



ANNUAL FINANCIAL REPORT 2009

BioAlliance Pharma

Limited company with executive board and supervisory board with capital of 3,224,583.50 euros
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ASSETS

	31/12/2009		31/12/2008	
	Gross	Amortisation and depreciation	Net	Net
Subscribed, uncalled share capital				
FIXED ASSETS				
Intangible assets				
Incorporation expenses				
Research and development expenses				
Concessions, patents and other similar rights	243,979	236,119	7,861	88,263
Goodwill (1)				
Other intangible assets	287,555	222,616	64,940	914
Intangible assets in progress	57,100		57,100	
Advances and prepayments				
Tangible assets				
Land				
Buildings				
Plant and equipment	661,440	393,405	268,034	283,659
Other tangible assets	2,695,627	842,965	1,852,662	2,083,501
Tangible assets in progress				
Advances and prepayments				
Financial assets (2)				
Investments	14,651,918	14,620,000	31,918	131,918
Receivables from investments				
Long-term securities from portfolio activity				197,470
Other long-term securities	174,023		174,023	
Loans				
Other financial assets	300,542		300,542	229,613
	19,072,185	16,315,104	2,757,080	3,015,337
CURRENT ASSETS				
Inventories				
Raw materials and supplies	824		824	824
Work in progress (goods and services)		65,504	(65,504)	
Semi-finished and finished goods				
Goods held for resale	65,504		65,504	
Prepayments to suppliers				
Receivables (3)				
Trade receivables	278,077	15,058	263,009	306,876
Other receivables	4,550,111	1,475,000	3,075,111	16,216,108
Subscribed, called, unpaid share capital				
Marketable securities				
Treasury shares				
Other securities	13,352,833		13,352,833	29,893,448
Cash instruments				
Cash	793,321		793,321	332,652
Prepaid expenses (3)	272,575		272,575	575,702
	19,313,244	1,555,572	17,757,672	47,325,609
Deferred charges spread over several years				
Loan redemption premiums				
Unrealised foreign exchange losses	6,070		6,070	401
GRAND TOTAL	38,391,499	17,870,676	20,520,822	50,341,347
(1) Including rights to a lease				
(2) Of which less than one year (gross)				
(3) Of which more than one year (gross)				

LIABILITIES AND EQUITY

	31/12/2009	31/12/2008
	Net	Net
SHAREHOLDERS' EQUITY		
Share capital (of which paid: €3,224,584)	3,224,584	3,224,209
Issue, merger and acquisition premiums	97,948,490	97,944,440
Excess of restated assets over historical cost		
Goodwill		
Reserves:		
- Legal reserve		
- Reserves required by the articles of incorporation or by contract		
- Regulated reserves		
- Other reserves		
Retained earnings	(66,282,749)	(51,721,752)
Loss for the year	(22,398,410)	(14,560,997)
Capital grants	299,717	336,417
Regulated provisions		
	12,791,631	35,222,316
OTHER SHAREHOLDERS' EQUITY		
Proceeds from issue of preference shares		
Advances with specific conditions attached	1,066,789	350,000
Other equity		
	1,066,789	350,000
PROVISIONS		
Contingency provisions	6,070	401
Loss provisions	238,000	160,000
	244,070	160,401
PAYABLES (1)		
Convertible bonds		
Other bonds		
Bank debt (2)	21,773	75,199
Other debt (3)	612,083	
Client prepayments		
Trade payables	2,500,819	4,729,641
Accrued taxes and personnel costs	1,840,852	1,984,881
Payables related to fixed assets		
Other payables	3,431	47,618
Cash instruments		
Deferred revenue (1)	1,439,374	7,761,534
	6,418,332	14,598,872
Unrealised foreign exchange gains		9,758
GRAND TOTAL	20,520,822	50,341,347
<i>(1) Of which more than one year (a)</i>		2,567,056
<i>(1) Of which less than one year (a)</i>	6,418,332	12,031,816
<i>(2) Of which current accounts and credit bank balances</i>	15,581	66,839
<i>(3) Of which loans with equity component</i>		

