January 8, 2017.

(5) For the 55,000 BSA granted on June 27, 2017, approximately one-third can be exercised as from June 27, 2018, approximately one-third can be exercised as from June 27, 2019 and the remainder can be exercised as from June 27, 2020 and for the 45,000 BSA granted on January 7, 2018, one-third can be exercised as from January 7, 2019, one-third can be exercised as from January 7, 2020 and the remainder can be exercised as from January 7, 2021.

(6) June 27, 2022 for the 55,000 BSA granted on June 27, 2017. January 7, 2023 for the 40,500 BSA granted on January 7, 2018.

(7) €26.47 for the 55,000 BSA granted on June 27, 2017. €18.00 for the 40,500 BSA granted on January 7, 2018.

Our shareholders, or pursuant to delegations granted by our shareholders, our board of directors, determines the recipients of the warrants, the dates of grant, the number and exercise price of the share warrants to be granted, the number of shares issuable upon exercise and certain other terms and conditions of the share warrants, including the period of their exercisability and their vesting schedule.

Free Shares (AGA)

Under our Free Share Plans, we have granted free shares to certain of our employees and officers.

Free shares may be granted to any individual employed by us or by any affiliated company. Free shares may also be granted to our Chairman and our Chief Executive Officer. However, no free share may be granted to a beneficiary holding more than 10% of our share capital or to a beneficiary who would hold more than 10% of our share capital as a result of such grant. The maximum number of shares that may be granted or issued is 250,000 under the 2016 Free Share Plan, 300,000 under the 2017 Free Share Plan and 150,000 under the 2018 Free Share Plan. In addition, under French law, the maximum number of shares that may be granted shall not exceed 10% of the share capital as at the date of grant of the free shares (30% if the allocation benefits all employees).

Our board of directors has the authority to administer the Free Share Plans. Subject to the terms of the Free Share Plans, our board of directors determines the recipients, the dates of grant, the number of free shares to be granted and the terms and conditions of the free shares, including the length of their vesting period (starting on the grant date, during which the beneficiary holds a right to acquire shares for free but has not yet acquired any shares) and holding period (starting when the shares are issued and definitively acquired but may not be transferred by the recipient) within the limits determined by the shareholders. Our shareholders have determined that the vesting period should be set by the board of directors and should not be less than one year from the date of grant and that the optimal holding period should be set by the board of directors. From the beginning of the vesting period, the cumulated vesting and holding period should not be less than two years.

The board of directors has the authority to modify awards outstanding under our Free Share Plans, subject to the consent of the beneficiary for any modification adverse to such beneficiary. For example, the board has the authority to release a beneficiary from the continued service condition during the vesting period after the termination of the employment.

The free shares granted under our Free Share Plans will be definitively acquired at the end of the vesting period as set by our board of directors subject to continued service during the vesting period, except if the board releases a given beneficiary from this condition upon termination of his or her employment contract. At the end of the vesting period, the beneficiary will be the owner of the shares. However, the shares may not be sold, transferred or pledged during the holding period. In the event of disability before the end of the vesting period, the free shares shall be definitively acquired by the beneficiary on the date of disability. In the event the beneficiary dies during the vesting period, the free shares shall be definitively acquired at the date of the request of allocation made by his or her beneficiaries in the framework of the inheritance provided that such request is made within six months from the date of death.

On October 3, 2016, the board of directors adopted the 2016 Free Share Plan and on the same date granted an aggregate of 111,261 free shares under the 2016 Free Share Plan, which vest, subject to performance conditions, on October 3, 2019.

On January 8, 2017, our board of directors granted an additional aggregate of 15,000 free shares under the 2016 Free Share Plan to Alexander Scheer, which will vest in three tranches of 5,000 free shares, on January 8, 2018, January 8, 2019 and January 8, 2020.

On June 27, 2017, our Chief Executive Officer and Chairman granted an additional aggregate of 8,652 free shares under the 2016 Free Share Plan to certain employees.

On June 27, 2017, our board of directors adopted the 2017 Free Share Plan and granted 45,000 free shares to certain employees. On the same date, our Chief Executive Officer and Chairman granted 29,475 free shares to certain employees. The free shares will vest in three equal tranches, on June 27, 2018, June 27, 2019 and June 27, 2020.

On October 3, 2017, our Chief Executive Officer and Chairman granted an additional aggregate of 16,650 free shares under the 2016 Free Share Plan to certain employees.

On January 7, 2018, our board of directors granted an additional aggregate of 40,500 free shares under the 2016 Free Share Plan to officers and 27,000 free shares under the 2017 Free Share Plan.

On January 7, 2018, our Chief Executive Officer and Chairman granted an additional aggregate of 86,940 free shares under the 2017 Free Share Plan to certain employees.

On January 6, 2019, our board of directors adopted the 2018 Free Share Plan. On the same date, our Chief Executive Officer and Chairman granted 36,150 free shares to certain employees. The free shares will vest in three equal tranches, on January 6, 2020, January 6, 2021 and January 6, 2022. Certain free share grants to our employees include rights of forfeiture, whereby the rights to the free shares lapse following a termination of the employee’s service.

Stock Options (SO)

Stock options issued pursuant to our Stock Option Plans provide the holder with the right to purchase a specified number of ordinary shares from us at a fixed exercise price payable at the time the stock option is exercised, as determined by our board of directors. Our Stock Option Plans generally provide that the exercise price for any stock option will be no less than 95% of the average of the closing sales prices per ordinary share during the 20 market trading days prior to the day of the board of directors’ decision to grant the options. The maximum number of ordinary shares subject to stock options issued is 250,000 ordinary shares under the 2016 Stock Option Plan, 300,000 under the 2017 Stock Option Plan and 300,000 under the 2018 Stock Option Plan. Incentive stock options and non-statutory stock options may be granted under our Stock Option Plan.

Stock options may be granted to any individual employed by us or by any affiliated company. Stock options may also be granted to our Chairman, our general manager and to our deputy general managers. In addition, incentive stock options may not be granted to owners of shares possessing 10% or more of the share capital of the company.

Our board of directors has the authority to administer and interpret our Stock Option Plans. Subject to the terms and conditions of our Stock Option Plans, our board of directors determines the recipients, dates of grant, exercise price, number of stock options to be granted and the terms and conditions of the stock options, including the length of their vesting schedules. Our board of directors is not required to grant stock options with vesting and exercise terms that are the same for every participant. The term of each stock option granted under our Stock Option Plan will generally be 10 years from the date of grant. Further, stock options will generally terminate on the earlier of when the beneficiary ceases to be an employee of our company or upon certain transactions involving our company.

The board of directors has the authority to modify awards outstanding under our Stock Option Plans, subject to the written consent of the beneficiary for any modification adverse to such beneficiary. For example, the board of directors has the authority to extend a post-termination exercise period.

Stock options granted under our Stock Option Plans generally may not be sold, transferred or pledged in any manner other than by will or by the laws of descent or distribution. In the event of disability, unless otherwise resolved by our board of directors, the beneficiary's right to exercise the vested portion of his or her stock option generally terminates six months after the last day of such beneficiary's service, but in any event no later than the expiration of the maximum term of the applicable stock options. In the event the beneficiary dies during the vesting period, then, unless otherwise resolved by our board of directors, the beneficiary's estate or any recipient by inheritance or bequest may exercise any portion of the stock option vested at the time of the beneficiary's death within the six months following the date of death, but in any event no later than the expiration of the maximum term of the applicable stock options.

On October 3, 2016, our board of directors adopted our 2016 Stock Option Plan, which will expire on October 3, 2026. As of December 31, 2016, a maximum of 250,000 stock options may be issued under the 2016 Stock Option Plan. This figure includes 44,499 stock options granted under the 2016 Stock Option Plan on October 3, 2016 with an exercise price of €18.520 per ordinary share, of which 21,999 were granted to certain of our directors and executive officers.

On January 8, 2017, our Chief Executive Officer and Chairman granted 3,000 stock options to certain employees with an exercise price of €15.65 per ordinary share.

On June 27, 2017, our board of directors adopted the 2017 Stock Option Plan and granted 12,000 stock options to certain employees. On the same date, our Chief Executive Officer and Chairman granted 10,200 stock options to certain employees with an exercise price of €26.47 per ordinary share. On June 27, 2017, our Chief Executive Officer and Chairman granted 18,000 stock options under the 2016 Stock Option Plan to certain employees with an exercise price of €26.47 per ordinary share.

On October 3, 2017, our Chief Executive Officer and Chairman granted an aggregate of 30,000 stock options to certain employees with an exercise price of €23.59 per ordinary share under the 2016 Stock Option Plan.

On January 7, 2018, our board of directors granted an aggregate of 40,500 stock options to certain employees with an exercise price of €18.00 per ordinary share under the 2016 Stock Option Plan to officers.

On January 7, 2018, our Chief Executive Officer and Chairman granted an aggregate of 56,703 stock options to certain employees with an exercise price of €18.00 per ordinary share under the 2016 Stock Option Plan.

On September 7, 2018, our board of directors adopted the 2018 Stock Option Plan, which will expire on September 7, 2028. On the same date, our board of directors granted an aggregate of 24,000 stock options under the 2018 Stock Option Plan to Alex Dusek our Vice President of Commercial Strategy with an exercise price of €9.26 per ordinary share.

On January 6, 2019, our Chief Executive Officer and Chairman granted an aggregate of 38,025 stock options to certain employees with an exercise price of €6.38 per ordinary share under the 2018 Stock Option Plan.

Some stock options have lapsed following the departure of certain employees.

C. Board Practices.

Until May 2013, our company had a two-tier corporate governance system: an executive board was responsible for managing the company and a supervisory board oversaw and advised the executive board. We have now established a board of directors. Our board of directors currently consists of seven members, less than a majority of whom are citizens or residents of the United States. As permitted by French law, two of our directors, Galenos SPRL and BVBA Hilde Windels, are legal entities. Each of these entities has designated an individual, Sven Andréasson and Hilde Windels, respectively, to represent it and to act on its behalf at meetings of our board of directors. These representatives have the same responsibilities to us and to our shareholders as he or she would have if he or she had been elected to our board of directors in his or her individual capacity.

Under French law and our bylaws, our board of directors must be comprised of between three and 18 members, without prejudice to the derogation established by law in the event of merger. Since January 1, 2017, the number of directors of each gender may not be less than 40%. Any appointment made in violation of this limit that is not remedied within six months of this appointment will be null and void. Within these limits, the number of directors is determined by our shareholders. Directors are appointed, reappointed to their position, or removed by the company's ordinary general meeting, and in particular, any appointment which remedies a violation of the 40% limit must be ratified by our shareholders at the next ordinary general meeting. Their term of office, in accordance with our bylaws, is three years. Directors chosen or appointed to fill a vacancy must be elected by our board of directors for the remaining duration of the current term of the vacant director. The appointment must then be ratified at the next shareholders' general meeting. In the event the board of directors would be comprised of less than three directors as a result of a vacancy, the remaining directors shall immediately convene a shareholders' general meeting to elect one or several new directors so there are at least three directors serving on the board of directors, in accordance with French law.

The following table sets forth the names of our directors, the years of their initial appointment as directors of the board and the expiration dates of their current term.

	CURRENT POSITION	YEAR OF INITIAL APPOINTMENT	TERM EXPIRATION YEAR(1)
Gil Beyen	Chairman	2013	2019
Galenos SPRL represented by Sven Andréasson (2)	Director	2014	2019
Philippe Archinard	Director	2013	2019
Allene Diaz (3)	Director	2017	2020
Luc Dochez	Director	2015	2019
Martine Ortin George	Director	2014	2020
BVBA Hilde Windels represented by Hilde Windels(4)	Director	2017	2020

(1) At the end of the ordinary general meeting convened to approve the accounts for the previous financial year during the year in which their term office expires.

(2) Galenos SPRL has designated an individual, Sven Andréasson, to represent it and to act on its behalf at meetings of our board of directors. Mr. Andréasson previously served as a member of our board from 2013 to 2014. Galenos SPRL is a company controlled by Mr. Andréasson.

(3) Ms. Diaz was initially appointed to our board of directors as a non-voting member (*censeur*) in September 2016 and was subsequently appointed by our board of directors as a voting board member of the board in January 2017. Her appointment was ratified by our shareholders at our combined general meeting in June 2017.

(4) BVBA Hilde Windels was appointed as a director by our shareholders at our combined general meeting in June 2017. BVBA Hilde Windels has designated an individual, Hilde Windels, to represent it and to act on its behalf at meetings of our board of directors. She served as a member of the board of directors in her individual capacity from 2014 to 2017. BVBA Hilde Windels is a company controlled by Ms. Windels.

Director Independence

As a foreign private issuer, under the listing requirements and rules of the Nasdaq Global Select Market, we are not required to have independent directors on our board of directors, except to the extent that our audit committee is required to consist of independent directors. Nevertheless, our board of directors has undertaken a review of the independence of the directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from, and provided by, each director concerning such director's background, employment and affiliations, including family relationships, our board of directors determined that all of our directors, except for Mr. Beyen, qualify as "independent directors" as defined under applicable rules of the Nasdaq Global Select Market and the

independence requirements contemplated by Rule 10A-3 under the Exchange Act. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our ordinary shares by each non-employee director and his or her affiliated entities (if any).

Role of the Board in Risk Oversight

Our board of directors is primarily responsible for the oversight of our risk management activities and has delegated to the audit committee the responsibility to assist our board in this task. The audit committee also monitors our system of disclosure controls and procedures and internal control over financial reporting and reviews contingent financial liabilities. The audit committee, among other things, examines our balance sheet commitments and risks and the relevance of risk monitoring procedures. While our board oversees our risk management, our management is responsible for day-to-day risk management processes. Our board of directors expects our management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the board of directors. We believe this division of responsibilities is the most effective approach for addressing the risks we face.

Corporate Governance Practices

As a French *société anonyme*, we are subject to various corporate governance requirements under French law. In addition, as a foreign private issuer listed on the Nasdaq Global Select Market, we will be subject to Nasdaq corporate governance listing standards. However, the corporate governance standards provide that foreign private issuers are permitted to follow home country corporate governance practices in lieu of Nasdaq rules, with certain exceptions. We intend to rely on these exemptions for foreign private issuers and follow French corporate governance practices in lieu of the Nasdaq corporate governance rules, which would otherwise require that (1) a majority of our board of directors consist of independent directors; (2) we establish a nominating and corporate governance committee; and (3) our remuneration committee be composed entirely of independent directors.

As a foreign private issuer, we are required to comply with Rule 10A-3 of the Exchange Act, relating to audit committee composition and responsibilities. Rule 10A-3 provides that the audit committee must have direct responsibility for the nomination, compensation and choice of our auditors, as well as control over the performance of their duties, management of complaints made, and selection of consultants. However, if the laws of a foreign private issuer's home country require that any such matter be approved by the board of directors or the shareholders, the audit committee's responsibilities or powers with respect to such matter may instead be advisory. Under French law, the audit committee may only have an advisory role and appointment of our statutory auditors, in particular, must be decided by the shareholders at our annual meeting.

In addition, Nasdaq rules require that a listed company specify that the quorum for any meeting of the holders of common stock be at least 33 $^1/_3$% of the outstanding shares of the company's voting stock. Consistent with French law, our bylaws provide that a quorum requires the presence of shareholders having at least (1) 20% of the shares entitled to vote in the case of an ordinary shareholders' general meeting or at an extraordinary shareholders' general meeting where shareholders are voting on a capital increase by capitalization of reserves, profits or share premium, or (2) 25% of the shares entitled to vote in the case of any other extraordinary shareholders' general meeting. If a quorum is not present, the meeting is adjourned. There is no quorum requirement when an ordinary general meeting is reconvened, but the reconvened meeting may consider only questions which were on the agenda of the adjourned meeting. When an extraordinary general meeting is reconvened, the quorum required is 20% of the shares entitled to vote, except where the reconvened meeting is considering capital increases through capitalization of reserves, profits or share premium. For these matters, no quorum is required at the reconvened meeting. If a quorum is not present at a reconvened meeting requiring a quorum, then the meeting may be adjourned for a maximum of two months.

Board Committees

The board of directors has established an audit committee and a remuneration and appointments committee, which operate pursuant to rules of procedure adopted by our board of directors. The board of directors has also established a clinical strategy committee, which is responsible for analyzing and reviewing our clinical and regulatory strategy. Subject to available exemptions, the composition and functioning of all of our committees will comply with all applicable requirements of the French Commercial Code, the Exchange Act, the Nasdaq Global Select Market and SEC rules and regulations.

In accordance with French law, committees of our board of directors will only have an advisory role and can only make recommendations to our board of directors. As a result, decisions will be made by our board of directors taking into account non-binding recommendations of the relevant board committee.

Audit Committee. Our audit committee assists our board of directors in its oversight of our corporate accounting and financial reporting and submits the selection of our statutory auditors, their remuneration and independence for approval. Mr. Andréasson, Dr. Archinard, Ms. Windels and Mr. Dochez currently serve on our audit committee. Ms. Windels is the chairperson of our audit committee. Our board has determined that each of Mr. Andréasson, Dr. Archinard, Ms. Windels and Mr. Dochez is independent within the meaning of the applicable listing rules and the independence requirements contemplated by Rule 10A-3 under the Exchange Act. Our board of directors has further determined that Ms. Windels is an "audit committee financial expert" as defined by SEC rules and regulations and that each of the members qualifies as financially sophisticated under the applicable exchange listing rules. The principal responsibility of our audit committee is to monitor the existence and efficacy of the company's financial audit and risk control procedures on an ongoing basis.

Our board of directors has specifically assigned the following duties to the audit committee:

- examining the corporate and consolidated annual and interim financial statements;
- validating the relevance of the company's accounting methods and choices;
- verifying the relevance of financial information published by the company;
- ensuring the implementation of internal control procedures;
- verifying the correct operation of internal controls with the assistance of internal quality audits;
- examining the schedule of work for internal and external audits;
- examining any subject likely to have a significant financial and accounting impact;
- examining the state of significant disputes;
- examining off-balance sheet commitments and risks;
- examining the relevance of risk monitoring procedures;
- establishing and overseeing procedures for the treatment of complaints or submissions identifying concerns regarding accounting, internal accounting controls, or auditing matters;
- examining any regulated agreements;
- directing the selection of statutory auditors, their remuneration, and ensuring their independence;
- ensuring proper performance of the statutory auditors' mission; and
- establishing the rules for the use of statutory auditors for work other than auditing of the accounts and verifying the correct execution thereof.

Remuneration and Appointments Committee. Mr. Andréasson, Dr. Archinard and Ms. Diaz currently serve on our remuneration and appointments committee. Dr. Archinard is the chairperson of our remuneration and appointments committee.

Our board of directors has specifically assigned the following duties to the remuneration and appointments committee:

- formulating recommendations and proposals concerning (i) the various elements of the remuneration, pension and health insurance plans for executive officers and directors, (ii) the procedures for establishing the terms and conditions for setting the variable portion of their remunerations, and (iii) a general policy for awarding share warrants and founder's warrants;
- examining the amount of attendance fees and the system for distributing such fees amongst the directors, taking into account their dedication and the tasks performed within the board of directors;
- advising and assisting the board of directors as necessary in the selection of senior executives and the establishment of their remuneration;
- assessing any increases in capital reserved for employees;
- assisting the board of directors in the selection and recruitment of new directors;
- ensuring the implementation of structures and procedures to allow the application of good governance practices within the company;

- preventing conflicts of interest within the board of directors; and
- implementing the procedure for evaluating the board of directors.

D. Employees.

As of December 31, 2018, we had 172 full-time equivalent employees. We consider our labor relations to be positive. At each date shown, we had the following full-time equivalents, broken out by department and geography:

	At December 31,		
	2016	2017	2018
Function:			
Research and preclinical development	21	28	31
Clinical, medical and regulatory affairs	17	24	37
Pharmaceutical operations	21	29	24
Manufacturing and supply	—	—	40
Management and administration	25	28	36
Business development and licensing	—	5	6
Total	**84**	**114**	**174**
Geography:			
France	76	100	146
United States	8	14	26
Total	**84**	**114**	**172**

E. Share Ownership.

For information regarding the share ownership of our directors and executive officers, see “Item 6.B—Compensation” and “Item 7.A—Major Shareholders.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table and accompanying footnotes set forth, as of December 31, 2018, information regarding beneficial ownership of our ordinary shares by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our ordinary shares;
- each of our executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including free shares that vest within 60 days of February 28, 2019 and options and warrants that are currently exercisable or exercisable within 60 days of February 28, 2019. Shares subject to free shares that vest within 60 days of February 28, 2019 and shares subject to warrants currently exercisable or exercisable within 60 days of February 28, 2019 are deemed to be outstanding for computing the percentage ownership of the person holding these free shares and warrants and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

Our calculation of the percentage of beneficial ownership is based on 17,940,035 of our ordinary shares (including ordinary shares in the form of ADSs) outstanding as of February 28, 2019. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o ERYTECH Pharma S.A., 60 Avenue Rockefeller, 69008 Lyon, France.

NAME OF BENEFICIAL OWNER	NUMBER OF ORDINARY SHARES BENEFICIALLY OWNED	PERCENTAGE OF ORDINARY SHARES BENEFICIALLY OWNED
5% Shareholders:		
BVF Partners LP (1)	4,547,662	25.3%
RA Capital Management LLC(2)	2,000,000	11.1%
Auriga Ventures III FCPR (3)	1,147,522	6.4%
Directors and Executive Officers:		
Gil Beyen (4)	140,176	*
Eric Soyer (5)	20,773	*
Jean-Sébastien Cleiftie	1,054	*
Iman El-Hariry (6)	29,000	*
Alexander Scheer	2,476	*
Alex Dusek	—	*
Jérôme Bailly (7)	28,053	*
Galenos SPRL (8)	21,921	*
Philippe Archinard (9)	25,050	*
Allene Diaz (10)	14,750	*
Luc Dochez (11)	23,420	*
Martine Ortin George (12)	26,921	*
BVBA Hilde Windels (12)	26,921	*
All directors and executive officers as a group (12 persons) (13)	360,515	2.0%

* Represents beneficial ownership of less than 1%.

(1) The address of BVF Partners LP. is One Sansome Street, 30th Floor, San Francisco, California 94104. Mark Lampert is the General Partner of BVF Partners LP and may be deemed to be beneficial owner of securities of the company directly held by BVF Partners LP., and may be deemed to have the power to vote or direct the vote of and the power to dispose or direct the disposition of such securities. Mark Lampert disclaims beneficial ownership of the securities held directly by BVF Partners LP., except to the extent of his pecuniary interest.

(2) The address of RA Capital Management LLC is 20 Park Plaza, Suite 1200, Boston, Massachusetts 02116. Mr. Peter Kolchinsky is the Managing Director and may be deemed to be beneficial owner of securities of the company directly held by RA Capital Management LLC, and may be deemed to have the power to vote or direct the vote of and the power to dispose or direct the disposition of such securities. Mr. Peter Kolchinsky disclaims beneficial ownership of the securities held directly by RA Capital Management LLC, except to the extent of his pecuniary interest.

(3) Jacques Chatain, Bernard Daugeras and Patrick Bamas are managers of Auriga Ventures III FCPR, or Auriga, and exercise voting and investment power with respect to shares held by Auriga. The managers disclaim beneficial ownership of all shares held by Auriga. The address of Auriga is c/o Auriga Partners, 18 avenue Matignon 75008 Paris, France.

(4) Consists of 1,546 ordinary shares and 138,630 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(5) Consists of 773 ordinary shares and 20,000 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(6) Consists of ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(7) Consists of 1,053 ordinary shares and 27,000 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(8) Consists of one ordinary share and 21,920 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(9) Consists of 10,300 ordinary shares and 14,750 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(10) Consists of 14,750 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(11) Consists of 23,420 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

(12) Consists of one ordinary share and 26,920 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.
(13) Consists of 17,205 ordinary shares and 343,310 ordinary shares issuable upon exercise of warrants that are exercisable within 60 days of February 28, 2019.

None of our principal shareholders have voting rights different than our other shareholders.

As of December 31, 2018, we estimate that approximately 45% of our outstanding ordinary shares (including ordinary shares in the form of ADSs) were held in the United States by approximately 22 holders of record including Bank of New York Mellon, the nominee of the Depositary Trust Company, which held approximately 10.65% of our outstanding ordinary shares as of said date. The actual number of holders is greater than these numbers of record holders and includes beneficial owners whose ordinary shares or ADSs are held in street name by brokers and other nominees. This number of holders of record also does not include holders whose shares may be held in trust by other entities.

B. Related Party Transactions.

Since January 1, 2018, we have engaged in the following transactions with our directors, executive officers and holders of more than five percent (5%) of our outstanding voting securities and their affiliates, which we refer to as our related parties.

Agreements with Our Directors and Executive Officers

Severance Pay

On May 24, 2013, the board of directors approved terms for severance pay to be awarded under certain conditions to our then-executive officers, which included Gil Beyen, our current Chief Executive Officer. The agreement provides that, in the event of expiration of the executive's term of office (except where renewal is rejected by the executive) or in the event of revocation (unless the executive has been revoked for gross negligence or willful misconduct as that term is defined by the labor chamber of the French Supreme Court), the executive is entitled to severance equal to 12 times the average of monthly remuneration (bonuses included) received during the 12 months preceding the revocation decision or the expiration of the executive's term of office. The payment of the compensation shall be subject to the performance of the following conditions: (i) respect of our company's budget and expenditures and (ii) at least one of the following conditions: (a) an agreement of collaboration or a current license, and (b) one product in an active phase of clinical development by the company. No related expense has been recorded to date.

Employment Agreements with Eric Soyer, Jean-Sebastien Cleiftie, Alexander Scheer and Alex Dusek

In September 2015, October 2016, November 2016, and April 2018, respectively, we entered into employment agreements with Messrs. Soyer, Cleiftie, Scheer and Dusek. Each employment agreement provides for an annual base salary and variable compensation in amounts ranging from 30% to 35% of the executive's current base salaries, based upon achievement of specified performance objectives. These employment agreements also provide for severance pay in specified situations. In the event of the executive's termination in the absence of gross negligence or willful misconduct, the executive will be entitled to an amount equal to six months' base salary, plus an additional three months' base salary for each full year such executive has worked for us, up to a maximum of 12 months' base salary in total, including any additional indemnity as provided for by French law. For Mr. Dusek, this severance pay is subject to one year of employment. In connection with a change of control of our company, if the executive is terminated in the absence of gross negligence or willful misconduct or resigns pursuant to suffering a diminution of the executive's job duties, or in the event of a mutually agreed termination (*rupture conventionnelle*) under French law, such executive will be entitled to an amount equal to 12 times the average of monthly remuneration, including bonuses, received during the 12 months preceding the termination. If a change of control of our company occurs within 24 months of the granting of bonus shares, such executive will be entitled to an amount intended to compensate for the potential loss of compensation in the event of cancellation of bonus shares granted or for the potential loss of favorable tax treatment in the event of the sale of such shares, in the context of this change of control. These agreements also provide for a 12-month non-compete clause (18 months in the case of Mr. Soyer), whereby the executive is entitled to an amount equal to 33% of his average monthly remuneration over the last three months (12 months in the case of Mr. Soyer). Mr. Dusek is not subject to the non-compete clause.

Employment Agreement with Iman El-Hariry

In June 2015, our U.S. subsidiary, ERYTECH Pharma, Inc., entered into an employment agreement with Dr. El-Hariry that provides for an annual base salary and variable compensation in an amount up to 35% of her base salary, based upon achievement of specified performance objectives. This variable amount was increased from 35% to 40% of her base salary in January 2019. The agreement also provides for severance pay in specified situations. In the event of Dr. El-Hariry's termination without cause (as defined in Dr. El-

Hariry's employment agreement), she will be entitled to an amount equal to six months' base salary, plus an additional three months' base salary for each full year she has worked for us, up to a maximum of 12 months' base salary in total. If Dr. El-Hariry resigns as a result of (i) a diminution of her job duties, (ii) a change in reporting or (iii) a relocation, she will be entitled to an amount up to 12 months' base salary compensation depending upon the length of her employment with us. In connection with a change of control, if Dr. El-Hariry is terminated within 12 months (a) by us, (b) by mutual agreement or (c) by her decision to resign after receiving an offer that is not at least equivalent to her position prior to the change in control, she will be entitled to a lump sum payment equal to one year's salary plus bonus (under the condition that she would not be eligible for the other severance benefits described above). Upon termination for any reason, our company may request Dr. El-Hariry to execute a non-competition agreement for a period of 12 months, whereby Dr. El-Hariry will be entitled to severance pay.

Employment Agreement with Jérôme Bailly

In January 2007, we entered into an employment agreement with Dr. Bailly, which was amended as of January 2018. He is entitled to an annual base salary set at €170,000, and variable compensation, in an amount up to 25% of his base salary, upon achievement of specified performance objectives. This variable amount was increased from 25% to 30% of his base salary in January 2019. If a change of control of our company occurs within 24 months of the granting of bonus shares, Dr. Bailly will be entitled to an amount intended to compensate for the potential loss of compensation in the event of cancellation of bonus shares granted or for the potential loss of favorable tax treatment in the event of the sale of such shares.

Other Arrangements

We have entered into other compensatory arrangements with our executive officers, which have been ratified by our board of directors. The primary arrangements are summarized in the table below.

NAME	TAX ASSISTANCE	TRAINING
Gil Beyen	X	
Jérôme Bailly		X

Director and Executive Officer Compensation

See "Item 6.B—Compensation" for information regarding compensation of directors and executive officers.

Equity Awards

Since December 31, 2018, we allocated on January 6, 2019:

- 38,025 SOP_{2018} options under the 2018 Stock Option Plan to certain employees; and
- 36,150 AGA_{2018} free shares under the 2018 Free Share Plan to certain of our officers.

See "Item. 7A—Major Shareholders" for information regarding equity awards to our executive officers.

Bonus Plans

All our executive officers are entitled to a bonus ranging between 25% and 50% based on yearly objectives determined by our board of directors upon recommendation of our remuneration and appointments committee.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. See "Item. 6B—Limitations on Liability and Indemnification Matters."

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Related-Party Transactions Policy

We comply with French law regarding approval of transactions with related parties. We have adopted a related person transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related person transactions. The policy became effective in November 2017 upon the closing of the global offering. For purposes of our policy only, a related person transaction is defined as (i) any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any related person are, were or will be participants in and the amount involved exceeds $120,000, or (ii) any agreement or similar transaction under French law which falls within the scope of Article L. 225-38 of the French Commercial Code. A related person is any executive officer, director or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons. Article L. 225-38 of the French Commercial Code covers any agreement or similar transaction entered into directly or indirectly between (i) the company and a corporate officer, a director, a shareholder holding more than 10% of the company's voting rights or, if such shareholder is a corporate entity, its controlling shareholder within the meaning of Article L. 233-3 of the French Commercial Code or between (ii) the company and another firm if a corporate officer or director of the company is the owner, a fully liable shareholder, a corporate officer, a director or a member of that other firm's supervisory board or, more generally, a person in any way involved in its management.

Under the policy, if a transaction has been identified as a related person transaction, including any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation, our management must present information regarding the related person transaction to our board of directors for review, consideration and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to us of the transaction and whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to or from employees generally. Under the policy, we will collect information that we deem reasonably necessary from each director, executive officer and, to the extent feasible, significant shareholder to enable us to identify any existing or potential related-person transactions and to effectuate the terms of the policy.

In addition, under our Code of Business Conduct and Ethics, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

In considering related person transactions, our board of directors will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event that the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify or reject a related person transaction, our board of directors must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our shareholders, as our board of directors determines in the good faith exercise of its discretion.

All of the transactions described above were entered into prior to the adoption of the written policy, but all were approved by our board of directors to the extent required by, and in compliance with, French law.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Consolidated Financial Statements

Our consolidated financial statements are included as part of this Annual Report, starting at page F-1.

Dividend Distribution Policy

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying cash dividends on our equity securities in the foreseeable future and intend to retain all available funds and any future earnings for use in the operation and expansion of our business, given our state of development.

Subject to the requirements of French law and our bylaws, dividends may only be distributed from our distributable profits, plus any amounts held in our available reserves which are reserves other than legal and statutory and revaluation surplus. See "Item 10. B—Memorandum and Articles of Association" for further details on the limitations on our ability to declare and pay dividends. Dividend distributions, if any in the future, will be made in euros and converted into U.S. dollars with respect to the ADSs, as provided in the amended and restated deposit agreement.

Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

B. Significant Changes.

Not applicable.

Item 9. The Offer and Listing.

A. Offer and Listing Details.

Our ADSs have been listed on the Nasdaq Global Select Market under the symbol "ERYP" since November 10, 2017. Our ordinary shares have been trading on Euronext Paris under the symbol "ERYP" since May 7, 2013. Prior to that date, there was no public trading market for our ADSs or our ordinary shares.

B. Plan of Distribution.

Not applicable.

C. Markets.

Our ADSs have been listed on Nasdaq under the symbol "ERYP" since November 10, 2017. Our ordinary shares have been trading on Euronext Paris under the symbol "ERYP" since May 7, 2013.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information.

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

The information set forth in our prospectus dated November 9, 2017, filed with the SEC pursuant to Rule 424(b), under the heading "Description of Share Capital—Key Provisions of Our Bylaws and French Law Affecting Our Ordinary Shares," "Description of Share Capital—Differences in Corporate Law," and "Limitations Affecting Shareholders of a French Company" except for the information regarding "Preemptive Rights" and "Amendment of Bylaws" under the heading "Description of Share Capital - Differences in Corporate Law," and the information set forth under the heading "Limitations Affecting Shareholders of a French Company—Ownership of ADSs or Shares by Non-French Residents," is incorporated herein by reference.

Description of Share Capital

Differences in Corporate Law

Preemptive Rights	Under French law, in case of issuance of additional shares or other securities for cash or set-off against cash debts, the existing shareholders have preferential subscription rights to these securities on a *pro rata* basis unless such rights are waived by a two-thirds majority of the votes held by the shareholders present at the extraordinary general meeting deciding or authorizing the capital increase, voting in person or represented by proxy or voting by mail. In case such rights have not been waived by the extraordinary general meeting, each shareholder may individually either exercise, assign or not exercise its preferential subscription rights. Preferential subscription rights may only be assigned two business days prior to the day on which the subscription is opened until the second business day prior to its closing. Thus, the preferential subscription rights are transferable during a period equivalent to the subscription period relating to a particular offering (such period starting two business days prior to the opening of the subscription period and ending two business days prior to the closing of the subscription period). In accordance with French law, the period of exercise shall be no less than five trading days.	Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, a stockholder does not, by operation of law, possess preemptive rights to subscribe to additional issuances of the corporation's stock.
Amendment of Bylaws	Under French law, only the extraordinary shareholders' meeting is authorized to adopt or amend the bylaws. However, the board of directors is authorized to (i) modify the bylaws as a result of a decision to move the company's registered office and (ii) to bring to the bylaws any modification rendered necessary by an amendment to an applicable law or regulation if the board of directors has been prior authorized by the extraordinary shareholders meeting for this purpose, and subject, in both cases, to ratification by the next extraordinary shareholders' meeting.	Under Delaware law, the stockholders entitled to vote have the power to adopt, amend or repeal the bylaws of the corporation. A corporation may also confer, in its certificate of incorporation, that power upon the board of directors.

Limitations Affecting Shareholders of a French Company

Ownership of Shares and ADSs by Non-French Residents

Neither the French Commercial Code nor our bylaws presently impose any restrictions on the right of non-French residents or non-French shareholders to own and vote shares. However, certain non-French residents must file a declaration for statistical purposes with the Bank of France (*Banque de France*) within twenty working days following the date of certain direct foreign investments in us,

including any purchase of our ADSs. In particular such filings are required in connection with investments exceeding €15,000,000 that lead to the acquisition of at least 10% of the share capital or voting rights or cross such 10% threshold. Violation of this filing requirement may be sanctioned by five years' imprisonment and a fine up to twice the amount of the relevant investment. This amount may be increased fivefold if the violation is made by a legal entity. Moreover, certain foreign investments in companies incorporated under French laws are subject to the prior authorization from the French Minister of the Economy, where all or part of the target's business and activity relate to a strategic sector, such as energy, transportation, public health, telecommunications.

C. Material Contracts.

Underwriting Agreement

We entered into an underwriting agreement by and among Jefferies LLC, Jefferies International Limited, Cowen and Company LLC and Oddo BHF SCA, as representatives of the underwriters, on November 9, 2017, with respect to the ADSs and ordinary shares sold in our November 2017 global offering. We agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

For additional information on our material contracts, please see "Item 4. Information on the Company," "Item 6. Directors, Senior Management and Employees," and "Item 7.B. Related Party Transactions" of this Annual Report on 20-F.

D. Exchange Controls.

Under current French foreign exchange control regulations there are no limitations on the amount of cash payments that we may remit to residents of foreign countries. Laws and regulations concerning foreign exchange controls do, however, require that all payments or transfers of funds made by a French resident to a non-resident such as dividend payments be handled by an accredited intermediary. All registered banks and substantially all credit institutions in France are accredited intermediaries.

E. Taxation.

The following describes material U.S. federal income tax and French tax considerations relating to the acquisition, ownership and disposition of ADSs by a U.S. holder (as defined below). This summary does not address all U.S. federal income tax and French tax matters that may be relevant to a particular U.S. holder. This summary does not address tax considerations applicable to a holder of ADSs that may be subject to special tax rules including, without limitation, the following:

- banks, financial institutions or insurance companies;
- brokers, dealers or traders in securities, currencies, commodities, or notional principal contracts;
- tax-exempt entities or organizations, including an "individual retirement account" or "Roth IRA" as defined in Section 408 or 408A of the Code (as defined below), respectively;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons that hold the ADSs as part of a "hedging," "integrated," "wash sale" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- S corporations;
- certain former citizens or long-term residents of the United States;
- persons that received ADSs as compensation for the performance of services;
- persons acquiring ADSs in connection with a trade or business conducted outside of the United States, including a permanent establishment in France;
- persons subject to Section 451(b) of the Code;
- holders that own directly, indirectly, or through attribution 10% or more of the voting power or value of our ADSs and shares or, in the case of the discussion of French tax consequences, 5% or more of the voting stock or our share capital; and
- holders that have a "functional currency" other than the U.S. dollar.

For the purposes of this description, a "U.S. holder" is a beneficial owner of ADSs that is (or is treated as), for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a domestic corporation;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or if such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds ADSs, the U.S. federal income tax consequences relating to an investment in the ADSs will depend in part upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor regarding the U.S. federal income tax considerations of acquiring, owning and disposing of the ADSs in its particular circumstances.

The discussion in this section is based in part upon the representations of the depositary and the assumption that each obligation in the amended and restated deposit agreement and any related agreement will be performed in accordance with its terms.

Persons considering an investment in the ADSs should consult their own tax advisors as to the particular tax consequences applicable to them relating to the acquisition, ownership and disposition of the ADSs, including the applicability of U.S. federal, state and local tax laws, French tax laws and other non-U.S. tax laws.

Material French Tax Considerations

The following describes the material French income tax consequences to U.S. holders of purchasing, owning and disposing of our ADSs and, unless otherwise noted, this discussion is the opinion of Gide Loyrette Nouel A.A.R.P.I, our French tax counsel, insofar as it relates to matters of French tax law and legal conclusions with respect to those matters.

This discussion does not purport to be a complete analysis or listing of all potential tax effects of the acquisition, ownership or disposition of our ADSs to any particular investor, and does not discuss tax considerations that arise from rules of general application or that are generally assumed to be known by investors. All of the following is subject to change. Such changes could apply retroactively and could affect the consequences described below.

The description of the French income tax and wealth tax consequences set forth below is based on the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital of August 31, 1994, or the Treaty, which came into force on December 30, 1995 (as amended by any subsequent protocols, including the protocol of January 13, 2009), and the tax guidelines issued by the French tax authorities in force as of the date of this Annual Report.

This discussion applies only to investors that are entitled to Treaty benefits under the "Limitation on Benefits" provision contained in the Treaty.

France has recently introduced a comprehensive set of new tax rules applicable to French assets that are held by or in foreign trusts. These rules provide inter alia for the inclusion of trust assets in the settlor's net assets for the purpose of applying the French real estate wealth tax, for the application of French gift and death duties to French assets held in trust, for a specific tax on capital on the French assets of foreign trusts not already subject to the French real estate wealth tax and for a number of French tax reporting and disclosure obligations. The following discussion does not address the French tax consequences applicable to securities (including ADSs) held in trusts. If ADSs are held in trust, the grantor, trustee and beneficiary are urged to consult their own tax advisor regarding the specific tax consequences of acquiring, owning and disposing of securities (including ADSs).

U.S. holders are urged to consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of securities in light of their particular circumstances, especially with regard to the "Limitations on Benefits" provision.

Estate and Gift Taxes and Transfer Taxes

In general, a transfer of securities by gift or by reason of death of a U.S. holder that would otherwise be subject to French gift or inheritance tax, respectively, will not be subject to such French tax by reason of the Convention between the Government of the

United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritances and Gifts, dated November 24, 1978 (as amended by the protocol of December 8, 2004), unless (i) the donor or the transferor is domiciled in France at the time of making the gift or at the time of his or her death, or (ii) the securities were used in, or held for use in, the conduct of a business through a permanent establishment or a fixed base in France.

Pursuant to Article 235 ter ZD of the Code général des impôts (French Tax Code, or FTC), purchases of shares or ADSs of a French company listed on a regulated market of the European Union or on a foreign regulated market formally acknowledged by the French Financial Market Authority (AMF) are subject to a 0.3% French tax on financial transactions provided that the issuer's market capitalization exceeds 1 billion euros as of December 1 of the year preceding the taxation year pursuant to Regulations BOI-ANNEX-000467-20181217 issued on December 17, 2018. The Nasdaq Global Select Market is not currently acknowledged by the French AMF but this may change in the future. A list of French relevant companies whose market capitalization exceeds 1 billion euros as of December 1 of the year preceding the taxation year is published annually and at least once a year, by the French State. As at December 1, 2018, our market capitalization did not exceed 1 billion euros.

Following the global offering, purchases of our securities may be subject to such tax provided that its market capitalization exceeds 1 billion euros and that the Nasdaq Global Select Market is acknowledged by the French AMF.

In the case where Article 235 ter ZD of the FTC is not applicable, transfers of shares issued by a French company, which is listed on a regulated or organized market within the meaning of the French Financial and Monetary Code, are subject to uncapped registration duties at the rate of 0.1% if the transfer is evidenced by a written statement ("acte") executed either in France or outside France. Although there is no case law or official guidelines published by the French tax authorities on this point, transfers of ADSs should remain outside of the scope of the aforementioned 0.1% registration duties.

Tax on Sale or Other Disposition

As a matter of principle, under French tax law, a U.S. holder should not be subject to any French tax on any capital gain from the sale, exchange, repurchase or redemption by us of ordinary shares or ADSs, provided such U.S. holder is not a French tax resident for French tax purposes and has not held more than 25% of our dividend rights, known as *"droits aux benefices sociaux,"* at any time during the preceding five years, either directly or indirectly, and, as relates to individuals, alone or with relatives (as an exception, a U.S holder resident, established or incorporated in a non-cooperative State or territory as defined in Article 238-0 A of the FTC should be subject to a 75% withholding tax in France on any such capital gain, regardless of the fraction of the dividend rights it holds).

Under application of the Treaty, a U.S. holder who is a U.S. resident for purposes of the Treaty and entitled to Treaty benefit will not be subject to French tax on any such capital gain unless the ordinary shares or the ADSs form part of the business property of a permanent establishment or fixed base that the U.S. holder has in France. U.S. holders who own ordinary shares or ADSs through U.S. partnerships that are not resident for Treaty purposes are advised to consult their own tax advisors regarding their French tax treatment and their eligibility for Treaty benefits in light of their own particular circumstances. A U.S. holder that is not a U.S. resident for Treaty purposes or is not entitled to Treaty benefit (and in both cases is not resident, established or incorporated in a non-cooperative State or territory as defined in Article 238-0 A of the FTC) and has held more than 25% of our dividend rights, known as *"droits aux benefices sociaux,"* at any time during the preceding five years, either directly or indirectly, and, as relates to individuals, alone or with relatives will be subject to a levy in France at the rate of 12.8% if such U.S. holder is an individual or 31% for corporate bodies or other legal entities (as from January 1, 2019, to be progressively reduced to 25% by 2022). Special rules apply to U.S. holders who are residents of more than one country.

Taxation of Dividends

Dividends paid by a French corporation to non-residents of France are generally subject to French withholding tax at a rate of 12.8% when the recipient is an individual and 30% otherwise (the 30% rate for legal entities will be progressively reduced to 25% by 2022). Dividends paid by a French corporation in a non-cooperative State or territory, as defined in Article 238-0 A of the FTC, will generally be subject to French withholding tax at a rate of 75%. However, eligible U.S. holders, other than individuals subject to the French withholding tax at a rate of 12.8%, entitled to Treaty benefits under the ''Limitation on Benefits'' provision contained in the Treaty who are U.S. residents, as defined pursuant to the provisions of the Treaty, will not be subject to this 30% or 75% withholding tax rate, but may be subject to the withholding tax at a reduced rate (as described below).

Under the Treaty, the rate of French withholding tax on dividends paid to an eligible U.S. holder who is a U.S. resident as defined pursuant to the provisions of the Treaty and whose ownership of the ordinary shares or ADSs is not effectively connected with a permanent establishment or fixed base that such U.S. holder has in France, may be reduced to 15%, or to 5% if such U.S. holder is a

corporation and owns directly or indirectly at least 10% of the share capital of the issuer; such U.S. holder may claim a refund from the French tax authorities of the amount withheld in excess of the Treaty rates of 15% or 5%, if any.

For U.S. holders that are not individuals but are U.S. residents, as defined pursuant to the provisions of the Treaty, the requirements for eligibility for Treaty benefits, including the reduced 5% or 15% withholding tax rates contained in the ‘‘Limitation on Benefits’’ provision of the Treaty, are complex, and certain technical changes were made to these requirements by the protocol of January 13, 2009. U.S. holders are advised to consult their own tax advisors regarding their eligibility for Treaty benefits in light of their own particular circumstances. Dividends paid to an eligible U.S. holder may immediately be subject to the reduced rates of 5% or 15% provided that:

- such holder establishes before the date of payment that it is a U.S. resident under the Treaty by completing and providing the depositary with a treaty form (Form 5000) in accordance with the French guidelines (BOI-INT-DG-20-20-20-20-20120912); or
- the depositary or other financial institution managing the securities account in the U.S. of such holder provides the French paying agent with a document listing certain information about the U.S. holder and its ordinary shares or ADSs and a certificate whereby the financial institution managing the U.S. holder’s securities account in the United States takes full responsibility for the accuracy of the information provided in the document.

Otherwise, dividends paid to a U.S. holder, other than individuals subject to the French withholding tax at a rate of 12.8%, will be subject to French withholding tax at the rate of 30%, or 75% if paid in a non-cooperative State or territory (as defined in Article 238-0 A of the FTC), and then reduced at a later date to 5% or 15%, provided that such holder duly completes and provides the French tax authorities with the treaty forms Form 5000 and Form 5001 before December 31 of the second calendar year following the year during which the dividend is paid.

Certain qualifying pension funds and certain other tax-exempt entities are subject to the same general filing requirements as other U.S. holders except that they may have to supply additional documentation evidencing their entitlement to these benefits.

Form 5000 and Form 5001, together with instructions, will be provided by the depositary to all U.S. holders registered with the depositary. The depositary will arrange for the filing with the French tax authorities of all such forms properly completed and executed by U.S. holders of ordinary shares or ADSs and returned to the depositary in sufficient time so that they may be filed with the French tax authorities before the distribution in order to immediately obtain a reduced withholding tax rate. Otherwise, the depositary must withhold tax at the full rate of 30% or 75% as applicable. In that case, the U.S. holders may claim a refund from the French tax authorities of the excess withholding tax.

Since the withholding tax rate applicable under French domestic law to U.S. holders who are individuals does not exceed the cap provided in the Treaty (i.e. 15%), the 12.8% rate shall apply, without any reduction provided under the Treaty**.**

Real Estate Wealth Tax

On January 1, 2018, the French wealth tax was replaced with a real estate wealth tax (impôt sur la fortune immobilière, or IFI). Individuals holding directly or indirectly through one or more legal entities real estate assets or rights with a value exceeding €1,300,000 may fall within the scope of the IFI. A general exclusion applies to real estate assets owned by companies carrying out a commercial or industrial activity when the taxpayer (together with the members of his/her household) holds directly or indirectly less than 10% of the share capital or voting rights of the company. ADSs owned by a U.S. holder should not fall within the scope of the IFI provided that such U.S. holder does not own (together with the members of his/her household) directly or indirectly a shareholding exceeding 10% of the financial rights and voting rights of our share capital. U.S. holders holding directly or indirectly a shareholding exceeding 10% of the financial rights and voting rights of our share capital should seek additional advice.

Material U.S. Federal Income Tax Considerations

This section discusses the material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of ADSs by a U.S. holder. This description does not address the U.S. federal estate, gift, or alternative minimum tax considerations, or any U.S. state, local, or non-U.S. tax considerations of the acquisition, ownership and disposition of the ADSs.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing, proposed and temporary U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, in each case as in effect and available on the date hereof. All the foregoing is subject to change, which change could apply retroactively, and to differing interpretations, all of which could affect the tax considerations described below. There can be no assurances that the U.S. Internal

Revenue Service, or the IRS, will not take a position concerning the tax consequences of the acquisition, ownership and disposition of the ADSs or that such a position would not be sustained by a court. Holders should consult their own tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the ADSs in their particular circumstances.

As indicated below, this discussion is subject to U.S. federal income tax rules applicable to a "passive foreign investment company," or a PFIC.

In general, and taking into account the earlier assumptions, for U.S. federal income and French tax purposes, a U.S. holder holding ADRs evidencing ADSs will be treated as the owner of the shares presented by the ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income or to French tax.

Distributions. Subject to the discussion under "*—Passive Foreign Investment Company Considerations*," below, the gross amount of any distribution (including any amounts withheld in respect of foreign tax) actually or constructively received by a U.S. holder with respect to ADSs will be taxable to the U.S. holder as a dividend to the extent of the U.S. holder's pro rata share of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of earnings and profits will be non-taxable to the U.S. holder to the extent of, and will be applied against and reduce, the U.S. holder's adjusted tax basis in the ADSs. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. holder as either long-term or short-term capital gain depending upon whether the U.S. holder has held the ADSs for more than one year as of the time such distribution is received. However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Non-corporate U.S. holders may qualify for the preferential rates of taxation with respect to dividends on ADSs applicable to long-term capital gains (i.e., gains from the sale of capital assets held for more than one year) applicable to qualified dividend income (as discussed below) if we are a "qualified foreign corporation" and certain other requirements (discussed below) are met. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on ADSs which are readily tradable on an established securities market in the United States. Our ADSs are currently listed on the Nasdaq Global Select Market, which is an established securities market in the United States, and we expect the ADSs to be readily tradable on the Nasdaq Global Select Market. However, there can be no assurance that the ADSs will be considered readily tradable on an established securities market in the United States in later years. The Company, which is incorporated under the laws of France, believes that it qualifies as a resident of France for purposes of, and is eligible for the benefits of, the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed on August 31, 1994, as amended and currently in force, or the U.S.-France Tax Treaty, although there can be no assurance in this regard. Further, the IRS has determined that the U.S.-France Tax Treaty is satisfactory for purposes of the qualified dividend rules and that it includes an exchange-of-information program. Therefore, subject to the discussion under "*—Passive Foreign Investment Company Considerations*," below, such dividends will generally be "qualified dividend income" in the hands of individual U.S. holders, provided that a holding period requirement (more than 60 days of ownership, without protection from the risk of loss, during the 121-day period beginning 60 days before the ex-dividend date) and certain other requirements are met. The dividends will not be eligible for the dividends-received deduction generally allowed to corporate U.S. holders.

