

Company number: BE 0460.798.795

**STATUTORY AUDITORS' REPORT TO THE GENERAL MEETING OF ASIT BIOTECH SA
ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017**

In the context of the statutory audit of the consolidated financial statements of your company (the Company), we hereby present our joint statutory auditors' report. It includes our report on the audit of the consolidated financial statements as well as our report on the other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting of 11 June 2015 as far as Mazars Réviseur d'Entreprises is concerned and by the general meeting of 30 June 2016 as far as RSM Réviseur d'Entreprises is concerned, following the proposal formulated by the board of directors issued upon recommendation of the audit committee. Our statutory auditor's mandate expires on the date of the general meeting deliberating on the annual accounts closed on 31 December 2017 as far as Mazars Réviseurs d'Entreprises is concerned and on the date of the general meeting deliberating on the annual accounts closed on 31 December 2018 as far as RSM Réviseurs d'Entreprises is concerned. We have performed the statutory audit of the consolidated financial statements of the company for 3 consecutive years as far as Mazars Réviseurs d'Entreprises is concerned and for 13 consecutive years as far as RSM Réviseurs d'Entreprises or a member of its network is concerned.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of K€ 4.285 and for which consolidated income statement and other comprehensive income shows a loss for the year of K€ 11.986.

In our opinion, the consolidated financial statements give a true and fair view of the equity and financial position as at 31 December 2017, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the '*Statutory auditor's responsibilities for the audit of the consolidated financial statements*' section in this report. We have complied with all the ethical requirements that are relevant to the audit of consolidated financial statements in Belgium, including those concerning independence.

We have obtained from the board of directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern adopted for the preparation of the consolidated financial statements

Reference to the annual report: note 6.1

Description of the key audit matter

The company is a clinical-stage biopharmaceutical company focused on the development and future commercialization of a range of immunotherapy products for the treatment of allergies. To date, the company does not yet have a product marketed or approved for market.

The Company has incurred significant operating losses since its inception in 1997. These losses are primarily the result of research and development expenses, preclinical testing, clinical development of research programs and candidate products, as well as general and administrative costs related to the activities of the company.

In this context, the board of directors must regularly assess:

- if the conditions of going concern are met;
- whether additional fundraising to fund the entire development plan should be organized;
- if necessary, arrangements should be made to suspend all or part of its research programs in order to match financial resources with planned expenditures.

The assessment of the going concern assumption therefore requires a significant amount of judgment from the board of directors in a context in which there may be several uncertainties relating to the Company's business development plan.

As a result, we consider the going concern as a key audit matter.

How we addressed the key audit matter during the audit

We have assessed the board's most recent evaluation of the Company's ability to continue operating over a twelve-month period from the end of the year, as well as the elements upon which this evaluation is based and the documentation that underlies them. To do this:

- we examined the reasonableness, as a whole, of the assumptions underlying the development plan, in its latest available update based on data at the end of December 2017 and capital increases carried out at the end of March 2018;
- we have assessed the elements on which the projections of future expenditures are based through the underlying documentation and on the basis of interviews with management;
- lastly, we examined the compliance with the legal and regulatory requirements of the information provided on going concern in the accompanying notes.

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Research and development expenses

Reference to annual report: Notes 2.4, 6.2, 22

Description of the key audit matter

The company has incurred research and development expenses relating to allergy treatment projects (grass pollen, mites, ragweed, etc.).

Development costs are capitalized as intangible assets if technical, commercial and financial feasibility criteria are met.

At the end of the financial year and in accordance with the market, the Company is of the opinion that none of the projects in progress meets the capitalization criteria since Phase III has not been completed.

We have focused on this item because research and development represents a significant amount and the determination of the appropriate accounting treatment requires some judgment.

How we addressed the key audit matter during the audit

Our procedures for verifying research and development expenses include:

- gain an understanding of current projects and associated expenses incurred to date;
- test a sample of the expenses incurred during the period to verify the nature and amount of the expense and ensure that the classification as research expense was appropriate;
- meet with management to understand the current stage of development until December 31, 2017 as well as test results after the closing date;
- based on this work, we appreciated the management's assessment of whether the development costs met the capitalization criteria or not.

Recoverable advances and government grants

Reference to the annual report: Notes 2.14, 2.15, 2.16, 6.2, 17, 19, 21

Description of the key audit matter

The company has been awarded several government grants with various conditions, mainly in the form of cash advances that can be used to support specific development programs. These are recognized if there is reasonable assurance that the Company will comply with the terms and conditions and that the grants will be received.

When a recoverable advance agreement is signed with the Walloon Region, the company determines the fair value of the amount it will have to repay and recognizes it as a financial liability. To determine this fair value, the Company estimates future outflows of funds by considering (i) the likelihood that the Company will notify the Regional Government whether or not it will decide to use the results of the research phase, (ii) planning estimate and probability of future sales; and (iii) an appropriate discount rate.

Subsequently, at each reporting date, the financial liability is measured at amortized cost, using the effective interest rate method, taking into account the discount rate and the initial probability.

We have focused on this section because a government grant may constitute a financial debt for which the determination of the amount and the appropriate accounting treatment requires some judgment.

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How we addressed the key audit matter during the audit

Our procedures for recoverable advances and government grants include:

- obtain and review the underlying legal documentation;
- verify the actual receipt of subsidies;
- obtain and evaluate the fair value calculation and assumptions used by management;
- meet with management to understand the current stage of specific development programs being subsidized;
- assess the conformity of the accounting treatment of these elements with the applicable reference framework and the justification given in the notes.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory provisions applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

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- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the company to express an opinion on the consolidated financial statements. We are responsible for the management, the supervision and the performance of the audit. We assume full responsibility for the auditor's opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in internal control identified during the audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our statutory auditor's report unless law or regulation precludes public disclosure about the matter.

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Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the contents of the management report on the consolidated financial statements and for the other information included in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard that is supplementary to the International Standards on Auditing (ISA) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements, as well as to report on these elements.

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Aspects related to the management report on the consolidated financial statements and to the other information included in the annual report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the management report, the management report is consistent with the consolidated financial statements for the same financial year, and it is prepared in accordance with article 119 of the Company Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge we have obtained during the audit, whether the management report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements, namely:

- Selected IFRS financial information
- Information about the company
- Corporate governance

contain a material misstatement, i.e. information which is inadequately disclosed or otherwise misleading. Based on the procedures we have performed, there are no material misstatements we have to report to you.

We do not express any form of assurance whatsoever on the management report on the consolidated financial statements nor on the other information contained in the annual report on the consolidated financial statements.

Statement concerning independence

Our audit firms and our networks did not provide services which are incompatible with the statutory audit of consolidated financial statements, and remained independent of the company throughout the course of our mandate.

The fees related to additional services which are compatible with the statutory audit as referred to in article 134 of the Company Code were duly itemised and valued in the notes to the consolidated financial statements.

Other statements

This report is in compliance with the contents of our additional report to the audit committee as referred to in article 11 of Regulation (EU) No 537/2014.

Brussels, 16 April 2018

Mazars Réviseurs d'Entreprises SCRL
Statutory auditor
Represented by



Xavier DOYEN

RSM Réviseurs d'Entreprises SCRL
Statutory auditor
Represented by



Luis LAPERAL