PROFIT AND LOSS ACCOUNT

	31/12/2009			31/12/2008
	France	Export	Total	Total
Operating income (1)				
Sales of goods held for resale	232,296		232,296	4,600
Sales of manufactured products		(67,553)	(67,553)	149,992
Sales of services	748,258		748,258	929,471
Net sales	980,554	(67,553)	913,000	1,084,062
Production left in stock			58,107	(40,466)
Capitalised production				
Partial net income on long-term operations				
Operating grants			410,877	19,216
Excess depreciation and recovery on provisions charged in prior years			203,653	96,133
Other income			6,807,090	9,575,182
			8,392,727	10,734,128
Operating expenses (2)				
Purchases of goods for resale			31,500	
Change in inventories			(7,397)	
Purchases of raw materials and supplies			315,807	199,235
Change in inventories				26,117
Other purchases and external expenses (a)			11,003,423	15,940,126
Taxes other than on income			347,425	814,116
Wages and salaries			4,308,010	4,788,434
Payroll charges			2,063,429	2,384,799
Amortisation, depreciation and provisions:				
- On fixed assets: amortisation			512,811	442,578
- On fixed assets: depreciation				
- On current assets: depreciation			330,572	1,338,583
- For contingencies and losses: provisions				
Other expenses			135,773	3,107,323
			19,041,353	29,041,312
OPERATING LOSS			(10,648,626)	(18,307,184)
Share of joint venture operations				
Allocated gain or transferred loss				
Sustained loss or transferred gain				
Financial income				
Financial income from investments (3)			150,076	385,912
Financial income from other securities and from fixed asset securities (3)				13,823
Other interest and similar income (3)			3,107	9,745
Provision reversals and expense transfers			401	7,235
Foreign exchange gains			106,923	182,767
Net gains on sales of marketable securities			907,517	1,145,169
			1,168,025	1,744,650
Financial expenses				
Amortisation, depreciation and provisions			14,606,070	20,401
Interest and similar expenses (4)			167	0
Foreign exchange losses			150,878	105,837
Net losses on sales of marketable securities				
			14,757,116	126,238
NET FINANCIAL INCOME (EXPENSE)			(13,589,091)	1,618,412
LOSS BEFORE EXCEPTIONAL ITEMS AND TAX			(24,237,716)	(16,688,771)

PROFIT AND LOSS ACCOUNT (continued)

	31/12/2009	31/12/2008
	Total	Total
Exceptional income		
Exceptional income on operating transactions	5,982	8,656
Exceptional income on capital transactions	148,441	35,669
Provision reversals and expense transfers		180,618
	154,423	224,943
Exceptional expenses		
Exceptional expenses on operating transactions	7,988	96,694
Exceptional expenses on capital transactions	59,051	194,049
Exceptional provisions and expense transfers	78,000	60,000
	145,039	350,743
EXCEPTIONAL ITEMS	9,384	(125,801)
Employee profit-sharing		
Corporate income taxes	(1,829,922)	(2,253,575)
Total income	9,715,175	12,703,721
Total expenses	32,113,585	27,264,718
LOSS FOR YEAR	(22,398,410)	(14,560,997)
<i>(a) Including:</i>		
- <i>Payments under finance leases for equipment</i>	10,121	
- <i>Payments under finance leases for property</i>		
<i>Of which income related to prior periods</i>		
<i>Of which expenses related to prior periods</i>		
<i>Of which income concerning related companies</i>		
<i>Of which interest concerning related companies</i>		385,912

BioAlliance Pharma SA is a company dedicated to opportunistic infections, cancer and AIDS, which develops and markets innovative products that respond to the challenges of drug resistance.

1.1. ACCOUNTING POLICIES

The financial statements for the year ended 31 December 2009 were prepared and presented in accordance with the provisions of the French Commercial Code and the French General Accounting Plan, in conformity with the prudence principle, the accruals basis of accounting and on a going concern basis. The going concern is established by sufficient financial resources to finance the business, taking into account the payments provided for in 2010 in the licensing agreements signed with Therabel (see §1.2.2) and Par Pharmaceutical (\$20 million for the authorisation to market Loramyc® in the United States).

Items are recognised in the financial statements on a historical cost basis. The valuation methods applied for this year are unchanged from the previous financial year.

1.1.1. Intangible assets

Research and development costs are expensed directly to the profit and loss account.

Development costs may be capitalised in fixed assets when the following criteria are satisfied simultaneously:

- the projects in question are specific, well-defined projects;
- each project must be technically feasible and have a realistic chance of commercial success at the balance sheet date; and
- the cost of each project can be clearly identified.

These criteria are considered to be satisfied only once the Company has obtained marketing authorisation.

Costs related to patents are recognised in expenses.

Concessions and patents are amortised over 10 years using the straight-line method. Software is depreciated over a period of 12 months using the straight-line method.

1.1.2. Tangible assets

The gross cost of tangible assets corresponds to their initial carrying value in the balance sheet including costs to bring such assets into condition for use, but excluding ancillary expenses related to their acquisition.

Depreciation of tangible assets is calculated on a straight-line basis. Depreciable lives and depreciation methods are generally as follows:

- | | |
|---------------------------------|----------|
| - equipment and tooling | 5 years |
| - specialised equipment | 5 years |
| - fixtures and fittings | 10 years |
| - office and computer equipment | 4 years |
| - furniture | 5 years |

1.1.3. Financial assets

Investments and other long-term securities are measured at cost, excluding acquisition-related expenses.

A provision for impairment is recorded at the balance sheet date if the probable realisable value of the investments is less than their net book value.

The amounts invested in the context of the liquidity contract managed by an investment services provider are recognised:

- under 'Other long-term securities' for treasury shares (being the portion invested in the company's shares);
- under 'Other financial assets' for the portion kept in cash.

1.1.4. Inventories

Inventories are measured at purchase cost using the weighted average cost method.