A U.S. holder generally may claim the amount of any French withholding tax as either a deduction from gross income or a credit against its U.S. federal income tax liability. However, the foreign tax credit is subject to numerous complex limitations that must be determined and applied on an individual basis. Generally, the credit cannot exceed the proportionate share of a U.S. holder's U.S. federal income tax liability that such U.S. holder's taxable income bears to such U.S. holder's worldwide taxable income. In applying this limitation, a U.S. holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." In addition, this limitation is calculated separately with respect to specific categories of income. The amount of a distribution with respect to the ADSs that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for French income tax purposes, potentially resulting in a reduced foreign tax credit for the U.S. holder. Each U.S. holder should consult its own tax advisors regarding the foreign tax credit rules.

In general, the amount of a distribution paid to a U.S. holder in a foreign currency will be the dollar value of the foreign currency calculated by reference to the spot exchange rate on the day the Depositary receives the distribution, regardless of whether the foreign currency is converted into U.S. dollars at that time. Any foreign currency gain or loss a U.S. holder realizes on a subsequent conversion of foreign currency into U.S. dollars will be U.S. source ordinary income or loss. If dividends received in a foreign currency are converted into U.S. dollars on the day they are received, a U.S. holder should not be required to recognize foreign currency gain or loss in respect of the dividend.

Sale, Exchange or Other Taxable Disposition of the ADSs. A U.S. holder will generally recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other taxable disposition of ADSs in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale or exchange and the U.S. holder's tax basis in those ADSs, determined in U.S. dollars. Subject to the discussion under "*—Passive Foreign Investment Company Considerations*" below, this gain or loss will generally be a capital gain or loss. The adjusted tax basis in the ADSs generally will be equal to the cost of such ADSs. Capital gain from the sale, exchange or other taxable disposition of ADSs of a non-corporate U.S. holder is generally eligible for a preferential rate of taxation applicable to capital gains, if the non-corporate U.S. holder's holding period determined at the time of such sale, exchange or other taxable disposition for such ADSs exceeds one year (i.e., such gain is long-term taxable gain). The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations. Any such gain or loss that a U.S. holder recognizes generally will be treated as U.S. source gain or loss for foreign tax credit limitation purposes.

For a cash basis taxpayer, units of foreign currency paid or received are translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. In that case, no foreign currency exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of such a purchase or sale. An accrual basis taxpayer, however, may elect the same treatment required of cash basis taxpayers with respect to purchases and sales of the ADSs that are traded on an established securities market, provided the election is applied consistently from year to year. Such election may not be changed without the consent of the IRS. For an accrual basis taxpayer who does not make such election, units of foreign currency paid or received are translated into U.S. dollars at the spot rate on the trade date of the purchase or sale. Such an accrual basis taxpayer may recognize exchange gain or loss based on currency fluctuations between the trade date and the settlement date. Any foreign currency gain or loss a U.S. Holder realizes will be U.S. source ordinary income or loss.

Medicare Tax. Certain U.S. holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of ADSs. Each U.S. holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the ADSs.

Passive Foreign Investment Company Considerations. If we are classified as a PFIC in any taxable year, a U.S. holder will be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

We will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to the income and assets of our subsidiaries, either: (i) at least 75% of the gross income is "passive income" or (ii) at least 50% of the average quarterly value of our total gross assets (which would generally be measured by fair market value of our assets, and for which purpose the total value of our assets may be determined in part by the market value of the ADSs and our ordinary shares, which are subject to change) is attributable to assets that produce "passive income" or are held for the production of "passive income."

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of the ADSs. If a non-U.S. corporation owns directly or indirectly at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. If we are classified as a PFIC in any year with respect to which a U.S. holder owns the ADSs, we will continue to be treated as a PFIC with respect to such U.S. holder in all succeeding years during which the U.S. holder owns the ADSs, regardless of whether we continue to meet the tests described above.

The market value of our assets may be determined in large part by reference to the market price of the ADSs and our ordinary shares, which is likely to fluctuate. In addition, the composition of our income and assets will be affected by how, and how quickly, we use the cash proceeds from the global offering in our business. Whether we are a PFIC for any taxable year will depend on our assets and income (including whether we receive certain non-refundable grants or subsidies and whether such amounts and reimbursements of certain refundable research tax credits will constitute gross income for purposes of the PFIC income test) in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC in any taxable year. Based on the composition of our gross income and assets in 2018, the nature of our business and due to a decline in our stock price, we believe that we were characterized as a PFIC for our 2018 taxable year. There can be no assurance that we will not be considered a PFIC for any future taxable year. Our U.S. counsel expresses no opinion regarding our conclusions or our expectations regarding our PFIC status.

If we are a PFIC, and you are a U.S. holder that does not make one of the elections described below, a special tax regime will apply to both (a) any "excess distribution" by us to you (generally, your ratable portion of distributions in any year which are greater than

125% of the average annual distribution received by you in the shorter of the three preceding years or your holding period for the ADSs) and (b) any gain realized on the sale or other disposition of the ADSs. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (i) the excess distribution or gain had been realized ratably over your holding period, (ii) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at the U.S. holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (iii) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, dividend distributions made to you will not qualify for the lower rates of taxation applicable to qualified dividends discussed above under "Distributions."

Certain elections may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment of the ADSs. If a U.S. holder makes a mark-to-market election, the U.S. holder generally will recognize as ordinary income any excess of the fair market value of the ADSs at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. holder makes the election, the U.S. holder's tax basis in the ADSs will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). The mark-to-market election is available only if we are a PFIC and the ADSs are "regularly traded" on a "qualified exchange." The ADSs will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter (subject to the rule that trades that have as one of their principal purposes the meeting of the trading requirement as disregarded). The Nasdaq Global Select Market is a qualified exchange for this purpose and, consequently, if the ADSs are regularly traded, the mark-to-market election will be available to a U.S. holder.

If we are a PFIC, we expect to provide investors, upon request, a "PFIC Annual Information Statement" with the information required to allow investors to make a "qualified electing fund election" or "QEF Election" for United States federal income tax purposes. U.S. holders should consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

If a U.S. holder makes a QEF Election with respect to a PFIC, in lieu of the tax consequences described below, the U.S. holder will be subject to current taxation on its pro rata share of the PFIC's ordinary earnings and net capital gain for each taxable year that the entity is classified as a PFIC. If a U.S. holder makes a QEF Election with respect to us, any distributions paid by us out of our earnings and profits that were previously included in the U.S. holder's income under the QEF Election would not be taxable to the holder. A U.S. holder will increase its tax basis in its ADSs by an amount equal to any income included under the QEF Election and will decrease its tax basis by any amount distributed on the ADSs that is not included in the holder's income. In addition, a U.S. holder will recognize capital gain or loss on the disposition of ADSs in an amount equal to the difference between the amount realized and the holder's adjusted tax basis in the ADSs. U.S. holders should note that if they make QEF Elections with respect to us and lower-tier PFICs, they may be required to pay U.S. federal income tax with respect to their ADSs for any taxable year significantly in excess of any cash distributions (which are expected to be zero) received on the ADSs for such taxable year. U.S. holders should consult their tax advisors regarding making QEF Elections in their particular circumstances. If a U.S. holder does not make and maintain a QEF election for the U.S. holder's entire holding period for our ADSs by making the election for the first year in which the U.S. holder owns our ADSs pursuant to this offering, the U.S. holder will be subject to the adverse PFIC rules discussed above unless the U.S. holder can properly make a "purging election" with respect to our ADSs in connection with the U.S. Shareholder's QEF Election. A purging election may require the U.S. holder to recognize taxable gain on the U.S. holder's ADSs. No purging election is necessary for a U.S. holder that timely makes a QEF election for the first year in which the U.S. holder acquired our ADSs.

If we are determined to be a PFIC, the general tax treatment for U.S. holders described in this section would apply to indirect distributions and gains deemed to be realized by U.S. Holders in respect of any of our subsidiaries that also may be determined to be PFICs.

If a U.S. holder owns ADSs during any taxable year in which we are a PFIC, the U.S. holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to the company, generally with the U.S. holder's federal income tax return for that year. If our company were a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements.

The U.S. federal income tax rules relating to PFICs are complex. Prospective U.S. investors are urged to consult their own tax advisers with respect to the acquisition, ownership and disposition of the ADSs, the consequences to them of an investment in a PFIC, any elections available with respect to the ADSs and the IRS information reporting obligations with respect to the acquisition, ownership and disposition of the ADSs.

Backup Withholding and Information Reporting. U.S. holders generally will be subject to information reporting requirements with respect to dividends on ADSs and on the proceeds from the sale, exchange or disposition of ADSs that are paid within the United States or through U.S.-related financial intermediaries, unless the U.S. holder is an "exempt recipient." In addition, U.S. holders may be subject to backup withholding on such payments, unless the U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Backup withholding is not an additional tax, and the amount of any backup withholding will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Certain Reporting Requirements With Respect to Payments of Offer Price. U.S. holders paying more than U.S. $100,000 for the ADSs generally may be required to file IRS Form 926 reporting the payment of the Offer Price for the ADSs to us. Substantial penalties may be imposed upon a U.S. holder that fails to comply. Each U.S. holder should consult its own tax advisor as to the possible obligation to file IRS Form 926.

Foreign Asset Reporting. Certain individual U.S. holders are required to report information relating to an interest in the ADSs, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. U.S. holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the ADSs.

THE DISCUSSION ABOVE IS A SUMMARY OF THE MATERIAL FRENCH AND U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN OUR ADSs OR ORDINARY SHARES AND IS BASED UPON LAWS AND RELEVANT INTERPRETATIONS THEREOF IN EFFECT AS OF THE DATE OF THIS ANNUAL REPORT ON FORM 20-F, ALL OF WHICH ARE SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ADSs OR ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

We are subject to the information reporting requirements of the Exchange Act applicable to foreign private issuers and under those requirements will file reports with the SEC. Those reports may be inspected without charge at the locations described below. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. Nevertheless, we will file with the SEC an Annual Report on Form 20-F containing financial statements that have been examined and reported on, with and opinion expressed by an independent registered public accounting firm.

We maintain a corporate website at *www.erytech.com*. We intend to post our Annual Report on Form 20-F on our website promptly following it being filed with the SEC. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report. We have included our website address in this Annual Report solely as an inactive textual reference.

The Securities and Exchange Commission maintains a website (*www.sec.gov*) that contains reports, proxy and information statements and other information regarding registrants, such as us, that file electronically with the SEC.

With respect to references made in this Annual Report to any contract or other document of our company, such references are not necessarily complete and you should refer to the exhibits attached or incorporated by reference to this Annual Report for copies of the actual contract or document.

I. Subsidiary Information.

Not required.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

Liquidity Risk

We do not believe that we are exposed to short-term liquidity risk, considering the cash and cash equivalents that we had available as of December 31, 2018, amounting to €134.4 million, which was primarily cash and term deposits that are convertible into cash in approximately 30 days without penalty. Management believes that the amount of cash and cash equivalents available at December 31, 2018 is sufficient to fund our planned operations through at least the next 12 months.

Historically, we have financed our growth by strengthening our shareholders' equity in the form of capital increases and the issuance of convertible bonds. We believe that the capital increase associated with our initial public offering on Euronext Paris in May 2013, as well as the capital increases we completed in 2014, 2015, 2016 and 2017, including the November 2017 global offering, will enable us to continue as a going concern.

Foreign Currency Exchange Risk

We use the euro as our functional currency for our financial communications. Our operating results and our bank account held in U.S dollars are exposed to changes in foreign currency exchange rates between the euro and various foreign currencies, including the U.S. dollar. However, a portion of our operating expenses is denominated in U.S. dollars as a result of our clinical trials performed in the United States at our office based in Cambridge, Massachusetts and our production facility in Philadelphia, Pennsylvania in conjunction with the American Red Cross. As a result, we are exposed to foreign exchange risk inherent in operating expenses incurred. We do not currently have revenues in euros, dollars nor in any other currency. As of December 31, 2018, management believes that its bank account position held in U.S. dollars is sufficient to cover operating expenses in dollars. As a consequence, we do not have a significant foreign currency exchange risk as of December 31, 2018. The bank account position held in U.S. dollars amounted to $94,291 thousand as of December 31, 2018.

Change in exchange rate (decrease) from 1% would have an impact as of December 31, 2018 of €815 thousand.

Change in exchange rate (decrease) from 5% would have an impact as of December 31, 2018 of €3,921 thousand.

Change in exchange rate (decrease) from 10% would have an impact as of December 31, 2018 of €7,486 thousand.

We do not currently engage in hedging transactions or the use of forward contracts but may in the future in order to minimize the impact of uncertainty in future exchange rates on cash flows.

As we advance our clinical development in the United States and potentially commercialize our product candidates in that market, we expect to face greater exposure to exchange rate risk and would then consider using exchange rate derivative or hedging techniques at that time. We expect to continue to enter into transactions based in foreign currencies that could be impacted by changes in exchange rates.

Interest Rate Risk

We believe we have very low exposure to interest rate risk. Such exposure primarily involves our money market funds and time deposit accounts. Changes in interest rates have a direct impact on the rate of return on these investments and the cash flows generated.

Other than the unsecured bank loan that we entered into in 2016 with Société Générale (of which the outstanding amount drawn at December 31, 2018 was €0.8 million), we have no other credit facilities. The repayment flows of the conditional advances from BPI France are not subject to interest rate risk.

Credit Risk

We believe that the credit risk related to our cash and cash equivalents is not significant in light of the quality of the financial institutions at which such funds are held.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Item 12. Description of Securities Other than Equity Securities.

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

The Bank of New York Mellon acts as the depositary for the American Depositary Shares. The Bank of New York Mellon's depositary offices are located at 101 Barclay Street, New York, N.Y. 10286. American Depositary Shares are frequently referred to as ADSs and represent ownership interests in securities that are on deposit with the depositary. Each ADS represents one ordinary share, nominal value €0.10 per share (or a right to receives one ordinary share). ADSs may be represented by certificates that are commonly known as American Depositary Receipts, or ADRs. The depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Société Générale.

We have appointed The Bank of New York Mellon as depositary pursuant to an amended and restated deposit agreement, which sets out the ADS holder rights as well as the rights and obligations of the depositary. A copy of the amended and restated deposit agreement is on file with the SEC under cover of a Registration Statement on Form F-6. You may obtain a copy of the amended and restated deposit agreement from the SEC's website (www.sec.gov). Please refer to Registration Number 333-201279 when retrieving such copy.

You may hold ADSs either (1) directly (a) by having an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by having uncertificated ADSs registered in your name in the Direct Registration System, or DRS, or (2) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in the Depository Trust Company, or DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

DRS is a system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

As an ADS holder, you will not be treated as one of our shareholders and you will not have shareholder rights. French law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. An amended and restated deposit agreement among us, the depositary and you, as an ADS holder, and all other persons directly and indirectly holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the amended and restated deposit agreement and the ADRs. In the event of any discrepancy between the ADRs and the amended and restated deposit agreement, the amended and restated deposit agreement governs.

Fees and Expenses

Pursuant to the terms of the amended and restated deposit agreement, the holders of our ADSs will be required to pay the following fees:

Persons depositing or withdrawing ordinary shares or ADSs must pay:	*For:*
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issue of ADSs, including issues resulting from a distribution of ordinary shares or rights • Cancellation of ADSs for the purpose of withdrawal, including if the amended and restated deposit agreement terminates
$0.05 (or less) per ADS	• Any cash distribution to you
A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the shares had been deposited for issue of ADSs	• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to you
$0.05 (or less) per ADS per calendar year	• Depositary services
Registration or transfer fees	• Transfer and registration of ordinary shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	• Cable (including SWIFT) and facsimile transmissions as expressly provided in the amended and restated deposit agreement • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, share transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges payable by the depositary, custodian or their agents in connection with the servicing of deposited securities	• As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide for-fee services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the amended and restated deposit agreement, the depositary may use brokers, dealers, foreign currency or other service providers that are affiliates of the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert foreign currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the amended and restated deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the amended and restated deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to holders of our ADSs, subject to the depositary's obligations under the amended and restated deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

We may agree with the depositary to amend the amended and restated deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges, registration fees, facsimile costs, delivery costs or other such expenses, or that would otherwise prejudice a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, ADS holders are considered, by continuing to hold their ADSs, to agree to the amendment and to be bound by the ADRs and the amended and restated deposit agreement as further amended.*

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the American Depositary Shares program, waive fees and expenses for services provided by the depositary or share revenue from the fees collected from owners or holders of our ADSs.

Payment of Taxes

ADS holders are responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of their ADSs. The depositary may refuse to register any transfer of an ADS holder's ADSs or allow an ADS holder to withdraw the deposited securities represented by an ADS holder's ADSs until such taxes or other charges are paid. It may apply payments owed to an ADS holder or sell deposited securities represented by an ADS holder's ADSs to pay any taxes owed and the ADS holder will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs registered in such ADS holder's name to reflect the sale and pay such ADS holder any net proceeds, or send such ADS holder any property, remaining after it has paid the taxes. Such ADS holder's obligation to pay taxes and indemnify us and the depositary against any tax claims will survive the transfer or surrender of such ADS holder's ADSs, the withdrawal of the deposited ordinary shares as well as the termination of the amended and restated deposit agreement.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Global Offering

In November 2017, we completed a global offering of an aggregate of 6,180,137 ordinary shares, including the full exercise of the underwriters' option to purchase 806,104 additional ordinary shares. The global offering consisted of a U.S. initial public offering of 5,389,021 ordinary shares in the form of American Depositary Shares, each representing one ordinary share, at an offering price of $23.26 per ADS and a concurrent private placement in Europe and other countries outside of the United States and Canada of 791,116 ordinary shares at an offering price of €20.00 per ordinary share for aggregate gross proceeds to us of approximately $143.7 million. The net offering proceeds to us, after deducting underwriting discounts and commissions and offering expenses, were approximately €112.1 million ($130.4 million). The offering commenced on November 6, 2017 and did not terminate before all of the securities registered in the registration statement were sold. The effective date of the registration statement, File No. 333-220867, for our global offering was November 9, 2017.

Jefferies LLC acted as global coordinator and joint book-runner for the global offering. Cowen and Company, LLC acted as joint book-runner and JMP Securities LLC acted as lead manager for the offering of ADSs in the United States. Oddo BHF SCA acted as joint book-runner for the private placement of ordinary shares in Europe.

The net proceeds from our global offering have been used, and are expected to continue to be used, as described in the final prospectus for the global offering filed with the U.S. Securities and Exchange Commission on November 13, 2017.

None of the net proceeds of our global offering were paid directly or indirectly to any director, officer, general partner of ours or to their associates, persons owning ten percent or more of any class of our equity securities, or to any of our affiliates.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (*principal executive officer*) and our chief financial officer and chief operating officer (*principal financial officer*), has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13(a) - 15(e) and 15(d) - 15(e) under the Securities Exchange Act of 1934, as amended), as of December 31, 2018. Based on such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2018 as a result of the material weaknesses described below. We are undertaking the remedial steps to address the material weaknesses in our disclosure controls and procedures as set forth below under "Management's Plan for Remediation of Current Material Weaknesses."

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our chief executive officer (*principal executive officer*) and chief financial officer and chief operating officer (*principal financial officer*), management conducted an assessment of our internal control over financial reporting based upon the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

In connection with this assessment, our management identified the following three material weaknesses in our internal control over financing reporting as of December 31, 2018:

Closing and Consolidation Process. We identified a material weakness related to the closing and consolidation process due to (a) an inadequate segregation of duties and a lack of resources, which did not allow some tasks to be adequately reviewed and (b) a lack of a consolidation tool, which led to difficulties in documenting an appropriate audit trail of entries made.

Monitoring of Research and Development Projects. We identified a material weakness related to the monitoring of research and development projects, as controls designed to track actual costs incurred compared to invoices received were not operating at a sufficient level of precision due to insufficient personnel with an appropriate level of knowledge and training in internal control over the complex processes.

Internal Controls of U.S. Subsidiary. We identified a material weakness related to the lack of sufficiently developed and documented internal controls for our U.S. subsidiary, ERYTECH Pharma Inc.

As a result of the material weaknesses described above, management concluded our internal control over financial reporting was not effective at the reasonable assurance level as of December 31, 2018.

Remediation of Previously Identified Material Weakness in Internal Control over Financial Reporting

Management previously identified a material weakness in our internal control over financial reporting that was identified in connection with the preparation of our financial results for the years ended December 31, 2016 and 2017. As a result of the remediation activities described below, as of December 31, 2018, management has concluded that the previously disclosed material weakness has been fully remediated.

The material weakness previously identified in our internal control over financial reporting related to the design and maintenance of controls over the operating effectiveness of information technology general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain effective controls over program change management, user access, including segregation of duties, or computer operations.

In response to the identified material weakness, we took a number of actions to improve our internal control over financial reporting during the year ended December 31, 2018, including the following:

- Finalized design and implementation of our financial control environment, including information technology general controls and controls over the maintenance of appropriate segregation of duties.
- Hired additional finance and accounting personnel with experience in accounting operations, financial controls and SEC reporting.
- Completed the implementation of a new enterprise resource planning system.
- Implemented formal disclosure controls and procedures.

Management's Plan for Remediation of Current Material Weaknesses

With the oversight of senior management and our audit committee, we continue to evaluate our internal control over financial reporting and are taking several remedial actions to address the three new material weaknesses that have been identified:

Closing and Consolidation Process.

- In February 2019, we reinforced our finance team with the hiring of a consolidation manager, who will be responsible for the consolidation process and will be supervised by the head of finance.
- In February 2019, we initiated a project to implement consolidation software to ensure a proper audit trail.

Monitoring of Research and Development Projects.

- Going forward, we plan to dedicate resources to the monitoring of specific research and development projects for which process level controls have not been considered as effective.

- We plan to provide additional training to employees whose job functions impact our control activities, including members of the research and development department, to ensure that our employees develop a greater understanding of the financial control environment in their specific activities.

Internal Controls of U.S. Subsidiary

- We are in the process of defining the appropriate organization model and hiring a head of finance in the United States and a financial controller who have the appropriate experience, certification, education, and training in financial reporting, accounting and internal control.
- We plan to design and implement a controls framework for all key processes for our U.S. subsidiary, using our framework in France as a model and rolling it out to the United States, to ensure that identified process-level risks are mitigated.

Notwithstanding the material weaknesses, our management has concluded that the financial statements included elsewhere in this Annual Report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with IFRS.

If we fail to fully remediate the material weaknesses or fail to maintain effective internal controls in the future, it could result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis, which could cause investors to lose confidence in our financial information or cause our stock price to decline. Our independent registered public accounting firm has not assessed the effectiveness of our internal control over financial reporting, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of our registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for emerging growth companies.

Changes in Internal Control over Financial Reporting

Other than the material weaknesses and remediation activities described above, there were no changes in our internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. Reserved.

Not applicable.

Item 16A. Audit Committees Financial Expert.

Our board of directors has determined that Ms. Windels is an audit committee financial expert as defined by SEC rules and regulations and each of the members of our board of directors has the requisite financial sophistication under the applicable rules and regulations of the Nasdaq Stock Market. Ms. Windels is independent as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of the Nasdaq Stock Market.

Item 16B. Code of Business Conduct and Ethics.

We have adopted a Code of Business Conduct and Ethics, or the Code of Ethics, that is applicable to all of our employees, executive officers and directors. A copy of the Code of Ethics is available on our website at *www.erytech.com*. The audit committee of our board of directors is responsible for overseeing the Code of Ethics and must approve any waivers of the Code of Ethics for employees, executive officers and directors. We expect that any amendments to the Code of Ethics, or any waivers of its requirements, will be disclosed on our website.

Item 16C. Principal Accountant Fees and Services.

KPMG S.A., or KPMG, has served as our independent registered public accounting firm for 2017 and 2018. Our accountants billed the following fees to us for professional services in each of those fiscal years, all of which were approved by our audit committee:

	Year Ended December 31,	
	2017	2018
	(in thousands of €)	
Audit Fees	211	253
Audit-Related Fees	30	—
All Other Fees	254	—
Total	495	253

"Audit Fees" are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that KPMG provides, such as consents and assistance with and review of documents filed with the SEC.

"Audit-Related Fees" are the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit and are not reported under Audit Fees.

"All Other Fees" are additional amounts billed for products and services provided by KPMG in particular fees billed for assurance and related services regarding our November 2017 global offering.

There were no "Tax Fees" billed or paid during 2017 or 2018.

Audit and Non-Audit Services Pre-Approval Policy

The audit committee has responsibility for appointing, setting compensation of and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the audit committee has adopted a policy governing the pre-approval of all audit and permitted non-audit services performed by our independent registered public accounting firm to ensure that the provision of such services does not impair the independent registered public accounting firm's independence from us and our management. Unless a type of service to be provided by our independent registered public accounting firm has received general pre-approval from the audit committee, it requires specific pre-approval by the audit committee. The payment for any proposed services in excess of pre-approved cost levels requires specific pre-approval by the audit committee.

Pursuant to its pre-approval policy, the audit committee may delegate its authority to pre-approve services to the chairperson of the audit committee. The decisions of the chairperson to grant pre-approvals must be presented to the full audit committee at its next scheduled meeting. The audit committee may not delegate its responsibilities to pre-approve services to the management.

The audit committee has considered the non-audit services provided by KPMG as described above and believes that they are compatible with maintaining KPMG's independence as our independent registered public accounting firm.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

As a French *société anonyme*, we are subject to various corporate governance requirements under French law. In addition, as a foreign private issuer listed on the Nasdaq Global Select Market, we are subject to Nasdaq corporate governance listing standards. However, the corporate governance standards provide that foreign private issuers are permitted to follow home country corporate governance

practices in lieu of Nasdaq rules, with certain exceptions. We currently rely on these exemptions for foreign private issuers and follow French corporate governance practices in lieu of the Nasdaq corporate governance rules, which would otherwise require that (1) a majority of our board of directors consist of independent directors; (2) we establish a nominating and corporate governance committee; and (3) our remuneration committee be composed entirely of independent directors.

The following are the significant ways in which our corporate governance practices differ from those required for U.S. companies listed on Nasdaq:

As a foreign private issuer, we are required to comply with Rule 10A-3 of the Exchange Act, relating to audit committee composition and responsibilities. Rule 10A-3 provides that the audit committee must have direct responsibility for the nomination, compensation and choice of our auditors, as well as control over the performance of their duties, management of complaints made, and selection of consultants. However, if the laws of a foreign private issuer's home country require that any such matter be approved by the board of directors or the shareholders, the audit committee's responsibilities or powers with respect to such matter may instead be advisory. Under French law, the audit committee may only have an advisory role and appointment of our statutory auditors, in particular, must be decided by the shareholders at our annual meeting.

In addition, Nasdaq rules require that a listed company specify that the quorum for any meeting of the holders of common stock be at least 33 $^1/_3$% of the outstanding shares of the company's voting stock. Consistent with French law, our bylaws provide that a quorum requires the presence of shareholders having at least (1) 20% of the shares entitled to vote in the case of an ordinary shareholders' general meeting or at an extraordinary shareholders' general meeting where shareholders are voting on a capital increase by capitalization of reserves, profits or share premium, or (2) 25% of the shares entitled to vote in the case of any other extraordinary shareholders' general meeting. If a quorum is not present, the meeting is adjourned. There is no quorum requirement when an ordinary general meeting is reconvened, but the reconvened meeting may consider only questions which were on the agenda of the adjourned meeting. When an extraordinary general meeting is reconvened, the quorum required is 20% of the shares entitled to vote, except where the reconvened meeting is considering capital increases through capitalization of reserves, profits or share premium. For these matters, no quorum is required at the reconvened meeting. If a quorum is not present at a reconvened meeting requiring a quorum, then the meeting may be adjourned for a maximum of two months.

Item 16H. Mine Safety Disclosure.

Not applicable.

PART III

Item 17. Financial Statements.

See the financial statements beginning on page F-1 of this Annual Report.

Item 18. Financial Statements.

Not applicable.

Item 19. Exhibits.

The exhibits listed below are filed as exhibits to this Annual Report.

EXHIBIT INDEX

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date
1.1	Bylaws (*statuts*) of the registrant (English translation)	20-F	001-38281	1.1	April 24, 2018
2.1	Amended and Restated Deposit Agreement	20-F	001-38281	2.1	April 24, 2018
2.2	Form of American Depositary Receipt (included in Exhibit 2.1)	20-F	001-38281	2.2	April 24, 2018
4.1	Lease Agreement by and between the registrant and PFO2 SCPI (represented by PERIAL Asset Management SASU), dated June 9, 2015 (English translation)	F-1	333-220867	10.1	October 6, 2017
4.2	Addendum #1 to the Lease Agreement by and between the registrant and PF02 SCPI (represented by PERIAL Asset Management SASU), dated December 30, 2016 (English translation)	F-1	333-220867	10.2	October 6, 2017
4.3	Lease Agreement by and between the registrant and EUROGAL, dated December 6, 2017 (English Translation)	20-F	001-38281	4.3	April 24, 2018
4.4*	Lease by and between the registrant and 104 Campus Drive LLC, dated April 27, 2018				
4.5#	Exclusive License and Distribution Agreement by and between the registrant and Orphan Europe, dated as of November 22, 2012, First Amendment to the Exclusive License and Distribution Agreement, dated as of February 22, 2013 and Second Amendment to the Exclusive License and Distribution Agreement, dated as of August 4, 2014	F-1	333-220867	10.3	October 6, 2017
4.6#	Addendum #3 to the Exclusive License and Distribution Agreement by and between the registrant and Orphan Europe, dated July 21, 2016	F-1	333-220867	10.4	October 6, 2017
4.7#	Exclusive Distribution Agreement by and between the registrant and Abic Marketing Limited, dated as of March 28, 2011	F-1	333-220867	10.5	October 6, 2017
4.8#	Exclusive Supply Agreement for L-asparaginase by and between the registrant and medac GmbH, dated as of December 12, 2008 and Addendum #1 to the Exclusive Supply Agreement for L-Asparaginase, dated August 19, 2009	F-1	333-220867	10.6	October 6, 2017
4.9#	Exclusive Supply Agreement for recombinant L-asparaginase by and between the registrant and medac GmbH, dated as of May 3, 2011 and Addendum #1 to the Exclusive Supply Agreement for recombinant L-asparaginase, dated April 4, 2014	F-1	333-220867	10.7	October 6, 2017
4.10	Addendum #2 to the Exclusive Supply Agreement for L-asparaginase by and between the registrant and medac GmbH, dated July 25, 2016	F-1	333-220867	10.8	October 6, 2017
4.11#	Addendum #2 to the Exclusive Supply Agreement for recombinant L-asparaginase by and between the registrant and medac GmbH, dated July 25, 2016	F-1	333-220867	10.9	October 6, 2017
4.12#	Patent License Agreement by and between the registrant and the Public Health Service, dated as of June 19, 2012	F-1	333-220867	10.10	October 6, 2017
4.13†	Form of indemnification agreement between the registrant and each of its executive officers and directors	F-1	333-220867	10.11	October 6, 2017
4.14†	Summary of BSA Plans	F-1	333-220867	10.12	October 6, 2017
4.15†	Summary of BSPCE Plans	F-1	333-220867	10.13	October 6, 2017
4.16†	2016 Share Option Plan (English translation)	F-1	333-220867	10.14	October 6, 2017
4.17†	2016 Free Share Plan (English translation)	F-1	333-220867	10.15	October 6, 2017
4.18†	2017 Share Option Plan (English translation)	S-8	333-222673	99.5	January 24, 2018
4.19†	2017 Free Share Plan (English translation)	S-8	333-222673	99.6	January 24, 2018
4.20*†	2018 Share Option Plan (English translation)				
4.21*†	2018 Free Share Plan (English translation)				

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date
8.1	List of subsidiaries of the registrant	F-1	333-220867	21.1	October 6, 2017
12.1*	Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
12.2*	Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
13.1**	Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
15.1*	Consent of KPMG S.A.				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				

* Filed herewith.
** Furnished herewith.
† Indicates a management contract or any compensatory plan, contract or arrangement.
# Confidential treatment has been granted from the Securities and Exchange Commission as to certain portions of this document.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Erytech Pharma S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Erytech Pharma S.A. and subsidiary (the Company) as of December 31, 2018, 2017 and 2016, the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2004.

Lyon, France

KPMG Audit

A division of KPMG S.A.

/s/ Sara Righenzi de Villers
Sara Righenzi de Villers
Partner

March 28, 2019

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Amounts in thousands of euros, except loss per share)	Notes	Year ended December 31, 2016	2017	2018
		€	€	€
Operating income				
Revenues				
Other income	**5.1**	4,138	3,364	4,447
Total operating income	**5.1**	**4,138**	**3,364**	**4,447**
Operating expenses				
Research and development expenses	**5.2, 5.3**	(19,720)	(25,463)	(33,468)
General and administrative expenses	**5.2, 5.3**	(6,808)	(8,791)	(14,600)
Total operating expenses		**(26,528)**	**(34,254)**	**(48,068)**
Operating loss		**(22,390)**	**(30,889)**	**(43,621)**
Financial income	**5.5**	558	539	5,427
Financial expenses	**5.5**	(70)	(3,183)	(29)
Financial income		**488**	**(2,644)**	**5,399**
Income tax	**5.6**	(10)	3	(2)
Net loss		**(21,913)**	**(33,530)**	**(38,224)**
Basic / Diluted loss per share (€/share)	**6.7**	**(2.74)**	**(2.95)**	**(2.13)**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Amounts in thousands of euros)	Year ended December 31,		
	2016	2017	2018
	€	€	€
Net loss	**(21,913)**	**(33,530)**	**(38,224)**
Elements that may be reclassified subsequently to income (loss)			
Foreign subsidiary – Currency translation adjustment	21	(38)	15
Elements that may not be reclassified subsequently to income (loss)			
Actuarial gains or losses on defined benefits liability	(30)	8	(60)
Tax effect	10	(3)	3
Other comprehensive income (loss)	**1**	**(33)**	**(42)**
Total comprehensive loss	**(21,912)**	**(33,563)**	**(38,266)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands of euros)	Notes	As of December 31, 2016	December 31, 2017	December 31, 2018
		€	€	€
ASSETS				
Non-current assets				
Intangible assets	**6.1**	57	53	1,613
Property, plant and equipment	**6.2**	2,245	3,406	15,274
Other non-current financial assets	**6.3**	132	234	1,046
Total non-current assets		**2,434**	**3,693**	**17,933**
Current assets				
Inventories	**6.4**	145	176	1,396
Trade and other receivables	**6.5**	218	76	30
Other current assets	**6.6**	4,524	5,791	14,111
Cash and cash equivalents	**6.7**	37,646	185,525	134,371
Total current assets		**42,533**	**191,568**	**149,907**
TOTAL ASSETS		**44,967**	**195,261**	**167,840**

(Amounts in thousands of euros)	Notes	As of December 31, 2016	December 31, 2017	December 31, 2018
		€	€	€
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Share capital		873	1,794	1,794
Premiums related to share capital		105,090	281,745	281,745
Reserves		(48,247)	(68,386)	(99,524)
Translation reserve		(165)	(203)	(188)
Net loss for the period		(21,913)	(33,530)	(38,224)
Total shareholders' equity	**6.8**	**35,638**	**181,419**	**145,602**
Non-current liabilities				
Long-term provisions	**6.9**	163	214	347
Financial liabilities – non-current portion	**6.10**	2,816	2,019	1,243
Deferred tax		3	3	0
Total Non-current liabilities		**2,982**	**2,236**	**1,590**
Current liabilities				
Financial liabilities – current portion	**6.10**	50	824	776
Trade and other payables	**6.11**	4,832	8,076	16,655
Other current liabilities	**6.12**	1,465	2,706	3,217
Total current liabilities		**6,347**	**11,606**	**20,648**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**44,967**	**195,261**	**167,840**

CONSOLIDATED STATEMENTS OF CASH FLOW

(Amount in thousands of euros)	Notes	Year ended December 31,		
		2016	2017	2018
		€	€	€
Cash flows used in operating activities				
Net loss		(21,913)	(33,530)	(38,224)
Reconciliation of net loss and the cash used for operating activities				
Gain or loss on exchange (calculated)		0	3,159	(3,981)
Amortization and depreciation	**6.1 , 6.2**	425	532	797
Provision – non-current portion	**6.9**	31	57	73
Expenses related to share-based payments	**5.3**	1,178	1,769	2,449
Interest expense		13	23	4
Income tax expense	**5.6**	10	(3)	2
Change in trade and payables in foreign currency		—	(38)	15
Operating cash flow before change in working capital		**(20,255)**	**(28,031)**	**(38,864)**
(Increase) decrease in inventories	**6.4**	21	(31)	(1,219)
(Increase) decrease in trade and other receivables		206	142	47
(Increase) decrease in other current assets	**6.5**	1,181	(1,266)	(8,321)
Increase (decrease) in trade and other payables	**6.11**	1,160	3,243	8,579
Increase (decrease) in other current liabilities	**6.12**	154	1,241	508
Increase (decrease) in provisions - current portion		(81)	—	—
Change in working capital		**2,641**	**3,329**	**(407)**
Net cash flow used in operating activities		**(17,614)**	**(24,702)**	**(39,270)**
Cash flows used in investing activities				
Acquisition of property, plant and equipment	**6.2**	(1,726)	(1,664)	(14,222)
Acquisitions of intangible assets	**6.1**	(25)	(25)	(3)
Acquisition of other non-current financial assets	**6.3**	(40)	(102)	(812)
Disposal of property, plant and equipment	**6.2**	—	—	—
Disposal of non-current financial assets	**6.3**	5	—	—
Net cash flow used in investing activities		**(1,786)**	**(1,791)**	**(15,037)**
Cash flows from (used in) financing activities				
Capital increases, net of transaction costs		9,239	177,576	—
Proceeds from borrowings		2,717	421	—
Repayment of borrowings		(563)	(452)	(818)
Treasury shares		—	—	—
Net cash flow from (used in) financing activities		**11,393**	**177,545**	**(818)**
Change rate effect on cash in foreign currency		19	(3,183)	3,981
Increase / Decrease in cash and cash equivalents		**(7,988)**	**147,869**	**(51,144)**
Net cash and cash equivalents at the beginning of the period	**6.7**	45,634	37,646	185,514
Net cash and cash equivalents at the closing of the period	**6.7**	37,646	185,514	134,371
Supplemental disclosure of cash flows information				
Cash paid for interest		72	115	14
Cash paid for income tax		—	—	—

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amount in thousands of euros, except number of shares)	Amount	Premiums related to the share capital	Reserves	Translation reserve	Net (income) loss	Total shareholders' equity
At January 1, 2016	**792**	**95,932**	**(34,578)**		**(15,013)**	**47,133**
Net loss for the period					(21,913)	(21,913)
Other comprehensive income			166	(165)		1
Total comprehensive income (loss)			**166**	**(165)**	**(21,913)**	**(21,912)**
Allocation of prior period loss			(15,013)		15,013	
Issue of ordinary shares (1)	81					81
Additional paid in capital (1)		9,158				9,158
Share-based payment			1,178			1,178
At December 31, 2016	**873**	**105,090**	**(48,247)**	**(165)**	**(21,913)**	**35,638**
Net loss for the period					(33,530)	(33,530)
Other comprehensive income			5	(38)		(33)
Total comprehensive income (loss)			**5**	**(38)**	**(33,530)**	**(33,563)**
Allocation of prior period loss			(21,913)		21,913	
Issue of ordinary shares (2)	921					921
Additional paid in capital (2)		176,655				176,655
Share-based payment			1,769			1,769
At December 31, 2017	**1,794**	**281,745**	**(68,386)**	**(203)**	**(33,530)**	**181,419**
Net loss for the period					(38,224)	(38,224)
Other comprehensive income			(58)	15		(42)
Total comprehensive income (loss)	**—**	**—**	**(58)**	**15**	**(38,224)**	**(38,266)**
Allocation of prior period loss			(33,530)		33,530	—
Issue of ordinary shares	0	(0)				0
Share-based payment			2,449			2,449
At December 31, 2018	**1,794**	**281,745**	**(99,524)**	**(188)**	**(38,224)**	**145,602**

(1) Fundraising in December 2016 for a total amount (net of transaction costs) of €9 million.

(2) Fundraising in April 2017 for a total amount (net of transaction costs) of €65 million and global underwritten offering as part of the Company's U.S. initial public offering in November 2017 for a total amount (net of transaction costs) of €112 million.

The notes are an integral part of the accompanying consolidated financial statements. The Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors of the Company on March 8, 2019.

1. Description of the business

ERYTECH Pharma S.A. ("**ERYTECH**," and together with its subsidiary the "**Company**") is incorporated in Lyon, France, and was founded in 2004 to develop and market innovative red blood cell-based therapeutics for cancer and orphan diseases. The Company's most advanced product candidates are being developed for the treatment of pancreatic cancer.

The Company completed its initial public offering on Euronext Paris in May 2013, raising €17.7 million and a follow-on offering of €30.0 million (on a gross basis before deducting offering expenses), in October 2014. The initial public offering triggered the conversion of the totality of the convertible bonds previously issued. Two private placements of respectively 940,000 ordinary and 793,877 ordinary shares for €25.4 million and €9.9 million (on a gross basis before deducting offering expenses) were completed in December 2015 and 2016 with institutional investors in the United States and in Europe. In April 2017, the Company completed a follow-on offering of €70.5 million (on a gross basis before deducting offering expenses). The Company completed an initial public offering on the Nasdaq Global Select Market raising €124 million ($144 million on a gross basis before deducting offering expenses).

The Company has incurred losses and negative cash flows from operations since its inception and had shareholders' equity of €145,602 thousand as at December 31, 2018 as a result of several financing rounds, including an initial public offering. The Company anticipates incurring additional losses until such time, if ever, that it can generate significant revenue from its product candidates in development. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its product candidates.

The Company's future operations are highly dependent on a combination of factors, including: (i) the success of its research and development; (ii) regulatory approval and market acceptance of the Company's proposed future products; (iii) the timely and successful completion of additional financing; and (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies. As a result, the Company is and should continue, in the short to mid-term, to be financed through partnership agreements for the development and commercialization of its drug candidates and through the issuance of new debt or equity instruments.

The accompanying consolidated financial statements and related notes (the "**Consolidated Financial Statements**") present the operations of ERYTECH Pharma S.A. and its subsidiary, ERYTECH Pharma, Inc., incorporated in April 2014, which headquarters are in Cambridge, Massachusetts – United States of America.

Major events of 2018

Business

February 2018:

- The Company announced the selection of triple negative breast cancer as the next target indication for broadening the scope of eryaspase (GRASPA®) development in solid tumors.

April 2018:

- Presentation of the full results from the U.S. Phase 1 clinical trial evaluating eryaspase (GRASPA®) in combination with chemotherapy for the treatment of acute lymphoblastic leukemia (ALL) and pre-clinical data on the erymethionase program.

June 2018:

- The Company presented pharmacodynamic characterization data from its Phase 2/3 clinical trial of eryaspase (GRASPA®) in combination with chemotherapy for the treatment of relapsed ALL.

- The Company presented preclinical data on the enzymatic activity of eryaspase (GRASPA®) for the treatment of relapsed ALL and results of the Phase 2b clinical trial evaluating eryaspase (GRASPA®) for the treatment of acute myeloid leukemia (AML).
- The Company announced that it will focus its development efforts for the product candidate eryaspase on the potential treatment of selected solid tumor indications. The Company also announced its plans to cease the development program for eryaspase in ALL, including the withdrawal of its previously submitted European MAA for eryaspase for the treatment of relapsed and refractory ALL.
- The Company signed a lease agreement in order to establish a manufacturing facility in the United States (Princeton, New Jersey).

September 2018:

- The Company announced that the first three patients were enrolled in the pivotal Phase 3 clinical trial, named TRYbeCA1, evaluating the lead product candidate eryaspase for the treatment of second-line metastatic pancreatic cancer.

November 2018:

- The Company announced a strategic partnership with New York Blood Center (NYBC) for red blood cell (RBC) supply and research, enabling the Company to diversify and broaden its supply of RBC source materials for the production of eryaspase and future product candidates derived from its proprietary ERYCAPS® platform as the Company ramps up clinical development.

Management

January 2018:

- Grant of 40,500 warrants to members of the board of directors, 97,203 stock options (of which 40,500 to executives and 56,703 to employees) and 154,440 free shares (of which 67,500 to executives and 86,940 to employees).

May 2018:

- The Company strengthened its executive team with the appointment of Alex Dusek as Vice President of Commercial Strategy. Mr. Dusek brings 25 years of experience in market access, product marketing and sales across small biotech start-ups and multi-national pharmaceutical companies.

September 2018:

- Grant of 24,000 stock options to executives.

Major events of 2017

April 2017:

- The Company completed a private placement of 3,000,000 ordinary shares with investors in the United States and Europe, for total gross proceeds of approximately €70.5 million.

November 2017:

- The Company completed an underwritten global offering of an aggregate of 6,180,137 ordinary shares, including the full exercise of the underwriters' options to purchase additional shares, for gross proceeds of $144 million. The global offering consisted of a U.S. initial public offering of 5,389,021 American Depositary Shares, each representing one ordinary share and a concurrent private placement in Europe and other countries outside of the United States and Canada of 791,116 ordinary shares. The net proceeds from the global offering were approximately €112 million ($130 million).

Major events of 2016

December 2016:

- The Company completed a private placement of 793,877 ordinary shares with investors in the United States and Europe, for total gross proceeds of approximately €10 million.

2. Basis of preparation

The Consolidated Financial Statements as of December 31, 2016, 2017 and 2018 have been prepared under the responsibility of the management of the Company in accordance with the underlying assumptions of going concern as the Company's loss-making situation is explained by the innovative nature of the products developed, therefore involving a multi-year research and development phase.

The general accounting conventions were applied in compliance with the principle of prudence, in accordance with the underlying assumptions namely (i) going concern, (ii) permanence of accounting methods from one year to the next and (iii) independence of financial years, and in conformity with the general rules for the preparation and presentation of consolidated financial statements in accordance with IFRS, as defined below.

All amounts are expressed in thousands of euros, unless stated otherwise.

3. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board ("**IASB**") and were approved and authorized for issuance by the Board of Directors of the Company on March 8, 2019.

Due to the listing of ordinary shares of the Company on Euronext Paris and in accordance with the European Union's regulation No. 1606/2002 of July 19, 2002, the Consolidated Financial Statements of the Company are also prepared in accordance with IFRS, as adopted by the European Union (EU).

As of December 31, 2018, all IFRS that the IASB had published and that are mandatory are the same as those endorsed by the EU and mandatory in the EU. As a result, the Consolidated Financial Statements comply with International Financial Reporting Standards as published by the IASB and as adopted by the EU.

IFRS include International Financial Reporting Standards (IFRS), International Accounting Standards ("**IAS**"), as well as the interpretations issued by the Standing Interpretations Committee ("**SIC**"), and the International Financial Reporting Interpretations Committee ("**IFRIC**"). The main accounting methods used to prepare the Financial Statements are described below. These methods were used for all periods presented.

The Company adopted the following standards, amendments and interpretations that are applicable as at January 1, 2018:

- IFRS 15 – Revenue from contracts with customers;
- Clarifications to IFRS 15;
- IFRS 9 – Financial instruments;
- IFRIC 22 – Foreign currency transactions and advance consideration;
- Amendments to IFRS 2 - Classification and measurement of share-based payment transactions;
- Amendments to IFRSs 2014-2016 - Cycle, for amendments effective for annual periods beginning on or after January 1, 2018.

These new texts did not have any significant impact on the Company's results or financial position.

The standards and interpretations that are optionally applicable as at December 31, 2018 were not applied in advance.

Recently issued accounting pronouncements that may be relevant to the Company's operations but have not yet been adopted are as follows:

- IFRS 16 - Leases;
- IFRIC 23 – Uncertainty over income tax treatments;
- Amendments to IFRS 9 – Prepayment features with negative compensation;
- Amendments to IAS 28 – Long term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

The Company does not anticipate any significant impact on its financial statements from the first-time adoption of these new standards, with the exception of IFRS 16. IFRS 16 eliminates the distinction between operating leases and finance leases and requires all leases to be recognized on the lessee's balance sheet, in the form of an asset (representing the right to use the rented asset during the duration of the contract) and of a liability (corresponding to the future lease payments). The standard will also impact the presentation of the income statement (allocation of expense between operating loss and financial charges) and of the cash flow statement (allocation of cash outflows between cash flow from operating activities and cash flow from financing activities).

The Company expects that it will apply the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the transition date (January 1, 2019). At the day of approval of the consolidated financial statements, the Company estimates that the first application of IFRS 16 will lead to an increase of the financial liabilities of the Company of approximately €7 million as of January 1, 2019. These estimates may be revised in light of the ongoing changes of premises both in France and in the United States.

4. Significant accounting policies

4.1 Basis of consolidation

In accordance with IFRS 10 *Consolidated Financial Statements (*"**IFRS 10**"), an entity is consolidated when it is controlled by the Company. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intra-company balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. As of December 31, 2018, the Company has one subsidiary for which no non-controlling interest is recognized.

Details of the Company's subsidiary as of December 31, 2018 are as follows:

	Date of Incorporation	Percent of Ownership Interest	Accounting Method
ERYTECH Pharma, Inc.	April 2014	100%	Fully consolidated

4.2 Intercompany transactions

Transactions involving reciprocal assets and liabilities, as well as income and expense, between ERYTECH and ERYTECH Pharma, Inc. are eliminated in the Consolidated Financial Statements.

4.3 Foreign currencies

Functional Currency and Translation of Financial Statements into Presentation Currency

The Consolidated Financial Statements are presented in euros, which is also the functional currency of the parent company, ERYTECH Pharma S.A. (the "**Parent Company**"). The statements of financial position of the consolidated entity having a functional currency different from the euro are translated into euros at the closing exchange rate (spot exchange rate at the statement of financial position date) and the statements of income (loss), statements of comprehensive income (loss) and statements of cash flow of such consolidated entity are translated at the average exchange rate for the period, except if exchanges rates fluctuate significantly. The resulting translation adjustment is included in other comprehensive income (loss) as a cumulative translation adjustment.

Conversion of Foreign Currency Transactions

Foreign currency transactions are converted to functional currency (euros) at the rate of exchange applicable on the transaction date. At period-end, foreign currency monetary assets and liabilities are converted at the rate of exchange prevailing on that date. The resulting exchange gains or losses are recorded in the Consolidated Statements of Income in "Financial income (loss)".

The loan in U.S. dollars from the Parent Company to ERYTECH Pharma, Inc. is considered as part of the net investment in a foreign operation. Exchange differences on this loan are recognized in other comprehensive income.

4.4 Consolidated statements of cash flows

The consolidated statements of cash flows are prepared using the indirect method and separately present the cash flows associated with operating, investment, and financing activities.

Operating activities correspond to the Company primary income-generating activities and all the other activities that do not meet the investment or financing criteria. The Company has decided to classify grants received such as the Research Tax Credit (*Credit d'Impôt Recherche*) as an operating activity in the consolidated statement of cash flows.

Cash flows associated with investment activities correspond to cash flows associated with the purchase of property, plant and equipment, net of asset supplier payables, and with the disposal of assets and other investments.

Financing activities are operations that result in changes in the amount and composition of the share capital and borrowings of the entity. Capital increases and the obtaining or repayment of loans are classified under this category. The Company has chosen to classify the conditional advances under this category.

The increases in assets and liabilities with non-cash effects are eliminated. As such, the assets financed through a finance lease are not included in the investments for the period presented. The decrease in financial liability associated with leases is therefore included under the caption 'repayment of borrowings' for the period.

4.5 Use of estimates and judgments

Preparation of the financial statements in accordance with the rules prescribed by the IFRS requires the use of estimates and the formulation of assumptions having an impact on the financial statements. 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 use of estimates and judgment relate primarily to the measurement of share-based payments (Note 4.15 and Note 5.3).

4.6 Intangible assets

Internally generated intangible assets – Research and development costs

In accordance with IAS 38 *Intangible Assets* ("**IAS 38**"), research expenditures are expensed in the period during which they are incurred.

An internally generated intangible asset relating to a development project is recorded as an asset if, and only if, the following criteria are met:

(a) it is technically feasible to complete the development project;

(b) intention on the part of the Company to complete the project and to utilize it;

(c) capacity to utilize the intangible asset;

(d) proof of the probability of future economic benefits associated with the asset;

(e) availability of the technical, financial, and other resources for completing the project; and

(f) reliable evaluation of the development expenses.

The initial measurement of the asset is the sum of expenses incurred starting on the date on which the development project meets the above criteria.

Because of the risks and uncertainties related to regulatory authorizations and to the research and development process, the Company believes that the six criteria stipulated by IAS 38 have not been fulfilled to date and the application of this principle has resulted in all development costs being expensed as incurred in all periods presented.

Other intangible assets

Other intangible assets are recorded at their acquisition cost plus costs directly attributable to the preparation of the asset for its intended use.

Other intangible assets mainly comprised costs of modeling studies of a new production process and costs of acquisition of software licenses.

As the new production process relates to equipment that is not yet constructed, the amortization will begin on the date the equipment will be available for use (i.e. when it is in the location and condition necessary for it to be capable of operating). In the meantime, an impairment test will be performed (see Note 4.8).

Intangible assets with a finite life are amortized on the basis of the straight-line method over their estimated useful life.

Intangible assets Item	Amortization period
Software	1 to 5 years

4.7 Property, plant and equipment

Property, plant and equipment are recorded at their acquisition cost, comprised of their purchase price and all the direct costs incurred to bring the asset to the location and working condition for its use as intended by the company's management.

Property, plant, and equipment are depreciated on the basis of the straight-line method over the estimated useful life of the property. The fixtures of property rented are depreciated over the term of their own lifetime or of the term of the rental agreement, whichever is shorter.

The depreciation periods used are the following:

PROPERTY, PLANT, AND EQUIPMENT ITEM	DEPRECIATION PERIOD
Industrial equipment	1 to 5 years
Fixtures and improvements in structures	3 to 10 years
Office equipment	3 years
Furniture	3 to 5 years

The useful lives of property, plant and equipment as well as any residual values are reviewed at each year end and, in the event of a significant change, result in a prospective revision of the depreciation pattern.

4.8 Impairment tests

According to IAS 36 *Impairment of Assets* ("**IAS 36**"), a loss in value must be recognized where the carrying value of an asset, or the cash generating unit to which the asset belongs (if it is not possible to estimate the recoverable amount of the individual asset), is lower than its recoverable value. The recoverable value of an asset corresponds to its fair value less costs to sell or its value in use, whichever is higher.

The property, plant, and equipment and intangible assets that have a finite life are subject to an impairment test when the recoverability of their carrying value is called into question by the existence of indications of impairment.

The intangible assets that are not amortized are tested for impairment at the end of the period in which they are acquired, subsequently annually and whenever there is an indication that the intangible asset may be impaired.

An impairment is recognized in the Consolidated Financial Statements up to the amount of the excess of the value over the recoverable value of the asset.

4.9 Financial assets and liabilities – Measurement and Presentation

The valuation and the accounting treatment of the financial assets and liabilities are defined by IFRS 9 *Financial Instruments* ("**IFRS 9**").

Receivables

These instruments are initially recognized in the Consolidated Financial Statements at their fair value and then at the amortized cost calculated with the effective interest rate ("**EIR**") method. Trade receivables without a significant financing component are measured at their transaction price.

The Company recognizes loss allowances for expected credit losses ("**ECL**"), which, for trade receivables and contract assets, are measured at an amount equal to lifetime ECLs that result from all possible default events over their expected life. Loss allowances are deducted from the gross amounts of the assets.

Financial liabilities at the amortized cost

Loans and other financial liabilities are initially measured at their fair value less transaction costs directly attributable, and then at the amortized cost, calculated using the EIR method.

Presentation of financial assets and financial liabilities measured at fair value

In accordance with IFRS 13 *Fair Value Measurement* ("**IFRS 13**"), financial instruments are presented in three categories based on a hierarchical method used to determine their fair value:

- Level 1: fair value calculated using quoted prices in an active market for identical assets and liabilities;
- Level 2: fair value calculated using valuation techniques based on observable market data such as prices of similar assets and liabilities or parameters quoted in an active market;
- Level 3: fair value calculated using valuation techniques based wholly or partly on unobservable inputs such as prices in an inactive market or a valuation based on multiples for unlisted securities.

4.10 Inventories

In compliance with the IAS 2 *Inventories* ("**IAS 2**"), inventories are recognized at their cost or at their net realizable value, whichever is lower. Cost is determined on a *First-In First-Out* (FIFO) cost basis. Management periodically reviews the inventory for obsolescence and adjusts as necessary.

4.11 Cash and cash equivalents

The item "cash and cash equivalents" in the consolidated statement of financial position includes bank accounts and highly liquid securities. They are readily convertible into a known amount of cash and are subject to a negligible risk of change in value.

The cash equivalents classification is made if the following criteria are fulfilled:

- held for the purpose of meeting short term cash commitments rather than for investment or other purposes.
- exit options exist:
  - exercisable at any time at least every three months
  - initially included in the contract and this exit option is always provided in the initial contract
  - exercisable without exit penalty and without significant risk of change in the amount received as cash reimbursement
- there is no value risk related to the level of minimum compensation acquired (i.e. that obtained in the event of early exit) because over the entire duration and at each moment this remuneration will be identical to that obtained from an investment of

no more than three months that meets the definition of a cash equivalent. This can be the case when the rate is variable or revisable.

They are recorded as assets in cash equivalents, measured at their fair value, and the changes in value are recognized through financial income or loss.

4.12 Provisions

A provision is recognized where the Company has a current or implicit legal obligation resulting from a past event, where the obligation can be reliably estimated, and where it is probable that an outflow of resources representing economic benefits will be necessary to settle the obligation. The portion of a provision that become due in less than one year is recorded under current liabilities, and the balance under non-current liabilities. The provisions are discounted when the impact is material.

Provisions recognized in the consolidated statement of financial position mainly include obligations pertaining to retirement indemnities and provisions for risks.

Disclosure is made in the detailed notes on any contingent assets and liabilities where the impact is expected to be material, except where the probability of occurrence is low.

Provisions for retirement indemnities—defined benefit plans

The employees of the Company receive the retirement benefits stipulated by law in France:

- a compensation paid by the Company to employees upon their retirement (defined-benefit plan) and;
- a payment of retirement pensions by the social security agencies, which are financed by the contributions made by companies and employees (defined contribution plans in France).

For the defined-benefit plans, the costs of the retirement benefits are estimated by using the projected credit unit method. According to this method, the cost of the retirement benefit is recognized in the statement of income (loss) so that it is distributed uniformly over the term of the services of the employees. The retirement benefit commitments are valued at the current value of the future payments estimated using, for discounting, the market rate for high quality corporate bonds with a term that corresponds to the estimated term for the payment of the benefits.

The difference between the amount of the provision at the beginning of a period and at the close of that period is recognized through profit or loss for the portion representing the costs of services rendered and the net interest costs, and through other comprehensive income for the portion representing the actuarial gains and losses.

The Company’s payments for the defined-contribution plans are recognized as expenses on the statement of income (loss) of the period in which they become payable.

Provisions for risks

The provisions for risks correspond to the commitments resulting from litigations and various risks whose due dates and amounts are uncertain.

The amount recognized in the Consolidated Financial Statements as a provision is the best estimate of the expenses necessary to extinguish the obligation.

4.13 Lease agreements

The leases involving property, plant, and equipment are classified as finance lease agreements when the Company bears substantially all the benefits and risks inherent in the ownership of the property. The assets that are covered under finance lease agreements are capitalized as of the beginning date of the rental agreement on the basis of the fair value of the rented asset or the discounted values of the future minimum payments, whichever is lower. Each rental payment is distributed between the debt and the financial cost in such a manner to determine a constant interest rate on the principal that remains due. The corresponding rental obligations, net of the financial expenses, are classified as financial liabilities. The property, plant, or equipment acquired within the framework of a finance lease agreement is amortized over the useful life or the term of the lease agreement, whichever is shorter.

The rental agreements for which a significant portion of the risks and advantages is preserved by the lessor are classified as operating leases. The payments made for these operating leases, net of any incentive measures, are recognized as expenses on the consolidated statement of income (loss) on a straight-line basis over the term of the agreement.

4.14 Share capital

Common shares are classified under shareholders' equity. The costs of share capital transactions that are directly attributable to the issue of new shares or options are recognized in shareholders' equity as a deduction from the proceeds from the issue, net of tax.

4.15 Share-based payment

The Company has applied IFRS 2 *Share-based payment* ("**IFRS 2**") to all equity instruments e.g. free shares ("**AGA**"), stock options ("**SO**"), share subscription warrants ("**BSA**") and founder subscription warrants ("**BSPCE**") granted since inception to its employees, members of the Board of Directors or other individuals. Pursuant to IFRS 2, the cost of the remuneration paid with equity instruments is recognized as an expense in exchange for an increase in the shareholders' equity for the vesting period during which the rights to be enjoyed from the equity instruments are acquired. As such, changes in value subsequent to the grant date have no effect on this initial measurement.

Fair value is estimated using the Black & Scholes valuation model (for BSA, SO and BSPCE valuation), Monte-Carlo valuation model (for AGA valuation) and Cox-Ross-Rubinstein valuation model (for 2016 and 2017 BSA valuation). These models allow the Company to take into account the characteristics of the plan (exercise price, vesting period), the market data at the grant date (volatility, expected dividends, repo margin), possible performance conditions attached to warrants and recipient behavior assumptions.

4.16 Presentation of the statement of income (loss)

The Company presents its statement of income (loss) by function. As of today, the main activity of the Company is the research and development. As a consequence, only "research and development expenses" and "general administrative expenses" functions are considered to be representative. This distinction reflects the analytical assignment of the personnel, external expenses and depreciation and amortization. The detail of the expenses by nature is disclosed in Note 5.2.

4.17 Operating income

Research tax credit

The research tax credit (*Crédit d'Impôt Recherche* or "**CIR**") (the "**Research Tax Credit**") is granted to companies by the French tax authorities in order to encourage them to conduct technical and scientific research. Companies that prove that they have expenditures that meet the required criteria (research expenditures located in France or, since January 1, 2005, within the European Union or in another State that is a party to the Agreement on the European Economic Area that has concluded a tax treaty with France that contains an administrative assistance clause) receive a tax credit that (a) can be used for the payment of the corporate tax due for the fiscal year in which the expenditures were made and the next three fiscal years, or, (b) as applicable, can be reimbursed in cash. The expenses taken into account for the calculation of the Research Tax Credit involve only research expenses.

The Company benefits from the Research Tax Credit since its inception.

The CIR is presented under other income in the consolidated statement of income (loss) as it meets the definition of government grant as defined in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("**IAS 20**").

Subsidies and conditional advances

Due to the innovative nature of its product candidate development programs, the Company has benefited from certain sources of financial assistance from *Banque Publique d'Investissement* ("**BPI France**"). BPI France provides financial assistance and support to emerging French enterprises to facilitate the development and commercialization of innovative technologies.

The funds received by the Company are intended to finance its research and development efforts and the recruitment of specific personnel. The Company has received such funding in the form of non-refundable subsidies and conditional advances.

Subsidies

Subsidies received are grants that are not repayable by the Company and are recognized in the financial statements as operating income where there exists reasonable assurance that the Company will comply with the conditions attached to the subsidies and the subsidies will be received.

Subsidies that are upfront payments are presented as deferred revenue and recognized ratably through income over the duration of the research program to which the subsidy relates.

A public subsidy that is to be received either as compensation for expenses or for losses already incurred, or for immediate financial support of the Company without associated future costs, is recognized in the Consolidated Financial Statements as other income when there exists reasonable assurance that the subsidies will be received.

Conditional advances

Funds received from BPI France in the form of conditional advances are recognized as financial liabilities, as the Company has a contractual obligation to reimburse BPI France for such conditional advances in cash based on a repayment schedule provided the conditions are complied with. Each award of an advance is made to help fund a specific development milestone. The details concerning the conditional advances are provided in Note 6.10.

Receipts or reimbursements of conditional advances are reflected as financing transactions in the statement of cash flows.

The amount resulting from the benefit of conditional advances that do not bear interest at market rates is considered a subsidy. This benefit is determined by applying a discount rate equal to the rate the Company would have to pay for a bank borrowing over a similar maturity.

The implicit interest rate resulting from taking into account all the repayments plus the additional payments due in case of commercial success as described in Note 6.10 is used to determine the amount recognized annually as a finance cost.

In the event of a change in payment schedule of the stipulated repayments of the conditional advances, the Company recalculates the net book value of the debt resulting from the discounting of the anticipated new future cash flows at the initial effective interest rate. The adjustment that results therefrom is recognized in the consolidated statement of income (loss) for the period during which the modification is recognized.

The conditional advances that can be subject to this type of modification are the advances received from BPI France, presented in Note 6.10.

Other income

The standard IFRS 15 *Revenue from contracts with customers* **("IFRS 15")** is mandatory since January 1, 2018. This standard replaces IAS 18 *Revenue* ("**IAS 18**") and related interpretations. The first application of IFRS 15 had not significantly changed the amount or the timing of revenue recognition of the Company.

For each of its partnership agreements, the Company determines if it acts as a principal or as an agent.

Partnership with Orphan Europe AML clinical trial

As a result of its prior partnership agreement with Orphan Europe related to the development of Acute Myeloid Leukemia ("**AML**"), the Company re-invoiced, with no margin, certain clinical costs incurred and invoiced to the Company by external providers.

The Company considered that, within the context of this partnership, it acted as agent regarding these reinvoiced external costs, as:

- The Company did not have primary responsibility for provision of the goods or service, the majority of services being provided by third parties, the most significant of which, the Contract Research Organization ("**CRO**"), directly invoiced Orphan Europe. The Company was directly invoiced only for the secondary services.
- The Company bore no inventory risk,

- The Company had no capacity to determine prices, all of the external costs being reinvoiced for the exact amount of the initial invoice, with no margin, and it was not affected by any price changes applied by the suppliers.

Within the context of this same agreement, the Company also invoiced certain internal clinical costs, such as personnel costs associated with the management of clinical trials, or personnel involved in the production of batches necessary for the AML clinical trial.

Consequently, for all the years presented:

- The re-invoicing of external costs to Orphan Europe is presented as a decrease in corresponding research and development expenses incurred by the Company;
- The invoicing of internal costs to Orphan Europe is presented in other income.

Partnership with Orphan Europe NOPHO clinical trial

Within the context of this agreement, Orphan Europe agreed to finance the NOPHO study for a total amount of €600 thousand. This amount is recognized in "other income" in the statement of income (loss) for all the years presented.

4.18 Financial income and expense

Financial results relate to loans, gains and losses on exchange rate variations and other financial debts (notably overdrafts and finance leases) and includes interest expenses incurred on financial liabilities and the related amortization of debt issuance costs, and income received from cash and cash equivalents.

4.19 Income taxes

Current taxes

Considering the level of tax loss of the Company, no current tax expense is recognized.

Deferred taxes

Except in specific cases, deferred taxes are calculated for the temporary differences between the carrying value of an asset or a liability and its tax value. Changes in the tax rates are recorded in the results of the financial year during which the rate change is decided. Deferred tax assets resulting from temporary differences or tax losses carried forward are limited to the deferred tax liabilities with the same maturity, except where their allocation on future taxable income is probable. Deferred taxes are calculated based on the most recent tax rates adopted at the date of each financial year-end.

Deferred tax assets and liabilities are not discounted and are classified in the consolidated statement of financial position under non-current assets and liabilities.

In addition, the Parent Company, as an entity incorporated in France, is subject to the territorial economic contribution (*Contribution Economique Territoriale —CET*), which combines the corporate real estate contribution (*cotisation foncière des entreprises—CFE*) and the corporate value-added contribution (*cotisation sur la valeur ajoutée des entreprises—CVAE*):

- the corporate real estate contribution, the amount of which depends on property rental values and which can, where applicable, have a ceiling at a percentage of the value added, presents significant similarities to the former business tax and is recognized under operating expenses;
- the corporate value-added contribution meets, based on the Company's analysis, the definition of an income tax as established under IAS 12 *Income Taxes* ("**IAS 12**") paragraph 2 ("taxes owing based on taxable income"). To enter within the scope of IAS 12, a tax must be calculated based on a net amount of income and expenses, and this net amount can be different from the net book results. The Company has judged that the corporate value-added contribution satisfies the characteristics outlined in this conclusion, insofar as the value added constitutes the intermediate level of income that systematically serves as the basis, according to French tax law, for determining the amount owing in relation to the corporate value-added contribution.
- in conformity with the provisions of IAS 12, qualification of the corporate value-added contribution as an income tax leads to the recognition of deferred taxes relative to temporary differences existing at year end, with a contra-entry of a net

expense in that year's statement of net income (loss). Where applicable, this deferred tax expense is presented on the line income tax. For the moment, the Company does not pay the CVAE.

4.20 Earnings per share

The basic earnings per share are calculated by dividing the Company's net income (loss) by the weighted average number of shares in circulation during the corresponding period.

The diluted earnings per share are calculated by dividing the results by the weighted average number of common shares in circulation, increased by all dilutive potential common shares. The dilutive potential common shares include, in particular, the share subscription warrants, stock options, free shares and founder subscription warrants as detailed in note 5.3 and 6.8.

Dilution is defined as a reduction of earnings per share or an increase of loss per share. When the exercise of outstanding share options and warrants decreases loss per share, they are considered to be anti-dilutive and excluded from the calculation of loss per share. Thus, basic and diluted loss per share are equal as all equity instruments issued have been considered anti-dilutive.

4.21 Segment reporting

In accordance with IFRS 8 *Operating Segments*, reporting by operating segment is derived from the internal organization of the Company's activities; it reflects management's viewpoint and is established based on internal reporting used by the chief operating decision maker (the Chief Executive Officer and Chairman of the Board of Directors) to allocate resources and to assess performance.

The Company operates in a single operating segment: the conducting of research and development of innovative red blood cell-based therapeutics for cancer and orphan diseases in order to market them in the future. The assets, liabilities, and operating loss realized are primarily located in France.

4.22 Off-balance sheet commitments

The Company has defined and implemented monitoring for its off-balance sheet commitments so as to know their nature and object. Off-balance sheet items identified mainly relate to:

- future costs relate to clinical trials for which recruitment has begun,
- operating leases, purchase and investment commitments.

4.23 Events After the Close of the Reporting Period

The consolidated statement of financial position and the consolidated statement of income (loss) of the Company are adjusted to reflect the subsequent events that alter the amounts related to the situations that exist as of the closing date. Modifications can be made until the date the Consolidated Financial Statements are approved and authorized for issuance by the Board of Directors.

January 2019:

- Grant of 36,150 free shares and 38,025 stock options to employees.

The Company evaluated subsequent events that occurred after December 31, 2018 through the date of approval and authorization of issuance of the Consolidated Financial Statements. The Company took into account the main remarks of the tax authorities as part of the on-going tax audit in France in the Consolidated Financial Statements as of December 31, 2018.

5. Notes related to the consolidated statement of income (loss)

5.1 Operating income

Operating income consists of the following:

	For the year ended December 31,		
(in thousands of euros)	2016	2017	2018
Research Tax Credit	3,347	3,187	4,375
Subsidies	463	—	—
Other income	327	178	72
Total	**4,138**	**3,364**	**4,447**

Research Tax Credit ("CIR")

The increase of the CIR between 2017 and 2018 is linked to the increase of the clinical trial expenses.

Between 2016 and 2017, there was an increase in the Company's clinical trial expenses, but this increase related mainly to vendors that were not eligible for the CIR. Therefore, the increase in clinical trial expenses did not result in an increase in the CIR between 2016 and 2017.

Subsidies

The Company received subsidies through the TEDAC project financed by BPI France in 2016.

The 5th technical milestone of the TEDAC program was not reached. Therefore, the Company is not eligible to receive the subsidy for this milestone, and no income was recognized in 2017 and 2018 as part of this project.

Other income

Other income mainly comprised:

- the re-invoicing of the internal costs incurred by the Company within the context of the AML study in 2016; and
- the income linked to the part of the NOPHO study financed by Orphan Europe in 2017 and 2018. The global amount financed by Orphan Europe is €600 thousand for the NOPHO study.

5.2 Operating expenses by nature

For the year ended December 31, 2016 (amounts in thousands of euros)	Research and development expenses	*of which other R&D expenses*	*of which clinical studies*	General and administrative expenses	Total
Consumables	**2,071**	*917*	*1,153*	**66**	**2,136**
Rental and maintenance	**645**	*161*	*484*	**511**	**1,156**
Services, subcontracting and fees	**11,409**	*3,000*	*8,410*	**2,793**	**14,203**
Personnel expenses	**5,282**	*1,212*	*4,070*	**2,713**	**7,995**
Other	**35**	*8*	*27*	**577**	**613**
Depreciation and amortization	**277**	*25*	*252*	**148**	**425**
Total	**19,720**	***5,323***	***14,397***	**6,808**	**26,528**

For the year ended December 31, 2017 (amounts in thousands of euros)	Research and development expenses	*of which other R&D expenses*	*of which clinical studies*	General and administrative expenses	Total
Consumables	**2,391**	*1,859*	*532*	**148**	**2,539**
Rental and maintenance	**636**	*140*	*496*	**894**	**1,531**
Services, subcontracting and fees	**14,175**	*1,768*	*12,407*	**2,867**	**17,042**
Personnel expenses	**7,916**	*2,089*	*5,828*	**3,688**	**11,604**
Other	**81**	*37*	*44*	**927**	**1,008**
Depreciation and amortization	**263**	*94*	*169*	**266**	**530**
Total	**25,463**	***5,987***	***19,476***	**8,791**	**34,254**

For the year ended December 31, 2018 (amounts in thousands of euros)	Research and development expenses	*of which other R&D expenses*	*of which clinical studies*	General and administrative expenses	Total
Consumables	**1,789**	*1,061*	*728*	**33**	**1,822**
Rental and maintenance	**805**	*279*	*526*	**1,584**	**2,389**
Services, subcontracting and fees	**19,632**	*5,043*	*14,589*	**5,409**	**25,041**
Personnel expenses	**10,914**	*3,013*	*7,901*	**5,925**	**16,838**
Other	**67**	*38*	*30*	**1,122**	**1,189**
Depreciation and amortization	**260**	*68*	*192*	**529**	**789**
Total	**33,468**	**9,502**	**23,965**	**14,600**	**48,068**

The increase in operating expenses between 2016 and 2017 is mainly due to:

- The increase in external services (€2,839 thousand) mainly linked to the MAA re-submission, the Phase 2 clinical trial of eryaspase for the treatment of AML and the Phase 2 clinical trial of eryaspase for the treatment of pancreatic cancer; and
- The increase in personnel expenses of €3,609 thousand (see Note 5.3).

The increase in operating expenses between 2017 and 2018 is mainly due to:

- The increase in external services (€7,999 thousand), mainly linked to the ongoing clinical trials of eryaspase for the treatment of solid tumors, particularly related to the commencement of the Phase 3 clinical trial for the treatment of pancreatic cancer in September 2018; and
- The increase in personnel expenses of €5,234 thousand (see Note 5.3).

5.3 Personnel expenses

For the year ended December 31, 2016 (amounts in thousands of euros)	Research and development expenses	*of which other R&D expenses*	*of which clinical studies*	General and administrative expenses	Total
Wages and salaries	**3,371**	*701*	*2,670*	**1,486**	**4,857**
Share-based payments (employees and executives)	**674**	*142*	*532*	**490**	**1,164**
Social security expenses	**1,237**	*369*	*868*	**736**	**1,973**
Total personnel expenses	**5,282**	***1,211***	***4,070***	**2,713**	**7,995**

For the year ended December 31, 2017 (amounts in thousands of euros)	Research and development expenses	*of which other R&D expenses*	*of which clinical studies*	General and administrative expenses	Total
Wages and salaries	**5,229**	*1,200*	*4,028*	**1,990**	**7,218**
Share-based payments (employees and executives)	**833**	*292*	*541*	**642**	**1,475**
Social security expenses	**1,854**	*596*	*1,259*	**1,057**	**2,911**
Total personnel expenses	**7,916**	***2,088***	***5,828***	**3,688**	**11,604**

For the year ended December 31, 2018 (amounts in thousands of euros)	Research and development expenses	*of which other R&D expenses*	*of which clinical studies*	General and administrative expenses	Total
Wages and salaries	**7,279**	*1,887*	*5,393*	**3,721**	**11,000**
Share-based payments (employees and executives)	**1,158**	*334*	*824*	**849**	**2,007**
Social security expenses	**2,476**	*792*	*1,684*	**1,355**	**3,831**
Total personnel expenses	**10,914**	**3,013**	**7,901**	**5,925**	**16,838**

The increase in personnel expenses for the years presented is mainly due to an increase in employee staff. The weighted average full-time employees for the year was 66 in 2016, 98 in 2017 and 138 in 2018.

Share-based payments (IFRS 2)

Share-based awards have been granted to the directors, to certain employees, as well as to members of the Board of Directors in the form of share subscription warrants ("**BSA**"), stock options ("**SO**"), free shares ("**AGA**") or founder subscription warrants ("**BSPCE**"). The Board of Directors has been authorized by the general meeting of the shareholders to grant warrants in the form of AGA, SO, BSA and BSPCE through the following plans:

Founder subscription warrants ("BSPCE") plan

The type of founder subscriptions warrants issued by the Company are the following:

Types of securities	BSPCE2012	BSPCE2014
Number of warrants granted	33,787	19,500
Number of warrants exercised	16,811	1,500
Number of warrants forfeited	0	1,090
Exercise price per new share subscribed (in €)	Depends on the grant date	
Final date for exercising warrants	May 20, 2020	January 22, 2024
Parity	1 warrant for 10 shares	1 warrant for 10 shares
Maximum number of new shares that can be issued as of December 31, 2018	169,760	169,100

In the event of a beneficiary departure from the Company for any reason whatsoever, this beneficiary shall retain the $BSPCE_{2014}$ to which he subscribed prior to his departure. However, in the event of a beneficiary departure from the Company, for any reason whatsoever, prior to subscription of the $BSPCE_{2014}$ to which the beneficiary has a right, the $BSPCE_{2014}$ will be forfeited. In this situation, the $BSPCE_{2014}$ not subscribed may be re-allocated to other beneficiaries within the same category and/or replacing the person who left the Company.

Following the resignation of the Company's former chief scientific officer in January 2016, 1,000 BSPCE of the 3,000 BSPCE initially granted have been forfeited and will not be granted.

The main assumptions used to determine the fair value of the plans granted in 2016, 2017 and 2018 are:

	Grant in May 2016
Number of warrants	5,000 $BSPCE_{2014}$
Exercise price	€24.75
Price of the underlying share	€24.75
Risk free interest rate	-0.18% to -0.11%
Expected dividends	0%
Volatility (1)	21.25% to 22.27%
Expected term	5 to 5.51 years
Fair value of the plan (in thousands of euros)	636

(1) based on the historical volatility observed on the NextBiotech index

Share subscription warrants ("BSA") plan

Types of securities	BSA_{2012}	BSA_{2014}	BSA_{2016}	BSA_{2017}
Number of warrants granted	10,760	3,000	60,000	95,500
Number of warrants exercised	6,742	100	0	0
Exercise price per new share subscribed (in €)	7,362	12,250	Depends on the grant date	
Parity	1 warrant for 10 shares	1 warrant for 10 shares	1 warrant for 1 share	1 warrant for 1 share
Vesting period	NA	NA	Tranche 1: 1 year Tranche 2: 2 years	Tranche 1: 1 year Tranche 2: 2 years Tranche 3: 3 years
Maximum number of new shares that can be issued as of December 31, 2018	40,180	29,000	60,000	95,500

The main assumptions used to determine the fair value of the plans granted in 2016, 2017 and 2018 are:

	Grant in October 2016	Grant in January 2017	Grant in June 2017	Grant in January 2018
Number of warrants	45,000 BSA_{2016}	15,000 BSA_{2016}	55,000 BSA_{2017}	40,500 BSA_{2017}
Exercise price	18.52€	13.46€	26.47€	18.00€
Price of the underlying share	18.52€	15.51€	28.25€	18.00€
Attrition rate	0.00%	0.00%	0.00%	0.00%
Expected dividends	0.00%	0.00%	0.00%	0.00%
Volatility (1)	45.00%	48.00%	48.00%	43.94%
Repo margin	5.00%	5.00%	5.00%	n/a
Expected term	3 years	3 years	3 years	T1 : 5,5 years T2 : 6 years T3 : 6,5 years
Fair value of the plan (in thousands of euros)	198	58	394	300

(1) based on the historical volatility observed on the ERYP index on Euronext

Stock options ("SO") plan

Types of securities	SO2016	SO2017	SO2018
Number stock options granted	95,499	119,403	24,000
Number of stock options forfeited	28,500	25,839	0
Number of tranches	2	2	2
Vesting period	Tranche 1: 2 years Tranche 2: 3 years	Tranche 1: 2 years Tranche 2: 3 years	Tranche 1: 2 years Tranche 2: 3 years
Maximum number of new shares that can be issued as of December 31, 2018	66,999	93,564	24,000

The main assumptions used to determine the fair value of the plans granted in 2016, 2017 and 2018 are:

	Grant in October 2016	Grant in January 2017	Grant in June 2017
Number of options	44,499 SO_{2016}	3,000 SO_{2016}	18,000 SO_{2016} 22,200 SO_{2017}
Exercise price	18.52€	15.65€	26.47€
Price of the underlying share	18.52€	15.51€	28.25€
Attrition rate	0.00%	0.00%	0.00%
Expected dividends	0.00%	0.00%	0.00%
Volatility (1)	45.00%	48.00%	48.00%
Repo margin	5.00%	5.00%	5.00%
Expected term	3 years	3 years	3 years
Fair value of the plan (in thousands of euros)	202	13	308

	Grant in October 2017	Grant in January 2018	Grant in September 2018
Number of options	30,000 SO_{2016}	97,203 SO_{2017}	24,000 SO_{2018}
Exercise price	23.59€	18.00€	9.26€
Price of the underlying share	24.70€	18.00€	8.75€
Attrition rate	0.00%	0.00%	0.00%
Expected dividends	0.00%	0.00%	0.00%
Volatility (1)	48.00%	43.94%	41.59%
Repo margin	5.00%	n/a	n/a
Expected term	3 years	T1 : 6 years T2 : 6,5 years	T1 : 6 years T2 : 6,5 years
Fair value of the plan (in thousands of euros)	208	731	80

(1) based on the historical volatility observed on the ERYP index on Euronext

Free shares ("AGA") plan

Types of securities	AGA2016	AGA2017
Number of free shares granted	192,063	188,415
Number of free shares forfeited	12,733	15,675
Number of free shares acquired	10,050	0
Number of tranches	3	3
Vesting period	Tranche 1: 1 year Tranche 2: 2 years Tranche 3: 3 years	Tranche 1: 1 year Tranche 2: 2 years Tranche 3: 3 years
Maximum number of new shares that can be issued as of December 31, 2018	169,280	172,740

The main assumptions used to determine the fair value of the plans granted in 2016, 2017 and 2018 are:

	Grant in October 2016	Grant in January 2017	Grant in June 2017
Number of shares	111,261 AGA_{2016}	15,000 AGA_{2016}	8,652 AGA_{2016} 74,475 AGA_{2017}
Price of the underlying share	18.52€	15.51€	28.25€
Attrition rate	0.00%	0.00%	0.00%
Expected dividends	0.00%	0.00%	0.00%
Volatility (1)	45.00%	48.00%	48.00%
Repo margin	5.00%	5.00%	5.00%
Expected term	3 years	3 years	3 years
Performance criteria	(2)	(3)	(3)
Fair value of the plan (in thousands of euros)	974	115	1,081

	Grant in October 2017	Grant in January 2018
Number of shares	16,650 AGA_{2016}	40,500 AGA_{2016} 113,940 AGA_{2017}
Price of the underlying share	24.70€	18.00€
Attrition rate	0.00%	0.00%
Expected dividends	0.00%	0.00%
Volatility (1)	48.00%	42.17%
Repo margin	5.00%	5.00%
Expected term	3 years	3 years
Performance criteria	(3)	(4)
Fair value of the plan (in thousands of euros)	180	1,145

(1) based on the historical volatility observed on the ERYP index on Euronext;

(2) performance criteria: progression of the quoted market share price between the grant date and the tranche acquisition date

- ERYP2016: average price of the 40-quoted market share price days before the grant date, which was €20.22 at the grant date
- ERYPi : average price of the 40-quoted market share price days before the acquisition date,
- Tri: ERYPi / (ERYP2016-1)
  - If TRi <=0 % no shares granted are acquired
  - If Tri>100% all the shares granted are acquired
  - If 0%<TRi<100% shares granted are acquired following the TRi percentage

(3) performance criteria: progression of the quoted market share price between the grant date and the tranche acquisition date

- ERYP2017: average price of the 40-quoted market share price days before the grant date (€13.46 for the plan granted in January 2017, €26.47 for the plan granted in June 2017, €24.48 for the plan granted in October 2017)
- ERYPi : average price of the 40-quoted market share price days before the acquisition date,
- Tri: ERYPi / (ERYP2017-1)
  - If TRi <=0 % no shares granted are acquired
  - If Tri>100% all the shares granted are acquired
  - If 0%<TRi<100% shares granted are acquired following the TRi percentage

(4) performance criteria: progression of the quoted market share price between the grant date and the tranche acquisition date

- ERYP2018: average price of the 40-quoted market share price days before the grant date, which was €20.12 at the grant date
- ERYPi : average price of the 40-quoted market share price days before the acquisition date,
- Tri: ERYPi / (ERYP2018-1)
  - If TRi <=0 % no shares granted are acquired
  - If Tri>100% all the shares granted are acquired
  - If 0%<TRi<100% shares granted are acquired following the TRi percentage

Summary of outstanding instruments

Number of outstanding options with a ratio of 1 option = 10 shares	December 31, 2016		December 31, 2017		December 31, 2018	
	Number of options	Weighted-average exercise price	Number of options 2017	Weighted-average exercise price	Number of options 2018	Weighted-average exercise price
Outstanding at January 1	**45,533**	**€ 97.62**	**42,524**	**€ 98.01**	**40,804**	**€ 97.34**
Granted during the year	—	€ 0.00	—	€ 0.00	—	€ 0.00
Forfeited during the year	(1,593)	€ 122.50	—	€ 0.00	—	€ 0.00
Exercised during the year	(1,416)	€ 75.52	(1,720)	€ 113.55	—	€ 0.00
Outstanding at December 31	**42,524**	**€ 98.01**	**40,804**	**€ 97.34**	**40,804**	**€ 97.34**
Exercisable at December 31	**42,524**	**€ 98.01**	**40,804**	**€ 97.34**	**40,804**	**€ 97.34**

Number of outstanding options with a ratio of 1 option = 1 share	December 31, 2016		December 31, 2017		December 31, 2018	
	Number of options	Weighted-average exercise price	Number of options 2017	Weighted-average exercise price	Number of options 2018	Weighted-average exercise price
Outstanding at January 1	**—**	**€ 0.00**	**89,499**	**€ 18.52**	**232,699**	**€ 22.07**
Granted during the year	89,499	€ 18.52	143,200	€ 24.29	161,703	€ 16.70
Forfeited during the year	—	€ 0.00	—	€ 0.00	(54,339)	€ 20.26
Exercised during the year	—	€ 0.00	—	€ 0.00	—	€ 0.00
Outstanding at December 31	**89,499**	**€ 18.52**	**232,699**	**€ 22.07**	**340,063**	**€ 19.87**
Exercisable at December 31	**—**	**€ 0.00**	**—**	**€ 0.00**	**88,999**	**€ 19.88**

Number of outstanding free shares	December 31, 2016	December 31, 2017	December 31, 2018
Outstanding at January 1	**—**	**111,261**	**217,447**
Granted during the year	111,261	114,777	154,440
Forfeited during the year	—	(1,017)	(27,391)
Acquired during the year	—	(7,574)	(2,476)
Outstanding at December 31	**111,261**	**217,447**	**342,020**

Breakdown of expenses per financial year

Plan name	Amount in P&L in euros thousands as of December 31, 2016	of which employees	of which executives	of which directors
Grant in October 2016	151	71	80	
TOTAL AGA	**151**	**71**	**80**	**0**
Grant in June 2015	187		187	
Grant in October 2016	37			37
TOTAL BSA	**224**	**0**	**187**	**37**
Grant in January 2014	21		21	
Grant in September 2015	261		261	
Grant in May 2016	498	339	159	
TOTAL BSPCE	**780**	**339**	**441**	**0**
Grant in October 2016	22	11	11	
TOTAL SO	**22**	**11**	**11**	**0**
Total IFRS 2 expenses	**1,178**	**421**	**719**	**37**

Plan name	Amount in P&L in euros thousands as of December 31, 2017	of which employees	of which executives	of which directors
Grant in October 2016	533	250	283	
Grant in January 2017	92		92	
Grant in June 2017	348	156	192	
Grant in October 2017	27	27		
TOTAL AGA	**1,000**	**433**	**567**	**0**
Grant in June 2015	50		50	
Grant in October 2016	126			126
Grant in January 2017	10			10
Grant in June 2017	165			165
TOTAL BSA	**350**	**0**	**50**	**301**
Grant in January 2014	7		7	
Grant in September 2015	51		51	
Grant in May 2016	138	94	44	
TOTAL BSPCE	**196**	**94**	**102**	**0**
Grant in October 2016	90	45	44	
Grant in January 2017	46	46		
Grant in June 2017	65	44	21	
Grant in October 2017	23	23		
TOTAL SO	**223**	**158**	**65**	**0**
Total IFRS 2 expenses	**1,769**	**685**	**784**	**301**

Plan name	Amount in P&L in euros thousands as of December 31, 2018	of which employees	of which executives	of which directors
Grant in October 2016	219	103	116	—
Grant in January 2017	31	—	31	—
Grant in June 2017	483	222	262	—
Grant in October 2017	99	99	—	—
Grant in January 2018	538	303	235	—
TOTAL AGA	**1,371**	**727**	**644**	**—**
Grant in October 2016	71	—	—	71
Grant in January 2017	16	—	—	16
Grant in June 2017	178	—	—	178
Grant in January 2018	177	—	—	177
TOTAL BSA	**442**	**—**	**—**	**442**
Grant in October 2016	73	37	36	—
Grant in January 2017	6	6	—	—
Grant in June 2017	137	96	41	—
Grant in October 2017	92	92	—	—
Grant in January 2018	317	185	132	—
Grant in September 2018	11	—	11	—
TOTAL SO	**636**	**416**	**220**	**—**
Total IFRS 2 expenses	**2,449**	**1,142**	**865**	**442**

5.4 Depreciation and amortization expense

	For the year ended December 31,		
	2016	2017	2018
(in thousands of euros)			
Clinical studies	252	169	192
Other research and development expenses	26	94	68
Research and development expenses	**277**	**263**	**260**
General and administrative expenses	148	266	529
Total	**425**	**530**	**789**

5.5 Financial income and expense

	For the year ended December 31,		
	2016	2017	2018
(in thousands of euros)			
Interest expense on finance leases	(4)	(8)	(4)
Interest expense related to borrowings	—	(7)	(5)
Interest expense on repayable loan	—	—	—
Other finance expenses	(66)	(3,168)	(19)
Total financial expenses	**(70)**	**(3,183)**	**(29)**
Income from short term deposits	545	405	163
Other finance income	13	134	5,264
Total financial income	**558**	**539**	**5,427**
Financial income (expenses), net	**488**	**(2,644)**	**5,399**

Other financial income and expenses related mainly to:

- a foreign currency exchange loss of €43 thousand in 2016,
- a foreign currency exchange loss of €3,026 thousand in 2017,
- a foreign currency gain €3,993 thousand and a gain on investments currency transactions on swaps of €1,254 thousand in 2018.

The conversion into euros of the U.S. dollar bank account generated an expense of €3,159 thousand in 2017 and an income of €3,981 thousand in 2018.

5.6 Deferred tax balances

Reconciliation of effective tax rate

	For the year ended December 31,		
	2016	2017	2018
(in thousands of euros)			
Loss before tax	**(21,902)**	**(33,533)**	**(38,224)**
Theoretical tax expense or income	**7,541**	**11,545**	**10,703**
Current year loss not capitalized	(8,303)	(12,071)	(11,222)
CICE (employment and competitiveness tax credit) not included in taxable income	24	34	35
Research tax credits	1,144	1,097	1,225
Tax rate differences	(51)	—	
Share-based compensation expense	(398)	(592)	(686)
Permanent differences		(10)	(54)
Other differences	33	—	(2)
Effective tax (loss)/income	**(10)**	**3**	**(2)**

As of December 31, 2016, 2017 and 2018, the amount of accumulated tax loss carryforwards since inception was €80,281 thousand, €128,802 thousand and €175,955 thousand, respectively, with no expiration date.

The tax proof has been calculated based on the French tax rate applicable to ERYTECH Pharma S.A. which is:

- 34.43% for the financial years 2016 and 2017.
- 28% for the financial year 2018.

This rate will decrease gradually to reach 25% in 2022.

6 Notes related to the consolidated statements of financial position

6.1 Intangible assets

(in thousands of euros)	As of January 1, 2018	Increase	Decrease	Reclassification	As of December 31, 2018
Other intangible assets	234	3		1,596	1,833
Total gross value	**234**	**3**	**—**	**1,596**	**1,833**
Accumulated amortization and depreciation of intangible assets	(181)	(39)			(220)
Total accumulated amortization and depreciation	**(181)**	**(39)**	**—**	**—**	**(220)**
Total net value	**53**	**(36)**	**—**	**1,596**	**1,613**

The reclassification of €1,596 thousand corresponds to expenses incurred as part of a new production process that were recognized in assets under construction as of December 31, 2017.

(in thousands of euros)	As of January 1, 2017	Increase	Decrease	Reclassification	As of December 31, 2017
Other intangible assets	209	25			234
Total gross value	**209**	**25**	—	—	**234**
Accumulated amortization and depreciation of intangible assets	(152)	(29)			(181)
Total accumulated amortization and depreciation	**(152)**	**(29)**	**—**	**—**	**(181)**
Total net value	**57**	**(4)**	**—**	**—**	**53**

(in thousands of euros)	As of January 1, 2016	Increase	Decrease	Reclassification	As of December 31, 2016
Other intangible assets	184	25			209
Total gross value	**184**	**25**	**—**	**—**	**209**
Accumulated amortization and depreciation of intangible assets	(122)	(29)			(152)
Total accumulated amortization and depreciation	**(122)**	**(29)**			**(152)**
Total net value	**61**	**(4)**	**—**	**—**	**57**

6.2 Property, plant and equipment

(in thousands of euros)	As of January 1, 2018	Increase	Decrease	Reclassification	As of December 31, 2018
Assets under construction	1,730	13,425		(1,596)	13,559
Plant, equipment, and tooling	2,094	490		—	2,584
General equipment, fixtures and fittings	1,855	152		—	2,007
Office equipment and computers	669	155		—	824
Total gross value	**6,348**	**14,222**	**—**	**(1,596)**	**18,974**
Accumulated depreciation of plant, equipment and tooling	(1,571)	(248)		(5)	(1,824)
Accumulated depreciation of general equipment, fixtures and fittings	(1,116)	(355)			(1,471)
Accumulated depreciation of office equipment and computers	(255)	(155)		5	(405)
Total accumulated depreciation	**(2,942)**	**(758)**	**—**	**—**	**(3,700)**
Total net value	**3,406**	**13,464**	**—**	**(1,596)**	**15,274**

The significant increase of assets under construction is mainly related to the establishment of a manufacturing facility in the United States (Princeton, New Jersey) for an amount of €11,873 thousand and the expansion of the manufacturing facility in France (Lyon) to increase production capacity for an amount of €1,194 thousand.

(in thousands of euros)	As of January 1, 2017	Increase	Decrease	Reclassification	As of December 31, 2017
Assets under construction	862	868			1,730
Plant, equipment, and tooling	1,824	270			2,094
General equipment, fixtures and fittings	1,466	389			1,855
Office equipment and computers	532	137			669
Total gross value	**4,684**	**1,664**	—	—	**6,348**
Accumulated depreciation of plant, equipment and tooling	(1,406)	(165)			(1,571)
Accumulated depreciation of general equipment, fixtures and fittings	(908)	(208)			(1,116)
Accumulated depreciation of office equipment and computers	(125)	(130)			(255)
Total accumulated depreciation	**(2,439)**	**(503)**	**—**	**—**	**(2,942)**
Total net value	**2,245**	**1,161**	**—**	**—**	**3,406**

(in thousands of euros)	As of January 1, 2016	Increase	Decrease	Reclassification	As of December 31, 2016
Assets under construction	44	862	(44)		862
Plant, equipment, and tooling	1,701	123			1,824
General equipment, fixtures and fittings	1,079	387			1,466
Office equipment and computers	134	398			532
Total gross value	**2,958**	**1,770**	**(44)**		**4,684**
Accumulated depreciation of plant, equipment and tooling	(1,257)	(149)			(1,406)
Accumulated depreciation of general equipment, fixtures and fittings	(733)	(175)			(908)
Accumulated depreciation of office equipment and computers	(51)	(74)			(125)
Total accumulated depreciation	**(2,041)**	**(398)**			**(2,439)**
Total net value	**917**	**1,372**	**(44)**		**2,245**

Net book value of plant equipment and tooling held under finance leases amounted to €92 thousand and €37 thousand as of December 31, 2016 and December 31, 2017, respectively. The net book value of plant equipment and tooling held under finance leases is null as of December 31, 2018.

Net book value of office equipment and computers held under finance leases amounted to €111 thousand, €76 thousand and €37 thousand as of December 31, 2016, December 31, 2017 and December 31, 2018, respectively.

6.3 Other non-current financial assets

	As of December 31,		
	2016	2017	2018
(in thousands of euros)			
Deposits related to leased premises	132	168	446
Advance payments to suppliers	—	—	510
Other	—	67	91
Total other non-current financial assets	**132**	**234**	**1,046**

Advance payments comprise payments made to service providers, especially Contract Research Organizations (“**CROs**”), involved with the conduct of the clinical trials in the solid tumors indication (TRYbeCA1 and TRYbeCA2 studies).

6.4 Inventories

	As of December 31,		
	2016	2017	2018
(in thousands of euros)			
Production inventory	71	104	1,336
Laboratory inventory	74	72	59
Total inventory	**145**	**176**	**1,396**

The significant increase of production inventory between 2017 and 2018 is linked to the launch of the Phase 3 clinical trial in the pancreatic cancer indication (TRYbeCA1 study).

6.5 Trade and other receivables

	As of December 31,		
	2016	2017	2018
(in thousands of euros)			
Trade and other receivables	218	76	30
Total trade and other receivables	**218**	**76**	**30**

The receivables as of December 31, 2016 related mainly to the receivables on Orphan Europe within the context of the AML study.

6.6 Other current assets

	As of December 31,		
	2016	2017	2018
(in thousands of euros)			
Research Tax Credit	3,321	3,326	7,701
Tax receivables (e.g. VAT) and other receivables	863	1,114	1,949
Cash to be received from bank related to exercise of warrants	—	23	—
Prepaid expenses	339	1,327	4,461
Total other current assets	**4,524**	**5,791**	**14,111**

Research Tax Credit

The Company benefits from the provisions in Articles 244 *quater* B and 49 *septies* F of the French Tax Code related to the Research Tax Credit. In compliance with the principles described in Note 4.16, the Research Tax Credit is recognized in the consolidated statement of income (loss) in “other income” during the year in which the eligible research expenditures are incurred.

As of December 31, 2016, and December 31, 2017, the CIR receivables included Research Tax Credit of the relative periods.

As of December 31, 2018, the CIR receivable included Research Tax Credit for the 2017 and 2018 financial years. The reimbursement is expected in 2019.

Prepaid expenses

Prepaid expenses mainly related to advances payments made to suppliers of asparaginase (€570 thousand as of December 31, 2017 and €3,180 thousand as of December 31, 2018).

6.7 Cash and cash equivalents

(in thousands of euros)	As of December 31, 2016	2017	2018
Cash and cash equivalents	37,646	185,525	134,371
Total cash and cash equivalents as reported in statement of financial position	**37,646**	**185,525**	**134,371**
Bank overdrafts	—	11	—
Total cash and cash equivalents as reported in statement of cash flow	**37,646**	**185,514**	**134,371**

At December 31, 2016, the cash position is composed of the following items: (i) €10.6 million in current accounts and (ii) €27.0 million in term deposits, with maturities of 1 month to 3 years, but readily available without penalty subject to a 32-day notice.

At December 31, 2017, the cash position is composed of the following items: (i) €174.5 million in current accounts and (ii) €11.0 million in term deposits, with a maturity as of January 1, 2019, but readily available without penalty subject to a 32-day notice.

At December 31, 2018, the cash position is composed of the following items: (i) €118.4 million in current accounts and (ii) €16.0 million in term deposits, with a maturity in January 2019.

6.8 Shareholders' equity

Our capital is managed to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure consists of financial liabilities as detailed in Notes 6.10 offset by cash and bank balances and equity (comprising issued capital, reserves and retained earnings). The Company is not subject to any externally imposed capital requirements.

As of December 31, 2018, the capital of the Parent Company consisted of 17,940,035 shares, fully paid up, with a nominal value of 0.10 euro.

Nature of transactions	Number of shares
Balance as of January 1, 2016	**7,924,611**
Follow-on offering	793,877
Exercise of share warrants	14,160
Balance as of December 31, 2016	**8,732,648**
Exercise of share warrants	17,200
Free shares / stock options / share warrants	7,574
Private placement with institutional investors in April	3,000,000
Initial public offering (including 5,389,021 ordinary shares in the form of ADSs)	6,180,137
Total as of December 31, 2017	**17,937,559**
Free shares	2,476
Total as of December 31, 2018	**17,940,035**

The costs of issuing ordinary shares amounted to €16,722 thousand in 2017 and were deducted from the share premium increase. These costs were related to bank fees, legal counsels, advisors and auditors' fees.

Basic earnings per share and diluted earnings (loss) per share

(in thousands of euros)	For the year ended December 31, 2016	2017	2018
Net loss (in thousands of euros)	(21,913)	(33,530)	(38,224)
Weighted number of shares for the period (1)	7,983,642	11,370,557	17,937,481
Basic loss per share (€/share)	**(2.74)**	**(2.95)**	**(2.13)**
Diluted loss per share (€/share)	**(2.74)**	**(2.95)**	**(2.13)**

(1) after deduction of treasury shares (2,500 shares are held by the Company as treasury shares and recognized as a deduction of shareholders' equity).

At December 31, 2016, 2017 and 2018, the potential shares that could be issued (626,000, 858,186 and 1,090,123 as at December 31, 2016, 2017 and 2018, respectively) were not taken into consideration in the calculation of the diluted earnings, as their effect would be anti-dilutive.

6.9 Provisions

The provisions can be detailed as follows:

(amounts in thousands of euros) ***(in thousands of euros)***	**As of December 31,** **2016**	**2017**	**2018**
Provision for retirement indemnities	163	214	347
Other provisions	—	—	—
Total provisions	**163**	**214**	**347**

The breakdown of provisions is as follows:

In thousands of euros	**Opening**	**Other (1)**	**Provisions**	**Reversals**	**Closing**
Period from January 1 to December 31, 2016					
Retirement indemnity provision	100	30	33	—	163
Provision for disputes	81	—	—	(81)	—
Net closing balance	**181**	**30**	**33**	**(81)**	**163**
Period from January 1 to December 31, 2017					
Retirement indemnity provision	163	(8)	59	—	214
Net closing balance	**163**	**(8)**	**59**	**—**	**214**
Period from January 1 to December 31, 2018					
Retirement indemnity provision	214	60	73	—	347
Net closing balance	**214**	**60**	**73**	**—**	**347**

(1) The “Other” differences relate to actuarial gains and losses

Provision for retirement indemnities

The regime for retirement indemnities applicable at the Parent Company, is defined by the collective agreement for the pharmaceutical industry in France.