A provision for impairment is recognised in cases where the realisable value is less than the net book value.

1.1.5. Receivables and payables

Receivables and payables are measured at their face value.

Receivables and payables denominated in foreign currencies are recognised at the exchange rate prevailing on the transaction date and are restated at the closing rate at each period end. Foreign exchange differences arising on such restatements are recognised in balance sheet assets and liabilities. A provision for losses is recognised in the event of unrealised foreign exchange losses.

1.1.6. Marketable securities

Marketable securities are stated at cost, excluding acquisition-related expenses.

In the event of the sale of a number of similar securities providing the same entitlements, the carrying value of the securities sold is estimated using the FIFO method.

1.1.7. Cash

All liquid assets held in cash or banks are valued at their nominal value.

1.1.8. Licensing agreements

Licences granted to third parties

The agreements under which the Company licences rights to third parties for the marketing of one or more products in its portfolio generally involve a payment at the date of signing, as well as future milestone payments and the payment of royalties on sales. The future payments are conditional and depend on the achievement of certain objectives: registration of products, marketing authorisation for products, obtaining a price and/or achievement of sales thresholds (sales performance).

Payments due in respect of signing a licensing agreement that are equivalent to one-off royalty payments are initially recognised in deferred revenue and subsequently taken to profit and loss over the period of the agreement or over a shorter period, depending on the Group's involvement and the specific conditions of the contract.

In general, subsequent payments are related to the achievement of a condition that represents a clear basis for recognition of sales revenues. They are immediately recognised in other income in the year in which they are received by the Company.

Licences acquired from third parties

As in the preceding case, licensing agreements under which the Company acquires, from a third party, a licence conveying a right to market a product in a given geographical area generally involve a payment at the date of signing, various other additional payments subject to the achievement of regulatory and sales objectives and payment of royalties on sales.

These licensing agreements generally relate to products undergoing clinical development. The amounts paid on signing represent a participation in financing the research and development expenses and are thus fully recognised in expenses in the year in which the contract is signed.

1.1.9. Grants

Operating grants are taken to profit and loss as the costs are incurred.

1.2. SIGNIFICANT EVENTS IN THE YEAR

1.2.1. Information concerning business activities in 2009

- **Submission of registration files for Loramyc® in the United States and for the RapidFilm™ ondansetron in Europe**

In mid June, BioAlliance Pharma submitted its registration file to the US Food and Drug Administration (FDA) for the approval of Loramyc®, a mucoadhesive gingival tablet for treating oropharyngeal candidiasis. This file included data for marking the tablet specifically requested by the FDA in April and its admissibility was confirmed by the FDA in August. If this application is approved, Loramyc® could be launched on the US market in the second half of 2010 by Strativa Pharmaceuticals, the proprietary products branch of Par Pharmaceutical, Inc. (NYSE: PRX), BioAlliance Pharma's sales partner in the United States. To accommodate this timetable, BioAlliance Pharma has extended the period for sales recognition of the payment of \$15 million received on signing the agreement with Par Pharmaceutical from 30 to 33 months.

Previously, in February 2009, BioAlliance Pharma had started the procedure for European registration of the file on the orodispersible film (RapidFilm™ ondansetron), acquired under licence for Europe from Applied Pharma Research SA (Switzerland) and Labtech GmbH (Germany) in 2008. This innovation is dedicated to preventing and treating nausea and vomiting caused by chemotherapy and radiotherapy, and facilitates the taking, efficacy and observance of the treatment.

- **Positive results of the phase III clinical trial with aciclovir Lauriad®**

In December, BioAlliance Pharma announced the final results of its pivotal phase III clinical trial in immunocompromised patients with recurrent herpes labialis. Primary and secondary endpoints were met with marked efficacy and good tolerance. This international multi-centre randomised, double-blind, placebo-controlled study compared the efficacy and tolerance of a single dose of aciclovir Lauriad® 50mg mucoadhesive gingival tablet with matching placebo in 1,727 randomised and 775 treated patients suffering from recurrent herpes labialis.

These important results represent a solid basis for the file to be submitted to the regulatory authorities.

- **Three new programmes start clinical phase**

In the second half of 2009, BioAlliance Pharma announced the beginning of clinical trials for three new products:

- fentanyl Lauriad®, dedicated to the treatment of chronic pain in patients with cancer. This extended-release product capitalises on the mucoadhesive technology validated with Loramyc®. An initial phase I clinical trial began with the recruitment of the first subjects in late 2009;
- clonidine Lauriad®, the fourth product using the same innovative technology developed in the treatment of oral mucositis. The phase II trial began with the recruitment of the first patients in early 2010;
- AMEP™, an anti-invasive biotherapy dedicated to the treatment of metastatic or invasive melanoma, an advanced skin cancer resistant to most treatments. The phase I trial runs from early 2010. This project is supported by OSEO through the Industrial Strategic Innovation programme, which supports ground-breaking technological projects (see below).