The Company recognizes actuarial differences in other comprehensive income. 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.

As part of the estimate of the retirement commitments, the following assumptions were used for all categories of employees:

	2016	**2017**	**2018**
Discount rate	1.36%	1.3%	1.57%
Wage increase	2%	2%	2%
Social welfare contribution rate	Non-executive 44% Executive 54%	Non-executive 44% Executive 54%	Non executive 44% Executive 54%
Expected staff turnover	0-10%	0-10%	0 - 10%
Age of retirement:	65-67 years	65-67 years	65 - 67 years
Mortality table	INSEE 2014	INSEE 2014	INSEE 2014

Provision for disputes

The Company has settled the dispute with BPI France related to the GR-SIL subsidy for €81 thousand as well as the residual conditional advance for €23 thousand. The reimbursement was made in January 2016 for €104 thousand.

6.10 Financial liabilities

Financial liabilities by type

	As of December 31,		
(in thousands of euros)	2016	2017	2018
Financial liabilities related to finance leases	204	117	39
Bank overdrafts	—	11	—
Conditional advances	1,182	1,182	1,181
Bank loans	1,480	1,534	799
Total financial liabilities	**2,865**	**2,843**	**2,019**

Financial liabilities by maturity

Maturity dates of financial liabilities as of December 31, 2016 are as follows:

(in thousands of euros)	Less than one year	One to three years	Three to five years	More than five years	Total
Financial liabilities					
Bank loans	—	1,480	—	—	1,480
Conditional advances	—	—	—	1,182	1,182
Liabilities related to leases	50	154	—	—	204
Total financial liabilities	**50**	**1,634**	**—**	**1,182**	**2,865**

Maturity dates of financial liabilities as of December 31, 2017 are as follows:

(in thousands of euros)	Less than one year	One to three years	Three to five years	More than five years	Total
Financial liabilities					
Bank loans	735	799	—	—	1,534
Conditional advances	—	—	—	1,182	1,182
Liabilities related to leases	79	39	—	—	117
Bank overdrafts	11	—	—	—	11
Total financial liabilities	**824**	**838**	**—**	**1,182**	**2,843**

Maturity dates of financial liabilities as of December 31, 2018 are as follows:

(in thousands of euros)	Less than one year	One to three years	Three to five years	More than five years	Total
Financial liabilities					
Bank loans	738	62	—	—	799
Conditional advances	—	—	—	1,181	1,181
Liabilities related to leases	39	—	—	—	39
Total financial liabilities	**776**	**62**	**—**	**1,181**	**2,019**

Bank loans

In 2017, the Company received a bank loan amounting to €1,900 thousand with Société Générale with a 0.4% interest rate and 36 monthly repayment terms to finance its investments.

Conditional advances

The conditional advances from public authorities relate to contracts with BPI France. The Company has three contracts related to conditional advances with BPI France. These advances are not interest-bearing and are 100% repayable (nominal value) in the event of technical and/or commercial success.

Under IFRS, the fact that a conditional advance does not require an annual interest payment is akin to obtaining a zero-interest loan, i.e., more favorable than market conditions. The difference between the amount of the advance at its historical cost and that of the advance discounted at the risk-free rate (10 year forward bonds) increased by an estimated credit spread is considered to be a grant received from the State. These grants are recognized in the consolidated statement of net income (loss) over the estimated duration of the projects financed by these advances.

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

Since its creation, the Company has received 3 conditional advances from BPI France, repayable under certain conditions.

The main terms of the agreements as well as the balances as of December 31, 2016, 2017 and 2018 respectively are presented below:

Conditional advances (in thousand of euros)	BPI France - Pancreas	BPI France - GR-SIL	BPI France - TEDAC	TOTAL
Financial liabilities as of January 1, 2016	**478**	**23**	**63**	**564**
Repayment	(485)	(23)		**(508)**
Advances received			1,118	**1,118**
Interests	7			**7**
Financial liabilities as of December 31, 2016	**—**	**—**	**1,181**	**1,181**
Interests	—	—	—	**—**
Financial liabilities as of December 31, 2017	**—**	**—**	**1,181**	**1,181**
Interests	—	—	—	**—**
Financial liabilities as of December 31, 2018	**—**	**—**	**1,181**	**1,181**

- **BPI France / Pancreas**

The first conditional advance, granted by BPI France for a total amount of €735 thousand, related to the development of a new treatment against pancreatic cancer through the administration of allogenic red blood cells incorporating L-asparaginase program.

The repayment of this conditional advance was according to a fixed payment schedule that ended on June 30, 2016 following the last payment of €260 thousand.

This conditional advance is fully reimbursed as of December 31, 2018.

- **BPI France / GR-SIL**

The second conditional advance, granted by BPI France, which provided for a total amount of €135 thousand, concerns a program for the preclinical validation of the encapsulation of interfering RNA for therapeutic use in red blood cells, notably to limit inflammation of the cirrhotic liver and/or prevent the development of hepatocellular carcinomas.

This conditional advance is fully reimbursed as of December 31, 2018.

- **BPI France / TEDAC**

The third conditional advance, granted by BPI France within the scope of the TEDAC project, is for a total amount of €4,895 thousand. This conditional advance is paid upon completion of the following key milestones:

- €63 thousand upon signature of the agreement (received in 2012)
- €1,119 thousand upon the milestones n°4 (received in 2016)
- the remainder upon calls for funds when key milestones are reached (not yet received)

The Company undertakes to repay BPI France initially:

a) an amount of €5,281 thousand upon achieving cumulative sales (excluding VAT) equal to or greater than €10 million, according to the following payment schedule:
   - €500 thousand at the latest on June 30 of the first year in which the cumulative sales condition is achieved,
   - €750 thousand at the latest on June 30 of the second year,
   - €1,500 thousand at the latest on June 30 of the third year,
   - €2,531 thousand at the latest on June 30 of the fourth year,

b) and, where applicable, an annuity equal to 50% of the income generated through the sale of intellectual property rights resulting from the project, within the limit of a total repayment of €5.3 million.

In a second phase, when the cumulative sales reach €60 million, the Company undertakes to pay BPI France 2.5% of sales generated by the products developed within the project, limited to a total amount of €15 million over 15 years once sales begin.

6.11 Trade and other payables

	As of December 31,		
(in thousands of euros)	**2016**	**2017**	**2018**
Domestic vendors	2,802	2,335	3,013
Foreign vendors	745	2,631	10,389
Vendors—Accruals	1,292	3,211	3,253
Other	(7)	(101)	—
Total trade and other payables	**4,832**	**8,076**	**16,655**

The increase of trades and other payables over the years presented is mainly due to the increase of the expenses incurred by the Company as part of its clinical trials.

6.12 Other current liabilities

	As of December 31,		
(in thousands of euros)	**2016**	**2017**	**2018**
Social liabilities, taxation and social security	1,465	2,706	3,148
Deferred revenue	—	—	16
Other payables	—	—	53
Total other current liabilities	**1,465**	**2,706**	**3,217**

The increase of social liabilities, taxation and social security is mainly due to the increase of wages and headcounts over the periods presented.

6.13 Related parties

Related parties include the Chief Executive Officer (CEO) of the Company (Gil Beyen), the Vice President (Jérôme Bailly), members of the Board of Directors (6 Board members in addition to the CEO) and members of the executive committee (5 members in addition to the CEO and the Vice President).

The remuneration of directors and other members of the executive committee was as set forth in the table below.

	2016			2017			2018		
In thousand of euros	***Salary / Fees***	***Retirement benefits***	***Share based payments***	***Salary / Fees***	***Retirement benefits***	***Share based payments***	***Salary / Fees***	***Retirement benefits***	***Share based payments***
Executive officers / VP and Qualified person	498	15	226	654	19	306	692	26	337
Executive committee	818	10	495	1,519	25	478	1,285	30	528
Board of directors	184		37	229		336	241	—	442
Total	**1,500**	**25**	**758**	**2,402**	**44**	**1,120**	**2,218**	**56**	**1,307**

The Company has no other related parties.

6. 14 Financial instruments recognized in the consolidated statement of financial position and effect on net income (loss)

As of December 31, 2016 (in thousands of euros)	**Carrying amount on the statement of financial position (1)**	**Fair value through profit and loss**	**Loans and receivables**	**Debt at amortized cost**	**Fair value**
Non-current financial assets	132	—	132	—	132
Trade and other receivables	218	—	218	—	218
Other current assets	4,524	—	4,524	—	4,524
Cash and cash equivalents (2)	37,646	37,646	—	—	37,646
Total financial assets	**42,520**	**37,646**	**4,874**	**—**	**42,520**
Financial liabilities – Non-current portion (3)	2,816	—	—	2,816	2,816
Financial liabilities – Current portion (3)	50	—	—	50	50
Trade payables and related accounts	4,832	—	—	4,832	4,832
Total financial liabilities	**7,697**	**—**	**—**	**7,697**	**7,697**

As of December 31, 2017 (in thousands of euros)	**Carrying amount on the statement of financial position (1)**	**Fair value through profit and loss**	**Loans and receivables**	**Debt at amortized cost**	**Fair value**
Non-current financial assets	234	—	234	—	234
Trade and other receivables	76	—	76	—	76
Other current assets	5,790	—	5,790	—	5,790
Cash and cash equivalents (2)	185,525	185,525	—	—	185,525
Total financial assets	**191,626**	**185,525**	**6,100**	**—**	**191,626**
Financial liabilities – Non-current portion	2,019	—	—	2,019	2,019
Financial liabilities – Current portion (3)	824	—	—	824	824
Trade payables and related accounts (3)	8,076	—	—	8,076	8,076
Total financial liabilities	**10,919**	**—**	**—**	**10,919**	**10,919**

As of December 31, 2018 (in thousands of euros)	Carrying amount on the statement of financial position (1)	Fair value through profit and loss	Fair value through other comprehensive income	Loans and receivables	Debt at amortized cost	Fair value
Non-current financial assets	1,046			1,046		1,046
Trade and other receivables	30			30		30
Other current assets	14,111			14,111		14,111
Cash and cash equivalents (2)	134,371	134,371				134,371
Total financial assets	**149,557**	**134,371**	**—**	**15,187**	**—**	**149,557**
Financial liabilities – Non-current portion	1,243				1,243	1,243
Financial liabilities – Current portion (3)	776				776	776
Trade payables and related accounts (3)	16,655				16,655	16,655
Total financial liabilities	**18,674**	**—**	**—**	**—**	**18,674**	**18,674**

(1) The carrying amount of these assets and liabilities is a reasonable approximation of their fair value.
(2) Cash and cash equivalents are comprised of money market funds and time deposit accounts, which are measured using level 1 and level 2 measurements, respectively.
(3) The fair value of financial liabilities is determined using level 2 measurements.

7 Management of financial risks

The principal financial instruments held by the Company are securities that are classified as cash and cash equivalents. The purpose of holding these instruments is to finance the ongoing business activities of the Company. It is not the Company's policy to invest in financial instruments for speculative purposes.

The principal risks to which the Company is exposed are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk.

Liquidity risk

The Company has been structurally loss-generating since its creation. The net cash flows used by the Company's operating activities were respectively €17.6 million, €24.7 million and €39.3 million for the years ended December 31, 2016, 2017 and 2018, respectively.

The Company does not believe that it is exposed to short-term liquidity risk, considering the cash and cash equivalents that it had available as of December 31, 2018, amounting to €134.4 million which was primarily cash at hand and term deposits that are convertible into cash immediately without penalty. Management believes that the amount of cash and cash equivalents available is sufficient to fund the Company's planned operations at least through the next twelve months.

Historically, the Company has financed its growth by strengthening its shareholders' equity in the form of capital increases and the issue of convertible bonds. The Company believes that the capital increase associated with its initial public offering completed in May 2013, as well as the capital increases completed in 2014, 2015, 2016 and a private placement and an initial public offering in 2017, enable the Company to continue as a going concern for at least the twelve-month period starting in January 1, 2019.

The contractual cash flows of the financial liabilities as at December 31, 2016, 2017 and 2018 are as follows:

(in thousands of euros)		Contractual cash flows			
As of December 31, 2016	Book value	Total	Less than one year	One to five years	More than five years
Financial liabilities					
Bank loans	1,480	(1,480)	—	(1,480)	—
Conditional advances	1,182	(1,182)	—	—	(1,182)
Liabilities related to finance leases	204	(149)	(59)	(91)	—
Trade payables and related accounts	4,832	(4,832)	(4,832)	—	—
Total financial liabilities	**7,697**	**(7,644)**	**(4,891)**	**(1,571)**	**(1,182)**

(in thousands of euros)		Contractual cash flows			
As of December 31, 2017	**Book value**	**Total**	**Less than one year**	**One to five years**	**More than five years**
Financial liabilities					
Bank loans	1,534	(1,534)	(735)	(799)	—
Conditional advances	1,182	(1,182)	—	—	(1,182)
Liabilities related to finance leases	117	(117)	(79)	(39)	—
Bank overdrafts	11	(11)	(11)		—
Trade payables and related accounts	8,076	(8,076)	(8,076)	—	—
Total financial liabilities	**10,919**	**(10,919)**	**(8,900)**	**(838)**	**(1,182)**

(in thousands of euros)		Contractual cash flows			
As of December 31, 2018	**Book value**	**Total**	**Less than one year**	**One to five years**	**More than five years**
Financial liabilities					
Bank loans	799	(799)	(738)	(62)	—
Conditional advances	1,181	(1,181)	—	—	(1,181)
Liabilities related to finance leases	39	(39)	(39)	—	—
Trade payables and related accounts	16,655	(16,655)	(16,655)	—	—
Total financial liabilities	**18,674**	**(18,674)**	**(17,431)**	**(62)**	**(1,181)**

Foreign currency exchange risk

The Company's functional currency is the euro. However, a significant portion of about 30% of its operating expenses is denominated in U.S. dollars (agency office in Cambridge, Massachusetts, cooperation relating to the production of clinical batches with the American Red Cross, business development consultants, consultants for the development of clinical trials in the United States, and various collaborations relating to tests and clinical projects in the United States). As a result, the Company is exposed to foreign exchange risk inherent in operating expenses incurred. The Company does not currently have revenues in euros, dollars nor in any other currency. As of December 31, 2018, management believes that the Company's bank account position held in U.S. dollars is sufficient to cover operating expenses in dollars. As a consequence, the Company does not have a significant foreign currency exchange risk as of December 31, 2018. If this exposure to foreign exchange risk increase in the future, the Company will opt to use exchange rate hedging techniques.

The bank account position held in U.S. dollars amounted to $94,291 thousand as of December 31, 2018.

Change in exchange rate (decrease) from 1% would have an impact as of December 31, 2018 of €815 thousand.

Change in exchange rate (decrease) from 5% would have an impact as of December 31, 2018 of €3,921 thousand.

Change in exchange rate (decrease) from 10% would have an impact as of December 31, 2018 of €7,486 thousand.

Interest rate risk

The Company has very low exposure to interest rate risk. Such exposure primarily involves money market funds and time deposit accounts. Changes in interest rates have a direct impact on the rate of return on these investments and the cash flows generated.

The Company's currently outstanding bank loan bears interest at a fixed rate, and therefore the company is not subject to interest rate risk with respect to this loan.

The repayment flows of the conditional advances from BPI France are not subject to interest rate risk.

Credit risk

The credit risk related to the Company's cash and cash equivalents is not significant in light of the quality of the co-contracting financial institutions.

Inflation Risk

The Company does not believe that inflation has had a material effect on its business, financial condition or results of operations. If the Company's costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through price increases. Its inability or failure to do so could harm its business, financial condition and results of operations.

8 Off-balance sheet commitments

Operating leases

The off-balance sheet commitments correspond to the lease of buildings in France and in the United States. They can be broken down as follows:

(in thousands of euros)	Lease commitments			
As of December 31, 2018	**Total**	**Less than one year**	**One to five years**	**More than five years**
Leases in France	3,443	671	1,876	896
Leases in US	4,825	806	4,018	—
Total lease commitments	**8,268**	**1,478**	**5,894**	**896**

The lease commitments noted above of €8.3 million differ significantly from what the financial liability (corresponding to the future lease payments) would be in accordance with IFRS 16 as of December 31, 2018 (see Note 3) due to:

- The discounting of the lease payments required by IFRS 16; and
- The duration of the lease defined by IFRS 16.

Collaborative arrangements

Agreement with Orphan Europe

In November 2012, the Company entered into a marketing agreement with Orphan Europe, a subsidiary of Recordati Group, to market and distribute GRASPA® for the treatment of ALL and AML in 38 countries in Europe, including all of the countries in the European Union. The Company received a payment of €5 million on signing the agreement, which provides for sharing in the development costs for GRASPA® in AML. The Company may be entitled to receive future payments of up to €37.5 million, subject to the achievement of specified clinical, regulatory and commercial milestones. Orphan Europe will invest in the development costs for GRASPA® in AML, and the Company will receive a payment for product delivered and royalties on the sales for a total of up to 45% of the sale price. The agreement provides that Orphan Europe may automatically terminate the agreement, recoup certain expenses, and reduce milestone payments in the event that the intellectual property the Company would license to them under the agreement is deemed to be counterfeited or invalid. As a consequence of the withdrawal of the MAA for ALL and the focus on solid tumors, the termination process of this agreement with Orphan Europe has been initiated.

Agreement with the Teva Group

In March 2011, the Company entered into a partnership agreement with the Teva Group (through Abic Marketing Limited), or Teva, to distribute GRASPA® in Israel. Under the terms of the agreement, Teva will submit the request for approval of GRASPA® for ALL in Israel and is responsible for the marketing and distribution of GRASPA® in Israel. Teva will pay interim payments to the Company and will share net earnings of product sales in Israel with the Company. Early termination of the agreement may be requested by either party in the event of a change in control in the other party. The agreement with Teva is still ongoing, but has at this time, no ongoing obligations, given the Company's withdrawal of the MAA for ALL and its focus on solid tumors.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ERYTECH Pharma S.A.

By: /s/ Gil Beyen

Name: Gil Beyen
Title: Chief Executive Officer

Date: March 29, 2019

Exhibit 4.4

LEASE

BETWEEN

104 CAMPUS DRIVE LLC

AND

ERYTECH PHARMA, INC.

104 Campus Drive, Princeton, West Windsor Township, County of Mercer, New Jersey
a/k/a
Unit “B” of the Campus Drive Condominium

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LEASE

104 CAMPUS DRIVE
WEST WINDSOR, NEW JERSEY

THIS LEASE is made as of April 27, 2018 (the "**Effective Date**") (hereinafter referred to as the "**Lease**") between **104 CAMPUS DRIVE LLC**, a New Jersey limited liability company, (hereinafter "**Landlord**"), and **ERYTECH PHARMA, INC.**, a Delaware corporation (hereinafter "**Tenant**").

1. Reference Data and Definitions. Any reference in this Lease to the following subjects shall incorporate therein the data stated for the subject(s) in this Section 1:

1.1 LANDLORD'S ADDRESS (See Article 33, "**Notices**"):

104 Campus Drive LLC
1481 47th Street
Brooklyn, NY 11219
Attention: Akiva Tauber
E-Mail:

with a copy to:

Brian P. Perini, Esquire
Lipsky and Brandt
1101 Market Street
Suite 2820
Philadelphia, PA 19107
E-Mail:

1.2 RENT ADDRESS:

Same as Landlord's Address.

1.3 TENANT'S ADDRESS:

(See Article 33, "Notices"):

Gil Beyen
Erytech Pharma, Inc.
One Main Street, Suite 1150
Cambridge, MA 02142
E-Mail:

With a copy to:

Hannah Dowd McPhelin, Esquire
Pepper Hamilton LLP
100 Market Street, Suite 200
P.O. Box 1181
Harrisburg, PA 17108-1181
For courier deliveries use ZIP code 17101-2044

E-Mail:

1.4 LEASED PREMISES or PREMISES: Approximately 30,886 usable square feet of space located within the Building. Minimum Rent, OE Share and RET Share are based upon the Rentable Area of the Leased Premises.

1.5 RENTABLE AREA OF THE LEASED PREMISES: Approximately 34,112 rentable square feet of space, being the square footage of the Leased Premises set forth in Section 1.4 calculated with a loss factor of 10.4%.

1.6 LEASE COMMENCEMENT DATE: Upon delivery of possession of the Leased Premises to Tenant with the Turnover Conditions (as hereinafter defined) completed and otherwise in the condition required by this Lease, which is anticipated to occur on the date that is sixty (60) days following the date hereof (the "**Delivery Date**").

1.7 EXPIRATION DATE: The last day of the month ten (10) years and six (6) full months after the Rent Commencement Date (See Section 3.3).

1.8 MINIMUM RENT: Minimum Rent shall be based on the "**$Per Rentable Sq. Ft.**" amount provided below multiplied by the Rentable Area of the Leased Premises (See Section 1.5).

Months	$Per Rentable Sq. Ft.	Annual Minimum Rent	Monthly Minimum Rent
1-3	$0.00	$0.00	$0.00
4-9	$23.00*	$784,576.00*	$65,381.33
10-12	$0.00	$0.00	$0.00
13-18	$23.00*	$784,576.00*	$65,381.33
19-30	$23.46	$800,267.52	$66,688.96
31-42	$23.93	$816,300.16	$68,025.01
43-54	$24.40	$832,332.80	$69,361.07
55-66	$24.89	$849,047.68	$70,753.97
67-78	$25.39	$866,103.68	$72,175.31
79-90	$25.90	$883,500.80	$73,625.07
91-102	$26.42	$901,239.04	$75,103.25
103-114	$26.95	$919,318.40	$76,609.87
115-126	$27.49	$937,738.88	$78,144.91

*Annualized

1.9 TENANT'S PROPORTIONATE SHARE:

OE Share: 44.60%.
RET Share: 44.60%.

The "Building" is approximately 76,480 square feet of rentable space.

1.10 PERMITTED USE: Tenant shall use the Premises only for general office use and uses for Tenant's business ancillary thereto, for production of biologic-based therapies and for no other purpose.

1.11 LEASING AGENTS:
Vinny Di Meglio of Colliers – Landlord's leasing agent.
Newmark Knight Frank – Tenant's leasing agent.

1.12 SECURITY DEPOSIT: $196,143.99

1.13 TENANT IMPROVEMENT ALLOWANCE: Landlord shall provide Tenant with an improvement allowance for the Tenant Work in the amount of $1,961,440.00 (the "**TI Allowance**"). The TI Allowance shall be based on a rate equal to $57.50 per rentable square foot of the Leased Premises.

1.14 BASE BUILDING ALLOWANCE: Landlord shall provide Tenant with an improvement allowance in an amount not to exceed $341,120.00 (the "**Base Building Allowance**"). The Base Building Allowance shall be based on a rate equal to $10.00 per rentable square foot of the Leased Premises (See Section 1.5 herein). Notwithstanding the foregoing, Landlord shall only be obligated to make Base Building Allowance reimbursements to Tenant subject to Tenant completing various improvements to the structural elements of the Building or such other improvements as may be necessitated by Tenant's engineering report. Any unused portion of the Base Building Allowance shall be added to the TI Allowance.

1.15 MINIMUM RENT ABATEMENT PERIOD:
Six (6) full calendar months being months 1-3 and months 10-12 following the Rent Commencement Date (See Section 3.3).

1.16 PARTY PERFORMING THE TENANT WORK:
Tenant

See Section 43 for additional defined terms.

2. Premises.

2.1 Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the "**Leased Premises**" described in Section 1.4 above (hereinafter also referred to as the "**Premises**") substantially as shown as the "Tenant A" space on the plan attached hereto as Exhibit "A," in the building (including all appurtenant rights accruing thereto pursuant to the Master Deed and the Master Declaration, the "**Building**") located at the property known as 104 Campus Drive, Princeton, West Windsor Township, New Jersey (the "**Property**") for the Term (defined below) and subject to the covenants, terms, provisions and conditions of this Lease, together with the right of non-exclusive use of elevators, stairways, lobbies, corridors and parking spaces as they may exist from time to time in the Building for common use and access to the Premises. Notwithstanding anything herein to the contrary, within six (6) months following the Rent Commencement Date, Landlord and Tenant shall each have the right to remeasure the Premises and/or the Building in accordance with the Building Owners and Managers Association International Standard Method for Measuring Floor Area in Office Buildings, ANSI/BOMA Z65.1-2017, and upon any such remeasurement, all terms of this Lease based on the square footage of the Premises and/or Building shall be adjusted accordingly, including without limitation Sections 1.4, 1.5, 1.8, 1.9, 1.12, 1.13, 1.14. Landlord and Tenant acknowledge and agree that the Premises currently includes an electrical closet and a sprinkler riser room (collectively, the "**Utility Closets**"). In the event that the Utility Closets or any portion thereof do not exclusively serve the Premises (such portion being the "**Nonexclusive Space**"), then the parties shall amend this Lease in order to accomplish the following: (i) exclude the Nonexclusive Space from the Premises and to adjust the terms of this Lease that are based upon the area of the Premises accordingly, and (ii) as part of the Tenant Work, Tenant shall provide for continued access to the Nonexclusive Space by Landlord and, if applicable, other tenants and occupants of the Building, which access shall not permit access to the Premises. Within six (6) months following the date hereof, Tenant shall have the right to lease additional space contiguous to the Premises of up to 5,000 square feet in a location reasonably approved by Landlord, upon all of the terms and conditions hereof upon notice to Landlord. In such event, the parties shall promptly execute an amendment to this Lease to evidence the addition of such additional space and to adjust the terms of this Lease that are based upon the area of the Premises accordingly.

2.2 Landlord is the owner of the fee simple estate in and to that certain parcel of land (the "**Land**") and condominium unit identified on the Site Plan (hereinafter defined) as "**Unit B**", located in the Township of West Windsor, County of Mercer and the State of New Jersey and shown on the site plan of the Campus Drive Condominium (the "**Site Plan**"), attached hereto as Exhibit "A-1" consisting of the Building known as 104 Campus Drive, Princeton, West Windsor Township, New Jersey. As used in this Lease, the following terms shall mean (i) "**Unit A**" is that certain tract of land owned by RXR Campus Drive Owner SPE LLC, identified on the Site Plan as Unit A and known as 115 Campus Drive, Princeton, West Windsor Township, New Jersey; (ii) "**Unit C**" is that certain tract of land owned by 100 Campus Drive LLC, identified on the Site Plan as Unit C and known as 100 Campus Drive, Princeton, West Windsor Township, New Jersey; (iii) "**Association**" shall mean Campus Drive Condominium Association, LLC, a New Jersey limited liability company, formed to administer, manage and operate the common affairs of the Campus Drive Condominium and (iv) "**Campus Drive Condominium**" means collectively Unit A, Unit B and Unit C (the "**Units**"), together with all buildings and improvements located thereon, including the Common Elements and Limited Common Elements as defined in the Master Deed of Campus Drive Condominium dated December 12, 2017, and recorded in the Mercer County Clerk's Office on December 19, 2017, as Instrument Number 2017057639, in Deed Book 6310, Page 1545 et seq. (as may be amended from time to time in accordance with the terms of this Lease, the "**Master Deed**") and with the benefit of all of the easements, rights, restrictions, privileges, agreements and encumbrances contained in and appurtenant to the Land by operation of law, the Master Deed or otherwise. Within fifteen (15) business days following the Effective Date, Landlord shall cause an amendment to the Master Deed in the form attached hereto as Exhibit "I" to be recorded in the Mercer County Clerk's Office (the "**Master Deed Amendment**") and shall promptly provide notice of such recording and a copy of the recorded amendment to Tenant; failing which Tenant shall have the right to terminate this Lease upon ten (10) days' prior written notice to Landlord, provided that if the Master Deed

Amendment is recorded within such ten (10) day period, then Tenant's termination notice shall be deemed rescinded and this Lease shall remain and continue in full force and effect. In the event of any such termination, (i) if Landlord's failure to timely record the Master Deed Amendment is due to any reason outside of Landlord's reasonable control, Landlord shall reimburse Tenant for its actual out of pocket expenses incurred in connection with this Lease, not to exceed $300,000, within thirty (30) days after receipt of invoice therefor (and such obligation shall survive the termination hereof), and (ii) if Landlord's failure to timely record the Master Deed Amendment is due to any reason within Landlord's reasonable control, Landlord shall reimburse Tenant for its actual out of pocket expenses incurred in connection with this Lease, not to exceed $1,000,000, within thirty (30) days after receipt of invoice therefor and Tenant shall have all rights and remedies available under this Lease, at law and in equity with respect to such failure (and all such rights and remedies shall survive the termination hereof).

2.3 Campus Drive Condominium is part of "**University Square**" which was formed by recording a Master Declaration (as hereinafter defined). At the time the Master Declaration was recorded, the owner of University Square established a Master Association (hereinafter defined) charged with the responsibility for the administration, operation and management of the University Square Property (as hereinafter defined), and the improvements intended for the common use and enjoyment of the owners of lot owners within University Square. As used in this Lease, the following terms shall mean (i) "**Master Declaration**" shall mean the Restated Declaration of Covenants, Conditions and Restrictions of "University Square", dated August 19, 1986, and recorded in the Mercer County Clerk's Office on September 23, 1986, in Volume 2357, Page 442 et seq., as amended by that certain First Amendment to Restated Declaration of Covenants, Conditions and Restrictions of "University Square" dated September 27, 1990, and recorded in the Mercer County Clerk's Office on October 3, 1990, in Volume 2543, Page 528 et seq., Second Amendment to Restated Declaration of Covenants, Conditions and Restrictions of "University Square" dated April 5, 2007, and recorded in the Mercer County Clerk's Office on September 12, 2007, in Book 05717, Page 0018 et seq., Third Amendment to Restated Declaration of Covenants, Conditions and Restrictions of "University Square" dated as of February 26, 2013, and recorded in the Mercer County Clerk's Office on March 6, 2013, as Instrument Number 2013012898 in Deed Book 6166, Page 396 et seq., Fourth Amendment to Restated Declaration of Covenants, Conditions and Restrictions of "University Square" dated as of December 12, 2017, and recorded in the Mercer County Clerk's Office on December 19, 2017, as Instrument Number 2017057638 in Deed Book 6310, Page 1533 et seq.; (ii) "**Master Association**" shall mean the University Square Owners Association, Inc. a New Jersey non-profit corporation, formed to administer, manage and operate the common affairs of the University Square Property; and (iii) "**University Square Property**" shall mean the property described in Exhibit A of the Master Declaration and which is attached hereto as Exhibit "A-2".

2.4 Subordinate to Master Deed and Master Declaration. The Campus Drive Condominium is subject and subordinate to terms of the Master Deed. Certain fees and assessments as contemplated by the Master Deed and the Master Declaration are imposed on the Units and the Campus Drive Condominium, respectively. Tenant shall be obligated to pay its OE Share of the costs allocated to Unit B by the Association or Landlord pursuant to the terms of this Lease and/or the Master Deed as such costs are included in the Annual Operating Costs (see Section 7.3 below), to the extent otherwise permitted to be included in Annual Operating Costs under this Lease. Certain Landlord approvals required herein may be subject to the prior approval of the Association, the Executive Board of the Association, the Master Declaration and/or the Master Association, as well as the approval of Landlord. Any denial of approval by Landlord due to the denial of such approval by any party entitled to grant or withhold approval under the Master Deed and/or Master Declaration shall be deemed a reasonable denial of approval by Landlord. ***This Lease is subject and subordinate to the terms of the Master Deed and the Master Declaration. To the extent of any conflict between the terms of this Lease and the terms of either the Master Deed or the Master Declaration, the terms of the Master Deed and/or the Master Declaration shall govern. Landlord and Tenant agree that the Association and the Master Association are third party beneficiaries to this Section 2.4 and may remedy any violation of the Master Declaration and/or Master Deed occasioned by Tenant's use and occupancy of the Premises, in the manner and to the extent provided in the Master Deed and/or Master Declaration, including, but not***

limited to, bringing suit, at law or in equity, directly against Tenant. Landlord, or its affiliate, shall have the unilateral right to modify the Master Declaration and/or Master Deed subject to the terms and conditions of this Lease. Landlord represents, warrants and covenants to Tenant that (i) to Landlord's knowledge, the Premises, the Building and Unit B do not violate any provision of the Master Deed or Master Declaration (collectively, the "**Master Documents**"); (ii) Landlord is the fee simple owner of Unit B, which consists solely of the Building; (iii) Landlord is not in default under the Master Documents and to Landlord's knowledge, no other party is in default under the Master Documents; (iv) other than the Master Documents, there is no lien, encumbrance, easement, restriction or covenant of any kind (whether or not of public record) that adversely affects Tenant's use and/or occupancy of the Premises for the Permitted Use; (v) to Landlord's knowledge, Tenant's use of the Premises for the Permitted Use does not violate the Master Documents as amended by the Master Deed Amendment; (vi) the Turnover Conditions do not violate, and shall be performed in accordance with, all construction, architectural and other requirements set forth in the Master Documents; (vii) Landlord has (or shall prior to performance) obtained all consents and approvals required under the Master Documents in connection with the Turnover Conditions, this Lease, the Premises and Tenant's use and occupancy thereof and no further consent is required under the Master Documents; and (viii) Landlord shall not amend or modify (or consent to same) the Master Documents in any manner that would adversely affect Tenant's use and occupancy of the Premises or increase Tenant's monetary obligations under this Lease (other than a de minimis increase). Landlord covenants and agrees that throughout the Term (a) it will comply with the terms and conditions of the Master Documents and (b) it will cause the Building to be in compliance with the terms and conditions of the Master Documents.

2.5 Right of First Offer. Provided that this Lease is in full force and effect, with at least twenty-four (24) months then remaining in the initial Term (including the Renewal Term, if Tenant shall have timely exercised its renewal option under Section 46 hereof), and provided that Tenant has not theretofore given notice to Landlord exercising the Early Termination Option under Section 3.5 hereof, Landlord hereby grants to Tenant a continuing right of first offer to lease from Landlord on the terms herein set forth that certain space contiguous to the Premises or any portion thereof, being illustrated and labeled "ROFO" on Exhibit "A" attached hereto, that is available for lease during the Term (the "**Offer Space**"), subject, however, to (a) the desire of the then existing tenant or occupant of the Offer Space, if any, to extend its lease or enter into a new lease with respect to the Offer Space, and (b) the rights of any other tenants of the Building to lease such space pursuant to terms of their respective leases which are in effect on the date of this Lease as set forth on Exhibit "H". Landlord covenants, represents and warrants that any rights of other tenants of the Building to lease the Premises at the time of this Lease were waived by such tenants and Landlord hereby indemnifies and holds harmless Tenant from any and all claims and liability arising from its breach of the foregoing covenant, representation and warranty. Subject as aforesaid, upon Landlord entering into bona-fide discussions with a prospective third party tenant seeking a proposal from Landlord regarding the lease of the Offer Space, Landlord shall give Tenant written notice of the terms on which Tenant may lease the Offer Space (the "**Landlord ROFO Notice**") for a term which is coterminous with the Term and, except as otherwise set forth in the Landlord ROFO Notice, on the terms and conditions contained in this Lease. The Landlord ROFO Notice shall state the date on which the Offer Space is anticipated to become available. In the event that Tenant does not accept Landlord's offer in writing, and without modification, within ten (10) business days after the date on which Tenant receives Landlord's ROFO Notice, then this Section 2.5 shall be of no further force or effect as to the Offer Space described in Landlord's ROFO Notice and Landlord shall be free to lease the Offer Space to any other person or entity upon terms not materially more favorable to Tenant than those described above, unless and until such Offer Space becomes available again or if Landlord does not enter into a lease for the Offer Space with another person or entity within nine (9) months following the Landlord ROFO Notice. If Tenant timely accepts Landlord's offer, (i) Landlord and Tenant shall promptly execute and deliver an amendment of this Lease reflecting the terms of Tenant's lease of the Offer Space as set forth in the Landlord ROFO Notice, for a term which is coterminous with the Term and, except as otherwise set forth in the Landlord ROFO Notice, on the terms and conditions contained in

this Lease (provided, however, that if Tenant seeks to modify the terms in the Landlord ROFO Notice and solely as a result thereof such amendment of this Lease shall not be executed and delivered by the parties within forty five (45) days after Tenant's acceptance of Landlord's offer set forth in the Landlord ROFO Notice, then Tenant's acceptance shall be deemed waived, provided that such forty five (45) day period shall be extended for any periods of delay by Landlord and delays outside of the reasonable control of either party), and (ii) Tenant's right of first offer set forth in this Section 2.5 shall remain in effect except that the Offer Space shall be any space in the building that is or becomes available for lease. Notwithstanding the foregoing, (a) Tenant's right to lease the Offer Space hereunder shall be contingent upon no Event of Default existing either at the time Tenant receives the Landlord ROFO Notice or at the time Landlord intends to tender possession of the Offer Space to Tenant, and (b) Landlord's delivery of the Offer Space to Tenant shall be subject to Landlord's regaining possession thereof from the tenant then occupying same and Landlord shall not be liable to Tenant if Landlord is unable to obtain possession of the Offer Space in a timely fashion for any reason so long as Landlord uses commercially reasonable efforts to obtain possession in a timely fashion.

3. Term and Rent Commencement.

3.1 The term (the "**Term**") shall commence on the date Landlord delivers possession of the Premises to Tenant with the Turnover Conditions (as hereinafter defined) completed and otherwise in the condition required by this Lease (the "**Lease Commencement Date**") and shall end, without the necessity of notice from either party to the other, on the Expiration Date (defined in Section 1.7).

3.2 Promptly after the Rent Commencement Date (as defined below) and upon receipt of same executed by Landlord from Landlord, Tenant shall deliver to Landlord a fully executed "**Term Commencement Letter**" in the form attached hereto as Exhibit "D."

3.3 Tenant's obligation to pay Minimum Rent shall commence on the "**Rent Commencement Date**", which is the first day immediately following the date that is one hundred eighty (180) days from the Lease Commencement Date. All other obligations of Tenant under this Lease shall commence on the Lease Commencement Date, excluding any obligation to pay Rent other than Tenant's Utility Cost.

3.4 The First Lease Year shall be the period commencing on the Rent Commencement Date and continuing through the last day of the twelfth full calendar month after the Rent Commencement Date. Each Lease Year after the First Lease Year shall be a consecutive twelve (12) month period commencing on the first day of the calendar month immediately following the preceding Lease Year, with the final Lease Year ending on the Expiration Date.

3.5 Tenant Termination Option.

(a) Notwithstanding Section 3.1 to the contrary, Tenant shall have the right (the "**Early Termination Option**") to terminate this Lease effective at any time after the sixtieth (60th) full calendar month following the Rent Commencement Date (the "**Early Termination Date**") subject to the conditions set forth herein. If Tenant chooses to exercise the Early Termination Option, Tenant must (i) provide written notice to Landlord indicating its intention to exercise the Early Termination Option at least nine (9) months prior to the applicable Early Termination Date and specify the exact Early Termination Date (the "**Termination Notice**") and (ii) along with the Termination Notice, pay to Landlord fifty percent (50%) of the Early Termination Fee (as defined below), with the balance of the Early Termination Fee due on or before the Early Termination Date. For purposes of this Lease the "**Early Termination Fee**" shall mean a fee in the amount equal to the following unamortized transaction costs incurred or to be incurred by Landlord in connection with this Lease from and after the date hereof

or otherwise in connection with this Lease up to and including the Early Termination Date: commissions paid to the Leasing Agents (as defined in Section 1.11), the TI Allowance (as defined in Section 1.13), and the Base Building Allowance (as defined in Section 1.14), plus the costs of any improvements to any additional space leased by Tenant pursuant to any option contained herein or otherwise (where such improvements were paid for by Landlord), all of which shall be amortized at an interest rate of eight percent (8.0%) per annum, and such amount and the calculation thereof shall be set forth on Exhibit "D" at the time that it is prepared for signature by the parties (provided that if Tenant leases any additional space thereafter, such amount and calculation shall be equitably adjusted at such time).

(b) At the time of Tenant's exercise of the Early Termination Option and also at all times during the period from such exercise to the Early Termination Date, this Lease shall be in full force and effect and no Event of Default shall exist. If this Lease shall not be in full force and effect or if an Event of Default shall exist at any such time, the exercise by Tenant of the Early Termination Option shall, at Landlord's option, be null and void and of no further force and effect whatsoever.

(c) Tenant's Early Termination Option shall expire and be null and void unless exercised in compliance with all conditions and limitations set forth herein. Tenant hereby agrees that Tenant shall remain liable for all Rent, including any retroactive adjustments thereto, which may be payable pursuant to the terms and provisions of this Lease for the period up to and including the Early Termination Date.

3.6 Compliance with Regulations. Tenant shall comply with any and all regulations required by the Township and/or the State of New Jersey, currently existing or not yet enacted, if any, relative to the Tenant Work and/or Tenant's particular manner of occupancy of the Premises. Such compliance shall include Tenant obtaining from West Windsor Township (the "**Township**") applicable zoning permits for the Permitted Use and building permits for the construction of the Tenant Work (collectively the "**Construction Permit**").

4. Possession.

4.1 Tenant leases the Premises in its "as-is" condition and state of repair as of the Lease Commencement Date, it being understood that Landlord covenants that all mechanical, HVAC, electrical, plumbing, roof and structural components of the Building and any other elements of the base Building shall be in good working order, condition and repair as of the Lease Commencement Date and that on the Lease Commencement Date the Premises and the Building shall comply with the requirements of Exhibit "E" (the "**Turnover Conditions**"). Subject to the foregoing, all improvements to the Premises for Tenant's Permitted Use shall be made by Tenant, in accordance with the Work Letter, at Tenant's sole cost and expense, subject to the TI Allowance and the Base Building Allowance. In the event that in the course of the Tenant Work, it becomes apparent that the Turnover Conditions or any part thereof are not met, then Landlord shall promptly cure same at its sole cost and expense; for each one day of time required to cure same that results in delay in completion of the Tenant Work, the Rent Commencement Date shall be extended by one day.

4.2 "**Tenant Work**" as used in this Lease shall mean the provision of the materials, components, labor and services encompassed within the work described in Exhibit "B". Exhibit "B," the Work Letter, sets forth the obligations and responsibilities of Tenant and Landlord for the design and construction of the Tenant Work (as defined in this Section 4.2 above). In no event shall Landlord have any rights to any management system that exclusively serves the Premises, which is installed by Tenant as part of the Tenant Work or otherwise.

4.3 Notwithstanding anything in this Lease to the contrary, "**Substantially Completed**" or "**Substantial Completion**" as used in this Lease is defined in Section II.13 within Exhibit "B".

4.4 If Landlord shall fail to deliver possession of the Premises for any reason, whether or not within Landlord's control, Landlord shall not be subject to any liability to Tenant. Except as otherwise expressly set forth herein, no failure to deliver the Premises shall in any respect affect the validity or continuance of this Lease or any obligation of Tenant hereunder. Notwithstanding the foregoing, in the event the Lease Commencement Date does not occur on the Delivery Date, as same shall be extended on a day for day basis for Force Majeure and Tenant Delay (each as hereinafter defined), Minimum Rent hereunder shall abate for one (1) day for each one (1) day thereafter until the Lease Commencement Date occurs, such rent abatement to commence when Tenant is first obligated to pay Minimum Rent hereunder. Further, in the event the Lease Commencement Date has not occurred within thirty (30) days after the Delivery Date, as same shall be extended on a day for day basis for Force Majeure (but such extension shall not exceed thirty (30) days) and Tenant Delay, Tenant may at any time thereafter upon ten (10) days written notice to Landlord terminate this Lease and receive back from Landlord all monies paid on account of this Lease. "**Tenant Delay**" shall mean any actual delay in the Lease Commencement Date caused by any delay in the completion of the Turnover Conditions that is caused by Tenant and that continues for more than two (2) business days after Tenant's receipt of notice from Landlord describing such delay with specificity.

5. Permitted Use.

5.1 Permitted Use. Tenant shall not use or occupy, or permit or suffer to be used or occupied, the Premises or any part thereof, other than for the Permitted Use set forth in Section 1.10.

5.2 Exclusive.

5.2.1 Landlord shall not, during the Term or any Renewal Term, lease space within the Building to any entity whose business is involved in or who extensively works with the manufacture of antibiotics or animal or cytotoxic manufacturing (the "**Use Restriction**").

5.2.2 It is expressly agreed to and acknowledged by Tenant that the following premises either do not fall within the parameters of the Use Restriction or are hereby excluded from the Use Restriction:

(a) Intentionally deleted; and

(b) any tenant taking possession of space or operating in the Building pursuant to a court order or any governmental authority.

5.2.3 In the event of a Tenant Event of Default, and Landlord thereafter enters into a lease which violates the Use Restriction (provided that before entering into such lease Landlord shall provide Tenant with notice of its intent to enter into such lease and Landlord shall be permitted to proceed if such Event of Default has not been cured within ten (10) days following Tenant's receipt of such notice), the parties hereto agree that such a Lease shall not be in violation of the Use Restriction set forth herein, even in the event Tenant later cures said default.

5.2.4 Intentionally deleted.

5.2.5 It is further understood and agreed that, in the event that Tenant assigns this Lease in any transaction that requires Landlord's consent or approval and such assignee does not use the Premises for any use under the Use Restriction for a period of ninety (90) consecutive days during which such assignee is conducting its business in the Premises, the provisions of this Section 5.2 shall automatically become null and void and of no further force and effect.

5.2.6 Intentionally deleted.

5.2.7 Landlord and Tenant agree that in the event the foregoing Use Restriction is violated and Landlord fails to cure said violation of the Use Restriction within the period of forty-five (45) days, then Tenant shall have the right to commence paying as Minimum Rent, fifty percent (50%) of Minimum Rent otherwise due (the "**Violation Abatement**"), effective immediately and continuing until such violation is cured or as provided below. In the event such violation continues for a period of 365 days commencing on the date of said violation (hereinafter "**Termination Cure Period**"), then Tenant may elect to either (i) terminate this Lease upon written notice give to Landlord at any time until such violation is cured, provided no Event of Default remains uncured and provided Tenant gives Landlord written notice of Tenant's election to terminate hereunder or (ii) continue under the terms of this Lease in which event the Violation Abatement shall immediately cease and Tenant shall thereafter pay the Minimum Rent in accordance with the Minimum Rent schedule as provided in Section 1.8 hereof. If option (i) is selected, such notice shall stipulate the termination date which shall not be less than sixty (60) days after the delivery of such notice. The remedies set forth in this Section 5.2.7 for violation of the Use Restriction are in lieu of all other remedies Tenant may have pursuant to the terms of the Lease and at law and in equity with the exception of any fraud or illegal acts by Landlord.

6. Minimum Rent.

6.1 Covenant to Pay. Tenant covenants that it shall pay to Landlord, without any demand therefor and without any abatement, setoff or deduction whatsoever (except as may be otherwise expressly provided herein), at the Rent Address (set forth in Section 1.2) or to such other person and at such other place as Landlord may from time to time designate in writing, in lawful money of the United States of America, the Minimum Rent, payable monthly in installments equal to the monthly installment of Minimum Rent, in advance on or before the first day of each and every calendar month during the Term from and after the Rent Commencement Date.

6.2 Partial Month. If the date that Tenant is first obligated to pay Minimum Rent hereunder is other than the first day of a month, Minimum Rent due from such date until the first day of the following month shall be prorated and shall be payable on the date that Tenant is first obligated to pay Minimum Rent.

7. Additional Rent – Taxes, Utilities, Landlord Work Costs and Operating Costs.

7.1 Covenant to Pay. In addition to paying Minimum Rent, Tenant covenants that it shall without demand (except as may be otherwise expressly provided herein) and without any abatement, set-off or deduction whatsoever (except as may be otherwise expressly provided herein), pay to Landlord at Landlord's Address or to such other Person and at such other place as Landlord may from time to time designate in writing, in lawful money of the United States of America, within thirty (30) days of receipt of a statement of the amount due therefor each month (except that if a different period for payment is specifically set forth, said different period shall control) the following (collectively, "**Additional Rent**"):

7.1.1 "**Tax Share**." Tenant's RET Share of Real Estate Taxes over those paid by Landlord during the 2019 calendar year and based on the Township's tax rate for calendar year 2019 (the "**Tax Share Base Year**").

7.1.2 "**Operating Cost Share**." Tenant's OE Share of Annual Operating Costs over those paid by Landlord during the 2019 calendar year (the "**OE Base Year**").

7.1.3 Other Taxes. All taxes assessed against or levied upon Tenant for its use and occupancy of the Premises which Landlord is legally required to collect on behalf of the taxing authority, and all personal property taxes assessed upon Tenant with respect to Tenant's fixtures, furnishings, equipment and all other personal property of Tenant located in the Premises.

7.1.4 Tenant Utility Costs.

(a) Tenant shall pay one hundred percent (100%) of all utilities supplied to and used upon the Premises during the Term and any renewal or extension thereof (the "**Utilities**"). The payment by Tenant of the Utilities shall be referred to as "**Tenant's Utility Cost**".

(b) Landlord shall not be held responsible or liable for its inability to furnish any service or utility due to any breakdown or failure of the apparatus supplying same and/or while undergoing repairs and/or through any rule or order of any of the properly constituted authorities and/or through any other cause of whatsoever nature. Landlord's only obligation shall be to make reasonable efforts to repair equipment owed by and under the control of Landlord. Notwithstanding the foregoing or any other provision to the contrary in this Lease, if any such interruption of any service or utility continues for more than two (2) business days for any reason within Landlord's reasonable control, then Rent hereunder shall abate for the duration of such interruption.

(c) Except as otherwise provided in this Lease, Landlord shall in no way be liable or responsible for any loss, damage, or expense that Tenant may sustain or incur by reason of any change, failure, interference, disruption, or defect in the supply or character of the electric energy furnished to the Premise, or if the quantity or character of the electric energy supplied by the Electric Service Provider or any Alternate Service Provider is no longer available or suitable for Tenant's requirements, and no such change, failure, defect, unavailability, or unsuitability shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent, or relieve Tenant from any of its obligations under the Lease.

7.2 Partial Year. If the Rent Commencement Date is not the first day of a calendar year or if the date of expiration or termination of the Term is not the last day of a calendar year, the amount computed as Additional Rent for Tax Share and Operating Cost Share with respect to such partial calendar year under this Article 7 shall be prorated in proportion to the portion of such calendar year falling within the Term.

7.3 Operating Costs.

7.3.1 The term "**Annual Operating Costs**" shall mean the costs to Landlord of operating and maintaining the Building during each calendar year of the Term or any portion thereof. Such costs shall include, by way of example rather than of limitation, (A) costs of repairs and maintenance of the Building, janitorial service and trash removal; (B) wages, salaries, benefits and bonuses (and tax imposed on employers with respect thereto) of employees of Landlord, or of any management company, who are associated with the Building for such time that their work is for the benefit of the Building, and management fees, overhead and expenses consistent with the Standards; (C) premiums for hazard, terrorism, environmental, rent, liability, worker's compensation and other insurance, and the cost of restoration or replacement to the extent of any deductible or self-insured retention in connection with an insured loss; (D) costs arising under service contracts; (E) legal, auditing and other professional and consulting fees incurred in connection with operation and maintenance of the Building and not incurred in connection with leasing or the entity which is Landlord; (F) subject to Section 7.3.3, costs of replacements of any portion of the Building or any fixtures or equipment therein but not new improvements (except as otherwise expressly set forth herein); (G) work required to comply

with any present or future governmental law, ordinance or regulation (unless due to failure of the Building to comply with such laws, ordinances or regulations on the Rent Commencement Date); (H) the cost of supplies and equipment rentals used for the Building; (I) costs not otherwise included above for all services including, without limitation, janitorial, water treatment, metal and stone cleaning and polishing, glass cleaning, extermination, trash collection and removal, painting, loading dock maintenance and operation, redecorating, seasonal decorations, landscaping and snow and ice removal; (J) costs of security and fire protection; (K) assessments and fees imposed by the Association and/or Master Association as provided in the Master Deed and/or Master Declaration and (J) the cost of all other items which under GAAP constitute operating or maintenance costs which are allocable to the Building or any portion thereof.

7.3.2 Notwithstanding the foregoing, the term "**Annual Operating Costs**" shall not include: (A) depreciation of the Building or any portion thereof; (B) payments of loans; (C) ground rents; (D) costs actually reimbursed through insurance proceeds to repair or replace damage by fire or insured other casualty to the extent of a commercially reasonable deductible only; (E) compensation and benefits of executive officers of Landlord above the level of building manager; (F) commissions payable to leasing brokers, improvement costs, legal fees and costs, advertising and other costs involved in leasing rentable areas; (G) janitorial and trash removal services for any areas other than the Common Areas; (H) assessments and fees imposed by the Association and/or Master Association as provided in the Master Deed and/or Master Declaration to the extent any such items would not otherwise be permitted to be included in Annual Operating Costs; (I) costs of repairing, replacing or otherwise correcting defects in the construction of the Building or in any Building equipment; (J) costs incurred in connection with sales, financing, refinancing or change of ownership of the Property; (K) costs of a capital nature, all as determined in accordance with GAAP other than those costs of capital improvements that are necessary to comply with any Requirements or which Landlord reasonably estimates would reduce the costs otherwise included in Annual Operating Costs, so long as the costs of such capital improvements are included in Annual Operating Costs only as amortized over the reasonably estimated useful life thereof; (L) Landlord general corporate overhead and general and administrative expenses; (M) rent or any costs for a leasing office; (N) Real Estate Taxes and any other taxes and charges excluded from Real Estate Taxes; (O) all amounts that would otherwise be included in Annual Operating Costs that are paid to any affiliate or subsidiary of Landlord, or any representative, employee or agent of same, to the extent the costs of such services exceed the competitive rates for similar services of comparable quality rendered by persons or entities of similar skill, competence and experience; (P) any management or administrative fees in excess of three percent (3%) of gross revenues of the Building; (Q) costs or expenses for which Landlord is reimbursed by any other party; (R) reserves; (S) costs, fines, interest, penalties, legal fees or costs of litigation incurred due to Landlord's failure to make any payments when due; (T) costs of litigation incurred by Landlord.

7.3.3 If there shall be leased any capital equipment the cost of which, if purchased, would be included in Annual Operating Costs, then the rental and other costs paid for such leasing shall be included in Annual Operating Costs for the calendar years in which they were incurred.

7.3.4 In determining Annual Operating Costs for any year, if for thirty (30) or more consecutive days during the year less than 100% of the Rentable Area of the Building shall have been occupied by tenants, then those Annual Operating Costs which vary with occupancy levels shall be deemed for such year to be an amount equal to the like expenses which would normally be expected to be incurred had such occupancy of the Building been at least 100% throughout such year, as reasonably and equitably determined by Landlord.

7.3.5 If any tenant of the Building supplies itself with a service at any time during such year that Landlord would ordinarily supply without separately charging therefor, then Annual Operating Costs which vary with occupancy levels shall be deemed to include the cost that Landlord would have incurred had Landlord supplied such service to such tenant.

7.4 Payment of Estimated Additional Rent. Landlord shall be entitled, at its discretion, to make reasonable estimates (and to revise any estimate from time to time) of the amounts of Additional Rent to become due for Annual Operating Costs and/or Real Estate Taxes for any full or partial calendar year under this Article, and to require Tenant to pay thereafter such estimated amounts in equal monthly installments on the first day of each month during each calendar year; provided, however, that whenever an estimate of Additional Rent shall be revised, Landlord shall have the right to increase the monthly installments to be paid thereafter for that category so that such installments, when added to the installments which Tenant was theretofore required to pay for the same category, shall equal the increased estimate. Within ninety (90) days after the end of each calendar year, Landlord shall cause the actual amount of such Additional Rent to be computed and statements thereof to be sent to Tenant; and Tenant shall, within thirty (30) days after any statement is sent to Tenant, pay to Landlord the amount of any deficiency shown therein. If such statement shall show that Tenant has made an overpayment, Tenant shall receive a credit to the extent of such overpayment against installments of Additional Rent next falling due hereunder, with any unused credit to be paid to Tenant promptly upon expiration or termination of the Term. In no event shall Tenant be obligated to pay any Real Estate Taxes or Annual Operating Costs that are not billed to Tenant within one (1) year following the calendar year in which same are incurred; provided, however, that if any Real Estate Taxes or Annual Operating Costs are not billed to Tenant within such one (1) year period because Landlord has not received the billing therefor from a third party for any reason outside of Landlord's reasonable control, then Landlord shall have one (1) additional year in order to bill Tenant for any such item. Except for Tenant's Utility Costs, which shall be paid from and after the Lease Commencement Date, all other Additional Rent payments shall commence as of the Rent Commencement Date (or later pursuant to the terms of this Lease).

7.5 Disputes. Unless Tenant, within 120 days after any statement of Additional Rent is furnished, shall give notice to Landlord that Tenant disputes said statement, specifying in reasonable detail the basis for such dispute, each statement furnished to Tenant by Landlord under any provision of this Article shall be conclusively binding upon Landlord and Tenant as to the particular Additional Rent due from Tenant for the period represented thereby. Pending resolution of any dispute, Tenant shall pay the Additional Rent in accordance with the statements furnished by Landlord. Landlord agrees, upon prior written request, to make Landlord's books and records which are relevant to any disputed amount available at Landlord's or its agent's offices during normal business hours for inspection by Tenant's employee(s) or a regionally recognized accounting firm or other auditing firm not paid, in whole or in part, on a contingent fee basis, representing Tenant, provided that such disputed amount shall have been paid by Tenant to Landlord. If the issues raised by such notice are not amicably settled between Landlord and Tenant within thirty (30) days after such written notice is received by Landlord of such dispute, Tenant or Landlord may refer the decision to a regionally recognized accounting firm or other auditing firm acceptable to the other party (the "**Accounting Firm**"). If an error is confirmed by the Accounting Firm with respect to the calculation of Additional Rent, such decision shall be deemed conclusive and Landlord shall revise the applicable statement accordingly and any overpayment by Tenant shall be refunded by Landlord and any underpayment shall be paid by Tenant within thirty (30) days of the decision date. The costs of such audit shall be borne by Tenant unless such audit finds that Tenant was overcharged by more than three percent (3%) in which event, the cost of such audit shall be borne by Landlord.

8. Late Payments. If any payment or any part thereof to be made by Tenant to Landlord pursuant to the terms of this Lease shall become overdue for a period in excess of 5 calendar days, a one-time "**Late Charge**" of $.05 for each dollar so overdue may be charged by Landlord and shall be paid by Tenant for the purpose of defraying the expense incident to handling such delinquent payment, together with interest from the date when such payment or any part thereof was due, at the Lease Interest Rate. Nothing herein shall be construed as waiving any rights of Landlord arising out of any default of Tenant, by reason of Landlord's imposing or accepting any such Late Charge or interest. Notwithstanding the foregoing, for the first two (2) instances of an overdue payment in any calendar year, Landlord shall not charge the Late Charge unless and until for each instance, the overdue amount remains outstanding for 5 calendar days after Tenant's receipt of notice of same from Landlord.

9. Services.

9.1 Tenant acknowledges that Landlord does not guaranty or warrant against the occurrence of unauthorized entry to the Premises, criminal activity or other breaches of security; and accordingly, subject to Landlord's good faith performance of the obligations contained herein, Landlord shall not be responsible for any such events or losses, damages or liability resulting therefrom except to the extent caused by Landlord's gross negligence or intentional misconduct or that of its employees, agents or contractors.

9.2 Landlord agrees that it shall provide or cause to be provided the following:

(a) furnish heat or air-conditioning and other Utilities to the Common Areas during Ordinary Business Hours;

(b) furnish heat or air-conditioning and other Utilities to the Premises during Ordinary Business Hours, subject to Sections 7.1.4(b) and (c) and Tenant's obligations under Section 10.3.

9.3 Intentionally deleted.

9.4 No telecommunication carrier shall have the right to do any work for Tenant or use any space or facilities in the Building unless such carrier shall execute and deliver to Landlord a License Agreement (a "**License Agreement**") in form and content reasonably acceptable to Landlord pursuant to which Landlord will permit access subject to its then current rates and procedures for use of equipment areas, risers and other facilities in the Building.

9.5 If any service to the Building is interrupted or stopped or if there is a defect in supply, character of, adequacy or quality of any of such services (collectively, a "**Failure**"), Landlord will use reasonable diligence to resume the service and correct the Failure; provided, however, no Failure of any of these services will create any liability for Landlord (including, without limitation, any liability for damages to Tenant's personal property caused by any such Failure) except to the extent caused by Landlord's gross negligence or intentional misconduct or that of its employees, agents or contractors, constitute an actual or constructive eviction or, except as expressly provided herein, cause any abatement of the Rent payable under this Lease or in any manner or for any purpose relieve Tenant from any of its obligations under this Lease. Without limiting those reasons for a Failure that may be beyond Landlord's reasonable control, any such Failure that is required in order to comply with any laws, ordinances or requests from governmental authorities will be deemed caused by a reason beyond Landlord's control.

9.6 Landlord shall have the right to select the utility company ("**Electric Service Provider**") to provide electricity service for the Building. If permitted by law, Landlord shall have the right at any time and from time to time during the Term to contract for service from a different company or companies providing electricity service (each such company shall hereinafter be referred to as an "**Alternate Service Provider**") so long as such Alternate Service Provider provides competitive service at reasonable market rates.

Tenant shall cooperate with Landlord, the Electric Service Provider and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, Electric Service Provider, and any Alternate Service Provider reasonable access to the Building electric lines, feeders, risers, wiring, and any other machinery within the Premises.

Tenant shall cooperate with Landlord, the Electric Service Provider and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, Electric Service Provider, and any Alternate Service Provider reasonable access to the Building electric lines, feeders, risers, wiring, and any other machinery within the Premises.

9.7 Landlord reserves the right, without any liability to Tenant, except as otherwise expressly provided in this Lease, and without being in breach of any covenant of this Lease, to effect a Failure, as required by this Lease or by law, or as necessary in Landlord's reasonable opinion, after reasonable notice to Tenant in view of specific circumstances, with reasonable efforts of Landlord to minimize interference, whenever and for so long as may be necessary (but with the consequences specified in Section 7.1.4(b), above), to make repairs, alterations, upgrades, changes, or for any other reason, to the Building and the Building's HVAC, utility, sanitary, elevator, water, telecommunications, security, or other Building systems serving the Premises, or any other services required of Landlord under this Lease.

9.8 Tenant will be responsible, and Landlord shall have no responsibility, for procuring services for the collection within and from the Premises, and then the prompt and legal removal from the Premises and the Building of all Hazardous Substances (as defined in Section 11.2) used and/or generated by Tenant. Landlord will not be responsible for the gathering and/or removal of medical waste within or from the Premises. Tenant will procure their own service provider for these services and remit payment to that provider directly. In addition, Tenant will require said service provider to issue a Certificate of Insurance to Landlord evidencing the following: a) Workers' Compensation and Employers' Liability, b) Commercial General Liability covering all of the service provider's operations, and c) Commercial Auto Liability. Notwithstanding anything to the contrary in this Lease, Landlord shall provide a dumpster and regular trash removal therefrom for regular office waste, at Landlord's sole cost and expense but subject to reimbursement through Annual Operating Costs to the extent permitted under this Lease.

9.9 Should Tenant require any additional work or service, Landlord may, on terms to be agreed, upon reasonable advance notice by Tenant, furnish such additional service and Tenant agrees to pay Landlord such charges as may be agreed upon, including any tax imposed thereon, but in no event at a charge less than Landlord's actual cost plus overhead for such additional service. Landlord may impose a reasonable administrative overhead charge whenever Landlord provides or arranges for additional or above-standard services at Tenant's request and not as required by this Lease.

10. Repairs and Condition of Premises.

10.1 From and after the Lease Commencement Date, Landlord, at its sole cost and expense, will maintain in good condition and working order and make all necessary repairs and replacements to the Structural Portions of the Building. For purposes hereof, the "**Structural Portions of the Building**" means the Building's exterior walls, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, structural columns and beams and the structural and non-structural portions of the roof, as well as all Building systems and the Common Areas and all alterations and improvements paid for by the Base Building Allowance. The foregoing maintenance, repair and replacement obligations of Landlord shall be performed in a manner which is consistent with the Standards. Tenant shall promptly report in writing to Landlord any defective condition in the Structural Portions of the Building actually known to Tenant which Landlord is required to repair.

10.2 Tenant shall furnish and install all replacement fluorescent tubes, starters, lamps and ballasts required in the Premises, at Tenant's expense.

10.3 Tenant covenants that at the expiration or other termination of this Lease, Tenant shall leave the Premises, and during the Term will keep all of the interior of the Premises (other than the Structural Portions of the Building), and all of its fixtures, equipment, furniture and furnishings therein, in good order and condition, ordinary wear and tear, damage by fire or other casualty and obligations of Landlord alone excepted; and for that purpose and except as stated, Tenant will make all necessary repairs and replacements. Such obligation shall include, but not be limited to: (i) the interior non-structural portions of the Premises (including without limitation all interior walls, doors and glass), (ii) Tenant's security systems of whatever type or nature, (iii) all HVAC Systems, (iv) any computer room and

computer room equipment located within the Premises, (v) any and all other furniture, fixtures and equipment of Tenant located in the Premises, (vi) any and all other portions of the Premises which are not required to be maintained by Landlord pursuant to this Section 10.1 above. "**HVAC Systems**" means the heating, ventilation, air-conditioning systems and appurtenant equipment within the Leased Premises and/or the Property, but in each case exclusively servicing the Leased Premises. The foregoing maintenance, repair and replacement obligations of Tenant shall be performed in a manner which is consistent with the Standards. At all times during the Term, Tenant shall provide janitorial service for the Premises and remove all dirt, rubbish, waste and refuse from the Premises in accordance with all applicable Requirements (as defined in Section 11.1 below). At the termination of the Term, Tenant will also have had removed all of Tenant's personal property therefrom, to the end that Landlord may again have and repossess the entire Premises in the condition required to be maintained by Tenant hereunder, ordinary wear and tear, casualty, condemnation and obligations of Landlord excepted. In the event that any repair is required by reason of such removal or any negligence or abuse of Tenant or its agents, employees, invitees or of any other person using the Premises with Tenant's express or implied consent (beyond ordinary wear and tear) and not repaired upon the termination of the Term, but subject to Article 20, Landlord may make such repair thereafter and Tenant shall, upon demand, pay to Landlord the cost thereof together with interest thereon at the Lease Interest Rate.

10.4 Tenant will neither do, nor permit anyone else to do, anything on the Premises, other than the Permitted Use, which might or would: (i) increase any insurance rates charged Landlord with respect to the Premises or the Building; (ii) violate the Master Deed or Master Declaration; or (iii) conflict with or invalidate any insurance policy maintained by Landlord for the Premises and of which Tenant is made aware, in writing. If the insurance premiums of Landlord are increased due to Tenant's use or occupancy of the Premises except not due to the Permitted Use, then the amount of such increase will be paid by Tenant to Landlord as Additional Rent as it becomes due and after Landlord provides reasonable backup documentation evidencing that such increase is due to Tenant's use or occupancy of the Premises but not due to the Permitted Use, and Landlord will have the same right to collect such amount as Landlord has under this Lease to collect Additional Rent. Promptly after Landlord becomes aware of any such potential increase, Landlord shall notify Tenant of the condition or action giving rise to such increase so that Tenant shall have an opportunity to correct or change such situation so as not to incur such increased premium costs.

11. Compliance with Law.

11.1 In General. Tenant agrees to comply promptly at its expense with all present and future laws, ordinances, regulations and other requirements whatsoever imposing obligations on the Tenant, including, without limitation, environmental laws, Title III of the Americans with Disabilities Act of 1990 and all regulations issued thereunder (the "**ADA**"), of any and all federal, state, or local authorities or of the Board of Fire Underwriters or any insurance organizations, associations or companies (collectively, "**Requirements**"), with respect to Tenant's particular manner of use of the Premises, the Tenant Work or any Alteration made by Tenant. Landlord shall otherwise be responsible for causing the Building to comply with all Requirements, including the ADA, at Landlord's sole cost and expense. Tenant also agrees that it shall not knowingly do or commit, or suffer to be done or committed anywhere in the Building by its employees or agents, any act or thing contrary to any of the Requirements (with respect to the Board of Fire Underwriters or any insurance organizations, associations or companies, only to the extent Landlord has provided written notice of same to Tenant). Tenant shall give Landlord prompt written notice of any accident in the Premises and of any breakage, defect or failure in any of the systems or equipment servicing the Premises, in each case upon becoming aware of same.

11.2 Environmental Matters.

(a) "**Hazardous Substances**" shall include any chemical substance, material or waste or component thereof which is now listed, defined or regulated as a hazardous or toxic chemical, substance, material or waste or component thereof by any present Federal, State or local environmental law, statute, act, rule, requirement, order, direction, ordinance or regulation and all amendments thereto ("**Environmental Laws**").

(b) Tenant covenants, represents and warrants that (i) its operation of the Premises shall not involve any Hazardous Substances except in compliance with all laws and this Lease, (ii) if Tenant is an "industrial establishment" (as such term is defined in the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. (which Act and all present amendments thereto and regulations promulgated thereunder are hereinafter referred to as "**ISRA**")), it shall comply with ISRA to the extent required thereunder, and (iii) as of the date hereof, Tenant's North American Industry Classification System (NAICS) codes are 325411, 325412 and 325414. Landlord covenants, represents and warrants, that, (i) prior use(s) of the Premises, during Landlord's period of ownership of the Property, have not involved any Hazardous Substances, and (ii) the Premises is not, nor has it been at any time during Landlord's period of ownership of the Property, an "industrial establishment" (as such term is defined in ISRA). Landlord covenants, represents and warrants, that to the best of its knowledge, (i) prior use(s) of the Premises, prior to Landlord's period of ownership of the Property, have not involved any Hazardous Substances, and (ii) prior to Landlord's period of ownership of the Property, the Premises was not an "industrial establishment" (as such term is defined in ISRA).

(c) In amplification of Section 11.2(b) above and any other applicable provision of this Lease and not by way of limitation, in the event Tenant becomes an "industrial establishment" (as such term is defined in ISRA), Tenant shall, at Tenant's sole cost and expense, comply with ISRA. Should the New Jersey Department of Environmental Protection, or any agency or subdivision thereof or any agency or subdivision responsible for enforcing ISRA (collectively, the "**DEP**") determine that a cleanup plan be prepared, then Tenant (or, at Landlord's option, Landlord on behalf of Tenant, but only if Tenant fails or refuses to diligently address such DEP requirements) shall, at Tenant's sole cost and expense, prepare and submit the required plans and financial assurances, and fully implement the approved cleanup plan prior to the expiration or earlier termination of this Lease; however, Tenant shall not be responsible for any releases, spills or discharges (hereinafter sometimes collectively referred to as "**discharges**") of Hazardous Substances which occur prior to the commencement of the term of this Lease or at any time through no action of Tenant.

(d) If the closing, terminating or transferring of Tenant's operations at the Premises does not trigger ISRA, or if the closing, terminating or transferring of Tenant's operations at the Premises does trigger ISRA but no cleanup or other remediation of any Hazardous Substances is required by the DEP pursuant to ISRA, then at Landlord's request, Tenant shall obtain, at Tenant's sole cost and expense, within thirty (30) days prior to such closing (or such other time period as reasonably agreed upon by the parties), a Response Action Outcome (RAO) from a licensed site remediation professional (LSRP) certifying that no further action is required.

(e) In the event ISRA compliance becomes necessary at the Premises due to any action or inaction on the part of Tenant, then, at Landlord's election (i) in the event Tenant has failed or refused to address such ISRA compliance requirements, Landlord shall comply with the requirements of ISRA inasmuch as such compliance relates to any Hazardous Substances released, discharged, stored or disposed of at the Premises during the term of this Lease, and Tenant shall be responsible for paying the costs of such compliance within thirty (30) days after Landlord's demand therefor accompanied by reasonable backup documentation (or such other time period as reasonably agreed upon by the parties), or (ii) Tenant shall be responsible for promptly, and within the time frame required by law, complying with ISRA inasmuch as such compliance relates to any Hazardous Substances released, discharged or disposed of at the Premises during the term of this Lease, and Tenant shall be

responsible for paying the costs of such ISRA compliance. Tenant shall also promptly after Landlord's request (but in no event later than thirty (30) days after Landlord's request accompanied by reasonable backup documentation) provide all non-privileged information requested by Landlord, subject to review and approval by Tenant and its counsel, sign a commercially reasonable affidavit prepared by Landlord concerning ISRA and Tenant's use and occupancy of the Premises and pay all costs of such ISRA compliance that are attributable to Tenant's use and occupancy of the Premises. Landlord and the DEP, and any employee, representative, agent or contractor of Landlord or the DEP, may, at reasonable times and upon terms reasonably agreed upon by the parties hereto, enter the Premises for the purpose of complying with ISRA; provided that any such entrance onto the Premises shall not unreasonably interfere with Tenant's operation of its business nor conflict with any other provision of this Lease.

(f) In the event Tenant, in violation of this Lease, becomes an industrial establishment and fails to comply with paragraphs "(c)" or "(e)" above, as applicable, prior to the expiration or earlier termination of this Lease, Tenant, at Landlord's option, shall be deemed to be a "holdover tenant" and the provisions of Section 24 of this Lease shall be applicable to Tenant's occupancy of the Premises from the expiration or earlier termination of the Term of this Lease, to the extent Tenant's obligations hereunder require it to occupy the Premises. In addition, Tenant shall indemnify and hold Landlord and Managing Agent harmless from and against any loss, cost, liability or expense resulting from such violation and failure to comply with ISRA including, without limitation, any reasonable attorneys' fees and any claims made by any succeeding tenant.

(g) In the event that there shall be filed a lien against the Premises because of any Hazardous Substances released from, discharged from, stored in or disposed in the Premises during the term of this Lease, Tenant shall, within thirty (30) days from the date Tenant is given notice of the lien (or in such shorter period of time in the event that the holder of such lien, including without limitation, the United States, State of New Jersey, or any agency or subdivision thereof, has commenced steps to cause the Premises and Building to be sold pursuant to the lien) shall pay the claim and remove the lien from the Premises. If Tenant fails to do so by said period, Landlord shall be entitled to resort to such remedies as are provided in this Lease as in the case of any default of this Lease, in addition to any remedies as are permitted by law, in equity or otherwise.

(h) Tenant shall indemnify, defend and save harmless Landlord from and against all fines, suits, procedures, claims, actions, damages, liabilities, judgments, reasonable costs and expenses (including without limitation, reasonable attorneys' fees) of any kind arising out of or in any way connected with the presence of Hazardous Substances at the Premises introduced by Tenant during the term of this Lease (including Hazardous Substances originating on the Premises, but not including any Hazardous Substances migrating to the Premises from another property or existing prior to the term of this Lease); and from all fines, suits, procedures, claims, actions, damages, liabilities, judgments, reasonable costs and expenses (including without limitation, reasonable attorneys' fees) of any kind arising out of Tenant's failure to provide all information, make all submissions and take all actions required by any Environmental Law or Laws.

(i) Tenant's obligations and liabilities under this Section 11.2 shall continue after expiration or earlier termination of the term of this Lease for so long as Landlord remains responsible for any spills or discharges of Hazardous Substances released, discharged, stored or disposed of at the Premises by Tenant or Tenant's Agents.

(j) In addition to the foregoing environmental obligations on Tenant's part to be performed, Tenant shall also promptly furnish to Landlord (i) true and complete copies of all documents, submissions, and correspondence provided to any environmental agency including, but not limited to, the DEP and the United States Environmental Protection Agency, and (ii) true and complete copies of all sampling and test results obtained from samples and tests taken at, around, in or upon the Premises.

(k) Landlord shall indemnify, defend and save harmless Tenant from and against all fines, suits, procedures, claims, actions, damages, liabilities, judgments, reasonable costs and expenses (including reasonable attorneys' fees) of any kind arising out of any spills or discharges of Hazardous Substances at the Premises or Building which are in no way attributable, directly or indirectly, to Tenant or Tenant's Agents. Landlord represents and warrants, to the best of its actual knowledge, that there are no Hazardous Substances in, on, around the Building or Units A and C in violation of applicable Laws.

12. Estoppel Certificate.

12.1 Tenant shall from time to time, within 15 business days after Landlord's request or that of any mortgagee of Landlord, execute, acknowledge and deliver to Landlord and such mortgagee a written instrument (an "**Estoppel**") certifying (i) that this Lease is in full force and effect and has not been modified, supplemented or amended (or, if there have been modifications, supplements or amendments, that it is in full force and effect as modified, supplemented or amended, and stating such modifications, supplements and amendments); (ii) the dates to which Minimum Rent and Additional Rent and any other charges arising hereunder have been paid; (iii) the amount of any prepaid rents or credits due Tenant, if any; (iv) if applicable, that Tenant has accepted possession and has entered into occupancy of the Premises, and certifying the Lease Commencement Date, Rent Commencement Date and the Expiration Date; (v) whether or not, to the knowledge of the Tenant, all conditions under the Lease to be performed by Landlord prior thereto have been satisfied and whether or not Landlord is then in default in the performance of any covenant, agreement or condition contained in this Lease and specifying each, if any, unsatisfied condition and each, if any, default of which the Tenant may have knowledge; and (vi) any other fact or condition reasonably requested. Any Estoppel delivered pursuant to the provisions of this Section shall be intended to be relied upon by Landlord or any of its partners and any mortgagee or prospective mortgagee or purchaser of the Property or of any interest therein.

12.2 Tenant is aware that such Estoppels are often required by landlords in order to effectuate a sale or financing and Tenant's failure to deliver an Estoppel in a timely manner could result in substantial loss by Landlord including, without limitation, reduction in loan amounts or sales price and loss of a sale or committed loan.

13. Rules and Regulations. Tenant agrees to observe the rules and regulations (the "**Rules**") for the Building attached hereto as Exhibit "C" and made a part hereof and such Rules and any modifications thereto made from time to time by Landlord, which, in Landlord's reasonable business judgment are consistent with the Standards, may be desirable for the use, operation and management of the Premises or the Building and also that do not materially increase Tenant's obligations or decrease its rights hereunder, each of which Rules and any additions and modifications thereto upon notice thereof to Tenant shall be deemed a part of this Lease with the same effect as though written herein. Tenant covenants that all such Rules shall be faithfully observed and complied with by Tenant, and Tenant shall use commercially reasonable efforts to cause Tenant's agents, employees and invitees and all those visiting the Premises or claiming under Tenant to comply with the same. Landlord agrees that the Rules will be applied to all tenants and occupants and enforced in a manner which does not discriminate against Tenant. In the event of any conflict or inconsistency between the Rules and this Lease, this Lease shall control.

14. Assignment and Subletting.

14.1 Tenant shall not mortgage, pledge or encumber this Lease, collaterally or otherwise (collectively, a "**Transfer**"). Tenant may assign this Lease or Tenant's interest in and to the Premises, or sublease all or any portion of the Premises upon prior written notice to Landlord, subject to Landlord's approval, which approval shall not be unreasonably withheld, delayed or conditioned. Such assignment and/or sublease shall be subject to the terms, covenants and conditions contained herein, and shall not relieve Tenant of its obligations herein.

14.2 At least 30 days prior to the effective date of any proposed subletting or assignment, Tenant shall submit to Landlord a statement seeking Landlord's consent and containing the name and address of the proposed subtenant or assignee, the terms of the proposed sublease or assignment and such financial and other information with respect to the proposed subtenant or assignee as Landlord may reasonably request. Landlord shall indicate its consent or non-consent within 10 business days of its receipt of Tenant's submission; failing which consent shall be deemed given. Landlord's consent to such proposed assignment and/or sublease shall not be unreasonably withheld, provided that (hereinafter referred to as the "**Conditions**"):

(a) the Premises shall continue to be used for the Permitted Use as provided above and shall not violate any exclusive agreement contained in any lease between Landlord and any other tenant in the Building and Tenant has not caused an Event of Default, which is then continuing, during the Term;

(b) the operations of the proposed transferee will not, in Landlord's reasonable business judgement, materially adversely affect Landlord's ability to lease any vacant space in the Building to other tenants due to such proposed transferee's use (to the extent different from the Permitted Use);

(c) the operations of the proposed transferee will not, in Landlord's reasonable business judgment, materially adversely affect the amount of power required to be drawn to the Building to support such proposed transferee's use (in comparison to the amount of power required for Tenant's use);

(d) in the reasonable determination of Landlord, the proposed transferee and its reputation, as well as the transferee's business, is of a character that is in keeping with the Standards;

(e) the proposed transferee shall not have negotiated for the leasing of any space in the Building within the immediately preceding six (6) months where appropriate space remains available for lease by Landlord; and

(f) intentionally deleted.

14.3 Should Landlord agree to an assignment or sublease, Tenant will pay to Landlord on demand a sum equal to all of Landlord's costs, including reasonable attorneys' fees, incurred in connection with such assignment or sublease, not to exceed $1,500 per request.

14.4 Any Transfer which does not comply with the provisions of this Article 14 shall be void, and shall, without notice or grace period of any kind, constitute a default by Tenant under this Lease.

14.5 In the event that Landlord consents to the Transfer, Tenant shall have 180 days from its receipt of Landlord's consent to enter into the proposed Transfer in strict accordance with the terms and with the identified subtenant or assignee described in Tenant's statement to Landlord.

14.6 No Transfer with or without Landlord's consent shall in any way relieve or release Tenant from liability for the performance of all terms, covenants and conditions of this Lease. Furthermore, no assignment will be valid unless the assignee shall execute and deliver to Landlord an assumption of liability agreement in form reasonably satisfactory to Landlord, including an assumption by the assignee of all of the obligations of Tenant and the assignee's ratification of an agreement to be bound by all the provisions of this Lease; and no subletting will be valid unless the subtenant first enters into a written agreement with Tenant, in such form and with such terms, covenants and conditions as may be reasonably required by Landlord.

14.7 In the event of any Transfer by Tenant of its interest in the Premises or the Lease or any portion thereof, whether or not consented to by Landlord, each monthly installment of Minimum Rent payable hereunder with respect to the Premises or the portion thereof subject to such subletting or assignment shall each be increased by an amount equal to the following for such month:

14.7.1 In the case of any subletting, fifty percent (50%) of the Excess Rent (defined in Article 43) for such portion; and

14.7.2 In the case of any assignment, fifty percent (50%) of the Excess Rent payable by the assignee.

14.8 Notwithstanding anything to the contrary in this Lease, only prior notice to Landlord, and not the prior approval of Landlord, shall be required for the subletting or assignment of all or a portion of the Premises to any corporation or other entity which is a parent or wholly owned subsidiary of, or under common control with, Tenant and will conduct the Permitted Use within the Premises, or to any corporation or other entity with which or into which Tenant has merged or consolidated or which acquires all or substantially all of Tenant's assets or stock (or other ownership interests) of Tenant. Sections 14.3 and 14.7 shall not apply to any transfer described in this Section 14.8.

15. Alterations.

15.1 For each and every alteration, installation, addition or improvement (each, an "**Alteration**") Tenant wishes to make, Tenant shall first (i) submit to Landlord a detailed description thereof, and (ii) obtain Landlord's written approval thereof, except that Landlord's approval shall not be required for nonstructural interior decorations not affecting the structural, mechanical, electrical or plumbing systems, or any components thereof, of the Building.

15.2 Provided that the proposed Alteration does not in Landlord's reasonable judgment involve any modification to the Building's exterior or its structural, mechanical, electrical or plumbing systems or components, such approval shall not be unreasonably withheld, conditioned or delayed, but may be conditioned upon compliance with reasonable requirements of Landlord, including, without limitation, the filing of mechanics' lien waivers by Tenant's contractors and the submission of written evidence of commercially reasonable insurance coverage naming Landlord as an additional insured thereunder. Landlord may withhold its approval in its absolute and sole discretion with respect to each such Alteration which Landlord determines involves any modification to the Building's exterior or its structural, electrical, mechanical or plumbing systems or any components thereof.

15.3 Tenant shall see that all Alterations in the Premises shall comply with all applicable present and future Requirements (as defined in Article 11). Landlord's review and/or approval of plans, drawings, and specifications shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency or compliance with all Requirements.

15.4 Tenant shall not permit any financing statement or statements to be filed with respect to any of the foregoing Alterations. All Alterations made by Tenant and all fixtures attached to the Premises by Tenant (including any generator but other than Tenant's removable trade and business fixtures and equipment) shall remain at the Premises at the expiration or sooner termination of this Lease and become the property of Landlord, unless Tenant elects to remove same and repair any damage caused by such removal. Notwithstanding anything in this Lease to the contrary, in no event shall Tenant be obligated to remove the Tenant Work or any portion thereof or any Alteration.

15.5 All Alterations shall be performed at Tenant's cost by or one or more contractors approved by Landlord (in its reasonable discretion). Tenant shall be responsible for obtaining all governmental approvals, permits and/or licenses with respect to any Alteration. All Alterations shall be made in accordance with the following requirements of the Work Letter (except any references to Tenant Work shall be deemed to be to the applicable Alteration and references to a certificate of occupancy shall be included only to the extent required by law): II.6 (a), (d) and (e); II.7; II.8; II.10; II.12.

15.6 This Section 15 shall not apply to the Tenant Work, which shall be governed by the Work Letter.

16. Mechanics' and Other Liens.

16.1 Tenant covenants that it shall not (and has no authority to) create or allow any encumbrance against the Premises, the Building or any part of any thereof or Landlord's interest therein except as set forth in this Lease.

16.2 Tenant covenants that it shall not suffer or permit to be created, or to remain, any lien or claim thereof (arising out of any work done or services, material, equipment or supplies furnished for or at the request of Tenant or by or for any contractor or subcontractor of Tenant) which is or may become a lien upon the Premises or the Building or any part of any thereof or the income therefrom or any fixture, equipment or similar property therein.

16.3 If any lien or claim shall be filed, Tenant shall within 20 days after its receipt of notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond or otherwise. If Tenant shall fail to cause such lien or claim to be discharged and removed from record within that period (such failure constituting an Event of Default without notice or opportunity to cure other than such period), then, without obligation to investigate the validity thereof and in addition to any other right or remedy Landlord may have, Landlord may, but shall not be obligated to, contest the lien or claim or discharge it by payment, deposit, bond or otherwise; and Landlord shall be entitled, if Landlord so decides, to compel the prosecution of an action for the foreclosure of such lien and to pay the amount of the judgment in favor of the lien or with interest and costs. Any amounts so paid by Landlord and all costs and expenses, including reasonable attorneys' fees, incurred by Landlord in connection therewith, together with interest at the Lease Interest Rate from the respective dates of Landlord's making of the payment or incurring of the cost or expense, shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord promptly on demand.

16.4 Notwithstanding anything to the contrary in this Lease or in any other writing signed by Landlord, neither this Lease nor any other writing signed by Landlord shall be construed as evidencing, indicating, or causing an appearance that any erection, construction, alteration or repair to be done, or caused to be done, by Tenant is or was in fact for the immediate use and benefit of Landlord.

17. Certain Rights Reserved by Landlord. Subject to the terms and conditions of this Lease (and in the event of any conflict or inconsistency between such rights and this Lease, this Lease shall control), Landlord explicitly retains all rights, including, without limitation, the following rights, each of which Landlord may exercise without notice to Tenant and without liability to Tenant for damage or injury to property, person or business on account of the exercise thereof except as otherwise expressly set forth in this Lease, and the exercise of any such rights shall not be deemed to constitute an eviction or disturbance of Tenant's use or possession of the Premises and shall not give rise to any claim for set-off or abatement of Rent or any other claim:

17.1 To enter the Premises at any time in case of an emergency; to enter the Premises at any reasonable time upon at least twenty- fours ' prior written notice to Tenant if Landlord shall so elect for making alterations, improvements or repairs to the Building required by this Lease, for permitting inspection of the Premises by persons authorized by Landlord or for any purpose in connection with the operation or maintenance or financing of the Building, provided that no entry into the manufacturing areas of the Premises shall be permitted at any time during the manufacturing process and no entry into the clean rooms in the Premises shall be permitted at any time.

17.2 To change the name or street address of the Building upon notice to Tenant; to give the Building and/or any portion thereof any name or names that Landlord may choose and to change such name(s) from time to time at Landlord's sole discretion; provided that Landlord shall not name the Building after any company or business.

17.3 To install, affix and maintain any and all signs on the exterior and on the interior of the Building.

17.4 To decorate or to make repairs, alterations, additions, or improvements, whether structural or otherwise, in and about the Building, or any part thereof, with respect to those affecting the Premises only to the extent required by this Lease, and for such purposes to enter upon the Premises (subject to the terms and conditions of this Lease regarding access and entry), and during the continuance of any of such work, to temporarily close doors, entry ways, public space and corridors in the Building and (as provided in Section 9.7) to interrupt or temporarily suspend services or use of facilities, all without affecting any of Tenant's obligations hereunder, so long as the Premises are reasonably accessible and usable.

17.5 To furnish a reasonable number of door keys or entry cards for the entry door(s) in the Building, to be furnished as and when requested by Tenant at no charge to Tenant, to the extent there is no direct entry into the Premises from outside the Building. Tenant agrees to change no locks, and not to affix locks on doors without the prior written consent of the Landlord. Upon the expiration of the Term or Tenant's right to possession, Tenant shall return all keys to Landlord and shall disclose to Landlord the combination of any safes, cabinets or vaults left in the Premises. Tenant's obligations under this Section 17.5 shall be subject to all governmental requirements and regulations and laws applicable to Tenant's use and occupancy of the Premises.

17.6 To reasonably designate and approve all window coverings used in the Building.

17.7 To reasonably approve the weight, size and location of safes, vaults and other heavy equipment and articles in and about the Premises and the Building so as not to exceed the load per square foot designated by the structural engineers for the Building (as same may be increased if Tenant structurally reinforces certain parts of the Premises or employs similar measures, each in a good and workmanlike manner), and to require all such items and furniture and similar items to be moved into or out of the Building and Premises only at such times and in such manner as Landlord shall reasonably direct in writing. Tenant shall not install or operate machinery or any mechanical devices of a nature not directly related to Tenant's ordinary use, as limited by the Permitted Use, of the Premises without the

prior written consent of Landlord. Movements of Tenant's property into or out of the Building or Premises and within the Building are entirely at the risk and responsibility of Tenant, and Landlord reserves the right to require written authorization from Tenant, in form and content satisfactory to Landlord, before allowing any property to be moved into or out of the Building or Premises. The cost of repairing any damage to the Building caused by Tenant taking in or out of the Building furniture, safes or any articles and any damage caused while the same are in the Premises shall be paid by Tenant.

17.8 To regulate delivery of supplies and the usage of the loading docks, receiving areas and freight elevators in a reasonable manner consistent with the Standards, provided that Tenant shall be permitted to receive deliveries during Ordinary Business Hours.

17.9 Intentionally Deleted.

17.10 To alter the layout, design and/or use of the Building or any portion thereof in such manner as Landlord, in its sole discretion, deems appropriate, so long as the character of the Building is maintained in accordance with the Standards and that Tenant's rights under this Lease and Tenant's use and occupancy are not affected.

17.11 Intentionally Deleted.

18. Landlord's Liability; Rights of Successors.

18.1 It is expressly understood and agreed by Tenant that none of Landlord's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by Landlord's partners, members, shareholders, beneficial interest holders or trustees (collectively, "**Constituents**"), or any of their respective Constituents, and any liability for damage or breach or nonperformance by Landlord shall be collectible only out of Landlord's interest in the Building and the proceeds thereof and no personal liability is assumed by, nor at any time may be asserted against, Constituents or their Constituents, officers, directors, agents, employees, legal representatives, successors or assigns, if any, all such liability, if any, being expressly waived and released by Tenant.

18.2 The Landlord named on page 1 of this Lease and any subsequent owners of such Landlord's interest in the Building, as well as their respective heirs, personal representatives, successors and assigns shall each have the same rights, remedies, powers, authorities and privileges as it would have had it originally signed this Lease as Landlord, but any such Person, whether or not named herein, shall have no liability accruing hereunder after such transferee assumes the obligations of Landlord hereunder and it ceases to hold such interest.

18.3 Intentionally deleted.

18.4 Landlord shall have the right to assign this Lease upon prior notice to Tenant, but without the necessity of obtaining Tenant's approval. Such assignment shall be subject to the terms, covenants and conditions contained herein and shall relieve Landlord of all covenants and obligations arising hereunder thereafter provided Landlord deliver to Tenant an assignment and assumption agreement whereby assignee agrees to assume and be bound by all of the conditions, obligations and agreements of Landlord contained herein.

19. Insurance.

19.1 Avoidance of Acts Which Increase Insurance Risk. Tenant covenants that it will not do or commit, or suffer or permit to be done or committed, any act or thing as a result of which any policy of insurance of any kind on or in connection with the Building or the Building or any part thereof shall become void or suspended, or the insurance risk on the Building or the Building or any part thereof

shall (in the opinion of any insurer or proposed insurer) be rendered more hazardous than is typical for a first-class office and limited manufacturing building in the location where the Building is located, in any event other than the Permitted Use. In addition to other remedies available to Landlord, Tenant shall pay, within 30 days after being billed therefor accompanied by reasonable backup documentation, the amount of any increase of premiums for such insurance resulting from any breach of this covenant.

19.2 Tenant's Insurance Coverage. Tenant covenants that it shall maintain throughout the Term and during any entry upon the Premises before or after the Term, at Tenant's expense, the following insurance:

(a) Worker's Compensation.

Coverage	Minimum Amounts and Limits
Worker's Compensation	Statutory Limits (if state has no statutory limit, $1,000,000)
Employer's Liability	$1,000,000 each accident for bodily injury by accident; $1,000,000 each employee for bodily injury by disease

Notwithstanding the foregoing, Tenant shall not be required to maintain Worker's Compensation coverage until its employees are working in the Premises. No "alternative forms" of coverage will be permitted for workers' compensation insurance.

(b) Commercial General Liability. Combination of Commercial General Liability insurance and Excess (Umbrella) Liability insurance (to be following form over underlying insurance) on an occurrence basis with a combined single limit for bodily injury/property damage of $1,000,000 per occurrence and $2,000,000 in the aggregate. Contractual liability coverages shall be included in the Commercial General Liability policy to insure liability under any contract whereby Tenant will hold harmless the Landlord's Indemnified Parties (as defined in Article II.7 of the Work Letter) except for liability arising out of the negligence or willful misconduct of the Person seeking indemnity. Such policy shall have no deletion of the Separation of Insured's clause or any exclusion for Cross Liability. Such policy shall contain (i) an endorsement including the Landlord's Indemnified Parties as "additional insureds" except for the sole negligence of the additional insured; (ii) a waiver of subrogation endorsement in favor of Landlord's Indemnified Parties, (iii) a deletion of contractual liability exclusions for Personal Injury and Advertising Injury liability, and (iv) no modification which would make Tenant's policy excess over or contributory with Landlord's liability insurance.

(c) Special Form or All Risk Property Insurance. At all periods during the Term, Tenant shall be required to provide "All-Risk" or equivalent property insurance covering the Tenant's furniture, fixtures, equipment, leasehold improvements (other than any improvements paid for with the Base Building Allowance), and personal property for the full replacement value of the property. If the coverage is available and commercially appropriate, such property insurance shall insure against all risks of direct physical loss or damage including the perils of fire (with extended coverage), theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm and boiler/machinery. The policy shall grant permission for the insured to waive rights of subrogation prior to loss.

(d) Business Interruption Insurance. At Tenant's option, Tenant may, at its own cost and expense, procure and maintain business interruption insurance.

(e) Other Tenant Insurance Coverage. Intentionally Deleted.

19.3 General Tenant Insurance Requirements.

(a) All policies will be issued by carriers having ratings of Best's Insurance Guide A-/XII and/or Standard & Poor Insurance Solvency Review A-, or better, and admitted to engage in the business of insurance in the State of New Jersey. All policies (other than for worker's compensation) must be endorsed to be primary and non-contributing with the policies of Landlord being excess, secondary and non-contributing. No policy will be able to be canceled, non-renewed or materially modified (meaning that Tenant's insurance coverage no longer complies with the requirements of this Lease) without 30 days prior written notice by the insurance carrier to Landlord, so long as such notice requirement is generally commercially available. Tenant must immediately notify Landlord in writing if any aggregate limit is reduced below 75% of the limit required by this Lease because of losses paid. No policy will contain a deductible or self-insured retention in excess of $5,000 without the prior written approval of Landlord, not to be unreasonably withheld, conditioned or delayed.

(b) Evidence of the insurance coverage required to be maintained by Tenant hereunder, represented by certificates of insurance or evidences of insurance issued by the insurance carrier(s) on customary forms and constituting actual evidence of coverage, must be furnished to Landlord prior to entry upon the Premises and at least 30 days prior to the expiration of current policies. Such certificates will specify the additional insured status as well as the waivers of subrogation. Copies of all endorsements required by this Lease must accompany the certificates delivered to Landlord. Such certificates will state the amounts of all deductibles and self-insured retentions and, to the extent the following requirement is generally commercially available, that Landlord and Landlord's Indemnified Parties will be notified in writing 30 days prior to cancellation, material change, or non-renewal of insurance.

(c) Tenant may carry any insurance required by this Article 19 under a blanket policy, applicable to the Premises for the risks and in the amounts required pursuant to this Article 19, provided that all requirements of this Article 19 shall be complied with in respect of such policy and that such policy shall provide that the coverage thereunder for the Premises and occurrences in, on or about the Premises shall not be diminished by occurrences elsewhere.

(d) Premiums for all policies of insurance carried by the Landlord with respect to the Building and required by Section 19.4 below shall be Annual Operating Costs.

(e) Tenant shall have the right, upon notice to Landlord, to require Landlord to maintain all property insurance on the Tenant Work that shall become property of Landlord upon the expiration or termination of this Lease. In such event, (i) the premiums for such insurance shall be included in Annual Operating Costs, and (ii) notwithstanding anything in this Lease to the contrary, Landlord shall be responsible for repairing and restoring all such Tenant Work following a casualty or condemnation in accordance with the terms of this Lease. Notwithstanding anything herein to the contrary, Landlord shall be responsible for repairing and restoring all items and work paid for by the Base Building Allowance following a casualty or condemnation in accordance with the terms and conditions of this Lease.

19.4 Landlord's Insurance Coverage. Landlord shall maintain throughout the Term Special Form or All Risks property insurance upon the Building.

(a) "All-Risk" or equivalent property insurance covering the Building up to the full replacement cost thereof, including all fixtures, equipment, machinery and apparatus which constitute a permanent part of such Building and other structures and improvements and all improvements paid for by the Base Building Allowance. If the coverage is available and commercially appropriate (with commercially appropriate sublimits), such property insurance shall insure

against all risks of direct physical loss or damage including without limitation the perils of fire (with extended coverage), and physical loss or damage including theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, boiler/machinery and full certified terrorism and non-certified terrorism with reasonable limits. Such policy shall also include coverage for debris removal and the enforcement of any legal requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Building as the result of a covered loss. Such policy shall include, or be endorsed to include, loss of rental income coverage in an amount equal to 100% of the annual rental value of the Building. Such policy may also include the following coverage extensions: Service Interruption, Ingress/Egress, Interruption by Civil/Military Authority.

(b) Combination of Commercial General Liability insurance and Excess (Umbrella) Liability insurance (to be a following form over underlying insurance) on an occurrence basis with a combined single limit for bodily injury/property damage of $5,000,000 in the aggregate.

20. Waiver of Subrogation. Notwithstanding anything herein to the contrary, each party hereto, for itself, its successors, assigns, insurers, subtenants and mortgagees, hereby releases the other party, its officers, directors, trustees, partners, members, shareholders, agents and employees ("**Releasees**"), to the extent of the releasing party's coverages under its insurance policies required to be maintained under this Lease (or, to the extent of such greater coverages as may actually be maintained), from any and all liability for any loss or damage which may be inflicted upon the property of such party (including without limitation rental value or business interruption) or injury or death to any person or persons, notwithstanding that such loss or damage shall have arisen out of the negligent or other tortious act or omission of any of the Releasees.

21. Fire or Other Casualty.

21.1 Except as provided below, in case of damage to the Premises by fire or other insured casualty, Landlord shall repair the damage. In case of damage to Common Areas outside of the Building, Landlord shall repair the damage or cause the responsible party under the Master Deed or Master Declaration to repair the damage. Such repair work shall be commenced promptly following notice of the damage and completed with due diligence, taking into account the time required for Landlord to effect a settlement with and procure insurance proceeds from the insurer, except for delays due to governmental regulation, scarcity of or inability to obtain labor or materials, intervening acts of God or other causes beyond Landlord's reasonable control and delays caused by Tenant.

21.2 Notwithstanding the foregoing, if (i) the damage is of a nature or extent that, in Landlord's reasonable judgment (to be communicated to Tenant within thirty (30) days from the date of the casualty), the repair and restoration work would require more than two hundred seventy (270) days to complete after the casualty (assuming normal work crews not engaged in overtime), or (ii) if more than twenty-five (25%) percent of the total area of the Building is extensively damaged or if the Common Areas are damaged to the extent that Tenant's use and occupancy of the Premises are materially adversely affected, or (iii) the casualty occurs in the last year of the Term and Tenant has not exercised a renewal right, either party shall have the right to terminate this Lease (provided that with respect to (ii) Landlord shall only have the right to terminate if it terminates all leases in the Building) and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to the other within ten (10) days of Tenant's receipt of the notice from Landlord described above. Such notice is to specify a termination date no less than fifteen (15) days after its transmission.

21.3 If the insurance proceeds received by Landlord as dictated by the terms and conditions of any financing then existing on the Building (excluding any rent insurance proceeds) would be materially insufficient to pay for repairing the damage or are required to be applied on account of any mortgage which encumbers any part of the Premises or Building, or if the nature of loss is not covered by Landlord's insurance coverage and Landlord has complied with its insurance obligations hereunder,

Landlord may elect either to (i) repair the damage as above provided notwithstanding such fact or (ii) terminate this Lease by giving Tenant notice of Landlord's election as aforesaid within thirty (30) days following such casualty, provided that Landlord shall simultaneously terminate all leases in the Building.

21.4 In the event Landlord has not commenced restoration of the Premises within one hundred twenty (120) days from the date of casualty, Tenant may terminate this Lease by written notice to Landlord within ten (10) days following the expiration of such one hundred twenty (120) day period (as extended for delays caused by Tenant) unless, within thirty (30) days following receipt of such notice, Landlord shall commence such restoration. In the event Landlord has not completed restoration of the Premises within three hundred (300) days from the date of casualty, Tenant may terminate this Lease upon thirty (30) days' prior written notice to Landlord at any time thereafter until such restoration is complete, provided that if Landlord shall complete restoration within such thirty (30) day period, Tenant's termination shall be deemed rescinded and this Lease shall continue in full force and effect. Rent shall abate as to those portions of the Premises that are, from time to time, untenantable as a result of such damage. References to the "Premises" in this Section 21.4 shall include access thereto and parking and other Common Areas.

21.5 Intentionally Deleted.

21.6 Landlord shall have no duty to repair or restore any personal property, fixtures, equipment or any alterations, additions, improvements or decorations in or to the Premises installed by Tenant, except as expressly provided in this Lease.

22. Indemnification.

22.1 Notwithstanding any policy or policies of insurance required of Tenant but subject to Article 20, Tenant, for itself and its successors and assigns, to the extent permitted by law, shall defend, indemnify and hold harmless Landlord, the Landlord's Indemnified Parties and any Holder against and from any and all liability or claims of liability by any Person asserted against or incurred by Landlord in connection with (i) the use, occupancy, conduct, operation or management of the Premises by Tenant or any of its agents, contractors, servants, employees, licensees, suppliers, materialmen or invitees; or (ii) the use of the Common Areas or any portion thereof, the Building or other areas within or abutting the Building by Tenant or any of its agents, contractors, servants, employees, licensees, concessionaires, suppliers or materialmen or invitees; or (iii) any Tenant Work or other Alteration; or (iv) any breach or default in performing any of the obligations under the provisions of this Lease and/or applicable law by Tenant or any of its agents, contractors, servants, employees, licensees, concessionaires, suppliers, materialmen or invitees; or (v) any negligent, intentionally tortious or other act or omission by Tenant or any of its agents, contractors, servants, employees, licensees, concessionaires, suppliers, materialmen or invitees; or (vi) any injury to or death of any persons or any damage to any property occurring upon the Premises as a result of subsection (i) above, and from and against all costs, expenses and liabilities incurred in connection with any claim, action, demand, suit at law, in equity or before any administrative tribunal, arising in whole or in part by any reason of any of the foregoing (including, by way of example rather than of limitation, the reasonable fees of attorneys, investigators and experts), all regardless of whether such claim, is asserted before or after the expiration of the Term or any earlier termination of this Lease but excluding any liability or claims to the extent caused by Landlord or any of the Landlord's Indemnified Parties.