- **Reacquisition of rights in Loramyc® in Europe and dispute with SpePharm**

On 27 February 2009, BioAlliance Pharma broke off collaboration with SpePharm and reacquired the rights to market Loramyc® in Europe from the SpeBio joint venture.

BioAlliance Pharma has taken SpePharm and SpeBio to the International Court of Arbitration of the International Chamber of Commerce to obtain damages for the loss suffered on account of breaches of contract committed by these companies under the partnership that had been agreed for the commercial launch of Loramyc®. This action is a continuation of the summons that had been served by BioAlliance Pharma on SpeBio before the Paris Commercial Court on 27 February 2009, in that it confirms BioAlliance Pharma's desire to globalise the litigation with its former sales partners before the arbitral court and to withdraw from its earlier summons.

SpePharm has also instituted emergency proceedings in the Netherlands against BioAlliance to avoid the liquidation of SpeBio.

SpePharm and SpeBio have claimed damages in their proceedings against BioAlliance Pharma.

As at 31 December 2008, the risk in this litigation could not be reliably measured, so no provision was made at 31 December 2009.

1.2.2. Post balance sheet events

On 31 March 2010, BioAlliance signed a strategic partnership agreement with the Therabel Group to market Loramyc® and Setofilm® in Europe, including throughout France. Founded in Europe in 1945, Therabel is a private group that has for several years developed a strategy of external growth and development in its marketing to the hospital sector, particularly in supportive care. The agreement will potentially reach €48.5 million, broken down as follows:

- a payment of €6.5 million, including €4.5 million paid on signing, followed by two additional payments each of €1 million by 31 December 2011 and 31 December 2012;
- payments as and when a certain price or reimbursement has been obtained or sales objectives achieved for a maximum amount of €36 million;
- royalties calculated on sales of products; and
- equity participation in BioAlliance Pharma for a total amount of €6 million: a first tranche of €3 million will be voted on by shareholders at the planned extraordinary general meeting on 22 April 2010 and will potentially be made straight away. There are accompanying lock-up conditions. A second tranche is planned 18 months after the first, i.e. at the earliest on 22 October 2011, subject to shareholder approval at a new general meeting, to be held in 2011.

BioAlliance Pharma will therefore receive a minimum amount of €7.5 million in 2010.

As the European partnership agreement includes France, BioAlliance Pharma cancelled, on 31 March, the exclusive licensing agreement concluded with the Laboratoires BioAlliance Pharma subsidiary to market Loramyc®. In accordance with article L 1224-1 of the Labour Code, the subsidiary's hospital sales force was automatically transferred to the Therabel group's newly created French entity, Therabel Hôpital Pharma. As Laboratoires BioAlliance Pharma ceased trading with effect from 1 April 2010, the equity shares held by BioAlliance Pharma were written off in the amount of the subsidiary's net equity.

1.3. NOTES TO THE BALANCE SHEET

1.3.1. Intangible assets

Intangible assets are made up mainly of patents, trademarks and software purchased by the Company.

No research and development expenses were capitalised in 2009.

At 31 December 2009, intangible assets in progress corresponded to the planned change in the accounting system.

1.3.2. Tangible assets

Tangible assets are made up mainly of laboratory and research equipment, computer equipment and other fittings and equipment purchased by the Company.

1.3.3. Financial assets

Investments include:

- shares held in subsidiary Laboratoires BioAlliance Pharma for an amount of €14,600,000;
- shares held in the SpeBio joint venture for an amount of €20,000; and
- shares held in subsidiary BioAlliance Pharma Switzerland for an amount of €31,918.29.

Shares held in the SpeBio joint venture have been written down by €20,000.

The shares held in subsidiary Laboratoires BioAlliance Pharma have been written down by €14,600,000.

Other long-term securities include a mutual fund subscribed with a bank called OBC on 6 April 2001 and pledged in guarantee of a lease, for an amount of €41,747. Following the termination of the lease in 2008, this pledge was lifted.

In the context of the liquidity contract with CM-CIC Securities, the amount of treasury shares held was €174,022.85 corresponding to 35,881 shares. Non-invested cash amounted to €145,297.06, after deduction of losses on sale since the commencement of the contract.

In 2009: 948,097 treasury shares were purchased and 974,505 treasury shares were sold.

1.3.4. Inventories

Inventories relate to the purchase of expired stock from SpeBio under the licensing agreement cancelled on 27 February 2009.

Inventories were written off in full once their expiry date passed.

1.3.5. Trade receivables

Trade receivables represented an amount of €263,009 at 31 December 2009, broken down as follows:

- receivable on Eurofins-VirAlliance: €107,988;
- receivable on Laboratoires BioAlliance Pharma: €146,516;
- other: €8,505.

Doubtful receivables amounted to €15,067.94. A provision for impairment was recognised for €15,067.94 and related to the receivable on the SpeBio joint venture.

1.3.6. Other receivables

Other receivables represented an amount of €3,075,111 at 31 December 2009, broken down as follows:

- receivable on the government – research tax credit: €1,829,394;
- receivable on the government – VAT refund requested: €345,694;
- cash advances granted to BioAlliance Pharma Switzerland: €34,960;
- cash advances granted to SpeBio: €1,475,000;
- VAT deductible and on outstanding invoices: €230,204;
- other: €634,859.