22.2 If any such claim, action or proceeding is brought against Landlord and/or any Holder, Tenant shall promptly, if requested by Landlord or such Holder, and at Tenant's expense, resist or defend such claim, action or proceeding or cause it to be resisted or defended by an insurer. Unless such claim, action or proceeding is being resisted or defended by an insurer, Landlord shall, at its option, be entitled to participate in the selection of counsel, settlement and all other matters pertaining to such claim, action or proceeding, all of which shall be subject, in any case, to the prior written approval of Landlord.

22.3 Notwithstanding any policy or policies of insurance required of Landlord, but subject to the provisions of Article 20, Landlord, for itself and its successors and assigns, to the extent permitted by law, shall defend, indemnify and hold harmless Tenant, its employees and agents against and from any and all liability or claims of liability by any Person asserted against or incurred by Tenant in connection with (i) any breach or default in performing any of the obligations under the provisions of this Lease and/or applicable law by Landlord or any of its agents, contractors, servants, employees, licensees, concessionaires, suppliers, materialmen or invitees; or (ii) any negligent, intentionally tortious or other act or omission by Landlord or any of its agents, contractors, servants, employees, licensees, concessionaires, suppliers, materialmen or invitees, and from and against all costs, expenses and liabilities incurred in connection with any claim, action, demand, suit at law, in equity or before any administrative tribunal, arising in whole or in part by any reason of any of the foregoing (including, by way of example rather than of limitation, the reasonable fees of attorneys, investigators and experts), all regardless of whether such claim, is asserted before or after the expiration of the Term or any earlier termination of this Lease.

23. Condemnation.

23.1 If all or a substantial part of the Premises or the whole or a substantial part of the Building is subject to a Taking such that in the reasonable opinion of Landlord the Building is not economically operable as before without substantial alteration or reconstruction and Landlord simultaneously terminates all leases in the Building, this Lease shall automatically terminate on the date that the right to possession shall vest in the condemning authority (the "**Taking Date**"), with Rent being adjusted to said Taking Date, and Tenant shall have no claim against Landlord or the Taking authority for the value of any unexpired term of this Lease. Tenant shall have no claim or right against Landlord or the Taking authority to any portion of any amount that may be awarded as damages or paid as a result of any Taking and any rights of Tenant thereto are hereby assigned by Tenant to Landlord; provided, however, Tenant may seek and collect from the condemning authority (not Landlord) awards for moving, removal, business dislocation damages, Tenant Work and other personal property and any other awards. If the Building shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date on which possession of the Building is required to be surrendered by the condemning authority. If any part of the Premises or the Common Areas shall be acquired or condemned as aforesaid and such partial taking or condemnation shall, in Tenant's reasonable opinion, render the Premises unsuitable for Tenant's business then the term of this Lease shall cease and terminate as of the date of the Premises or Common Areas or portion of either is required to be surrendered to the condemning authority. If this Lease is not so terminated, then Rent and all other terms hereof shall be adjusted equitably.

24. Holding Over.

24.1 Tenant shall, at the expiration of the Term, promptly quit and surrender the Premises in good order and condition and in conformity with the applicable provisions of this Lease, excepting only reasonable wear and tear, damage by fire or other casualty, condemnation and unperformed obligations of Landlord. Tenant shall have no right to hold over beyond the expiration of the Term and in the event Tenant shall fail to deliver possession of the Premises as herein provided, such occupancy shall not be construed to effect or constitute other than a tenancy at sufferance and Landlord shall be entitled to recover from Tenant damages to compensate Landlord for the losses suffered by Landlord as a result of such holding over and compensation for such use and occupancy as set forth below; such damages hereby expressly exclude consequential, punitive or special damages but the parties hereby agree that damages incurred by Landlord due to the loss of a new lease for the Premises with another tenant due to Tenant's holdover shall not be considered consequential damages). During any period of occupancy beyond the expiration of the Term the amount of Minimum Rent owed to Landlord by Tenant shall automatically become one hundred and twenty-five percent (125%) of the sum of the Minimum Rent as those sums are at that time calculated under the provisions of the Lease for the last month of the Term. The acceptance of rent by Landlord or the failure or delay of Landlord in notifying or evicting Tenant following the expiration or sooner termination of the Term shall not create any tenancy

rights in Tenant and any such payments by Tenant may be applied by Landlord against its costs and expenses, including reasonable attorney's fees, incurred by Landlord as a result of such holdover.

24.2 The provision of this Article 24 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein, at law or in equity. Default hereunder shall not be subject to any notice or opportunity to cure.

25. Covenant of Quiet Enjoyment. Landlord covenants that Tenant, on paying the Rent and all other charges or payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof, without hindrance or obstruction by Landlord or anyone claiming by, from or under Landlord.

26. [Intentionally Deleted].

27. No Third Party Beneficiaries. Notwithstanding anything to the contrary contained herein, no provision of this Lease is intended to benefit any party other than the signatories hereto and their permitted heirs, personal representatives, successors and assigns, and no provision of this Lease shall be enforceable by any other party.

28. Default; Landlord's Remedies.

28.1 Tenant Defaults. If any of the following (each an "**Event of Default**") shall occur:

28.1.1 Tenant does not pay in full when due any installment of Rent or any other charge or payment due to Landlord hereunder whether or not herein included as Rent and such failure continues for 5 days after written notice from Landlord to Tenant of such failure; provided that with respect to Minimum Rent and Additional Rent, Tenant will be entitled to only 2 notices of such failure during any Lease Year and if, after 2 such notices are given in any Lease Year, Tenant fails, during such Lease Year, to pay any such amounts when due, such failure will constitute an Event of Default without further notice by Landlord or additional cure period,

28.1.2 Tenant violates or fails to perform or otherwise breaks any covenant, agreement or condition herein contained or any other obligation of Tenant to Landlord, and such breach or noncompliance continues for a period of 20 days after notice by Landlord to Tenant; or, if such breach or noncompliance cannot be reasonably cured within such 20 day period, Tenant does not in good faith commence to cure such breach or noncompliance within such 20 day period or does not diligently complete such cure as soon as possible, but no later than 60 days after such notice from Landlord,

28.1.3 Intentionally deleted,

28.1.4 Tenant fails to comply with or violates the provisions of Articles 12 or 29 and such failure continues for more than five (5) business days after Tenant's receipt of written notice of such failure or violation from Landlord,

28.1.5 Tenant fails to comply with or violates the provisions of Articles 14, 16, or 24 of this Lease, or

28.1.6 Tenant becomes the subject of commencement of an involuntary case under the federal bankruptcy law as now or hereafter constituted, or there is filed a petition against Tenant seeking reorganization, arrangement, adjustment or composition of or in respect of Tenant under the federal bankruptcy law as now or hereafter constituted, or under any other applicable federal or state

bankruptcy, insolvency, reorganization or other similar law, or seeking the appointment of a receiver, liquidator or assignee, custodian, trustee, sequestrator (or similar official) of Tenant or any substantial part of its property, or seeking the winding-up or liquidation of its affairs and such involuntary case or petition is not dismissed within 60 days after the filing thereof, or if Tenant commences a voluntary case or institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, under the Federal bankruptcy laws as now or hereafter constituted, or any other applicable Federal or state bankruptcy or insolvency or other similar law, or consents to the appointment of or taking possession by a receiver or liquidator or assignee, trustee, custodian, sequestrator (or other similar official) of Tenant or of any substantial part of its property, or makes any assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due or fails to generally pay its debts as they become due or if Tenant or its stockholders or Board of Directors or any committee thereof takes any corporate action in furtherance of any of the foregoing, then

28.2 Landlord Remedies. At any time after the occurrence of an Event of Default, the following provisions shall apply and Landlord shall have the rights and remedies set forth in this Lease which rights and remedies may be exercised upon or at any time following the occurrence of an Event of Default unless, prior to such exercise, Landlord shall agree in writing with Tenant that the Event(s) of Default has been cured by Tenant in all respects:

28.2.1 If an Event of Default shall have occurred and be continuing beyond any applicable cure period, Landlord shall have the right to terminate this Lease upon ten (10) days prior written notice. In the event this Lease is terminated, Landlord may reenter the Premises, solely by summary proceedings, remove Tenant and all other persons and property from the Premises and store such property in a public warehouse or elsewhere at the sole cost and expense of and for the account of Tenant without Landlord being deemed guilty of trespass or becoming liable for any loss or damage occasioned thereby.

28.2.2 Without terminating this Lease, Landlord may re-enter and take possession of the Premises solely under and by virtue of the laws of the State of New Jersey.

28.2.3 [Intentionally Omitted]

28.2.4 If Landlord reenters and takes possession of the Premises pursuant to this Section, without terminating this Lease, and relets the Premises or any part thereof, the net rentals from such letting shall be applied first to the direct, actual, out-of-pocket costs, fees, damages and expenses incurred by Landlord in pursuit of its remedies hereunder, including reasonable attorneys' fees, in renting the Premises or part thereof to others from time to time (including the cost and expense of making such improvements to the Premises as may be necessary to enable Landlord to re-let same), provided that in no event shall Tenant be entitled to a credit on its indebtedness to Landlord in excess of the aggregate sum (including Rent and additional rent) which would have been paid by Tenant had no Event of Default occurred. The balance, if any, shall be applied by Landlord from time to time on account of the Rent and other payments due from Tenant hereunder, with the right reserved to Landlord to bring such actions or proceedings for the recovery of any deficits remaining unpaid as Landlord may deem favorable from time to time without being obligated to await the end of the Term of this Lease for the final determination of Tenant's account.

28.2.5 All rights and remedies of Landlord set forth herein are in addition to all other rights and remedies available to Landlord at law or in equity. Landlord may elect to seek any combination of or all remedies available to Landlord under this Lease or at law or equity. All remedies hereinbefore given to Landlord and all rights and remedies given to it at law and in equity shall be cumulative and concurrent.

28.2.6 Landlord shall not be deemed to have waived any default by Tenant hereunder unless such waiver is set forth in a written instrument signed by Landlord.

28.2.7 The acceptance by Landlord of delayed or defective performance shall not constitute a waiver by Landlord of any future breach or of any other covenant, condition, or agreement set forth herein, nor of any of Landlord's rights hereunder. Neither the payment by Tenant of a lesser amount than the installments of Rent, or additional rent or of any sums due hereunder nor any endorsement or statement on any check or letter accompanying a check for payment of any sums payable hereunder shall be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such sums or to pursue any other remedy available to Landlord. No re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of this Lease.

28.2.8 Notwithstanding any provision in this Lease to the contrary, Tenant's right to any rent abatement, discount, allowance, or reduction of rent shall be null and void upon the default of Tenant under this Lease, and in addition to any other remedy which Landlord may be entitled to, seek or obtain, Landlord shall be entitled and Tenant shall pay to Landlord all rent which Tenant would have paid to Landlord, including but not limited to any abated discounted or reduced rent. This Section 28.2.8 shall only apply to the extent that Landlord does not actually receive the Rent due to it under this Section 28 due to an Event of Default by Tenant.

28.2.9 By written notice to Tenant, Landlord shall have the right to accelerate the sum of twelve (12) months' Minimum Rent, Tax Share and Operating Cost Share at a time, and, at Landlord's option, the amount of accelerated rent, without further notice or demand for payment, shall be due and payable by Tenant within ten (10) days after Landlord has notified Tenant.

28.3 Landlord's Re-Entry. If this Lease shall be terminated as provided in Section 28.2, above, Landlord, or its agents or employees, may re-enter the Premises at any time and remove therefrom Tenant, Tenant's agents, and any subtenants, licensees, concessionaires or invitees, together with any of its or their property, either by summary dispossess proceedings or by any suitable action or proceeding at law or otherwise. In the event of such termination, Landlord may repossess and enjoy the Premises. Landlord shall be entitled to the benefits of all provisions of law respecting the speedy recovery of lands and tenements, or proceedings in forcible entry and detainer. Tenant waives any rights to the service of any notice of Landlord's intention to re-enter provided for by any present or future law. Landlord shall not be liable in any way in connection with any action it takes pursuant to the foregoing. Notwithstanding any such re-entry, repossession, dispossession or removal, Tenant's monetary obligations under all of the provisions of this Lease shall continue as and to the extent set forth in this Lease.

28.4 Landlord's Additional Remedies.

(a) In case of re-entry or repossession of the Premises (but not termination of this Lease), Tenant shall remain liable (in addition to accrued liabilities) to the extent legally permissible for ("**Current Damages**"): (i) the Minimum Rent, Additional Rent, and all other charges provided for herein until the date this Lease would have expired had such re-entry or repossession not occurred; and all expenses which Landlord may have incurred in re-entering the Premises, repossessing the same; making good any Event of Default of Tenant; painting, altering or dividing the Premises; combining or placing the same in proper repair; protecting and preserving the same by placing therein watchmen and caretakers; reletting the same (including reasonable attorney's fees and disbursements, Marshall's fees, brokerage fees, in so doing); and any expenses which Landlord may incur during the occupancy of any new tenant; less (ii) the proceeds of any reletting. Tenant agrees to pay to Landlord the difference between items (i) and (ii) hereinabove with respect to each month, at the end of such month. Any suit brought by Landlord to enforce collection of such difference for any one month shall not prejudice Landlord's right to enforce the collection of any difference for any subsequent month. In addition to the foregoing, Tenant shall pay to Landlord such sums as the court may adjudge reasonable

as attorney's fees with respect to any successful lawsuit or action instituted by Landlord to enforce the provisions hereof.

(b) Landlord may relet the whole or any part of said Premises for the whole of the unexpired period of this Lease, or longer, or from time to time for shorter periods, for any rental then obtainable, giving such concessions of rent and making such special repairs, alterations, decorations and paintings for any new tenant as it may in its sole and absolute discretion deem advisable (all of which, without limitation, Tenant shall be liable for pursuant to Section 28.4(a)(i)) and may collect and receive the rents therefor.

(c) **LANDLORD SHALL USE COMMERCIALLY REASONABLE EFFORTS TO MITIGATE ANY DAMAGES LANDLORD MAY SUFFER AS A RESULT OF ANY DEFAULT BY TENANT UNDER THIS LEASE**.

(d) In the event Landlord terminates this Lease due to an Event of Default, Tenant shall pay to Landlord, on demand (the "**Demand**"), as liquidated and agreed "**Final Damages**" (and not as a penalty) for Tenant's Event of Default and in lieu of all Current Damages, an amount equal to the present cash value (using an annual discount rate of 8%) on the date of Demand of the Minimum Rent and Additional Rent which would have been payable from the date of Demand for what would have been the unexpired Term if it had not been terminated, plus the Minimum Rent and Additional Rent due through the earlier of the date of termination or repossession, less the fair market value of the Premises for the balance of the unexpired Term.

If any statute or rule of law governing a proceeding in which Final Damages are to be proved validly limits the Final Damages to an amount less than that provided for herein, Landlord is entitled to the maximum amount allowable under the statute or rule of law.

28.5 Waiver of Right of Redemption. Tenant hereby expressly waives (to the extent legally permissible), for itself and all persons claiming by, through, or under it, any right of redemption or for the restoration of the operation of this Lease under any present or future law in case Tenant shall be dispossessed for any cause, or in case Landlord shall obtain possession of the Premises as herein provided.

28.6 Landlord's Right to Perform for Account of Tenant. If an Event of Default shall occur hereunder, Landlord may, at any time, cure said Event of Default for the account and at the expense of Tenant. Tenant shall pay, on demand, to Landlord, with interest at the maximum legal rate, if any, otherwise at a rate of the sum of the Prime Rate (as advertised in the Wall Street Journal of NY) plus 300 basis points (3%) per year, the amount so paid, expended, or incurred by the Landlord and any expense of Landlord including reasonable attorney's fees incurred in connection with such Event of Default; and all of the same shall be deemed to be Additional Rent.

28.7 Additional Remedies, Waivers, etc.: With respect to the rights and remedies of and waivers by Landlord:

(i) The rights and remedies of Landlord set forth herein shall be in addition to any other right and remedy now and hereafter provided by law or equity. All such rights and remedies shall be cumulative and not exclusive of each other. Landlord may exercise such rights and remedies at such times, in such order, to such extent, and as often as Landlord deems advisable without regard to whether the exercise of one right or remedy proceeds, concurs with or succeeds the exercise of another.

(ii) A single or partial exercise of a right or remedy shall not preclude (1) a further exercise thereof, or (2) the exercise of another right or remedy, from time to time.

(iii) No delay or omission by Landlord in exercising a right or remedy shall exhaust or impair the same or constitute a waiver of, or acquiescence to an Event of Default.

(iv) No waiver of an Event of Default shall extend to or affect any other Event of Default or impair any right or remedy with respect thereto.

(v) No action or inaction by Landlord shall constitute a waiver of an Event of Default.

(vi) No waiver of an Event of Default shall be effective unless it is in writing and signed by Landlord.

28.8 Distraint: Intentionally Deleted.

28.9 Acceptance of Payments by Landlord. Landlord shall have the right to apply any payments made by Tenant to the satisfaction of any debt or obligation of Tenant to Landlord according to Landlord's sole discretion and regardless of the instructions of Tenant as to application of any such sum, whether such instructions be endorsed upon Tenant's check or otherwise, unless otherwise agreed by the parties in writing. The acceptance by Landlord of a check or checks drawn by other than Tenant shall not in any way affect Tenant's liability hereunder (except to reduce same by the amount of such check or checks), nor shall such acceptance be deemed an approval of any subletting or assignment of this Lease by Tenant.

28.10 Landlord Default. In the event that Landlord fails to perform its obligations under this Lease, Tenant may give Landlord written notice of such failure setting forth in reasonable detail the nature and extent of such failure and if Landlord does not complete such cure within thirty (30) days after receipt of Tenant's notice (or if such cure is not capable of being cured within such 30 day period, if Landlord does not commence to cure within such 30-day period or if Landlord thereafter fails to continuously and diligently pursue such cure to completion), Tenant may commence to cure Landlord's failure (including without limitation Landlord's failure to pay any amount due under this Lease), in which event Landlord shall reimburse Tenant within thirty (30) days after receipt of Tenant's reasonably itemized bill in the amount of all reasonable out-of-pocket costs and expenses incurred by Tenant in so curing said failure, which bill shall be accompanied by reasonable proof that Tenant has paid the sums sought to be reimbursed; failing which Tenant shall have the right to setoff any outstanding amounts against Rent due hereunder. Notwithstanding the foregoing, in the event that Tenant's cure of any such failure by Landlord is reasonably necessary to protect the Premises or to prevent injury or damage to persons or property, Tenant may proceed to cure prior to the expiration of such 30-day period upon giving two (2) days prior written notice to Landlord. With respect to any such cure by Tenant, the extent of the work performed by Tenant in curing such default shall not exceed the work that is reasonably necessary to effectuate such remedy and the cost of such work shall be reasonably prudent and economical under the circumstances.

29. Subordination.

29.1 This Lease is and shall be subject and subordinate at all times to the lien of any mortgage, deed of trust and/or other encumbrance now existing or hereafter placed by Landlord upon the Building and all renewals, modifications, consolidations, replacements and extensions thereof (all of which are hereinafter referred to collectively as a "**Mortgage**" and the holder thereof, a "**Holder**"), provided that Landlord delivers a subordination, non-disturbance and attornment agreement in commercially reasonable form (each, "**SNDA**") (i) on or prior to the date hereof with respect to each Mortgage from each Holder in the form of Exhibit "F" attached hereto, and (ii) on or prior to the date on which any future Mortgage affects the Building or Unit B with respect to each future Mortgage from each Holder thereof. Tenant shall have the right to record each SNDA.

29.2 Anything contained in the foregoing provisions of this Article 29 to the contrary notwithstanding, any such Holder may at any time subordinate, in whole or in part, its Mortgage to the operation and effect of this Lease, without the necessity of obtaining Tenant's consent thereto, by giving notice of the same in writing to Tenant, and thereupon this Lease shall be deemed to be prior to such Mortgage without regard to their respective dates of execution, delivery and/or recordation, and in that event, such Holder shall have the same rights with respect to this Lease as though this Lease were executed, delivered and recorded prior to the execution and delivery of such Mortgage.

29.3 If Landlord is or becomes a tenant leasing the Building or the land upon which it stands, then Tenant agrees that Tenant's possession shall be that of a subtenant and subordinate to the interest of Landlord's lessor, its heirs, personal representatives, successors and assigns (such lessor and other persons being hereinafter collectively referred to as an "**Overlessor**"), provided that Landlord delivers an SNDA from each Overlessor before any such lease affects the Building or such land. Landlord hereby represents and warrants that it is the fee simple owner of Unit B and the Building as of the date hereof. So long as Landlord has complied with its obligation to deliver an SNDA, Tenant shall execute, acknowledge and deliver, upon demand by Landlord or any Overlessor, such further commercially reasonable instruments evidencing such subordination of Tenant's right, title and interest under this Lease to the interests of an Overlessor, and if applicable such further commercially reasonable instruments of attornment, as shall be reasonably requested by such Overlessor.

29.4 Intentionally deleted.

29.5 Intentionally deleted.

30. Legal Proceedings.

30.1 Expenses of Enforcement. Tenant shall pay upon demand all Landlord's costs, charges and expenses, including the reasonable fees and out-of-pocket expenses of counsel, agents and others retained by Landlord, incurred by Landlord in any litigation in which Tenant causes Landlord, without Landlord's fault, to become a party thereto.

30.2 Prevailing Party Fees. If during the Term, either party incurs any reasonable expenses, including, but not limited to, attorneys' fees, relating to enforcing the provisions of this Lease or pursuing any default hereunder, provided that party prevails in a legal action or proceeding against the other party, then the losing party agrees to reimburse the prevailing party for all such expenses. Notwithstanding any provision in this Lease to the contrary, the term "**Attorney's Fees**" wherever used in this Lease shall mean only the reasonable charges for services actually performed and rendered by independent, outside legal counsel.

30.3 LANDLORD AND TENANT HEREBY ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS LEASE WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES, AND THEREFORE, EACH PARTY KNOWINGLY, VOLUNTARILY AND INTELLIGENTLY WAIVES ANY RIGHT EACH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LEASE OR ITS NEGOTIATIONS OR RELATIONSHIP OF ONE PARTY WITH THE OTHER. TENANT AND LANDLORD HEREBY CERTIFY THAT NO REPRESENTATIVE OR AGENT OF EITHER PARTY (INCLUDING ITS COUNSEL) HAS REPRESENTED EXPRESSLY OR OTHERWISE, THAT IT WOULD NOT IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL. LANDLORD AND TENANT ACKNOWLEDGE THAT EACH PARTY HAS BEEN INDUCED TO ENTER INTO THE LEASE WITH THE OTHER BY INTER ALIA, THE PROVISIONS OF THIS

PARAGRAPH. EACH PARTY FURTHER CERTIFIES THAT IT HAS BEEN REPRESENTED BY (OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS LEASE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. EACH PARTY FURTHER CERTIFIES THAT IT HAS READ AND UNDERSTANDS THE MEANING AND EFFECT OF THIS WAIVER.

30.4 LANDLORD AND TENANT EACH HEREBY AGREES TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE STATE OF NEW JERSEY; PROVIDED THAT NOTHING CONTAINED HEREIN WILL PREVENT LANDLORD FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST ANY SECURITY OR AGAINST TENANT INDIVIDUALLY, OR AGAINST ANY PROPERTY OF TENANT WITHIN ANY OTHER STATE OR NATION TO ENFORCE ANY AWARD OR JUDGMENT OBTAINED IN THE VENUE PROVIDED ABOVE. LANDLORD AND TENANT EACH WAIVES ANY OBJECTION TO VENUE AND ANY OBJECTION BASED ON A MORE CONVENIENT FORUM IN ANY ACTION INSTITUTED HEREIN, PURSUANT TO THE PROVISIONS HEREOF.

31. Interpretation.

31.1 Gender; Plural Terms; Persons. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural numbers. A reference to person shall mean a natural person, a trustee, a corporation, a partnership and any other form of legal entity. All references in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, as the context may require.

31.2 Exhibits. Each and every document or other writing which is referred to herein as being attached hereto or is otherwise designated herein as an exhibit hereto is hereby made a part of this Lease.

31.3 Captions. The captions of articles, sections, subsections and the Table of Contents are for convenience only; they are not intended to indicate all of the subject matter in the text and they shall not be deemed to limit, construe, affect or alter the meaning of any provisions of this Lease and are not to be used in interpreting this Lease or for any other purpose in the event of any controversy.

31.4 Survival. The expiration of the Term, whether by lapse of time or otherwise, shall not relieve either party of any obligations which accrued prior to or which may continue to accrue pursuant to the express terms hereof after the expiration or early termination of this Lease.

32. Severability. If any provision contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease (and the application of such provision to persons or circumstances, if any, other than those in respect of which it is invalid or unenforceable) shall not be affected thereby, and each and every other provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

33. Notices. All notices required to be given by Landlord to Tenant shall be sufficiently given by sending by courier service delivery against written receipt or signed proof of delivery, or mailing the same by registered or certified mail, return receipt requested, to Tenant's Address or to such other or additional persons and addresses as Tenant may from time to time designate in writing, provided that a copy of any such notice shall be sent via electronic mail to the recipients included in Tenant's Address on the date that such notice is deposited with the carrier. Notices given by Tenant to Landlord must be given by registered or certified mail, return receipt requested, overnight express delivery service or by courier service delivery against written receipt or signed proof of delivery, to Landlord at Landlord's Address or to such other or additional persons and addresses as Landlord may from time to time designate in writing.

34. No Representation by Landlord. Landlord and Landlord's agents have made no representation, agreements, conditions, warranties, understandings, or promises, either oral or written, other than as herein set forth, with respect to the Lease, Building or Premises, or otherwise.

35. Whole Agreement; Amendments. This Lease and the exhibits attached hereto set forth all of the promises, agreements, conditions, warranties, representations and understandings between Landlord and Tenant relative to the Premises and this leasehold. No alteration, amendment, modification, waiver, understanding or addition to this Lease shall be binding upon either party unless reduced to writing and signed by such party or by a duly authorized agent of such party empowered by a written authority signed by such party.

36. Security Deposit; Financial Information; Landlord's Lien.

36.1 Tenant, within five (5) business days following the full execution and delivery of this Lease, shall deposit with Landlord the Security Deposit set forth in Section 1.12 hereof, which sum shall be retained by Landlord, without interest and not in trust or in a separate account, as security for the payment by Tenant of the Rent and all other charges or payments to be paid hereunder to Landlord and the performance of the covenants and obligations contained herein. If at any time Tenant shall be in default under any of the provisions of this Lease, Landlord shall be entitled, at its sole discretion, to apply the Security Deposit to payment of (i) any Rent or other charge for the payment of which Tenant shall be in default, (ii) any expense incurred by Landlord in curing any default of Tenant, and/or (iii) any other sums due to Landlord in connection with any default or the curing thereof, including, without limitation, any damages incurred by Landlord by reason of such default, which Landlord has the right to recover pursuant to this Lease. If any portion of the Security Deposit is used, applied or retained by Landlord for any purpose set forth above, Tenant shall, within 10 days after demand therefor is made by Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Any portion of such Security Deposit which shall not be utilized for any such purpose shall be returned to Tenant within thirty (30) days following the expiration or earlier termination of this Lease and proper surrender of the Premises to Landlord. The Security Deposit shall not be mortgaged, assigned or encumbered in any manner whatsoever by Tenant.

36.2 Tenant, within 10 business days after request but not more than twice per Lease Year (unless an Event of Default remains uncured), shall provide Landlord with a current financial statement of Tenant in the form kept in the ordinary course of Tenant's business. Landlord may provide such information to others if Landlord is requested to produce the information in connection with a proposed financing or sale of the Building so long as any such recipient first enters into a commercially reasonable confidentiality agreement with Tenant. Otherwise, upon written request by Tenant, Landlord shall enter into a commercially reasonable confidentiality agreement covering any confidential information that is disclosed by Tenant. Notwithstanding the foregoing, so long as Tenant or its parent company is publicly traded, Tenant shall not be obligated to provide any financial information to Landlord.

36.3 Landlord waives all statutory and contractual liens or any other so-called "landlord's lien" which it may be entitled to assert against any of Tenant's property as security for the payment of Rent or the performance of any other obligation of Tenant hereunder. From time to time during the Term, within fifteen (15) days following written request from Tenant, Landlord shall deliver to any equipment lessor providing leased equipment to the Premises or to any purchase money or commercial lender providing financing secured by Tenant's equipment, trade fixtures, personal property or other improvements within the Premises which are permitted to be removed at the end of the Term, a waiver in commercially reasonable form reasonably acceptable to Landlord, duly executed and acknowledged by Landlord, respecting any statutory or common law lien or security interests which Landlord may possess respecting Tenant's equipment, trade fixtures and improvements to the Premises permitted to be removed by Tenant as aforesaid.

37. Real Estate Broker. Tenant represents and warrants to Landlord that Tenant has dealt with no broker, agent or other intermediary in connection with this Lease other than Landlord's Leasing Agent and Tenant's Leasing Agent identified in Section 1.11, if any, and that insofar as Tenant knows, no other broker, agent or other intermediary negotiated this Lease or introduced Tenant to Landlord or brought the Building to Tenant's attention for the lease of space therein. Tenant agrees to indemnify, defend and hold Landlord and its partners, employees, agents, their officers and partners, harmless from and against any claims made by any broker, agent or other intermediary other than Landlord's Leasing Agent and Tenant's Leasing Agent identified in Section 1.11, with respect to a claim for broker's commission or fee or similar compensation due to Tenant's breach of the foregoing representation and warranty. Landlord represents and warrants to Tenant that Landlord has dealt with no broker, agent or other intermediary in connection with this Lease other than Landlord's Leasing Agent and Tenant's Leasing Agent identified in Section 1.11, if any, and that insofar as Landlord knows, no other broker, agent or other intermediary negotiated this Lease or introduced Landlord to Tenant or brought the Building to Tenant's attention for the lease of space therein. Landlord agrees to indemnify, defend and hold Tenant and its partners, employees, agents, their officers and partners, harmless from and against any claims made by any broker, agent or other intermediary other than Landlord's Leasing Agent and Tenant's Leasing Agent identified in Section 1.11, with respect to a claim for broker's commission or fee or similar compensation due to Landlord's breach of the foregoing representation and warranty. In addition, Landlord shall pay and all commissions due with respect to this Lease to Landlord's Leasing Agent and Tenant's Leasing Agent in accordance with one or more separate agreements.

38. Inability to Perform. If either party is delayed or prevented from performing any of its obligations under this Lease by reason of strike, labor troubles, or any cause whatsoever beyond such party's control, including weather related issues, the period of such delay or prevention shall be deemed added to the time herein provided for the performance of any such obligation by such party.

39. Landlord/Tenant Warranty. Tenant covenants, warrants and represents that: (1) each individual executing, attesting and/or delivering this Lease on behalf of Tenant is authorized to do so on behalf of Tenant; (2) this Lease is binding upon Tenant; and (3) Tenant is duly organized and legally existing in the state of its organization and is or shall be qualified to do business in the State of New Jersey at the time it commences conduct of its business in the Premises. If there is more than one Tenant, or if Tenant is comprised of more than one party or entity, the obligations imposed upon Tenant shall be joint and several obligations of all the parties and entities. Notices, payments and agreements given or made by, with or to any one person or entity shall be deemed to have been given or made by, with and to all of them. Landlord covenants, warrants and represents that: (1) each individual executing, attesting and/or delivering this Lease on behalf of Landlord is authorized to do so on behalf of Landlord; (2) this Lease is binding upon Landlord; and (3) Landlord is duly organized and legally existing in the state of its organization and is qualified to do business in the State of New Jersey. If there is more than one Landlord, or if Landlord is comprised of more than one party or entity, the obligations imposed upon Landlord shall be joint and several obligations of all the parties and entities. Notices, payments and agreements given or made by, with or to any one person or entity shall be deemed to have been given or made by, with and to all of them.

40. Recordation; Confidentiality. Tenant shall not record this Lease or a short form memorandum of this Lease without the prior written consent of Landlord, and any such attempted recordation shall be void and of no force or effect and shall constitute an Event of Default hereunder. Landlord shall not make any public disclosure or press release regarding the transaction contemplated by this Lease without the prior written consent of Tenant, not to be unreasonably withheld, conditioned or delayed. No approval or consent shall be required for any disclosure required by law or any disclosure in any dispute between the parties. Notwithstanding the foregoing, if Landlord and Tenant mutually agree, Landlord shall execute and deliver the Memorandum of Lease substantially in the form attached hereto as Exhibit "G" and Tenant shall be permitted to record same.

41. Time; Force Majeure. Time is of the essence of this Lease and all of its provisions. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, respective governmental laws or regulations or other causes without fault and beyond the control of the party obligated (financial inability excepted) ("**Force Majeure**"), performance of such acts shall be excused for the period of the delay and the period for the performance of any such acts shall be extended for a period equivalent to the period of such delay.

42. Applicable Law. This Lease shall in all respects be governed by the laws of the State of New Jersey.

43. Certain Defined Terms. As used in this Lease, the following terms have the meaning as set forth below, respectively:

Additional Rent: All sums of money or charges required to be paid by Tenant under this Lease other than Minimum Rent, whether or not such sums or charges are designated as rent or "Additional Rent."

Common Areas: The portions of the Building and land that are not leasable to tenants and are intended for the common use and benefit of the Building's tenants, including without limitation areas for use pursuant to the Master Deed and/or Master Declaration. Tenant shall have the right to use 3.3 parking spaces in the parking areas adjacent to the Building for every 1,000 rentable square feet of the Premises (being 113 parking spaces upon the date hereof).

Excess Rent: A sum equal to the amount by which the rent or other consideration paid to Tenant by any subtenant or assignee exceeds the Rent for such space then being paid by Tenant to Landlord for the applicable time period pursuant to the provisions of this Lease (or the pro rata portion thereof in the case of a subletting), less Tenant's transaction costs incurred in connection with such assignment or sublease, including without limitation Tenant's costs of improvement made or paid for by Tenant to satisfy the needs of the subtenant or assignee, concessions to such assignee or subtenant, legal fees, leasing commissions and similar costs reasonably incurred by Tenant in connection with such subletting or assignment.

GAAP: Generally accepted accounting principles, consistently applied.

Holder: The holder of a Mortgage on the Building.

Holidays: The days observed as holidays by the United States Government, the State of New Jersey or the Township.

Laws: All present or future statutes, ordinances, rules, regulations, requirements, codes and resolutions of any and all federal, state and local governmental authority or agency, department or subdivision thereof having jurisdiction over the matter in question.

Lease Interest Rate: The lesser of (A) the Prime Rate in effect from time to time plus 3%, or (B) the maximum amount or rate that Landlord lawfully may charge Tenant in such circumstances, if such a maximum exists.

Ordinary Business Hours: Twenty-Four (24) hours per day, seven (7) days per week.

Person: A natural person or legal entity.

Prevailing Party: A party who, upon any final (unappealed and unappealable) award or judgment, decree or order in any arbitration or judicial proceeding (including without limitation any appeal) shall have established the substance of its claim or defense and who shall have been awarded substantially the relief sought by such party on account of its claim or defense. Any dispute concerning the identity of the "Prevailing Party" or the amount of the obligation of the non-Prevailing Party to the Prevailing Party shall be determined (after entry of a final (unappealed and unappealable) award or judgment) by the arbitrators in any proceeding determined by arbitration, or by the trial court in any proceeding determined by judicial judgment, decree or order.

Prime Rate: The reference rate of interest as published daily under the heading "Money Rates" in The Wall Street Journal or alternative publication mutually acceptable to Landlord and Tenant if such rate is no longer published in The Wall Street Journal.

Real Estate Taxes: shall mean real estate taxes and assessments, special or otherwise, levied upon or with respect to the Property or the Building, imposed by Federal, State or local governments and any personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and appurtenances in, upon or used in connection with the Building for the operation thereof and owned by Landlord. If any excise or gross receipts tax or charge shall be substituted in whole or in part for the current ad valorem Real Estate Taxes now or hereafter imposed upon the Property or Building due to a change in the method of taxation or assessment, such excise or gross receipts tax or charge shall be deemed included as Taxes. Except as otherwise set forth in the previous sentence, Real Estate Taxes shall not include the following taxes and charges: excise, income, profits, estates, inheritance, succession, gift, transfer, franchise, capital, other tax assessments on Landlord or on the rent, gross receipts taxes, and interest and penalties.

Rent: Rent shall include Minimum Rent and Additional Rent.

Standards: An "A" class office and light manufacturing building in the Township.

Taking: A taking or condemnation under (i) any statute or by any other right of eminent domain by any competent authority or a sale in lieu of such taking or condemnation, or (ii) as used with respect to the Premises, any law, ordinance, order or other legal action, that precludes use and occupancy of the Premises or any portion thereof for general office uses or manufacturing use.

Tenant: Each and every Person hereinabove named as Tenant on page 1 of this Lease and such Persons' respective heirs, personal representatives, successors and assigns.

44. Delivery for Examination; Counterpart Execution.

44.1 Delivery of this Lease to Tenant or Landlord shall not bind the delivering party in any manner, and no lease or obligations of the delivering party shall arise until this instrument is signed by both Landlord and Tenant and delivery is made to each.

44.2 This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. If executed in multiple counterparts, this Lease shall become binding when two or more counterparts hereto, individually or taken together, bear the signatures of all of the parties reflected hereon as the signatories.

45. Signage. (a) Tenant shall have the right, at its sole cost and expense and subject to Landlord's approval, to place their standard signage on the Premises entry door and (b) Tenant shall be entitled to place building standard signage on the exterior of the Building and within the existing exterior monument (the small monument on Campus Drive, not the larger monument for University Square), the size and location of such monument signage shall be similar to the other signs currently located on such monument, and all such signage shall be subject to all Requirements and shall be subject to the Master Deed and the Master Declaration and Landlord's reasonable approval of the design of same.

46. Renewal.

(a) Provided no Event of Default is existing at the time of exercise nor at the commencement of the applicable Renewal Term, and Tenant is fully occupying the Premises and the Lease is in full force and effect, Tenant shall have the right to renew this Lease (the "**Renewal Option**") for two (2) terms of five (5) years each beyond the end of the initial Term or subsequent Renewal Term (each, a "**Renewal Term**"). Tenant shall furnish written notice (the "**Renewal Notice**") of intent to renew nine (9) months prior to the expiration of the initial Term or applicable Renewal Term, failing which, such renewal right shall be deemed waived; time being of the essence. The terms and conditions of this Lease during each Renewal Term shall remain unchanged except that the Minimum Rent for the Renewal Term shall be equal to ninety-five percent (95%) of the then current Fair Market Value (as defined below).

(b) Promptly after Landlord's receipt of the Renewal Notice, Landlord and Tenant shall negotiate in good faith to determine Fair Market Value for the applicable Renewal Term. In the event Landlord and Tenant cannot mutually agree to the Fair Market Value within thirty (30) days after Landlord's receipt of the Renewal Notice, then the parties shall determine Fair Market Value in accordance with the procedure set forth in Section 46(c) below.

(c) In the event Landlord and Tenant cannot mutually agree on the Fair Market Value within thirty (30) days after Landlord's receipt of Tenant's Renewal Notice, Tenant may either (i) revoke by written notice to Landlord Tenant's Renewal Notice or (ii) require by written notice to Landlord that the determination of Fair Market Value to be made by a certified Member of the Appraisal Institute (the "**Determination Notice**"). Such appraiser shall be mutually agreed to by Landlord and Tenant within fifteen (15) days following Landlord's receipt of the Determination Notice. If Landlord and Tenant cannot agree on an appraiser, either may apply to the Superior Court of Mercer County for the appointment of such an appraiser. Such appointed appraiser must be a person who has not previously acted in any capacity for either Landlord or Tenant and has a minimum of ten (10) years' full-time commercial appraisal experience of office space rent in the Princeton, NJ area. Within thirty (30) days of appointment, Landlord and Tenant shall submit sealed Fair Market Value requested valuations, which the appraiser shall then simultaneously reveal to Landlord and Tenant. The appraiser will, within forty-five (45) days of appointment, review both the Landlord's and Tenant's requested valuations and such other information as the appraiser deems necessary, and will decide which of the two is closer to the actual Fair Market Value. The appraiser will not establish the appraiser's own Fair Market Value; instead, the appraiser must select either the Landlord's or Tenant's valuation and will immediately notify the parties of the selection. The Fair Market Value requested by Landlord or Tenant, and selected as the one closer to the actual Fair Market Value by the appraiser, will be the Fair Market Value used for the purposes of this Section.

(d) For purposes of determining the Fair Market Value, the "**Fair Market Value**" means what a landlord under no compulsion to lease the Premises and a tenant under no compulsion to lease the Premises would determine as rents (including initial Minimum Rent and rental increases as well as the base year for Real Estate Taxes and Annual Operating Costs and free rent and tenant improvement costs and allowances) for the Renewal Term, as of the commencement of the Renewal Term, taking into consideration the uses permitted under the Lease, the quality, size, design and location of the Premises, and the rent for comparable first-class space located in the Township and surrounding areas. The Fair Market Value shall be based on a per square foot basis.

47. Tenant Required Provisions.

(a) Anti-Corruption Compliance. In carrying out its responsibilities under this Lease, neither Landlord nor any employee, contractor, or agent of Landlord shall, directly or indirectly (a) take any action which would cause it or the Tenant to be in violation of the U.S. Foreign Corrupt Practices Act of 1977 as amended, the U.S. Travel Act, the U.S. Domestic Bribery Statute, Article 435-1 et seq. of the French Criminal Code concerning international corruption and Articles 432-11 et seq., 433-1 et seq., and Article 445-1 et seq. of the French Criminal Code concerning domestic corruption, the UK Bribery Act 2010, or any other applicable anti-corruption or anti-bribery law; (b) make, offer, or authorize any unlawful payments of money or anything of value to any person, including any official, director, officer, employee, agent, or representative of any government or government-owned or -affiliated entity (including health care professionals or researchers who work for public hospitals, universities, or research institutions); or (c) use any of the Tenant's funds for unlawful contributions, gifts, entertainment or other unlawful expenses. Notwithstanding any other provision of this Lease, the Tenant may immediately suspend this Lease in the event it should receive information which it determines in good faith to be evidence of a breach by the Landlord of this Section 47. In the event of receipt of such evidence and/or such suspension, Tenant shall consult with Landlord and may thereafter immediately terminate this Lease if Tenant, acting in good faith, is reasonably satisfied that such a breach has occurred. In the event of such termination, Tenant shall have no liability to Landlord under this Lease for any fees, reimbursements, or other compensation or for any other loss, cost, claim, or damage resulting, directly or indirectly, to Landlord from such termination.

(b) Listed Company. As the French parent company of the Tenant, ERYTECH Pharma S.A. is a publicly listed company, part of Tenant's confidential information disclosed herein may be considered inside information pursuant to Article 7 of Regulation (EU) No 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (the "**Market Abuse Regulation**") and US laws. Therefore, Landlord is informed that it may appear on ERYTECH Pharma S.A.'s insiders list. Pursuant to the Personal Data Act of January 6th, 1978 (Loi Informatique et Libertés) as amended, Landlord's personal data could be used only to establish, update, use, and communicate the ERYTECH Pharma S.A.'s insiders list to the competent national authority. Landlord will have free access to the information listed and has the right to modify such information (legal@erytech.com or at the ERYTECH Pharma S.A.'s headquarters). It is reminded that the Market Abuse Regulation and the French monetary and financial Code specify criminal penalties for offenses relating to market abuse which a maximum sanction of up to five years imprisonment and a 100 million euros fine, that amount may be increased up to ten times the amount of the proceeds derived from the infringement, without being less than the amount of the proceeds. Landlord represents and warrants to ERYTECH Pharma S.A. that it recognizes the legal and regulatory obligations related to the insider status as well as the penalties for insider trading and illegal disclosure of inside information.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their duly authorized officers or representatives as of the day and year first above written.

LANDLORD: 104 CAMPUS DRIVE LLC

By: /s/ Abe Leser
Name: Abe Leser
Title: Managing Member

TENANT: ERYTECH PHARMA, INC.

By: /s/ Gil Beyen
Name: Gil Beyen
Title: Chief Executive Officer

EXHIBIT A

PLAN OF PREMISES

EXHIBIT A-1

SITE PLAN

EXHIBIT A-2

UNIVERSITY SQUARE PROPERTY

EXHIBIT B

WORK LETTER

This Exhibit "B" is attached to and made a part of that certain Lease between 104 Campus Drive LLC, a New Jersey limited liability company, as Landlord, and Erytech Pharma, Inc., a Delaware corporation, as Tenant (the "**Lease**"). The provisions of this Exhibit B shall prevail over any inconsistent or conflicting provision of the Lease. Any capitalized words not defined herein shall have the meanings ascribed to them within the Lease.

I. LANDLORDS WORK

I.1. NO WORK OR ALTERATIONS. Subject to Section 4.1 of the Lease, Landlord shall not be required to furnish any alterations or leasehold improvements to the Premises, the Building or the Property in connection with entering into this Lease or preparing the Premises for Tenant's use and occupancy.

II. TENANT WORK

II.1. DESCRIPTION OF IMPROVEMENTS BY TENANT.

(a) Tenant, at Tenant's sole cost and expense shall furnish and supply and be solely responsible for all of the work, labor and materials necessary for the construction of tenant improvements and the installation of fixtures, equipment and cabling in, on and about the Premises required by Tenant for its occupancy and use of the Premises (collectively, the "**Tenant Work**"). Landlord and Tenant hereby acknowledge and agree that the Tenant Work may include the installation of a concrete slab outside the Building to accommodate Tenant's equipment (in the location circled on the Site Plan) and also loading area improvements and Landlord shall reasonably cooperate in Tenant's efforts to obtain any and all approvals and permits required for any such improvements. Landlord shall obtain any approvals required under the Master Documents for any exterior improvements or modifications to the Building as part of the Tenant Work.

(b) Prior to commencing the Tenant Work, Tenant shall cause Tenant's architect to prepare and submit to Landlord design specifications and architectural, structural, electrical and mechanical drawings for the Tenant Work and permitable construction drawings for the Tenant Work (collectively, "**Tenant Work Plans and Specifications**").

(c) Promptly upon receipt of the Tenant Work Plans and Specifications, Landlord shall forward the same to its representatives for their review. Landlord will advise Tenant of its approval or disapproval of such Tenant Work Plans and Specifications, in writing, within three (3) business days after receipt of the same.

(d) Landlord shall have general approval rights to all aspects of Tenant's Work Plans and Specifications, including those that negatively impact on the exterior appearance of the Building, the Building mechanical systems or impact the Building in a structural or engineering manner, but not as to the internal aesthetic elements within the Premises. Any disapproval by Landlord of all or any portion of the Tenant Work Plans and Specifications shall be in writing and shall contain adequate detail to enable Tenant to understand the nature and reasons of the basis for disapproval (a "**Disapproval Notice**"). Landlord's approval of the Tenant Work Plans and Specifications shall not be unreasonably withheld, conditioned or delayed.

(e) In the event Landlord properly disapproves the Tenant Work Plans and Specifications or any portion thereof, Tenant shall, within ten (10) business days after receipt of Landlord's Disapproval Notice or within such longer period as may be reasonably required if Landlord's disapproval requires any major change in the Tenant Work Plans and Specifications, revise the rejected portion of the Tenant Work Plans and Specifications and resubmit such revised Tenant Work Plans and Specifications to Landlord in accordance with the terms of this Section II.1. Thereafter, Landlord shall approve or disapprove of such revised Tenant Work Plans and Specifications also in accordance with the terms of this Section II.1 and Landlord shall approve or disapprove of the revised Tenant Work Plans and Specifications within three (3) business days of Tenant's submission of the same by, if disapproved, providing an additional Landlord's Disapproval Notice. Notwithstanding anything to the contrary contained herein, Landlord shall be obligated to approve the revised Tenant Work Plans and Specifications if the same have been revised in accordance Landlord's Disapproval Notice, unless and to the extent any aspects of that portion of the Tenant Work Plans and Specifications so revised will still cause the negative impacts referred to in subsection (d) above.

(f) Failure by Landlord to respond (i) with respect to the Tenant's initial submissions of its Tenant Work Plans and Specifications, within three (3) business days of submission, or (ii) with respect to any other Tenant Work Plans and Specifications submission by Tenant to Landlord in accordance with the terms of this Section II.1 (including, without limitation, revised Tenant Work Plans and Specifications or subsequent changes to the Tenant's Final Plans (as defined below)), within ten (10) business days of submission, shall constitute a waiver of any objections and shall evidence acceptance of the proposed work shown therein.

(g) Such approved Tenant Work Plans and Specifications are referred to as "**Tenant's Final Plans**"). Landlord may deduct its reasonable out of pocket expenses of reviewing the Tenant Work Plans and Specifications, not to exceed Two Thousand Dollars ($2,000.00) from the Improvement Allowance upon notice to Tenant accompanied by reasonable backup documentation; Tenant shall not be obligated to pay any other review, oversight or management fees or expenses to Landlord in connection with the Tenant Work or any Alteration.

II.2. BUILDING SYSTEMS. Landlord's review of the Tenant's Final Plans shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, code compliance or other like matters. Accordingly, notwithstanding that any such drawings or specifications are reviewed by Landlord or its space planner, architect, engineers, and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in said drawings or specifications, and Tenant's waiver and indemnity set forth in Section 22 of the Lease shall specifically apply to said drawings and specifications.

II.3. APPROVALS. Tenant shall be responsible for obtaining all governmental approvals, permits and/or licenses with respect to any of the Tenant Work (collectively the "**Tenant Work Approvals**") and thereafter obtain the final certificate of occupancy issued by the Township to allow Tenant to operate for its Permitted Use. Landlord shall reasonably cooperate, at no material cost to Landlord, with Tenant's efforts to obtain the Tenant Work Approvals and any certificate of occupancy.

II.4. TENANT'S SELECTION OF CONTRACTORS.

(a) A general contractor shall be retained by Tenant to construct the Tenant Work. Such general contractor ("**Contractor**") shall be selected by Tenant provided that Tenant select a reputable, qualified general contractor subject to Landlord's approval (which approval Landlord agrees not to unreasonably withhold, condition or delay). Should Landlord fail to approve or deny the Tenant's selected Contractor within three (3) business days of notice, such Contractor shall be deemed approved by Landlord.

(b) Intentionally Deleted.

II.5. TENANT'S REQUEST FOR CHANGES IN TENANT WORK. If Tenant shall request a material change to the Tenant's Final Plans, then Tenant shall prepare and submit to Landlord for approval modified plans describing in detail the requirements of construction of the proposed change in the Tenant's Final Plans. Material changes in the Tenant's Final Plans shall include (i) intentionally deleted, (ii) any change that affects the Building structure, Building systems, or mechanical, life safety, electrical, plumbing and HVAC equipment for the Premises, and (iii) any change that is visible from outside the Premises. The process of finalizing and approving such modified plans for changes shall be in the same manner as set forth in Section II.1 above, and Landlord's review period shall be three (3) business days.

II.6. GENERAL CONDITIONS.

(a) Tenant shall cause Tenant Work to commence promptly in accordance with the terms of the Lease and shall diligently pursue Tenant Work to final completion.

(b) Intentionally deleted.

(c) Any delay in the construction of the Tenant Work caused by Tenant shall not, in any event, delay the Rent Commencement Date, which shall occur on the date as set forth in the Lease except as otherwise expressly set forth herein.