In 2009 the provision for impairment of the SpeBio joint venture shareholder advance was increased by €250,000, so that it totalled €1,475,000.

The receivable in respect of the research tax credit relates to 2009.

1.3.7. Prepaid expenses

Prepaid expenses at 31 December 2009 came to €272,575 and correspond mainly to subcontracting services, together with rent and marketing costs.

1.3.8. Marketable securities

Marketable securities are made up of cash mutual funds purchased for €13,352,833 and valued, at 31 December 2009, at €13,898,788.

1.3.9. Shareholders' equity

Between 31 December 2008 and 31 December 2009, share capital increased from €3,224,208.50 to €3,224,583.50 and the amount of additional paid-in capital increased from €97,944,440 to €97,948,490. This was the result of a capital increase of €375 recorded by the Management Board on 31 December 2009, corresponding to the issuance of 1,500 shares each with a par value of €0.25.

1.3.10. Capital grants

The capital grant of €367,000 corresponds to the landlord's contribution to some of the work being done on the new registered office. Amortisation of capital grants at 31 December 2009 amounted to €67,283.

1.3.11. Provisions for contingencies and charges

Provisions represented an amount of €238,000 corresponding to litigation with suppliers and ex-employees.

1.3.12. Other equity

The Company received grants from OSEO. These grants are reimbursable at several dates by 31 March 2010. The total at 31 December 2009 came to €350,000, corresponding to a grant received in 2004 concerning the clinical programme for doxorubicin Transdrug®. This entire grant had been received at 31 December 2007.

The Company received two other grants from OSEO. One comes under the Clonidine programme, reimbursable at several dates by 2014 and whose total at 31 December 2009 was €150,000. The second grant by OSEO ISI concerns the AMEP™ and Zyxine anti-invasive cancer programmes, and totals €566,789.

1.3.13. Payables

Trade payables decreased from €4,729,641 at 31 December 2008 to €2,500,819 at 31 December 2009.

1.3.14. Deferred revenue

Deferred revenue is made up mainly of payments received on signing the Loramyc® licensing agreements with Par Pharmaceutical, Handok and NovaMed, which are being recognised in profit and loss over a number of years. The balance at 31 December 2009 is broken down as follows:

- Par Pharmaceutical: €827,939;
- Handok: €210,810;
- NovaMed: €256,246;
- other: €144,379.

1.4. NOTES TO THE PROFIT AND LOSS ACCOUNT

1.4.1. Net sales

Net sales for the 2009 financial year came to €913,000 and are broken down as follows:

- sale of goods held for resale to Laboratoires BioAlliance Pharma: €232,296;
- sale of finished goods to SpeBio (repurchase of the stock of Loramyc® to SpeBio): €(67,553);
- amounts reinvoiced to Laboratoires BioAlliance Pharma: €733,363;
- amounts reinvoiced to SpeBio: €4,000;
- other: €10,895.

1.4.2. Operating grants

Operating grants amounted to €410,877 and are taken to profit and loss as the costs are incurred.

1.4.3. Other income

Other income corresponds to recognition in profit and loss of the amounts received under licensing agreements signed for Loramyc®:

- share of the payment on signing the licensing agreement with SpeBio: €2,400,000;
- share of the payment on signing the licensing agreement with Par Pharmaceutical: €3,311,739;
- share of the payment on signing the licensing agreement with Handok: €421,621;
- share of the payment on signing the licensing agreement with NovaMed: €256,246;
- other: €416,925.

1.4.4. Operating expenses

Operating expenses fell from €29,041,311 at 31 December 2008 to €19,041,353 at 31 December 2009. This sizeable decline was due mainly to the ending of phase III clinical programmes (reduced use of subcontracting) along with a smaller allocation to operating provisions (down €1 million) and a reduction in other expenses (payment on signing licensing agreements in 2008 for €2.9 million).

1.4.5. Operating loss

The operating loss for the year was €10,648,626, compared with a loss of €18,307,184 for the year ended 31 December 2008.

1.4.6. Net financial income

Net financial income corresponds mainly to capital gains on disposal of cash mutual funds in managing the Company's cash surpluses. It also includes foreign exchange gains of €106,923 and interest income of €3,107.

Financial income arising on short-term advances to subsidiaries amounted to €150,076.

Financial expenses correspond chiefly to impairment of equity shares in Laboratoires BioAlliance Pharma in an amount of €14,600,000 and include foreign exchange losses of €150,878.

1.4.7. Exceptional items

Exceptional items showed a profit of €9,384 and correspond mainly to profits under the liquidity contract of €95,642 and an allocation to provisions of €78,000.

1.4.8. Corporate income taxes

The tax receivable of €1,829,922 corresponds to the amount of the research tax credit.

Tax loss carryforwards at 31 December 2009 total €29,187,059, broken down as follows:

- €25,070,640 for BioAlliance Pharma;
- €4,116,419 for Laboratoires BioAlliance Pharma.

1.4.9. Net loss

The net loss for 2009 is €22,398,410.

1.5. OFF BALANCE SHEET COMMITMENTS

1.5.1. BSAs, BCEs and stock options

• **Schedule of BSAs (share purchase warrants) at 31 December 2009**

Type	Date of authorisation	BSAs or BSPCEs authorised	BSAs or BSPCEs granted	Beneficiaries	BSAs or BSPCEs outstanding at 31/12/2008	BSAs or BSPCEs exercised between 01/01/2009 and 31/12/2009	BSAs or BSPCEs outstanding at 31/12/2009	Shares that may be subscribed, taking account of cancellations and vesting	Subscription price per share (€)	Expiry date
BSA-B	17 March 2004 Resolution 3	15,000	15,000	Members of the Supervisory Board	11,100	0	Lapsed on 16/03/2009	0	4.09	16/03/2009
BCE-F	19 July 2004 Resolution 5	5,420	5,420	Founders	5,420	0	Lapsed on 18/07/2009	0	4.09	18/07/2009
BCE-G	19 July 2004 Resolution 7	114,157	114,157	Senior Executives	69,188	0	Lapsed on 18/07/2009	0	4.09	18/07/2009
BCE & BSA-J	7 November 2005 Resolution 10	161,000	137,394 (1)	Officers Employees Members of the Supervisory Board	78,500 of which 73,387 vested	0	66,800 (2) All vested	267,200	10.64	07/11/2010
BSA-K	16 May 2006 Resolution 10	90,000	90,000	Members of the Supervisory Board and the Scientific Committee	70,000 of which 34,000 vested	0	66,500 (4) of which 51,500 vested	26,000 10,500 15,000	12.51 11.80 11.18	09/06/2011 13/12/2011 10/10/2012
BSA-L	29 April 2008 Resolution 21	150,000	68,000,(5)	Members of the Supervisory Board and the Scientific Committee	54,000 of which 0 vested	1,500	57,500 of which 14,000 vested	12,000 2,000 0	2.95 2.41 5.34	17/12/2013 05/04/2014 21/10/2014
TOTAL WARRANTS					288,208 of which 159,095 + 34,000 vested (6)	1,500	190,800 of which 66,800 + 65,500 vested (7)	267,200 + 65,500		
TOTAL SHARES						1,500 shares issued		332,700		

- (1) After deduction of 23,606 warrants not granted and cancelled by the Management Board of 24 March 2006
- (2) After deduction of cancellations (23,606 + 31,350 post-allocation due to the departure of employees)
- (4) After deduction of 20,000 BSA-K1 (Management Board of 31 December 2008) and 3,500 BSA-K2 (Management Board of 31 December 2009)
- (5) After deduction of 82,000 warrants not granted and cancelled by the Management Board of 22 October 2009
- (6) 159,095 warrants conveying a right to 4 shares and 34,000 warrants conveying a right to 1 share
- (7) 66,800 warrants conveying a right to 4 shares and 65,500 warrants conveying a right to 1 share

• **Schedule of stock options at 31 December 2009**

Plan designation	Date of grant (Management Board)	Number of options authorised	Number of options granted	Beneficiaries	Acquisition by tranche of 25% as from ...	Number of options cancelled (1)	Outstanding options at 31/12/2009	Options that may be subscribed taking into account cancellations and vesting	Subscription price per share (€)	Expiry date
SO (2006) 1	30/10/2006		352,000	Officers and employees	30/10/2007	97,000	255,000	191,250	12.74	30/10/2011
SO (2006) 2	05/04/2007		114,000	Employees	05/04/2008	35,000	79,000	39,500	12.55	05/04/2012
SO (2006) 3	10/10/2007		55,000	Employees	10/10/2008	15,000	40,000	20,000	11.18	10/10/2012
SO (2006) 4	25/04/2008		74,000	Employees	25/04/2009	5,000	69,000	17,250	7.06	25/04/2013
TOTAL		630,000 (2)	595,000			152,000	443,000	268,000		

(1) Summary of cancellations due to the departure of employees as recorded in the minutes of the Management Board of 31 December 2009

(2) On 25 April 2008 the Management Board cancelled 35,000 unallocated stock options

• **Schedule of free share grants at 31 December 2009**

Plan designation	Date of grant (Management Board)	Number of free shares authorised	Number of free shares granted	Beneficiaries	Date of vesting subject to conditions of presence + performance	Number of rights to free shares cancelled (1)	Rights to free shares outstanding at 31/12/2009	Number of free shares that have vested taking into account the cancellations made
AGA (2008) 1	01/08/2008		148,500	Officers and employees	01/08/2010	20,400	128,100	0
AGA (2008) 2	01/04/2009		94,000	Officers and employees	01/04/2011	22,400	71,600	0
TOTAL		260,000	242 500 (2)			42,800	199,700	0

(1) Summary of cancellations due to the departure of employees as recorded in the minutes of the Management Board of 31 December 2009

(2) The Management Board of 6 April 2009 cancelled 17,500 rights to unallocated free shares

1.5.2. Post-employment benefits

The actuarial valuation method used is the retrospective valuation method. This method is used to calculate the present value of benefits based on services provided by the employee at the valuation date.