(d) In performing Tenant Work, Tenant shall pay, or cause the Contractor to pay, prevailing wages, retain only those contractors and subcontractors who will work together with others then working in the Building, without causing any labor dispute with each other, and Tenant shall require its contractors and subcontractors to employ only such labor as will work in harmony and without causing any labor disputes of any kind, including with each other, with Landlord's employees, contractors and subcontractors and with the employees, contractors and subcontractors of all others working in or upon the Building or any part thereof. Furthermore, only those contractors and subcontractors as have been duly licensed by the authority having jurisdiction over the appropriate profession, if any, may perform any portion of Tenant Work for Tenant in or upon the Premises.

(e) Tenant shall maintain Tenant's construction materials in the Premises and the Common Areas adjoining the same in a clean and orderly condition, free of construction debris, during Tenant's construction. Tenant shall not materially interfere with the other tenants in the Building and shall take all reasonable care to minimize noise and other potential causes of disruption. Tenant shall promptly remove all unused construction materials, equipment, shipping containers, packaging, debris and waste from the Premises, and deposit it in receptacles, if any, provided by Landlord or otherwise remove the same from the Premises. Tenant's construction vehicles shall park in parking spaces and locations as designated by Landlord in reasonably near proximity to the Premises and shall not impede ingress and egress to and from the Property.

II.7. INDEMNITIES.

(a) Tenant's indemnity of Landlord as set forth in Section 22 of the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, in connection with the Tenant Work or in connection with Tenant's non-payment of any amount arising out of the Tenant Work and/or Tenant's disapproval of all or any portion of any request for payment.

(b) All of Tenant's construction contracts shall include indemnification provisions in favor of Landlord substantially as follows: To the fullest extent permitted by applicable laws, the Contractor agrees to defend, indemnify, and hold harmless Landlord and all officers, directors, employees, shareholders, members, principals, partners and agents of Landlord, and of any of the entities comprising Landlord (collectively, "**Landlord's Indemnified Parties**"), from and against all costs, losses, damages, injuries and liabilities, judgments, claims and proceedings (collectively, "**Losses**"), arising out of death, personal injury or property damage to the extent caused by the negligent, or recklessly or deliberately wrongful actions or omissions of the Contractor, any subcontractor or supplier, and/or their respective employees and agents, in connection with the Tenant Work. This indemnity shall apply regardless of whether the Losses are caused in part by the negligence of the indemnified party. Furthermore, this indemnity shall apply to claims against any of the Landlord's Indemnified Parties by an employee of the Contractor or a subcontractor, anyone directly or indirectly employed by them or for whose acts they may be liable. In claims against any of the Landlord's Indemnified Parties by an employee of the Contractor or a subcontractor, anyone directly or indirectly employed by them or for whose acts they may be liable, the indemnity obligation of this paragraph shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Contractor or subcontractors under workers' compensation acts, disability benefit acts, or other employee benefit acts. The Contractor shall also defend, indemnify and hold harmless the Landlord's Indemnified Parties against Losses caused by the Contractor's failure to adhere to laws relating to (1) the withholding of taxes based on wages or salaries, or (2) the health or safety of persons in connection with the Tenant Work or at the project site.

II.8. INSURANCE REQUIREMENTS.

(a) All of Tenant's Agents (as hereinafter defined) shall carry worker's compensation insurance covering all of their respective employees, and shall also carry commercial general liability insurance in amounts not less than One Million Dollars ($1,000,000) per incident, Two Million Dollars ($2,000,000) in the aggregate, including property damage, all in form and with companies as are required to be carried by Tenant as set forth in the Lease.

(b) Tenant shall carry "Builder's All Risk" insurance covering the construction of the Tenant Work, it being understood and agreed that the Tenant Work shall be insured by Tenant immediately upon completion thereof, subject to the terms of the Lease. Such insurance shall be in a commercially reasonable amount.

(c) Certificates for all insurance carried pursuant to this Section II.8 shall be delivered to Landlord prior to the commencement of construction of the Tenant Work and before the Contractor's equipment is moved onto the site. To the extent generally commercially available, all such policies of insurance must contain a provision that the company writing said policy will give Landlord thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Tenant Work (but not any other part of the Premises or Building) is damaged by any cause during the course of the construction thereof, Tenant shall

immediately repair the same at Tenant's sole cost and expense. Tenant's contractors (including subcontractors) and all other parties performing Tenant Work on behalf of Tenant ("**Tenant's Agents**") shall maintain all of the foregoing insurance coverage in force until the Tenant Work is fully completed, except for any Products and Completed Operation Coverage insurance required by Landlord, which shall be maintained as set forth in the applicable insurance contract. All policies carried under this Section II.8 shall insure Landlord and Tenant as additional insureds, as their interests may appear, as well as Tenant's Agents. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against any additional insureds thereunder. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section II.7 of this Work Letter.

II.9. **PROOF OF COMPLETION**. Intentionally deleted.

II.10. **GOVERNMENTAL COMPLIANCE.** The Tenant Work shall comply in all respects with the following: (i) all applicable codes and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications. Tenant or Tenant's Agents shall obtain and pay for all necessary building permits and inspections, including, without limitation, the final certificate of occupancy for the Premises.

II.11. **INSPECTION BY LANDLORD.** Landlord shall have the right to inspect the Tenant Work upon reasonable advance notice to Tenant and so long as any such inspection does not interfere with the performance of the Tenant Work, provided however, that Landlord's failure to inspect the Tenant Work shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Work constitute Landlord's approval of the same.

II.12. **LIEN RELEASE WAIVERS.** Tenant shall promptly pay all contractors, subcontractors and materialmen so as to minimize the possibility of a lien or claim of lien being filed with respect to the Premises or Property, and should any such lien be made or filed, Tenant shall cause the same to be discharged by bond or otherwise as set forth in the Lease. At the conclusion of the Tenant Work, Tenant shall provide to Landlord an unconditional lien waiver and release from the Contractor.

II.13. **SUBSTANTIAL COMPLETION.** "**Substantially Completed**" or "**Substantial Completion**" shall mean (i) the stage in the progress of the Tenant Work when such work (or a designated portion thereof) is sufficiently complete in accordance with the Tenant's Final Plans so that the Tenant can occupy the Premises (or a designated portion thereof) for its intended use, in accordance with applicable law; (ii) a certificate of occupancy has been approved for such Tenant Work by the Township; and (iii) a certificate of Substantial Completion has been issued by the independent architect who or which prepared the Tenant's Final Plans.

II.14. **BASE BUILDING ALLOWANCE AND TI ALLOWANCE**. Provided Tenant is not in default of any of Tenant's obligations under the Lease and this Work Letter, in each case beyond applicable notice and cure periods, and no event shall have occurred which, with the giving of notice and/or the passage of time will become a default if uncured by Tenant, unless and until cured by Tenant, Landlord shall pay to Tenant the TI Allowance and Base Building Allowance to be applied toward the cost of the Tenant Work, all as more particularly hereinafter set forth.

(a) Landlord shall provide to Tenant (i) the TI Allowance and (ii) the Base Building Allowance (the TI Allowance and the Base Building Allowance may collectively be referred to herein as the "**Improvement Allowance**"). The TI Allowance may be used by Tenant for hard and/or soft costs of construction; provided, however, portions of the Improvement Allowance may be reallocated as required by Tenant. The Base Building Allowance may be used and allocated by Tenant in accordance with Section 1.14 of the Lease.

(b) Disbursement of the Improvement Allowance. Provided Tenant is not in default of any of Tenant's obligations under the Lease beyond applicable notice and cure periods, and no event shall have occurred which, with the giving of notice and/or the passage of time will become a default hereunder if uncured by Tenant, unless and until cured by Tenant, Landlord shall pay the Improvement Allowance, or any portion thereof to Tenant as work progresses, but no more frequently than once every thirty (30) days, provided the following conditions are met by Tenant for payment with respect to the applicable portion of the work and such payment shall be made within thirty (30) days thereafter:

(i) Tenant has obtained all Tenant Work Approvals with respect to the work that is the subject of such request and has furnished to Landlord copies thereof.

(ii) Tenant has furnished to Landlord invoices from the general contractor and all other contractors and an AIA certificate from Tenant's general contractor stating that all of the work for which payment is being requested has been performed and setting forth the total cost of the work performed. In addition, Tenant shall furnish Landlord with mechanic's lien partial or final lien waivers, as applicable, in a commercially reasonable form, dependent upon payment of the contractor's invoices, from the general contractor and all other contractors and suppliers who have theretofore performed work or furnished supplies for or in connection with the Tenant Work at the Premises that is the subject of such request.

(iii) Advances for construction costs not yet incurred shall be made as needed, but not more frequently than once per month and only on thirty (30) days' prior written notice to Landlord unless otherwise agreed in writing by Landlord. The amount of each advance shall be based upon the percentage completion of the Tenant Work, and at Landlord's option, Landlord may withhold ten percent (10%) retainage from each advance, such retainage to be withheld by Landlord until the final advance after completion of the Tenant Work.

(iv) With respect to payment of the retainage only, (i) Tenant has obtained a certificate of occupancy with respect to the Premises; (ii) Tenant has furnished Landlord with a certificate of substantial completion certifying to Landlord and Tenant from Tenant's architect that the Tenant Work has been completed in accordance with the Tenant's Final Plans (including any modifications thereto made in accordance with this Work Letter); (iii) Tenant has furnished Landlord mechanic's lien final waivers, in a commercially reasonable form, from the general contractor and all other contractors and suppliers who performed work or furnished supplies for or in connection with all of the Tenant Work at the Premises, contingent only upon receipt of final payment.

(v) Landlord shall have the right to withhold such amounts necessary for payment of any lien or claim filed against the Premises as a result of the Tenant Work. Tenant shall furnish a bond, reasonably satisfactory to Landlord in the event any contractor or subcontractor refuses to discharge any lien or claim.

(vi) Should the Tenant Work cost less than the Improvement Allowance, the difference between the actual cost of Tenant Work and the Improvement Allowance shall be applied to Rent due under the Lease. If the cost of the Tenant Work exceeds the Improvement Allowance, (i) Tenant shall be solely responsible for paying the amount by which the cost of the Tenant Work exceeds the Improvement Allowance (the "**Excess**"), and (ii) Tenant shall pay the Excess on a pari passu basis with Landlord paying the Improvement Allowance as the cost of the Tenant Work is paid, in the proportion of the Excess payable by Tenant to the Improvement Allowance payable by Landlord.

II.15. **WORK AND COST STATEMENT**. Tenant shall be responsible for the cost to construct and install the Tenant Work hereunder, subject to the obligation of Landlord to pay to Tenant the Improvement Allowance, as hereinabove provided. Together with the submission of the Tenant Work Plans and Specifications to Landlord, as provided for above, and otherwise upon request by Landlord from time to time, Tenant shall prepare and submit to Landlord, a high level statement of the estimated cost to construct and install the Tenant Work, which shall designate or note the items of the Tenant Work that are being paid for with the Base Building Allowance.

II.16. **DEMISING WALLS.** As part of the Tenant Work but at Landlord's sole cost and expense, Tenant shall construct and install the demising partitions (being two hr fire rated walls) to separate the Premises from adjacent space in the locations shown on Exhibit "A" (the "**Wall Work**"). Landlord shall reimburse Tenant for the cost of the Wall Work within thirty (30) days after receipt of Tenant's invoice therefor; failing which Tenant shall have the right to setoff any outstanding amounts against Rent due hereunder.

EXHIBIT C

RULES AND REGULATIONS

1. The sidewalks, driveways, entrances, lobbies, passages, elevators and stairways shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress and egress from and to Tenant's offices and other space. Landlord shall in all cases retain the right to control or prevent access thereto of all persons whose presence, in the reasonable judgment of Landlord, shall be prejudicial to the safety, peace, character, or reputation of the building or of any of the tenants.

2. The toilet rooms, water closets, sinks, faucets, plumbing or other service apparatus of any kind shall not be used by Tenant for any purposes other than those for which they were installed, and no sweepings, rubbish, rags, ashes, chemicals or other refuse or injurious substances shall be placed therein or used in connection therewith by Tenant or left by Tenant in the lobbies, passages, elevators or stairways.

3. Except as expressly permitted by this Lease, nothing shall be placed by Tenant on the outside of the Building or on its window sills or projections.

4. No sign, lettering, insignia, advertisement, notice, shall be inscribed, painted, installed or placed on any windows or in any window spaces or any other part of the outside or inside of the Building outside of the Premises, unless first approved in writing by Landlord. Names on or beside suite entrance doors shall be first approved by Landlord if not the name of the Tenant.

5. Tenant shall not place additional locks (whether operated by keys, entry cards or otherwise) upon any doors and shall surrender all keys, entry cards and other means of opening, for all locks at the end of the tenancy. The manager of the building may at all times keep a pass key, entry card or other means of access to the Premises to be used only in compliance with this Lease. Notwithstanding the above, Tenant may have a security card access system installed on the Premises, and access cards are provided to the janitor and the manager of the building. This paragraph 5 shall be subject to all governmental requirements and regulations and laws applicable to Tenant's use and occupancy of the Premises.

6. Tenant shall not do or commit, or suffer to done or committed, any act or thing whereby, or in consequence whereof, the rights of other tenants will be unreasonably obstructed or interfered with, or other tenants will in any other way be injured or unreasonably annoyed, or whereby the Building will be damaged nor shall Tenant cause or suffer to be caused any noise, vibrations or electronic interference which unreasonably disturbs other tenants, the operation of their equipment or the operation of any equipment in the Building. Without limitation of the foregoing, and with the exception of the reception of broadcast radio and television signals through receivers normally sold for office use, there shall not be transmitted from nor received at, the Premises any electromagnetic radiation communications. Tenant shall not use nor keep nor permit to be used or kept in the building any matter having an offensive odor, nor any kerosene, gasoline, benzine, camphene, fuel or other explosive or highly flammable material except in compliance with all applicable laws. No birds, fish or animals shall be brought into the Premises except as may be required under the ADA.

7. No cooking shall be done on the Premises without Landlord's consent. Tenant shall have the right to separate coffee machines and microwave ovens within the Premises for the use of Tenant's employees and invitees only, provided that Tenant pays the cost of installation, complies with all applicable codes in the installation and operation of such facilities, and cleans, maintains and repairs such facilities at its own expense.

8. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere reasonably required by Landlord, with the number of the office to which said wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating same.

9. Intentionally deleted.

10. Telephones, switchboards and telephone wiring and equipment shall be placed only where reasonably designated by Landlord.

11. Landlord shall, in no case, be responsible for the admission or exclusion of any person to or from the Building for access to the Premises. In case of invasion, hostile attack, insurrection, mob violence, riot, public excitement or other commotion, explosion, fire or any casualty, Landlord reserves the right to bar or limit access to the Building for the safety of occupants or protection of property.

12. The use of any portion of the Premises as sleeping quarters is prohibited at all times.

13. Intentionally deleted.

14. No smoking is permitted in the Building or near the entrances to the Building.

15. Tenant shall not use the fire towers unless there is a fire, flood or similar emergency in the Building.

16. Tenant and its employees shall not go upon the roof of the Building without the written consent of Landlord.

17. Tenant shall see that the doors of the Premises are closed and securely locked before leaving the Building, and Tenant shall exercise care and caution that all water faucets or water apparatus are entirely shut off before Tenants or Tenant's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste damage, and for any default or carelessness, Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord.

18. Intentionally deleted.

19. These rules and regulations are not intended to give Tenant any rights or claims in the event the Landlord does not enforce any of them against any other tenants or if Landlord does not have the right to enforce them against any other tenants, and such non-enforcement will not constitute a waiver as to Tenant.

EXHIBIT D

TERM COMMENCEMENT LETTER

AGREEMENT made as of _____, 2018, between the following parties (hereinafter respectively called "Landlord" and "Tenant"):

LANDLORD:

TENANT:

RECITALS

A. By lease (hereinafter, with the amendments thereto, if any, described in Recital B below, called the "Lease") dated as of _____, 2018, Landlord leased to Tenant certain premises described as _____ (hereinafter called "Premises").

B. The Lease has not been amended except as follows: None.

C. Tenant is now in possession of the Premises.

D. Under Section 3 of the Lease, Landlord and Tenant agreed to execute, acknowledge and deliver to one another an original agreement setting forth, among other things, the date on which the Term of the Lease commenced (hereinafter called, and in the Lease defined as, the "Lease Commencement Date"), the Rent Commencement Date (as defined in the Lease), the Expiration Date (as defined in the Lease).

NOW, THEREFORE, Landlord and Tenant agree as follows:

1. The Lease Commencement Date of the Lease, the Rent Commencement Date and the Expiration Date of the Term are as follows:

(i) Lease Commencement Date:

(ii) Rent Commencement Date:

(iii) Expiration Date:

2. The calculation of the Early Termination Fee is attached hereto as Schedule 1.

3. Nothing in this Term Commencement Letter is intended to change or modify the rights of the parties under the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Term Commencement Letter to be executed as of the date first above written.

LANDLORD:

TENANT:

EXHIBIT E

TURNOVER CONDITIONS

1. Building and Premises shall comply with all applicable laws.

2. HVAC System: Prior to delivery of possession to Tenant, Landlord shall ensure existing RTU's and ancillary components are a fully functional system and providing the tonnage of air as indicated on the manufacturer's equipment tags and provides a suitable and standard professional office working environment. Landlord acknowledges that Tenant may cause a Test and Balance Report to be conducted on the HVAC System and upon request of Landlord, Tenant shall provide Landlord with a copy of such Report.

3. Electrical System: 800 amps and system in good working condition.

4. Roof: New roof shall be installed pursuant to the specifications attached hereto as Schedule 1. Landlord shall cause its roofer to reasonably cooperate with Tenant for the installation of Tenant's units on the roof such that the roof warranty will remain in full force and effect despite any additional penetrations required for such units.

5. The following utilities shall be available in the Premises: electricity, water, gas.

6. The Utilities shall be separately metered or submetered for the Premises.

7. The Building structure and shell shall be watertight and in good condition and repair.

8. The sprinkler system serving the Building and the Premises shall be in good working condition.

Schedule 1 to Exhibit E

Specifications for New Roof

EXHIBIT F

CURRENT HOLDER'S SNDA

SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

This **AGREEMENT** dated as of the _____ day of _____, 2018, between **Erytech Pharma, Inc.** a Delaware corporation with an address of One Main Street, Suite 1150, Cambridge, Massachusetts 02142, Attention: Gil Beyen ("Tenant"), **American Heritage Federal Credit Union**, a federally chartered credit union, with an address of 2068 Red Lion Road, Philadelphia, Pennsylvania 19115 (the "Mortgagee"), **104 Campus Drive LLC,** a New Jersey limited liability company, with an address of 1481 47th Street, Brooklyn, New York 11219, Attention: Akiva Tauber ("Landlord").

WHEREAS, Landlord owns or will own the real property located at known as 104 Campus Drive, Princeton, West Windsor Township, New Jersey ("Landlord's Premises").

WHEREAS, Mortgagee has made or will make a loan to Landlord as the loan may be modified or amended from time to time ("Loan");

WHEREAS, to secure the Loan, Landlord has encumbered or will encumber Landlord's Premises by entering into a mortgage in favor of Mortgagee (the "Mortgage");

WHEREAS, pursuant to a Lease dated as of _____, 2018, as such lease may have been, or may be amended from time to time (the "Lease"), Landlord demised to Tenant a portion of the Landlord's Premises ("Tenant's Premises") as more fully set forth within the Lease. A true and correct copy of the Lease is attached hereto as Exhibit "A";

WHEREAS, Landlord requests Mortgagee to provide financial accommodations to Landlord in the form of the Loan and represent and acknowledge to Mortgagee that Landlord and Tenant will benefit as a result of the Loan and acknowledges receipt of valuable consideration for entering into this Agreement; and

WHEREAS, Tenant and Mortgagee desire to agree upon the relative priorities of their interests in Landlord's Premises and their rights and obligations if certain events occur, and Landlord has joined in this Agreement to, among other things, consent to the same.

NOW, THEREFORE, for good and sufficient consideration, the receipt and sufficiency of which is hereby acknowledged, Tenant and Mortgagee, intending to be legally bound, agree as follows:

1. Subordination. The Lease and all of Tenant's rights thereunder shall be, and shall at all times remain, subject and subordinate to the Mortgage, the lien imposed by the Mortgage, and all indebtedness secured by the Mortgage.

2. Nondisturbance and Attornment. So long as the Lease has not been terminated on account of Tenant's default, Mortgagee shall not name Tenant as a defendant in any exercise of Mortgagee's rights and remedies arising upon a default under the Mortgage unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord or prosecuting such rights and remedies. In the latter case, Mortgagee may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under the Lease or this Agreement in such action. If the Lease has not been terminated on account of a default by Tenant, then, when any third party including Mortgagee ("Successor Landlord") takes title to Landlord's Premises ("Attornment Date") as a result of a foreclosure or sale by Mortgagee: (a) Successor Landlord shall not terminate or disturb Tenant's possession of Tenant's Premises under the Lease, except in accordance with the terms of the Lease and this Agreement; (b) Successor Landlord shall be bound to Tenant under all the terms and conditions of the Lease (except as provided in this Agreement); (c) Tenant shall recognize and attorn to Successor Landlord as Tenant's direct landlord under the Lease as affected by this Agreement; and (d) the Lease shall continue in full force and effect as a direct lease, in accordance with its terms (except as provided in this Agreement), between Successor Landlord and Tenant.

3. Liability of Mortgagee. Notwithstanding anything to the contrary in the Lease or the Mortgage, neither Mortgagee nor the Successor Landlord shall be liable for or bound by any acts or omission of the Landlord under the Lease, including, but not limited to, an offset right and claim for prepayments or security deposits, except, however, that Mortgagee and Successor Landlord shall be liable for any defaults of Landlord that are continuing at the time either takes possession of Landlord's Premises (but beyond curing the default, Mortgagee and/or Successor Landlord shall only be liable to the extent the damage/loss from the default was incurred after either Mortgagee or Successor Landlord took possession of Landlord's Premises) and Tenant shall receive credit under the Lease for any prepayments or security deposits or similar amounts to the extent received by Mortgagee or Successor Landlord.

4. Status of Lease. To the best of Tenant's knowledge and belief, the Lease is in full force and effect, has not been modified, and constitutes the entire agreement between Landlord and Tenant relating to Tenant's Premises. Tenant has no interest in Landlord's Premises except pursuant to the Lease. To the best of Tenant's knowledge, no breach or default by Landlord exists and no event has occurred that, with the giving of notice, the passage of time, or both, would constitute such a breach or default. To the best of Tenant's knowledge, Tenant is not in default under the Lease and has not received any uncured written notice of any default by Landlord under the Lease.

5. Tenant Covenants. Tenant covenants with the Mortgagee that now and continuing as long as the Mortgage shall remain valid and unsatisfied, Tenant shall (a) comply with written notice from Mortgagee that rent should be paid directly to Mortgagee and thereafter Tenant shall pay all rent or other payments due to Landlord directly to Mortgagee or as Mortgagee shall direct in writing, until such time as Mortgagee directs otherwise in writing; and (b) not subordinate the Lease to the lien of any other mortgage other than the Mortgage in favor of the Mortgagee.

6. Successors and Assigns. This Agreement shall bind and benefit the parties, their successors and assigns, any Successor Landlord, and its successors and assigns. If Mortgagee assigns the Mortgage, then upon delivery to Tenant of written notice thereof accompanied by the assignee's written assumption of all obligations under this Agreement, all liability of the assignor accruing thereafter shall terminate.

7. Interaction with Lease and with Mortgage. If this Agreement conflicts with the Lease, then this Agreement shall govern as between Tenant and any Successor Landlord, including upon any attornment pursuant to this Agreement. This Agreement supersedes, and constitutes full compliance with, any provisions in the Lease that provide for subordination of the Lease to, or for delivery of nondisturbance agreements by the holder of, the Mortgage. Mortgagee confirms that Mortgagee has consented to Landlord's entering into the Lease.

8. Landlord's Obligations. Landlord joins in this Agreement to consent to the same and shall not alter, waive or diminish any of Landlord's obligations under the Mortgage or the Lease. Landlord shall indemnify and hold Mortgagee harmless from any and all claims made by Tenant as a result of Mortgagee's status under this Agreement or as a result of a breach of the Lease. Landlord irrevocably directs Tenant to comply with any written notice to pay rents directly to Mortgagee, such payment shall not be deemed a violation under the Lease and Tenant shall receive full credit under the Lease for same. Landlord hereby releases Tenant from, and shall indemnify and hold Tenant harmless from and against, any and all loss, claim, damage, liability, cost or expense (including payment of reasonable attorneys' fees and disbursements) arising from any claim based upon Tenant's compliance with any notice to pay rent from Mortgagee. Landlord shall look solely to Mortgagee with respect to any claims Landlord may have on account of an incorrect or wrongful notice.

9. Interpretation; Governing Law. The interpretation, validity and enforcement of this Agreement shall be governed by and construed under the laws of the State of New Jersey.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

11. Authority. Mortgagee, Landlord and Tenant each represents and warrants that each person who signed this Agreement on its behalf has authority to execute and deliver this Agreement on its behalf.

12. Notices. All notices hereunder shall be sent in accordance with the Lease and, with respect to Mortgagee, to the address set forth in the first paragraph hereof.

IN WITNESS WHEREOF, the parties have duly executed this Agreement with full authority to do so, as of the first date set forth above.

TENANT – Erytech Pharma, Inc.

By: _____

Name: _____

Title: _____

MORTGAGEE – American Heritage Federal Credit Union

By: _____

Name: _____

Title: _____

LANDLORD – 104 Campus Drive LLC

By: _____

Name: _____

Title: _____

STATE OF _____

:SS

COUNTY OF _____

On this, the ____ day of _____, 2018, before me, a Notary Public in and for the State of _____, personally appeared _____, the _____ of ERYTECH PHARMA, INC., known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

STATE OF _____

:SS

COUNTY OF _____

On this, the ____ day of _____, 2018, before me, a Notary Public in and for the State of _____, personally appeared_____, the _____ of AMERICAN HERITAGE FEDERAL CREDIT UNION, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

STATE OF _____

:SS

COUNTY OF _____

On this, the ____ day of _____, 2018, before me, a Notary Public in and for the State of _____, personally appeared_____, the _____ of 104 CAMPUS DRIVE LLC, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

EXHIBIT G

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this "Memorandum") is made and entered into as of the __ day of _____, 2018 ("Effective Date") by **104 CAMPUS DRIVE LLC**, a New Jersey limited liability company, having an address at 1481 47th Street, Brooklyn, NY 11219, Attention: Akiva Tauber ("Landlord") and **ERYTECH PHARMA, INC.**, a Delaware corporation, having an address at One Main Street, Suite 1150, Cambridge, MA 02142, Attention: Gil Beyen ("Tenant").

RECITALS

WHEREAS, Landlord is the owner of that certain property known as 104 Campus Drive, Princeton, West Windsor Township, County of Mercer, New Jersey, as more particularly described on **Exhibit A** attached hereto (the "Property");

WHEREAS, Landlord and Tenant are parties to that certain Lease dated _____, 2018 (the "Lease") for a portion of the Property, consisting of approximately 34,112 square feet, as shown on the Site Plan of the Property attached hereto as **Exhibit B** (the "Premises"), which Premises shall include all easements, rights and privileges appurtenant to the use and occupancy thereof as set forth in the Lease; and

WHEREAS, it is the desire of the parties hereto to enter into this Memorandum for the purpose of recording the information contained herein and giving notice of the existence of the Lease and certain material terms therein.

NOW THEREFORE, in consideration of the rents received and covenants and conditions more particularly set forth in the Lease, Landlord and Tenant do hereby covenant, promise and agree as follows:

1. Defined Terms. All capitalized terms not defined herein shall have the definitions given to them in the Lease.

2. Commencement Date. The Lease Commencement Date of the Lease is the date Landlord delivers possession of the Premises to Tenant with the Turnover Conditions completed and otherwise in the condition required by this Lease.

3. Effectiveness. By recording this Memorandum, the parties establish that the Lease is in full force and effect.

4. Lease Term. The term of the Lease commences on the Lease Commencement Date and ends ten (10) years and six (6) full calendar months after the Rent Commencement Date. Tenant has two (2) options to renew for five (5) years each.

5. Use. The Lease contains restrictions on the purposes for which space in the Premises and Building may be used and the persons to whom space in the Building may be leased. The Lease contains the following provision: "Landlord shall not, during the Term or any Renewal Term, lease space within the Building to any entity whose business is involved in or who extensively works with the manufacture of antibiotics or animal or cytotoxic manufacturing."

6. Right of First Offer to Lease Available Space. The Lease grants Tenant a right of first offer to lease other space in the Building.

7. Purpose. This Memorandum is executed for the purpose of giving record notice of the fact of execution of the Lease and of certain provisions of the Lease in lieu of recording the Lease itself. Any potential successor in interest to Landlord or Tenant as well as all tenants, occupants and mortgagees are hereby provided notice to refer to the Lease for the complete terms and conditions thereof. This Memorandum is prepared for the purpose of recording, and is not intended, and shall not be construed, to define, interpret, limit or modify the Lease or any other agreement between Landlord and Tenant. If there is any conflict between the terms of this Memorandum and the terms of the Lease or any other agreement, the terms of the Lease or such agreement, shall control.

8. Counterparts. This Memorandum may be executed in any number of counterparts, with each signature page constituting an original, but all counterparts together shall constitute one and the same document.

9. Binding Effect. This Memorandum shall extend to and be binding upon the parties hereto and their legal representatives, heirs, successors and assigns.

10. Modification. This Memorandum may not be modified except by a written memorandum signed by the parties or their respective successors in interest and recorded in the Mercer County Clerk's Office. This Memorandum shall inure to the benefit of and be binding upon the parties, their legal representatives, heirs, transferees, successors and assigns.

11. Discharge. This Memorandum shall be deemed cancelled, discharged and void upon the expiration or termination of the Lease.

Remainder of Page Intentionally Left Blank

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum as of the day and year first above written.

WITNESS:

LANDLORD:

104 CAMPUS DRIVE LLC

_____

By: _____
Name:
Its:

WITNESS:

TENANT:

ERYTECH PHARMA, INC.

_____

By: _____
Name:
Its:

STATE OF _____, COUNTY OF _____
SS:

I CERTIFY that on this _____ day of _____, 2018, _____, the _____ of 104 CAMPUS DRIVE LLC, a New Jersey limited liability company, came before me in person and stated to my satisfaction that he:

(a) signed the attached instrument; and

(b) was authorized to and did execute this instrument on behalf of and as the act of the entity and as _____ of 104 Campus Drive LLC, the entity named in this instrument, by authority of its board of directors, manager(s) or member(s) as applicable.

_____
Notary Public

STATE OF _____, COUNTY OF _____
SS:

I CERTIFY that on this _____ day of _____, 2018, _____, the _____ of ERYTECH PHARMA, INC., a Delaware corporation, came before me in person and stated to my satisfaction that he/she:

(a) signed the attached instrument; and

(b) was authorized to and did execute this instrument on behalf of and as the act of the entity and as _____ of Erytech Pharma, Inc., the entity named in this instrument, by authority of its board of directors, manager(s) or member(s) as applicable.

_____
Notary Public

Exhibit A
Description of the Property

Exhibit B
Premises

EXHIBIT H

EXISTING TENANT'S RIGHTS

Chilworth Technology, Inc. a New Jersey Corporation: Right of first offer on any vacant and available contiguous space in the Building.

EXHIBIT I

MASTER DEED AMENDMENT

FIRST AMENDMENT

TO

MASTER DEED

FOR

CAMPUS DRIVE CONDOMINIUM

Prepared by, record and return to:

Joshua M. Greenfield, Esq.
Riker Danzig Scherer Hyland Perretti
Headquarters Plaza, One Speedwell Avenue
Morristown, NJ 07962

THIS FIRST AMENDMENT TO THE MASTER DEED (this "Amendment") is made this ___ day of March, 2018, by RXR Campus Drive Owner SPE LLC, a Delaware limited liability company, having an address at 625 RXR Plaza, Uniondale, New York 11556 ("Unit A Owner"), 104 Campus Drive LLC, a _____ limited liability company having an address of _____ ("Unit B Owner") and 100 Campus Drive LLC, a _____ limited liability company having an address of _____ ("Unit C Owner", together with Unit A Owner and Unit B Owner, the "Owners")

WHEREAS, there is currently established a certain Condominium known as "Campus Drive Condominium" in accordance with N.J.S.A. 46:8B-1 by Master Deed Dated December 12, 2017, and recorded in the Office of the Mercer County Clerk on December 19, 2017 in Deed Book 6310 at Page 1545 (the "Master Deed"); and

WHEREAS, the Owners represent all of the Unit Owners (as defined in the Master Deed); and

WHEREAS, pursuant to Section 14.2 of the Master Deed, by a unanimous vote of the Unit Owners in good standing at a meeting duly called for the purpose, the Master Deed may be amended; and

WHEREAS**,** the Unit Owners have unanimously voted for the amendments to the Master Deed contained herein at a meeting called for said purpose;

NOW THEREFORE, the Unit Owners do hereby amend the Master Deed as follows:

1. One Time Allowance For New Permitted Use of Unit C and Unit B**.**

The following shall be added to the end of Section 9.1(a) of the Master Deed:

(a) Notwithstanding anything to the contrary contained herein, Unit C may, in addition to the uses permitted in the Master Deed, be used by High Performance Learning, LLC (d/b/a AoPS Academy) (or its successors and assigns) ("High Performance") as an after school math training/tutoring center for up to no more than 96 children at any time, provided that such use may not commence until after 3:00 pm EST on week days. The aforementioned use is approved in connection with a certain lease between Unit C Owner (as landlord) and High Performance (as tenant) dated on or about the date hereof (the "HPL Lease"), and such approval shall continue only for so long as the HPL Lease (as may be extended or renewed) is in effect.

(b) Notwithstanding anything to the contrary contained herein, Unit B may, in addition to the uses permitted in the Master Deed, be used by a company whose name is confidential (or its successors and assigns) ("Confidential Tenant") for general office use and uses for its business ancillary thereto and for production of biologic-based therapies. The aforementioned use is approved in connection witha certain lease between Unit B Owner (as landlord) and Confidential Tenant (as tenant) dated on or about the date hereof (the "Confidential Lease"), for 30,886 square feet (as may be increased in accordance with the terms of the Confidential Lease), and such approval shall continue only for so long the Confidential Lease (as may be assigned, amended, modified, extended or renewed) is in effect.

2. Equipment Pad. Notwithstanding anything to the contrary in the Master Deed (as same may be amended), Confidential Tenant shall have the right to install and maintain a pad for a generator or other equipment in the parking spaces designated for Unit B adjacent to the concrete dumpster pad, which pad shall not be larger than thirty (35) feet by twelve (12) feet and the equipment thereon shall not exceed twelve (12) feet in height. Such pad area shall include commercially reasonable screening and noise containment measures.

3. Miscellaneous.

(a) For the avoidance of doubt, no representation is intended to be made in this Amendment that (i) any of the uses set forth in Paragraph 1 to this Amendment or (ii) the improvements set forth in Paragraph 2 of this Amendment are allowed by applicable laws.

(b) Except to the extent specifically set forth and altered herein, the terms of the Master Deed are hereby ratified and confirmed and this Amendment shall be incorporated therein.

(c) To the extent of any conflict between the terms of the Master Deed and the terms of this Amendment, the terms of this Amendment shall prevail.

(d) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and part of one and the same document.

[signature page to follow]

IN WITNESS WHEREOF, the Owners have caused this First Amendment to Master Deed to be executed the day and year first above written, by its proper officers, and the corporate seal affixed pursuant to a resolution duly adopted by its Board of Directors.

RXR Campus Drive Owner SPE LLC

_____ By: _____
Name:
Title:

STATE OF NEW JERSEY :
:ss
COUNTY OF MERCER :

I certify that on ____, 2018, _____ personally came before me and stated to my satisfaction that: (a) he is the _____ of RXR Campus Drive Owner SPE LLC, the limited liability company named in the within document; (b) that the execution, as well as the making of this document, has been duly authorized by RXR Campus Drive Owner SPE LLC, as its voluntary act and deed by virtue of authority from its members; and (c) that the within document has been signed and delivered by said _____ as and for the voluntary act and deed of RXR Campus Drive Owner SPE LLC.

_____
Notary Public

[Unit A Owner Signature Page]

By: _____
Name:
Title:

STATE OF NEW JERSEY :
:ss
COUNTY OF MERCER :

I certify that on ____, 2018, _____ personally came before me and stated to my satisfaction that: (a) he is the _____ of 104 Campus Drive LLC, the limited liability company named in the within document; (b) that the execution, as well as the making of this document, has been duly authorized by 104 Campus Drive LLC, as its voluntary act and deed by virtue of authority from its _____; and (c) that the within document has been signed and delivered by said _____ as and for the voluntary act and deed of 104 Campus Drive LLC.

_____
Notary Public

[Unit B Owner Signature Page]

By: _____
Name:
Title:

STATE OF NEW JERSEY :
:ss
COUNTY OF MERCER :

I certify that on ____, 2018, _____ personally came before me and stated to my satisfaction that: (a) he is the _____ of 100 Campus Drive LLC, the limited liability company named in the within document; (b) that the execution, as well as the making of this document, has been duly authorized by 100 Campus Drive LLC, as its voluntary act and deed by virtue of authority from its _____; and (c) that the within document has been signed and delivered by said _____ as and for the voluntary act and deed of 100 Campus Drive LLC.

_____
Notary Public

Plan Option 2018

ERYTECH PHARMA SA

2018 STOCK OPTION PLAN

SUMMARY

ERYTECH PHARMA SA

2018 STOCK OPTION PLAN

In accordance with the authorization granted by the extraordinary general shareholders' meeting of June 28, 2018, the Board of Directors decided on September 07, 2018, in compliance with the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, to adopt the 2018 stock option plan of ERYTECH PHARMA SA, the terms and conditions of which are set out below.

1. PURPOSES OF THE PLAN

The purposes of the Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility;
- to provide additional incentive to Beneficiaries; and
- to promote the success of the Company's business.

Options granted under the Plan to U.S. Beneficiaries are intended to be Incentive Stock Options and shall comply in all respects with Applicable Laws in order to benefit from available tax advantages.

Options granted under the Plan to UK Beneficiaries are intended to be Non-Statutory Stock Options governed by the provisions of Schedule 1 of the Plan as to comply in all respect with Applicable Laws in order to benefit from available tax advantages. In the case of any inconsistency between the provisions of the Plan and the provisions of Schedule 1 the provisions of Schedule 1 of the Plan shall prevail.

2. DEFINITIONS

"**Administrator**"	means the Board of Directors which shall administer the Plan in accordance with Section 4 of the Plan.
"**Affiliated Company**"	means a company which conforms to the criteria set forth in Article L. 225-180 of the Law as follows: - companies of which at least ten per cent (10%) of the share capital or voting rights is held directly or indirectly by the Company; - companies which own directly or indirectly at least ten per cent (10%) of the share capital or voting rights of the Company; and - companies of which at least fifty per cent (50%) of the share capital or voting rights is held directly or indirectly by a company which owns directly or indirectly at least fifty percent (50%) of the share capital or voting rights of the Company
"**Applicable Laws**"	means for the legal requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws and the Code and the applicable laws of any foreign country or jurisdiction where Options are, or will be, granted under the Plan
"**Beneficiary**"	means the general manager (*directeur général)* and the deputy general managers (*directeurs généraux délégués)* of the Company subject to the employees' tax regime, as well as any individual employed by the Company or by any Affiliated Company. For the avoidance of doubt, it is specified that holding a position as a director of the Company of as a director of an Affiliated Company (whether remunerated or not) shall not be deemed to constitute an employment relationship
"**Board of Directors**"	means the board of directors of the Company
"**Code**"	means the United States Internal Revenue Code of 1986, as amended
"**Company**"	means ERYTECH PHARMA SA, a corporation organized under the laws of the Republic of France

"**Continuous Status as a Beneficiary**" means as regards the general manager or the deputy general manager subject to the employee's tax regime, that the term of their office has not been terminated and, as regards an employee, that the employment relationship between the Beneficiary and the Company or any Affiliated Company has not been terminated. For purposes of the Plan, an Optionee shall be deemed to cease Continuous Status as a Beneficiary immediately upon the occurrence of either of the following events:

(i) the Optionee no longer performs services as an employee for the Company or any Affiliated Company, or

(ii) the entity for which the Optionee is performing such services ceases to remain an Affiliated Company, even though the Optionee may subsequently continue to perform services for that entity.

(iii) Continuous Status as a Beneficiary shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Company; provided, however, that for a leave which exceeds three (3) months, Continuous Status as a Beneficiary shall be deemed, for purposes of determining the period within which any outstanding option held by the Optionee in question may be exercised as an Incentive Stock Option, to cease on the first day immediately following the expiration of such three (3)-month period, unless that Optionee is provided with the right to return to employment following such leave either by statute or by written contract.

(iv) Except to the extent otherwise required by law or expressly authorized by the Administrator or by the Company's written policy on leaves of absence, no employment credit shall be given for vesting purposes for any period the Optionee is on a leave of absence

"**Date of Dismissal**" means the date the employee received its dismissal letter

"**Date of Grant**" means the date of the decision of the Board of Directors to grant the Options

"**Disability**" means a disability corresponding to the second or the third categories of Article L. 341-4 of the French Social Security Code or pursuant to any similar provision applicable to a foreign Affiliated Company or, if the Optionee is a U.S. Beneficiary, the inability of the Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment and shall be determined by the Administrator on the basis of such medical evidence as the Administrator deems warranted under the circumstances

"**Employee**" means an individual who is in the employ of the Company (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended

"**Fair Market Value**"	means the value for one Share as determined in good faith by the Administrator, according to the terms of the Shareholders Authorization and the following provisions: 1) the Board of Directors may determine the Fair Market Value of a Share by reference to the closing sales price of one share on the regulated market on which the Company is listed for the day prior to the day of the decision of the Board of Directors to grant the options. 2) however, the Fair Market Value of a Share shall in no case be less than nighty-five per cent (95%) of the average of the closing sales price for a share as quoted on said stock exchange market during the twenty market trading days prior to the day of the Board of Directors' decision to grant the options, 3) it being specified that, when an Option entitles the holder to purchase shares previously repurchased by the Company, the exercise price, notwithstanding the above provisions and in accordance with applicable law, may not be less than 95% of the average purchase price paid by the Company for all shares so previously repurchased. This price settled for the subscription or purchase of share shall not be modified during the period in which the option may be exercised. However, if the Company makes one of the operations mentioned in article L. 225-181 of French Commercial Code, it must take all necessary measures to protect the Optionee's interests in the conditions provided for by article L. 228-99 of the French Commercial Code. In case of issuance of securities granting the stock access, as well as in case of the Company's merger or scission, the Board of Directors may decide, for a limited period of time, to suspend the exercisability of the Options
"**Incentive Stock Option**"	means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder
"**Law**"	means French Commercial Code
"**Non-Statutory Stock Option**"	means, for this Agreement, an Option that is not an Incentive Stock Option
"**Notice of Grant**"	means a written notice evidencing the main terms and conditions of an individual Option grant. The Notice of Grant is part of the Option Agreement
"**Option**"	means an option to purchase or subscribe Shares granted pursuant to the Plan
"**Optionee**"	means a Beneficiary who holds at least one outstanding Option
"**Option Agreement**"	means a written agreement entered into between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan
"**Option Exchange Program**"	means a program pursuant to which the Administrator may effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Plan and to grant in substitution therefor new options covering the same or different number of shares of common stock but with an exercise price per share based on the Fair Market Value per share of common stock on the new option grant date
"**Parent**"	means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code
"**Plan**"	means the 2018 Stock Option Plan as authorized by the Board of Directors on September 7, 2018
"**Retirement**"	means, pursuant to article L. 1237-5 of the French labor code, the retirement, upon the employer’s decision, at full rate of an employee who has reached the age giving right to retirement, or any similar provision applicable to a foreign Affiliated Company
"**Share**"	means a share of the Company
"**Share Capital**"	means the issued and paid up capital of the Company
"**Shareholders Authorization**"	means the authorization given by the shareholders of the Company in the ordinary and extraordinary general meeting held on June 28, 2018 as increased or amended from time to time by a further general meeting of the shareholders permitting the Board of Directors to grant Stock Options
"**Subsidiary**"	means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code
"U.K. Beneficiary"	means a Beneficiary of the Company or an Affiliated Company resident in the United Kingdom for tax purposes, or otherwise subject to United Kingdom taxation

"**U.S. Beneficiary**"	means a Beneficiary of the Company or an Affiliated Company residing in the United States or otherwise subject to United States laws and regulations
"**10% Shareholder**"	means the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or any Parent or Subsidiary)

3. SHARES SUBJECT TO THE PLAN

Subject to the provisions of Section 11 of the Plan and pursuant to the Shareholder Authorization, the maximum aggregate number of Shares which may be optioned and issued under the Plan is equal to 300,000 with a nominal value of 30,000.00 Euro, adjusted to take into account any operation of split or grouping of shares, being provided that the total number of Shares that can be issued by the Company under this Plan and the share warrants and free shares plans adopted by the Board of Director on June 28, 2018 shall not exceed 325,000.

Should the Option expire or become unexercisable for any reason without having been exercised in full, the unsubscribed Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. ADMINISTRATION OF THE PLAN

4.1 Procedure

The Plan shall be administered by the Administrator.

4.2 Powers of the Administrator

Subject to the provisions of the Law, the Shareholders Authorization, the Plan, and the Applicable Laws, the Administrator shall have the authority, in its discretion:

1) to determine the Fair Market Value of the Shares, in accordance with Section 1 of the Plan;

2) to determine the Beneficiaries to whom Options may be granted hereunder;

3) to select the Beneficiaries and determine whether and to what extent Options are granted hereunder;

4) to approve or amend forms of agreement for use under the Plan;

5) to determine the terms and conditions of any Options granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine; it being specified that the Administrator's discretion remains subject to the rules and limitations set forth in this Plan and in the Law;

6) to construe and interpret the terms of the Plan and Options granted pursuant to the Plan;

7) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

8) to modify or amend each Option (subject to the provisions of Section 13.3 of the Plan), including the discretionary authority to extend the post-termination exercise period of Options after the termination of employment or the end of the term of office, longer than is otherwise provided for in the Plan or the award agreement;

9) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

10) to implement an Option Exchange Program;

11) to determine the terms and restrictions applicable to Options; and

12) to make all other determinations deemed necessary or appropriate for administering the Plan.

4.3 Effect of Administrator's Decision

The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees.

5. LIMITATIONS

5.1 In the case of U.S. Beneficiaries, each Option shall be designated in the Notice of Grant as an *"Incentive Stock Option"* and may only be granted to employees.

The aggregate Fair Market Value of the Shares (determined as of the respective date or dates of grant) for which one or more options granted under the Plan or any other stock option program of the Company (or any Parent or Subsidiary of the Company) may for the first time become exercisable as Incentive Stock Option in any one calendar year shall not exceed U.S. $100,000. To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted, except to the extent otherwise provided under applicable law or regulation.

5.2 The Options are governed by Articles L. 225-177 *et seq.* of the Law. They are not part of the employment agreement or of the office which has allowed the Optionee to be granted the Option. Neither does it constitute an element of the Optionee’s compensation.

Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or his term of office with the Company or any Affiliated Company, nor shall they interfere in any way with the Optionee's right or the Company's or Affiliated Company's right, as the case may be, to terminate such employment or such term of office at any time, with or without cause.

6. TERM OF PLAN

Subject to the approval of the shareholders of the Company in accordance with Section 16 of the Plan, the Plan shall be effective and Options may be granted as of September 07, 2018, the date of the Plan's adoption by the Board of Directors. It shall continue in effect until the date of termination of the last Option in force, unless terminated earlier under Section 13 of the Plan.

7. TERM OF OPTION

The term of each Option shall be stated in the Notice of Grant but shall not be in excess of ten (10) years from the Date of Grant in accordance with the Shareholders Authorization. If any Employee to whom an Incentive Stock Option is granted is a 10% Shareholder, then the option term shall not exceed five (5) years measured from the Date of Grant.

8. OPTIONS EXERCISE PRICE AND CONSIDERATION

8.1 Subscription or purchase Price

The per Share subscription or purchase price for the Shares to be issued or sold pursuant to exercise of an Option shall be 100% of the Fair Market Value per Share on the Date of Grant, and 110% for any options granted to shareholders owning 10% or more interest in the corporation.

8.2 Waiting Period and Exercise Dates

At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period with the Company or an Affiliated Company, and in any event, an Incentive Stock Option may not be exercised within two years of its grant and a Non-Statutory Stock Option granted to UK Beneficiaries may not be exercised within three years of its grant.

8.3 Vesting Schedule

Generally, and subject to the value limitation in Section 5.1 above and in Schedule 1, the Options may be exercised by their holder on the basis of the following initial vesting schedule, except for Non-Statutory Stock Option granted to UK Beneficiaries for which the earliest date of exercise of the Option may not be earlier than the third anniversary of the date of grant as set forth in Schedule 1:

- 2/3 % of the Shares subject to the Option shall vest on the second anniversary of the Vesting Commencement Date, provided that the holder is still employed by the Company, and

- 1/3 % of the Shares subject to the Option shall vest on the third anniversary of the Vesting Commencement Date, provided that the holder is still employed by the Company.

8.4 Form of Consideration

The consideration to be paid for the Shares to be issued or purchased upon exercise of Options, including the method of payment, shall be determined by the Administrator. Such consideration shall consist entirely of an amount in Euro corresponding to the subscription or purchase price which may be paid in one or more of the following forms as determined by the Administrator and specified in the Option Agreement:

(a) wire transfer; or

(b) check; or

(c) offset with receivables over the Company, or

(d) any combination of the foregoing methods of payment.

Where the exercise of an Option would lead the Company to be liable for any payment, whether due to fees, taxes or to charges of any nature whatsoever, in place of the Optionee, such Option shall be deemed duly exercised when the full payment for the Shares with respect to which the Option is exercised is executed by the Optionee and the Optionee provides the Company with either the receipt stating the payment by the Optionee of any such fee, tax or charge, as above described that would otherwise be paid by the Company upon exercise of the Option, in place of the Optionee or, the full payment, under the same conditions, of any amount due to the exercise of the Option to be borne by the Company.

9. EXERCISE OF OPTION

9.1 Procedure for Exercise; Rights as a Shareholder

Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the provisions of the Option Agreement) together with a share subscription or purchase form (*bulletin de souscription ou d'achat*) duly executed by the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued or sold upon exercise of an Option shall be sold to or issued in the name of the Optionee, or if requested, in the name of the Optionee and his or her spouse.

Where the exercise of an Option would lead the Company to be liable for any payment, whether due to fees, taxes or to charges of any nature whatsoever, in place of the Optionee, such Option shall be deemed duly exercised when the full payment for the Shares with respect to which the Option is exercised is executed by the Optionee and the Optionee provides the Company with either the receipt stating the payment by the Optionee of any such fee, tax or charge, as above described that would otherwise be paid by the Company upon exercise of the Option, in place of the Optionee or, the full payment, under the same conditions, of any amount due to the exercise of the Option to be borne by the Company.

Upon exercise of an Option, the Shares issued or sold to the Optionee shall be assimilated with all other Shares of the Company and shall be entitled to dividends paid on such shares as from the exercise of the Option.

In the event that a Beneficiary infringes one of the above mentioned commitments, such Beneficiary shall be liable for any consequences resulting from such infringement for the Company and undertakes to indemnify the Company in respect of all amounts payable by the Company in connection with such infringement.

Granting of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available for purposes of the Plan, by the number of Shares subject to the Option.

9.2 Termination of the Optionee's Continuous Status as Beneficiary

The following provisions shall govern the exercise of any Options held by the Optionee at the time of cessation of Continuous Status as a Beneficiary or death:

1) Upon termination of an Optionee's Continuous Status as a Beneficiary, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only for the vested part of the Options (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). Unless a longer period is specified in the Notice of Grant, the Option shall remain exercisable for one (1) month following the Optionee's termination of Continuous Status as a Beneficiary.