The actuarial assumptions used are as follows:

Collective bargaining agreement: Medical industry

Retirement age: 65, at the employee's initiative

Calculation date: 31 December 2009

Mortality table: INSEE 2002–2004 H/F

Discount rate: 5.09%

Rate of salary increase: (salary growth rate + inflation) 4%

Employee turnover rate: by age category

- employees between 16 and 24 years old: 0.50%
- employees between 25 and 34 years old: 3.48%
- employees between 35 and 44 years old: 3%
- employees between 45 and 54 years old: 2%
- employees 55 years old and over: 0.50%

Social charges: 46%

At 31 December 2009, post-employment benefits obligations totalled €379,572.

1.5.3. BioAlliance Pharma stock options granted to employees

The ordinary and extraordinary general meeting of 16 May 2006 provided authorisation to the Management Board to grant, during the periods authorised by law, a maximum number of 630,000 stock options each conveying a right to one share.

In total, 595,000 options have been allocated out of the 630,000 initially authorised. At 31 December 2008, 486,500 options remained outstanding, including 441,500 solely for employees of BioAlliance Pharma.

No options were exercised and 43,500 options were automatically cancelled in 2009 due to the departure of employees.

At 31 December 2009, 443,000 options remain outstanding, including 403,000 solely for employees of BioAlliance Pharma.

1.5.4. Free share grant

The ordinary and extraordinary general meeting of 29 April 2008 delegated authority to the Management Board to grant a maximum of 260,000 shares to officers and employees of BioAlliance Pharma or any of its wholly owned subsidiaries. The grant of these shares was subject to performance conditions to be decided by the Management Board.

At 31 December 2008, 148,500 rights to free shares had been granted and, because of cancellations due to the departure of employees, 135,100 remained outstanding, including 129,100 solely for employees of BioAlliance Pharma.

In 2009 the Management Board of 1 April 2009 granted 94,000 rights to free shares, including 72,500 solely for employees of BioAlliance Pharma. In addition, 29,400 rights to free shares were automatically cancelled due to the departure of employees.

At 31 December 2009, 199,700 rights to free shares remain outstanding, including 173,400 solely for employees of BioAlliance Pharma.

1.5.5. Grant of BCEs and BSAs

At 31 December 2008, the total of share purchase warrants (BSAs) and special founders' share purchase warrants (BSPCEs) outstanding was 288,208 warrants, representing 780,832 shares that may be purchased, assuming total vesting.

In the 2009 financial year:

- BSA-B, BCE-F and BCE-G, authorised by the general meetings of 17 March and 19 July 2004, lapsed without being exercised, because the exercise price was lower than the share price;
- BCE-J and BSA-J, authorised by the general meeting of 7 November 2005, were not exercised and 11,700 BCE-J were cancelled due to the departure of employees, reducing the number of BCE-J and BSA-J outstanding at 31 December 2009 to 66,800 warrants, each conveying a right to 4 shares;
- BSA-Ks, authorised by the general meeting of 16 May 2006, were not exercised and 3,500 BSA-Ks were cancelled due to the departure of their holder, reducing the number of BSA-Ks outstanding at 31 December 2009 to 66,500 warrants, each conveying a right to 1 share;
- as regards the BSA-L authorised by the general meeting of 29 April 2008:
 - the Management Boards of 6 April 2009 and 22 October 2009 respectively awarded 8,000 BSA-L2 and 6,000 BSA-L3, subject to vesting conditions over a period of four years, to members of the Scientific Committee and the Supervisory Board;
 - 1,500 BSA-L1 were exercised in November 2009;
 - 9,000 BSA-L1 were cancelled due to the departure of their holder, reducing the number of BSA-L outstanding at 31 December 2009 to 57,500 warrants, each conveying a right to 1 share.

At 31 December 2009, the total of share purchase warrants (BSAs) and special founders' share purchase warrants (BSPCEs) outstanding was 190,800 warrants, representing 391,200 shares that may be purchased, assuming total vesting.

1.5.6. Stock options of Eurofins-VirAlliance (EVI)

In the context of the contract signed with Eurofins-VirAlliance (EVI) on 20 October 2005 related to the sale of licences (previously operated by VirAlliance, a subsidiary of BioAlliance Pharma dissolved in 2005), BioAlliance Pharma was allocated stock options in EVI that were exercisable between 1 January and 30 June 2009.

At 31 December 2009, BioAlliance Pharma had not exercised these options, which therefore lapsed.