2) In the event that an Optionee's Continuous Status as a Beneficiary terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within six (6) months from the date of such termination and only for the vested part of the Options, (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant).

3) In the event of the death of an Optionee during the term of the Option, the Option may be exercised at any time within six (6) months following the date of death, and twelve (12) months in the case of UK Beneficiaries, and only for the part of the Options vested at the time of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance,

4) During the applicable post-termination exercise period, the Option may not be exercised in the aggregate for more than the number of Shares for which the Option is exercisable on the date of the Optionee’s cessation of Continuous Status as a Beneficiary. The Option shall not become exercisable for any additional Shares under the Option following the Optionee’s cessation of Continuous Status as a Beneficiary, except to the extent (if any) specifically authorized by the Administrator in its sole discretion pursuant to an express written agreement with the Optionee. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the Option shall terminate and cease to be outstanding.

5) Any Option which is left unexercised by reason of termination of the Beneficiary’s Continuous Status, death or disability shall revert to the Plan.

10. NON-TRANSFERABILITY OF OPTIONS

(a) An Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

(b) Prior to the date the Company first becomes subject to the reporting requirements of Section 13 or 15(d) of the 1934 Act, outstanding Options under the Plan, together with the Shares subject to those Options during the period prior to exercise, shall not be the subject of any short position, put equivalent position (as such term is defined in Rule 16a-1(h) under the 1934 Act) or call equivalent position (as such term is defined Rule 16a-1(b) of the 1934 Act).

11. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, DISSOLUTION, MERGER OR ASSET SALE

11.1 Changes in capitalization

In the event of the carrying out by the Company of any of the financial operations pursuant to Article L.225-181 of the Law as follows:

- amortization or reduction of the share capital,
- amendment of the allocation of profits,
- distribution of free shares,
- capitalization of reserves, profits, issuance premiums,
- the issuance of shares or securities giving right to shares to be subscribed for in cash or by set-off of existing indebtedness offered exclusively to the shareholders;

the Company shall take the required measures to protect the interest of the Beneficiaries in the conditions set forth in article L. 228-99 of the Law and in accordance with Applicable Laws.

11.2 Dissolution or Liquidation

In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Administrator may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date determined by the Administrator and give each Optionee the right to exercise his or her Option as to Shares for which the Option would not otherwise be exercisable.

11.3 Merger or Asset or Shares Sale

In the event of the signing of a merger agreement by way of the absorption of the Company by another company, or in the event of a Bid likely to result in a Change of Control or a Bid submitted following to a Change of Control (hereinafter, in each case, an "**Operation**"), each outstanding Option shall be assumed or an equivalent option or right shall be substituted by the successor corporation or an affiliated company of the successor corporation.

In the event that the successor corporation, or an affiliated company of the successor corporation, refuses to assume or substitute for the Option, the Option shall vest and become exercisable in full immediately prior to the effective date of the Operation, should the Administrator decide so.

Immediately after the effective date of the Operation, all outstanding Options shall terminate and cease to be outstanding except to the extent assumed by the successor corporation or an affiliated company of the successor corporation.

For the purposes of this paragraph, the Option shall be considered assumed if, following the Operation, the Option confers the right to purchase, for each Share subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the Operation by holders of stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Operation was not solely common stock of the successor corporation, or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option for each Share subject to the Option, to be solely common stock of the successor corporation or its Parent equal in Fair Market Value to the per share consideration received by holders of Shares in the Operation.

"**Change of Control**" refers to the event to which one or several persons acting in concert hold more than 50% of the Company's voting rights or share capital.

"**Bid**" refers to any bid (purchase, exchange, mixed, etc.) dealing with all the shares of the Company (i) subject to a conformity decision by the *Autorité des Marchés Financiers*, (ii) recommended or endorsed by the Board of Directors of the Company and, (iii) if it is subject to the normal legal procedure, having had a favorable outcome.

12. GRANT

12.1 The Date of Grant of an Option shall be, for all purposes, the date on which the Administrator decides to grant such Option. Notice of Grant shall be provided to each Optionee within a reasonable time after the Date of Grant.

12.2 Except as provided by Law, in the event of any tax liability arising on account of the Grant of the Options, the liability to pay such taxes shall be that of the Beneficiary alone. The Company's obligation to deliver Shares upon the exercise of any Options granted under the Plan shall be subject to the satisfaction of all applicable income, employment and other tax withholding requirements.

The Beneficiary shall enter into such agreements of indemnity and execute any and all documents as the Company may specify for this purpose, if so required at the time of the Grant and at any other time at the discretion of the Company, on such terms and conditions as the Company may think fit, for recovery of the tax due, from the Beneficiary.

13. AMENDMENT AND TERMINATION OF THE PLAN

13.1 Amendment and Termination

The Administrator may at any time amend, alter, suspend or terminate the Plan.

13.2 Shareholders' approval

The Company shall obtain the shareholders' approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws (including the requirements of any exchange or quotation system on which Shares may

then be listed or quoted). Such shareholders' approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

13.3 Effect of amendment or termination

No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

14. CONDITIONS UPON ISSUANCE OF SHARES

14.1 Legal Compliance

The implementation of the Plan, the granting of Options under the Plan and the issuance of Shares pursuant to the exercise of an Option shall be subject to compliance with all relevant provisions of law including, without limitation, the Law, the United States Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted.

14.2 Investment Representations

As a condition to the exercise of an Option by a Beneficiary, the Company may require representations from any person exercising Options if, in the opinion of counsel for the Company, such representations are required.

15. LIABILITY OF COMPANY

15.1 The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by any counsel to the Company to be necessary to the lawful issuance or sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15.2 In addition, the Company and its Affiliated Companies may not be held responsible in any way if the Beneficiary for any other reason not attributable to the Company or its Affiliated Companies was not able to exercise the Options or acquire the Shares.

16. SHAREHOLDERS' APPROVAL

The Plan shall be subject to further approval by the shareholders of the Company within twelve (12) months of the date the Plan is adopted by the Board of Directors. Such shareholder approval shall be obtained in the manner and to the degree required under the Law and Applicable Laws.

17. LAW, JURISDICTION AND LANGUAGE

This Plan shall be governed by and construed in accordance with the laws of France. The relevant court of the registered office of the Company shall be exclusively competent to determine any claim or dispute arising in connection herewith.

The grant of Options under this Plan shall entitle the Company to require the Beneficiary to comply with such requirements of law as may be necessary in the Options of the Company from time to time.

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ERYTECH PHARMA

STOCK OPTION GRANT AGREEMENT

PART I

NOTICE OF STOCK OPTION GRANT

[*Optionee's Name and Address*]

You have been granted Options to subscribe Shares of the Company, subject to the terms and conditions of the 2018 Stock Option Plan (the "**Plan**") and this Option Agreement. Options are governed by Articles L. 225-177 and following of the French Commercial Code. They are not part of the employment agreement or of the office which has allowed the Optionee to be granted the Options. Neither does it constitute an element of the Optionee's compensation. Unless otherwise defined herein, capitalized terms in this Option Agreement shall have the meaning assigned to them in the Plan.

Grant Number(1) :	_____
Date of Grant(2) :	_____
Vesting Commencement Date(3) :	_____
Exercise Price per Share:	EUR _____
Total Number of Shares Granted:	_____
Total Exercise Price:	EUR _____
Type of Options(4) :	[Incentive Stock Option]
Term/Expiration Date(5) :	_____

Where the exercise of an Option, as described under Article 9.1 of the Plan, would lead the Company to be liable for any payment, whether due to fees, taxes or to charges of any nature whatsoever, in place of the Optionee, such Option shall be deemed duly exercised when the full payment for the Shares with respect to which the Option is exercised is executed by the Optionee and the Optionee provides the Company with either the receipt stating the payment by the Optionee of any such fee, tax or charge, as above described that would otherwise be paid by the Company upon exercise of the Option, in place of the Optionee or, the full payment, under the same conditions, of any amount due to the exercise of the Option to be borne by the Company.

In the event that you infringe one of the above mentioned commitments, you shall be liable for any consequences resulting from such infringement for the Company and undertake to indemnify the Company in respect of all amounts payable by the Company in connection with such infringement.

1. Validity of the Options

The Options will be valid as from the Date of Grant.

2. Vesting Schedule

The Options may be exercised by their holder, subject to the value limitation provided in Section 5.1 of the Plan, on the basis of the following initial vesting schedule:

- 2/3 % of the Shares subject to the Option shall vest on the second anniversary of the Vesting Commencement Date, provided the holder is still employed by the Company and

- 1/3 % of the Shares subject to the Option shall vest on the third anniversary of the Vesting Commencement Date, provided the holder is still employed by the Company.

For purposes of this Agreement, "Vesting Commencement Date" shall mean the date of grant of the Option.

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(1) reference number to be allocated by the Company, if it wishes so
(2) date of the management board meeting having allocated the Option
(3) date chosen by the management board as the date of beginning of the vesting schedule or, if not, date of granting of the Option by the management board
(4) for U.S. Beneficiaries only
(5) date of termination of the Option (article 7 of the Plan)

Except as may be specifically stated herein, the holder must be employed on a vesting date for vesting to occur. There shall be no proportionate or partial vesting in the period prior to each vesting date and all vesting shall occur only on the appropriate vesting date.

The right of exercise shall be cumulative so that to the extent the Option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the final exercise date or the termination of this Option under the Plan.

It is specified that the number of Shares which may be subscribed pursuant to the exercise of Options pursuant to the above vesting schedule will always be rounded down to the nearest full number of Shares.

If the Beneficiary fails to exercise the Options in whole or in part within the said period of ten (10) years, the Options will lapse automatically.

3. Operation

As an exception to the above,

- in the event of the signing of a merger agreement by way of the absorption of the Company by another company, or in the event of a Bid likely to result in a Change of Control or a Bid submitted following to a Change of Control (an "**Operation**"), then vesting of the Options will be accelerated in part immediately prior to the effective date of the Operation so that 100% of the Options that are not vested as of such date pursuant to this Option Agreement shall become exercisable as of such date and may be exercised for the Shares subject to those accelerated Options as vested shares.

- If the Options are to be assumed by the successor corporation (or an affiliated company thereof) in connection with the Operation, then the Optionee shall continue, over his or her period of Continuous Status as a Beneficiary following the Operation to vest in the remaining unvested Options in one or more installments in accordance with the Vesting Schedule specified above.

4. Termination Period

The Options may be exercised for one (1) month after termination of the Optionee's Continuous Status as a Beneficiary, to the extent the Options are exercisable at the time of termination.

Upon the death of the Optionee, the Options may be exercised during a period of six (6) months as provided in the Plan. Upon the Disability of the Optionee, the Options may be exercised during a period of six (6) months as provided in the Plan. In no event may the Options be exercised after the Term/Expiration Date.

Save as provided in the Plan, in no event shall the Options be exercised later than the Term/Expiration Date as provided above. Should the Options expire or become unexercisable for any reason without having been exercised in full, the unsubscribed Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

By his signature and the signature of the Company's representative below, the Optionee and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement. The Optionee has reviewed the Plan and this Option Agreement in their entirely, has had the opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and Option Agreement. The Optionee agrees to be bound by the terms of the Plan, the terms of the Option as set forth in this Option Agreement. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement. The Optionee further agrees to notify the Company upon any change in the residence address indicated below.

ERYTECH PHARMA

STOCK OPTION GRANT AGREEMENT

PART II

TERMS AND CONDITIONS

1. Grant of Option

1.1 The Administrator of the Plan hereby grants to the Optionee named in the Notice of Grant attached as Part I of this Agreement (the "**Optionee**"), [_____] options (the "**Options**") to subscribe the number of Shares, as set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the "**Exercise Price**"), subject to the terms and conditions of the Plan, which is incorporated herein by reference.

In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

1.2 The Option will be valid as from the Date of Grant.

1.3 Except as provided by Law, in the event of any tax liability arising on account of the Grant of the Options, the liability to pay such taxes shall be that of the Beneficiary alone. The Beneficiary shall enter into such agreements of indemnity and execute any and all documents as the Company may specify for this purpose, if so required at the time of the Grant and at any other time at the discretion of the Company, on such terms and conditions as the Company may think fit, for recovery of the tax due, from the business associate.

2. Exercise of Option

2.1 Right to Exercise

This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement. In the event of the Optionee's death, Disability or other termination of Optionee's Continuous Status as a Beneficiary, the exercisability of the Option is governed by the applicable provisions of the Plan and this Option Agreement.

2.2 Method of Exercise

This Option is exercisable by delivery of an exercise notice, in the form attached hereto (the "**Exercise Notice**"), comprising a share subscription form (*bulletin de souscription*) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "**Exercised Shares**"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Company or its designated representative or by facsimile message to be immediately confirmed by certified mail to the Company or by any other electronic means as might be agreed upon between the Company and the bank appointed to manage the Plan. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. The Optionee must make appropriate arrangements with the Company (or Affiliated Company employing the Optionee) for the satisfaction of all applicable income and employment tax withholding requirements applicable to the Option exercise. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the proof of payment of such aggregate Exercise Price and withholding taxes.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with all relevant provisions of law as set out under Section 14(a) of the Plan.

Upon exercise of an Option, the Shares issued to the Optionee shall be assimilated with all other Shares of the Company and shall be entitled to dividends for the fiscal year in course during which the Option is exercised.

3. Method of Payment

Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee and, in any case, subject to its acceptance by the bank appointed to manage the Plan:

(a) wire transfer with the execution of the corresponding exchange contract; or

(a) check;

(b) if the Optionee is not a U.S. Beneficiary, offset between receivables; or

(c) any combination of the foregoing methods of payment.

Where the exercise of an Option would lead the Company to be liable for any payment, whether due to fees, taxes or to charges of any nature whatsoever, in place of the Optionee, such Option shall be deemed duly exercised when (a) the full payment for the Shares with respect to which the Option is exercised is executed by the Optionee and (b) the Optionee provides the Company with either (i) the receipt stating the payment by the Optionee of any such fee, tax or charge, as above described that would otherwise be paid by the Company upon exercise of the Option, in place of the Optionee or, (ii) the full payment, under the same conditions, of any amount due to the exercise of the Option to be borne by the Company.

The Company and its Affiliated Companies may not be held responsible in any way if the Beneficiary for any reason not attributable to the Company or its Affiliated Companies was not able to exercise the Option or purchase the Shares. The payment for the purchase of the shares shall be made by the Optionee under his/her own responsibility according to these Terms and Conditions.

4. Non-Transferability of Option

This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. Term of Option

Subject as provided in the Plan, this Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

6. **Additional Terms Applicable to an Incentive Stock Options**

For the Incentive Stock Options, the following terms and conditions shall also apply to the grant:

1) This Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) this Option is exercised for one or more Shares: (i) more than three (3) months after the date the Optionee ceases to be an Employee for any reason other than death or Permanent Disability or (ii) more than twelve (12) months after the date the Optionee ceases to be an Employee by reason of Permanent Disability.

2) No installment under this Option shall qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) the aggregate Fair Market Value (determined at the Date of Grant) of the Shares for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of any earlier installments of the Shares and any other securities for which this Option or any other Incentive Stock Options granted to the Optionee prior to the Date of Grant (whether under the Plan or any other option plan of the Company or any Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand U.S. Dollars (U.S. $100,000) in the aggregate. Should such One Hundred Thousand Dollar ($100,000) limitation be exceeded in any calendar year, this Option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Stock Option. Optionee hereby acknowledges that there is no assurance that the Option will, in fact, be treated as an Incentive Stock Option under Section 422 of the Code. By executing this Grant Agreement, Optionee acknowledges and agrees that Optionee is solely responsible for the satisfaction of any applicable taxes that may be imposed on Optionee that arise as a result of the grant, vesting or exercise of the Option.

(v) Should the Optionee hold, in addition to this Option, one or more other options to purchase Shares which become exercisable for the first time in the same calendar year as this Option, then for purposes of the foregoing limitations on the exercisability of such options as Incentive Stock Options, this Option and each of those other options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

(vi) For this purpose, Permanent Disability shall mean the inability of the Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that is expected to result in death or has lasted or can be expected to last for a continuous period of twelve (12) months or more.

7. Entire Agreement - Governing Law

The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of

the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the laws of the Republic of France.

Any claim or dispute arising under the Plan or this Agreement shall be subject to the exclusive jurisdiction of the court competent for the place of the registered office of the Company.

OPTIONEE

_____

Signature

_____

Print Name

_____

Residence Address

_____

ERYTECH PHARMA SA

By: _____

Title: _____

EXHIBIT A

ERYTECH PHARMA
A French Société Anonyme having a share capital of EUR.[_____]
Registered office : [_____]
[ ] R.C.S. [___]

2018 STOCK OPTION PLAN
EXERCISE NOTICE
(Share subscription form)

ERYTECH PHARMA
[_____]
[_____]
France [_____], [_]

Attention: [_____]

1. **Exercise of Option**. Effective as of today, _____, __, the undersigned ("Optionee") hereby elects to subscribe _____ (_____) shares (the "Shares") of ERYTECH PHARMA SA (the "Company") under and pursuant to the Company's 2018 Stock Option Plan (the "Plan") adopted by the Board of Directors on [_____] 2018 and the Stock Option Agreement dated _____, __ (the "Option Agreement"). The subscription price for the Shares shall be EUR. _____, as required by the Option Agreement.

2. **Delivery of Payment**. Optionee herewith delivers to the Company the full subscription price for the Shares.

3. **Representations of Optionee**. The Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. **Rights as Shareholder**. Until the issuance (as evidenced by the appropriate entry on the books of the Company) of the Shares, the Optionee shall have, as an Optionee, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Option. No adjustment will be made for rights in respect of which the record date is prior to the issuance date for the Shares, except as provided in Section 11 of the Plan.

5. **Tax consultation**. The Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's subscription or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the subscription or disposition of the Shares. The Optionee is not relying on the Company for any tax advice.

6. **Entire Agreement; Governing Law**. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the laws of the Republic of France.

*
* *

This Exercise notice is delivered in two originals one of which shall be returned to the Optionee.

Submitted by:
OPTIONEE (*)

Signature

Print Name

Address:

Accepted by:
ERYTECH PHARMA

Signature

Its: _____

(*) The signature of the Optionee must be preceded by the following manuscript mention *"accepted for formal and irrevocable subscription of [_____] Shares"*.

Exhibit 4.21

2018 AGA Plan

Erytech Pharma
Public Limited Company with a share capital of €1,794,003.50
Headquarters: 60, avenue Rockefeller, 69008 Lyon
Lyon Trade Register 479 560 013

TERMS AND CONDITIONS OF THE BONUS SHARE ALLOCATION PLAN

Adopted by the Board of Directors on January 6, 2019

TABLE OF CONTENTS

1) GENERAL PROVISIONS

A bonus share allocation plan is a mechanism by which a company allots at no cost a certain number of its existing or future shares to employees and corporate officers who meet the conditions defined in Article L. 225-197-1, II of the French Commercial Code, and to employees and corporate officers of the companies or groups related to the Company as this term is used in Article L. 225-197-2, 1 of the French Commercial Code.

Based on the authorization granted under the Forty-First Resolution of the Combined Shareholders' Meeting of ERYTECH Pharma, a joint stock company with share capital of €1,794,003.50 and headquarters at 60, avenue Rockefeller, 69008 Lyon, registered with the Trade Register of Lyon under number 479 560 013 (the "**Company**") on June 28, 2018, the Board of Directors decided at its January 6, 2019 meeting to adopt the "**Terms and Conditions**" governing the allotment of bonus shares of the Company to the Beneficiaries (as this term is defined below), under the stipulations of Articles L. 225-197-1 et seq. of the French Commercial Code, which shall regulate said allotment of bonus shares according to the terms and conditions set forth below.

Except where otherwise decided by the Board of Directors, the Terms and Conditions of this Regulation shall be applicable to all bonus share allocations that may be approved by the Board of Directors on the basis of Resolution 41 adopted by the Combined Shareholders' Meeting of June 28, 2018.

2) PURPOSE OF THE TERMS AND CONDITIONS

Through the allocations of bonus shares, the Company wishes to attract and retain high quality employees to work in positions of responsibility, to provide additional motivation to the Beneficiaries and thus to make them partners in the development of the Group.

3) DEFINITIONS

"**Share**"	means one or more shares of the Company.
"**Initial Allocation**"	means any decision made by the Board of Directors to allot Bonus Shares to a given Beneficiary which grants to this Beneficiary the right to receive all or some of said Bonus Shares at the end of each Vesting Period, provided that all requirements of the Terms and Conditions have been met.
"**Definitive Allocation"**	means the allocation that occurs at the end of a Vesting Period, after which a Beneficiary becomes the effective and definitive owner of all or some of the Shares comprising the relevant Tranche.
"**Authorization of Shareholders"**	means the authorization to grant Bonus Shares given to the Board of Directors by the Erytech Pharma shareholders at the Combined Shareholders' Meeting on June 28, 2018 as amended by a subsequent shareholders' meeting, if appropriate.
"**Beneficiary"**	means an Eligible Person to whom at least one Share has been granted pursuant to the Terms and Conditions.
"**Initial Allocation Date"**	means the date on which the Board of Directors grants Bonus Share allocations and is the starting date of the Vesting Period.
"Final Allocation Date"	means the date on which each Beneficiary shall effectively acquire all or some of the Shares granted at the end of a Vesting Period.
"**Eligible Person"**	means a corporate officer (Chairman, Chief Executive Officer or Chief Operating Officer of the Company), or an Employee of the Company or of an Affiliated Company who meets the conditions stipulated in Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code and satisfies the terms and criteria of allocation defined by the Board of Directors in its decision dated January 6, 2019.
"**Manager"**	means the Board of Directors of the Company, which administers the Terms and Conditions in accordance with Article 5 of these Terms and Conditions.
"**Disability"**	means a disability of the Beneficiary which corresponds to the second or third category stipulated in Article L.341-4 of the Social Security Code.
"**Group"**	designates the Group composed of the Company and the Affiliated Companies.
"**Vesting Periods**"	means the periods defined in Article 9.1.1, which each begin to run from the Initial Allocation Date, during which Beneficiaries do not yet own the Shares granted to them but are owners of a conditional, future claim against the Company.
"**Retention Periods"**	means the periods during which Beneficiaries may not Assign Shares that have been definitively awarded pursuant to Article 9.3 of the Terms and Conditions.
"**Terms and Conditions"**	means this 2018 AGA Plan as adopted by the Manager on January 6, 2019.

"**Employee"**	means an individual person who is employed by the Company or any Affiliated Company and subject to the direction and control of the employing entity in the performance and conduct of the work to be accomplished.
"**Company"**	means Erytech Pharma, a French Limited Liability Company.
"**Affiliated Company"**	means a company that meets the criteria stipulated in Article L.225-197-2, I of the French Commercial Code: - companies or economic interest groups in which the Company holds at least 10% of the capital or voting rights, either directly or indirectly; - companies or economic interest groups that directly or indirectly hold at least 10% of the capital or voting rights in the Company; - companies or economic interest groups in which at least 50% of the capital or voting rights is held, either directly or indirectly, by a company that itself holds, directly or indirectly, at least 50% of the capital of the Company.
"**Assign"**	means the act of transferring, even temporarily, the ownership, co-ownership, bare ownership or beneficial interest in any manner whatsoever, including through a pledge or lease of shares.

4) SHARES GOVERNED BY THESE TERMS AND CONDITIONS

Subject to the application of Article 14 of the Terms and Conditions and in accordance with the Authorization of the Shareholders, the maximum number of Shares in an Initial Allocation under the Terms and Conditions is 150,000 Shares with a par value of €0.10, adjusted if applicable to take into account any split or reverse split of the Shares, divided into the three tranches (the "**Tranches**") described below:

i. **Tranche 1:** 50,000 Shares;
ii. **Tranche 2:** 50,000 Shares; plus the total number of Shares not vested to the Beneficiaries for Tranche 1; and
iii. **Tranche 3:** 50,000 Shares; plus the total number of Shares not vested to the Beneficiaries for Tranche 2;

given that the stipulation that the total number of capital increases that may be performed pursuant to plans to award bonus shares, equity warrants and stock options adopted by the Board of Directors on September 7, 2018 and June 28, 2018 may not exceed the threshold of 325,000 shares of common stock.

5) ADMINISTRATION OF THE TERMS AND CONDITIONS

a. Administration

The Terms and Conditions are administered by the Manager

b. Powers of the Manager

Within the limits of the provisions of the French Commercial Code, the Shareholder Authorization and the Terms and Conditions, the Manager has discretionary power to:

i. determine the Eligible Persons to whom Bonus Shares shall be granted and to decide on the number of Bonus Shares to be granted to each of them in each Tranche;
ii. determine the terms and conditions of any Initial Allocation;
iii. analyze and interpret the terms of the Terms and Conditions;
iv. determine, amend or cancel any provision of the Terms and Conditions; and
v. make any necessary or timely decision in the administration of the Terms and Conditions.

c. Impact of the Manager's Decisions

The decisions and interpretations made by the Manager are final and are binding on all Beneficiaries.

6) LIMITATIONS

a. The Bonus Shares allocated are governed by Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code. They do not in any manner whatsoever constitute an element of the employment contract or corporate office or compensation of the Beneficiary in question.Neither the Terms and Conditions, nor any Bonus Share granted shall grant a Beneficiary the right to continued employment in the Company or Affiliated Company, or the continuation of a corporate office in the Company, and

do not in any way limit the right that the Beneficiary, the Company or an Affiliated Company may have to terminate under any circumstance this employment or corporate office, with or without cause.

b. In accordance with Article L. 225-197-1 II of the French Commercial Code, no Bonus Share may be granted to an Eligible Person who directly owns, at the time of the Bonus Share allocation, over 10% of the capital of the Company, or for whom the allocation would raise his stake to more than 10% of the share capital of the Company.

c. In addition, in application of Article L. 225-197-1 I of the French Commercial Code, the total number of Bonus Shares to be granted may not exceed 10% of the share capital.

7) DURATION OF THE TERMS AND CONDITIONS

Using the Shareholders' Authorization and the powers granted to it by said Authorization, the Board of Directors, in its January 6, 2019 decision, approved the Terms and Conditions that took effect on January 6, 2019, and the Bonus Shares may be granted from that date. The Bonus Shares may be granted until the expiry of a period of thirty-eight (38) months from the Shareholders' Authorization. Unless the Terms and Conditions are canceled early pursuant to Article 12, they shall remain in effect until the expiry of the Retention Period of the last Bonus Share granted.

8) BONUS SHARE ALLOCATION

a. Allocation decision

The Manager may decide to allot Bonus Shares to Eligible Persons at any time up to the limits of the Shareholders' Authorization and the duration of the Terms and Conditions stipulated in Article 7 above.

b. Allocation of Shares and Acceptance by Beneficiaries

Each Eligible Person is informed of an Initial Allocation by letter indicating (i) the number of Bonus Shares granted to him/her for each Tranche; (ii) the duration of each Vesting Period, (iii) the duration of the Retention Periods, (iv) the conditions and criteria to be met for the allocation to become final at the end of each Vesting Period; and (v) all responsibilities of the Eligible Person. A copy of the Terms and Conditions shall be attached to this notification letter. A model of the notification letter appears in Appendix A of the Terms and Conditions.

This notification letter is sent to the Beneficiary by registered mail with return receipt requested or hand delivered to the Beneficiary by the Manager or any other duly authorized person, and the Beneficiary acknowledges receipt.

If a Beneficiary wishes to take advantage of the Initial Allocation, he/she must indicate approval to the Company by sending, via registered mail with return receipt requested or hand delivery to the Manager, the second copy of the notification of the Initial Allocation to the Company, with his or her signature under the heading "*Bon pour acceptation*" ("Approved") within thirty (30) days from receipt of the notification of the Initial Allocation.

If this is not done, the Initial Allocation shall expire.

The acceptance of the Terms and Conditions by Beneficiaries is deemed acceptance of all provisions therein.

9) SCHEDULE OF BONUS SHARE ALLOCATION

a. Vesting Periods

i. Duration of Vesting Periods

The Initial Allocation to Beneficiaries will not become final:

i. for Shares granted in Tranche 1: until the end of a Vesting Period of one (1) year from the Initial Allocation decision made by the Manager;

ii. for Shares granted in Tranche 2: until the end of a Vesting Period of two (2) years from the Initial Allocation decision made by the Manager;

iii. for Shares granted in Tranche 3: until the end of a Vesting Period of three (3) years from the Initial Allocation decision made by the Manager;

provided that, during the entire Vesting Period in question, the Beneficiary has retained the status of Eligible Person and has complied with the Allocation criteria set out in Article 10 below.

Pursuant to Article L. 225-197-3 of the French Commercial Code, the rights arising from the Initial Allocation may not be assigned or transferred by any means until the end of the Vesting Period in question.

Therefore, in the event of resignation, departure or retirement, termination of an employment contact of a Beneficiary by mutual agreement with the company concerned, or dismissal, withdrawal or non-renewal of the corporate position of a Beneficiary during a Vesting Period, for any reason, the Beneficiary shall lose any right to the Final Allocation and may not claim any compensation in this respect, except where previously decided to the contrary by the Manager.

ii. Termination of a Beneficiary and/or dismissal and/or non-renewal of the Beneficiary's corporate positions during the Vesting Period

a) If a Beneficiary holds an employment contract only, the loss of the right to the Final Allocation shall occur on the date of receipt (or of the first presentation) of the notification of dismissal, notwithstanding (i) the possible existence of an advance notice period, whether given or not, (ii) any dispute by the Beneficiary of his dismissal and/or the causes of the dismissal, and (iii) any legal decision that may call into question the legitimacy of the dismissal.

b) If a Beneficiary holds a corporate office only, the loss of the right to the Final Allocation shall occur on the date of the meeting of the competent corporate entity that decided to dismiss or replace the Beneficiary in his corporate position if the Beneficiary was present at the meeting, or as of the date the Beneficiary received notification of this decision if the Beneficiary did not attend the meeting, notwithstanding (i) the possible existence of an advance notice period, whether given or not, (ii) any dispute by the Beneficiary of his dismissal and/or the causes of the dismissal, and (iii) any legal decision that may call into question the legitimacy of the dismissal.

c) If a Beneficiary holds both an employment contract and a corporate office and loses these two positions simultaneously or successively, the loss of the right to the Final Allocation shall begin on the date of receipt of the last of the two notifications described in the previous paragraphs.

iii. Resignation during the Vesting Period

If the Beneficiary resigns as an employee, if he is only an employee, or as a corporate officer, if only a corporate officer, or resigns from his/her position as employee and corporate officer simultaneously or successively if the Beneficiary holds both positions concurrently, the loss of the right to the Final Allocation shall occur:

- if the Beneficiary is an employee or corporate officer only, on the date the Company receives the Beneficiary's letter of resignation or the date it is hand delivered to a duly authorized representative of the company that employs him/her; or

- if the Beneficiary is both an employee and a corporate officer, on the date the first letter of resignation is received by the Company or is hand delivered to a duly authorized representative of the company that employs him/her;

notwithstanding the possible existence of advance notice, whether given or not.

iv. Termination by mutual agreement of the Beneficiary and the company that employs the Beneficiary during the Vesting Period

If an employment contract is terminated by mutual agreement of the Beneficiary and the company that employs him/her (including conventional termination) if the Beneficiary is an employee only, or if an employment contract is terminated by mutual agreement of the Beneficiary and the company that employs him/her, and there is a simultaneous or successive resignation or dismissal from his/her corporate office if the Beneficiary held both positions, the Beneficiary shall lose his/her right to the Final Allocation as of the first date an agreement is signed terminating the Beneficiary's position as an employee (or the date on which the administration approved the conventional termination), or the date of receipt of the notification of termination of the corporate office or the date such office was resigned.

v. Retirement of a Beneficiary during the Vesting Period, death, disability

In the event of the retirement of a Beneficiary during a Vesting Period, the Beneficiary shall lose the right to the Final Allocation as of the date of departure.

However, as an exception to the preceding:

i. if the company that employs the Beneficiary forces the Beneficiary to retire during a Vesting Period in compliance with legal and regulatory provisions, the Beneficiary shall retain his/her right to the Final Allocation at the end of the Vesting Period, provided they comply with the rules for each Vesting Period;

ii. in the event of the death of a Beneficiary during the Vesting Period, heirs may request the Final Allocation within a period of six (6) months after the death;

iii. in the case of disability, a Beneficiary may request the Final Allocation of the Shares within a period of six (6) months of the event resulting in the disability.

iv. It is specified that, during Vesting Periods, Beneficiaries are not owners of the Shares and have no related rights. In particular, they cannot collect or have a right to dividends, have no voting rights, and have no right to the information communicated to shareholders attached to the Shares.

b. Delivery of the Securities

At the end of each Vesting Period, provided the Beneficiaries have met the vesting conditions and criteria defined in Article 10 below, the Company shall transfer and inform the Beneficiaries of the number of shares definitively granted as determined by the Board of Directors. A sample notification letter is provided in Appendix B of the Terms and Conditions.

c. Retention periods of the Shares

i. If the Beneficiary is a corporate officer

As of the Final Allocation of the Shares, the Beneficiary must hold:

i. all Shares vested in Tranche 1 for a Retention Period of one (1) year; and

ii. at least ten per cent (10%) of the aggregate number of vested Shares in each of the Tranches until the termination of his or her position.

It is specified that no Retention Period is required for the vested Shares granted in Tranche 2 or Tranche 3, subject to the stipulations of paragraph (ii) above.

ii. If the Beneficiary is not a corporate officer

As of the Final Allocation of the Shares, the Beneficiary must hold all vested Shares in Tranche 1 for a Retention Period of one (1) year.

No Retention Period is required for the vested Shares in Tranche 2 or Tranche 3.

iii. Vested shares must be recorded in registered form in an account noting this holding restriction, as appropriate.

However, the Shareholders' Meeting stipulated, provided that the transfer of the Shares vested before the end date stated in the preceding paragraph does not compromise the Preferential Treatment as defined in Article 13 of this document, that Shares vested shall be freely transferable, in compliance with the bylaws of the Company and regulations governing companies, the shares of which are listed on a regulated market, in the event of:

i. the Disability of the Beneficiary as provided for under Article L. 225-197-1, I para. 6 of the French Commercial Code, or

ii. the death of the Beneficiary, via his/her heirs pursuant to Article L. 225-197-3, para. 2 of the same Code.

iv. A Beneficiary holds the status of shareholder as soon as the Shares are vested and throughout the Retention Period. Therefore, a Beneficiary may exercise the rights attached to the Bonus Shares during the Retention Period.

At the end of the Retention Period, the vested Shares may be freely transferred by the Beneficiary, subject to the Company's bylaws and the regulations governing companies, the shares of which are listed on a regulated market.

10) ALLOCATION CRITERIA AND CONDITIONS

a. Criteria and conditions

The Vesting of the Shares depends on compliance with the following two conditions set by the Manager, which must be confirmed at the end of each Vesting Period:

i. Beneficiaries must maintain the status of Eligible Persons throughout the entire Vesting Period in question; and

ii. the achievement of a performance target based on the increase in the price of the Company's share between the Initial Allocation Date and the Final Allocation Date of the Shares, determined using the following formula:

T = (ERYPi / ERYP2018) - 1
in which:
T: is the rate at which the performance targets are achieved, expressed as a percentage, **ERYP2018**: is the average of the closing prices of the Company's share for the 40 days preceding the Initial Allocation Date.
ERYPi: is the average of the closing prices of the Company's share for the 40 days preceding the Final Allocation Date.

b. Measuring performance

The rate at which performance objectives are achieved, measured by the Manager at the end of each Vesting Period, is used to determine the number of Shares to be definitively granted to Beneficiaries in a Tranche at the end of each Vesting Period, by multiplying the number of Shares initially granted for the Tranche by the rate of achievement of the performance objectives.

If the rate at which the performance objectives are achieved is less than or equal to 0%, no Share shall be definitively granted to a given Beneficiary for that Tranche, whereas if the rate at which the performance objectives are achieved is equal to or greater than 100%, all of the Shares initially granted to a given Beneficiary for that Tranche shall be definitively granted.

When the number of Bonus Shares obtained is not a whole number, the number of Shares definitively granted shall be rounded down to the closest whole number.

c. Measurement of performance in the event of an anticipated transfer of control

As an exception to the above, in the event of a merger by absorption of the Company by another company or in the event of an Offer, after the Tranche 1 Vesting period, that is likely to result in a Change of Control or that is filed following a Change of Control (designated hereinafter in each case as an "**Operation**"), all the Shares initially granted and not yet vested on that date shall be automatically and definitively granted early by the Board of Directors of the Company.

"**Change of Control"** designates the event by which one or more persons acting in concert come to hold more than 50% of the capital or voting rights of the Company.

"**Offer"** designates any public offer (tender offer, exchange, combined, etc.) for all of the Company's shares (i) which has been filed with the French Autorité des marchés financiers, (ii) has been declared compliant by the French Autorité des marchés financiers, (iii) has been recommended or approved by the Board of Directors of the Company and, (iv) if it has been subject to the normal rules of procedure, has been positive.

11) MERGER, DE-MERGER, PARTIAL CONTRIBUTION OF ASSETS, DISSOLUTION, LIQUIDATION, SALE AND OTHER EVENTS

In the case of transactions affecting the Company that could directly or indirectly impact the Terms and Conditions, such as merger, de-merger, partial contribution of assets, dissolution followed by liquidation or otherwise, the sale of shares making up the capital of the Company, or in the event of an Offer during the Vesting Period of Tranche 1 and, in general, in the event of a restructuring that affects the Company (such operations are hereinafter designated as "**Restructuring of the Company**"), the Manager may, at its sole discretion:

(i) simply keep the Terms and Conditions in effect, provided that the Company retains its legal personality; or

(ii) cancel the Terms and Conditions and, if the shares have already been awarded, pay the Beneficiaries an indemnity in an amount equal to the value of the Shares on the date of cancellation of the Terms and Conditions; it is emphasized as required that no indemnity or compensation shall be due to the Beneficiaries if the cancellation of the Terms and Conditions decided on by the Company is the result of any legal or regulatory amendment applicable to bonus share allocations, including

changes that would make such allocations more costly for the Company than on the date of implementation of the Terms and Conditions; or

(iii) carry out an exchange of the Bonus Shares granted under the Terms and Conditions for new similar shares (or for any other equivalent right) that have identical features, provided that this exchange is performed in the context of a transaction approved or authorized by the collectivity of shareholders or any competent entity of the Company, in accordance with the law and the bylaws of the Company; or

(iv) generally, make any change to the Terms and Conditions which the Manager deems appropriate in order to take into consideration the Restructuring of the Company, as long as the rights of the Beneficiaries are not negatively impacted by such a change.

12) CHANGES TO THE TERMS AND CONDITIONS - MANAGEMENT

a. Change

The Manager may amend the provisions of these Terms and Conditions, suspend them or terminate them at any time.

b. Consequences of a Change or Cancellation

No change, alteration, suspension or cancellation of the Terms and Conditions may reduce the rights of a Beneficiary without the agreement of the Beneficiary, unless said change results from a legislative or regulatory provision that has recently taken effect or from any other enforceable provision imposed on the Company or an Affiliated Company.

Beneficiaries shall be informed of any change in the Terms and Conditions that impacts the rights they enjoy under these Terms and Conditions. This notification to Beneficiaries may be given individually or by any other means the Board of Directors deems sufficient and appropriate.

c. Management

The management of the Terms and Conditions is assigned to the Manager. However, the Manager reserves the option of transferring management of the Terms and Conditions to any financial institution, in which case said institution shall inform the Beneficiaries.

13) TAX AND SOCIAL SECURITY TREATMENT

The Beneficiary shall pay all taxes and withholdings for which he/she is responsible under the tax rules in effect on the due date of said taxes and withholdings.

The tax and social security rules applicable to bonus share allocations differ depending on the nationality and country of residence of the Beneficiaries. Both the Beneficiary and his/her employer may be subject to reporting and/or contribution requirements because of the Initial Allocation and/or Final Allocation, and/or the sale of the Shares. The Beneficiary assumes sole responsibility for compliance with income tax and social security reporting and contributions incumbent on them because of the aforementioned events.

However, if the Company or an Affiliated Company must pay taxes, social security contributions, or any other similar charge, in the name and on behalf of the Beneficiary because of the Initial and/or Final Allocation, the Beneficiary expressly authorizes his or her employer, the Company or any agent designated for this purpose to deduct these amounts from the Beneficiary’s compensation, or, if applicable, from the proceeds from the sale of the Shares. The Company reserves the right to suspend delivery of the Shares vested by a Beneficiary until he/she has paid all amounts for which he/she is responsible or until the method of payment of these sums has been agreed with the Company or Affiliated Company concerned.

Likewise, on an exceptional basis, the Company may suspend delivery of vested Shares to one or more Beneficiaries at the end of a Vesting Period if local formalities in the country or countries concerned have still not been completed.

All information on the tax treatment applicable to the Beneficiary under the Terms and Conditions, which is transmitted by the Company to the Beneficiary, is provided for information purposes only and may not be construed as comprehensive by the Beneficiary. In particular, this type of information cannot cover the diversity of tax and personal situations of the Beneficiaries. Each Beneficiary should consult with advisors of his or her choice to analyze their personal situation. In particular, Beneficiaries are informed that, in the case of an international transfer within the Group that results in a change of tax residence and/or liability for a social security plan, occurring between the Initial Allocation Date and the sale of the Shares, the Beneficiary may be responsible for reporting and/or contribution obligations in different countries. As appropriate, the Beneficiary’s tax obligations may be proportional to the period during which the Beneficiary has been a tax resident in a specific country.

14) LIABILITY OF THE COMPANY

Neither the Company nor its Affiliated Companies may be held liable under any circumstance if, for any reason not chargeable to the Company or its Affiliated Companies, a Beneficiary is unable to vest the Shares granted to him/her.

15) PREVENTION OF INSIDER TRADING

All Beneficiaries must, under their sole, full and entire responsibility, comply with the regulations on insider trading and insider dealing and comply with the prevention mechanisms implemented by the Group.

All persons are required to refrain from buying and selling the shares of a listed company, or from transmitting information with the same intent, when they are party to “privileged” information, meaning information that has not yet been published and that may have an influence on the market price of a given share. Persons who break this rule are liable for legal and financial sanctions. This rule applies to Beneficiaries who receive Shares under these Terms and Conditions, particularly with regard to a decision to sell these Shares.

The Board of Directors of the Company wishes to point out to each Beneficiary expressly the regulations in force concerning persons in possession of “privileged” information.

Furthermore, in accordance with Article L. 225-197-1 of the French Commercial Code, the Shares may not be sold:

1° within ten market trading days prior to and three market trading days following the publication date of the consolidated financial statements or, if no consolidated statement is published, the publication date of the Company's annual financial statements;

2° during the period between the date on which the Company's management bodies become aware of information which, if it were made public, could significantly impact the Company's share price, and the date ten market trading days after the date on which this information is made public.

16) INTERPRETATION

If a term or condition of these Terms and Conditions is considered null and void under the laws of a Beneficiary’s place of residence, the Terms and Conditions shall be interpreted with regard to such a Beneficiary as if they did not contain the term or condition in question. Any other term or condition of these Terms and Conditions that is valid shall remain in effect and must be interpreted and applied in such a way as to comply with the Terms and Conditions to the greatest extent possible.

17) APPLICABLE LAW – JURISDICTION

The Terms and Conditions are governed by French law, in particular by the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code.

Any dispute arising from these Terms and Conditions shall fall within the exclusive jurisdiction of the competent court within the jurisdiction of the Court of Appeal for the location of the Company’s headquarters.

The Bonus Share Allocation pursuant to these Terms and Conditions authorizes the Company to request at any time that Beneficiaries comply with all legislative and regulatory provisions governing these Bonus Shares.

APPENDIX A
MODEL OF LETTER FOR NOTIFICATION OF INITIAL ALLOCATION
Erytech Pharma

A French Joint Stock company (*Société Anonyme*) with share capital of €1,794,003.50
Headquarters: 60, avenue Rockefeller, 69008 Lyon
Lyon Trade Register 479 560 013

Lyon, **[=]**

"*Beneficiary name*"

Dear Sir or Madam,

We are pleased to inform you that the Board of Directors of the Company has decided to allot Bonus Shares of the Company to you in accordance with the provisions of the terms and conditions of the bonus shares allocation plan, a copy of which is attached hereto in Appendix 1 (the "**Terms and Conditions**").

The capitalized terms not defined in this document have the meaning attributed to them in the Terms and Conditions.

These Bonus Shares have been allocated under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code.

By decision of the Board of Directors, you have been allocated on **[=]:**

[=] (**[=]**) Shares of the Company for Tranche 1;
[=] (**[=]**) Shares of the Company for Tranche 2, plus by the total number of Shares not yet vested and allocated in Tranche 1; and
[=] (**[=]**) Shares of the Company for Tranche 3, plus the total number of Shares not yet vested and allocated in Tranche 2;

under the conditions set out in these Terms and Conditions and summarized below.

1. Vesting Periods

The Initial Allocation shall become final only at the end of the following Vesting Periods, subject to compliance with the allocation criteria and conditions set out below at the end of each of the Vesting Periods:

one (1) year beginning on **[=]** for Tranche 1;
two (2) years beginning on **[=]** for Tranche 2; and
three (3) years
beginning on **[=]** for Tranche 3.

2. Allocation criteria and conditions

The Final Allocation assumes that you have met the following conditions and criteria for each Vesting Period, which are described more fully in Articles 9 and 10 of the Terms and Conditions:

(vi) You must have been connected to the Company by a corporate office, or to the Company or an Affiliated Company through a permanent or temporary employment contract or a professional training contract throughout the entire Vesting Period in question.

In the event of resignation, dismissal or removal during a Vesting Period, for any reason, you will lose any right to the Final Allocation and may not claim any indemnity in this respect.

In the event of resignation, the loss of the right to the Final Allocation shall occur on the date of receipt by the Company or the relevant Affiliated Company of your letter of resignation or on the date it is hand delivered to a duly authorized representative of the company that employs you, notwithstanding the possible existence of prior notice, whether given or not.

In the event of dismissal or removal, the loss of the right to the Final Allocation shall occur on the date of receipt (or of the first presentation) of the letter of notification of dismissal or removal, notwithstanding (i) the possible existence of prior notice, whether given or not, (ii) any challenge to your dismissal or removal and/or the grounds of the dismissal or removal, and (iii) any legal decision that may call into question the justification of the dismissal or removal.

However, as an exception to the preceding:

(i) if you retire or are laid off for economic reasons during a Vesting Period, you shall retain your right to the Final Allocation at the end of the Vesting Period, provided you comply with the rules for each Vesting Period;

(ii) in the event of the death or disability during a Vesting Period, your heirs or assignees may request the Final Allocation within a period of six (6) months from the date of your death or disability.

(iii) The achievement of a performance target based on the increase in the price of the Company's share between the Initial Allocation Date and the Final Allocation Date of the Shares, determined using the following formula:

T = (ERYPi / ERYP2018) - 1
in which:
T: is the rate at which the performance targets are achieved, expressed as a percentage.
ERYP2018: is the average of the closing prices of the Company's share for the 40 days preceding the Initial Allocation Date.
ERYPi: is the average of the closing prices of the Company's share for the 40 days preceding the Final Allocation Date.

At the end of each Vesting Period, subject to compliance with the criteria and the conditions defined above being achieved, the Company will transfer a defined number of Shares to you in accordance with Article 10 of the Terms and Conditions. Accordingly, you will become a shareholder of the Company on these dates.

3. Retention period

As of the Final Allocation of the Shares, you agree to hold all said Shares for a Retention Period of one (1) year for Tranche 1. No Retention Period is required for Shares that have finally been vested to you for Tranche 2 or Tranche 3, subject to the holding commitments applicable to corporate officers, as detailed more fully in Article 9.3 of these Terms and Conditions.

For this purpose, the Bonus Shares granted must be recorded in registered form in an account that notes this restriction.

You shall have the status of shareholder once the Shares are finally vested and throughout the Retention Period, notwithstanding the obligation to hold your shares. As such, you may exercise the rights attached to the Bonus Shares granted to you during the Retention Period, in particular the right to information, the right to attend Shareholders' Meetings, the right to vote, the right to dividends and the preemptive subscription right.

At the end of the aforementioned Retention Period, the Bonus Shares granted shall be available to you and may be freely transferred.

Your acceptance of the Initial Allocation under the conditions stated above implies agreement to all the terms of these Terms and Conditions.

If you wish to accept this Initial Allocation, please sign the two copies of the Initial Allocation notification, keeping one for your records and returning the other to the Company.
Sincerely yours,

Approved (Bon pour acceptation)

[=] [*Beneficiary's name*]

Appendix 1: Terms and Conditions

APPENDIX B
MODEL OF LETTER FOR NOTIFICATION OF FINAL ALLOCATION
Erytech Pharma

A French Joint Stock company (*Société Anonyme*) with share capital of €1,794,003.50
Headquarters: 60, avenue Rockefeller, 69008 Lyon
Lyon Trade Register 479 560 013

Lyon, **[=]**

"*Beneficiary name*"

We are pleased to inform you that, following deliberations on **[=]**, the Board of Directors of the Company, ruling by delegation of authority granted by the Combined Shareholders' Meeting of June 28, 2018, in the context of the bonus share allocation plan set up by the Company, has made the final allocation to you of **[=]**(**[=]**) shares of the Company for Tranche [1 / 2 / 3].

These shares were registered on today's date in an individual shareholder's account of the Company opened in your name.

[We would remind you that, in accordance with the Terms and Conditions of the bonus share allocation plan adopted by the Board of Directors on **[=]**, all of the **[=]** shares vested to you for Tranche 1 are non-transferable for a period of one (1) year from this date.]

The value of these shares is approximately **€[=]** as of this date.

[The Board of Directors of the Company has set 10% of the number of bonus shares granted to you (i.e. **[=]** shares) as the number of bonus shares that you must retain until the end of your duties as a corporate officer of the Company, pursuant to Article L. 225-197-1-II of the French Commercial Code.]

Sincerely yours,

Approved (Bon pour acceptation)

[=]

[*Beneficiary's name*]

Exhibit 12.1

Certification by the Principal Executive Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gil Beyen, certify that:

1. I have reviewed this annual report on Form 20-F of ERYTECH Pharma S.A. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 29, 2019

/s/ Gil Beyen
Name: Gil Beyen
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

Certification by the Principal Financial Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Eric Soyer, certify that:

1. I have reviewed this annual report on Form 20-F of ERYTECH Pharma S.A. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 29, 2019

/s/ Eric Soyer

Name: Eric Soyer
Title: Chief Financial Officer, Chief Operating Officer and Deputy General Manager
(Principal Financial Officer)

Exhibit 13.1

Certification by the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Gil Beyen, Chief Executive Officer of ERYTECH Pharma S.A. (the "Company"), and Eric Soyer, Chief Financial Officer, Chief Operating Officer and Deputy General Manager of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Annual Report on Form 20-F for the year ended December 31, 2018, to which this Certification is attached as Exhibit 13.1 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2019

/s/ Gil Beyen
Name: Gil Beyen
Title: Chief Executive Officer
(*Principal Executive Officer*)

/s/ Eric Soyer
Name: Eric Soyer
Title: Chief Financial Officer, Chief Operating Officer and Deputy General Manager
(*Principal Financial Officer*)

KPMG Audit
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Téléphone : +33 (0)4 37 64 76 09
Site internet : www.kpmg.fr

Consent of Independent Registered Public Accounting Firm

The Board of Directors,

Erytech Pharma S.A.

We consent to the incorporation by reference in the registration statement (no. 333-222673) on Form S-8 of Erytech Pharma S.A. of our report dated March 28, 2019, with respect to the consolidated statements of financial position of Erytech Pharma S.A. and its subsidiary as of December 31, 2018, 2017 and 2016, and the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"), which report appears in the Annual Report on Form 20-F of Erytech Pharma S.A. for the year ended December 31, 2018.

Lyon, March 29, 2019

KPMG Audit
A division of KPMG S.A.

/s/ Sara Righenzi de Villers
Partner