1.5.7. Financial commitment in favour of a third party

On 11 September 2006, BioAlliance Pharma signed a commitment with ALD Automotive concerning the continuation of a long-term lease agreement taken out by Laboratoires BioAlliance Pharma. BioAlliance Pharma undertakes to stand in for the latter company in the event of a failure to perform any of its obligations, at the lessor's first request.

At 31 December 2009, the amount of this commitment was €253,341.

1.5.8. Individual statutory training entitlement

A total of 2,884 hours' rights to statutory training entitlement have been acquired by employees. This commitment is valued at €237,416.

1.5.9. Operating lease contracts

This commitment is in respect of the Company's leases. The valuation of the commitment is:

- less than one year: €755,585;
- between 1 and 5 years: €3,022,340;
- more than 5 years: €1,416,722.

1.5.10. Remuneration of corporate officers

Remuneration of corporate officers came to €679,327.

The amount of their post-employment benefits was €193,418.

1.6. OTHER FINANCIAL INFORMATION

BioAlliance Pharma is the parent company of a consolidated tax group with its subsidiary Laboratoires BioAlliance Pharma.

FIXED ASSETS

Schedule A	Gross value at start of year	Increases	
		Revaluations	Acquisitions

Intangible assets			
Formation costs and research and development costs	Total I		
Other intangible assets	Total II	431,208	157,427
Tangible assets			
Plant and equipment		593,081	68,358
Fixtures and fittings		2,062,006	66,264
Office and computer equipment, furniture		563,289	21,279
Tangible assets in progress			
	Total III	3,218,377	155,901
Financial assets			
Other equity holdings		151,918	14,500,000
Other long-term securities		197,470	18,300
Loans and other financial assets		229,613	77,491
	Total IV	579,001	14,595,792
Grand total (I + II + III + IV)		4,228,586	0

Schedule B	Decreases		Gross value at end of year	Revaluations to original value
	On transfer	On sale		

Intangible assets				
Formation costs and research and development costs	Total I		0	
Other intangible assets	Total II		588,635	
Tangible assets				
Plant and equipment			661,440	
Fixtures and fittings			2,128,270	
Office and computer equipment, furniture		17,211	567,357	
Tangible assets in progress				
	Total III	17,211	3,357,067	
Financial assets				
Other equity holdings			14,651,918	
Other long-term securities		41,747	174,023	
Loans and other financial assets		6,562	300,542	
	Total IV	0	48,309	15,126,483
Grand total (I + II + III + IV)		0	65,520	19,072,185

DEPRECIATION AND AMORTISATION

Schedule A		POSITION AND MOVEMENTS IN THE YEAR			
DEPRECIABLE FIXED ASSETS		Gross value at start of year	Increases Allowances	Decreases Disposals/Reversals	Amount at end of year
Intangible assets					
Formation costs and research and development costs	Total I				0
Other intangible assets	Total II	342,031	116,703		458,734
Tangible assets					
Plant and equipment		309,423	83,983		393,405
Fixtures and fittings		310,183	203,749		513,932
Office and computer equipment, furniture		231,612	108,377	10,955	329,033
	Total III	851,217	396,108	10,955	1,236,370
Grand total (I + II + III)		1,193,249	512,811	10,955	1,695,104

Schedule B	BREAKDOWN OF DEPRECIATION AND AMORTISATION FOR THE YEAR			Schedule C	TAX-DRIVEN DEPRECIATION
DEPRECIABLE FIXED ASSETS	Straight-line method	Reducing balance method	Exceptional depreciation	Allowances	Reversals

Intangible assets					
Formation costs and research and development costs	Total I				
Other intangible assets	Total II	116,703			
Tangible assets					
Plant and equipment		83,983			
Fixtures and fittings		203,749			
Office and computer equipment, furniture		108,377			
	Total III	396,108			
Grand total (I + II + III)		512,811			

Schedule D	MOVEMENTS IN DEFERRED CHARGES SPREAD OVER SEVERAL YEARS			
	Net amount at start of year	Increases	Decreases in year (amortisation)	Net amount at end of year

Deferred charges spread over several years				
Bond redemption premiums				

PROVISIONS RECOGNISED IN THE BALANCE SHEET

Amount at start of year	Increases: Allowances in year	Decreases: Reversals in year	Amount at end of year
-------------------------	----------------------------------	---------------------------------	-----------------------

Regulated provisions				
Total I				
Provisions for contingencies and charges				
Provisions for foreign exchange losses	401	6,070	401	6,070
Other provisions for contingencies and losses	160,000	78,000		238,000
Total II	160,401	84,070	401	244,070
Provisions for impairment				
On investments	20,000	14,600,000		14,620,000
On inventories		65,504		65,504
On receivables	109,050	15,068	109,050	15,068
Other provisions for impairment	1,225,000	250,000		1,475,000
Total III	1,354,050	14,930,572	109,050	16,175,572
Grand total (I + II + III + IV)	1,514,451	15,014,642	109,451	16,419,642

	- operating	330,572	109,050
Of which allowances and reversals:	- financial	14,606,070	401
	- exceptional	78,000	

Investments in associates: impairment in year (article 39-1-5 of the General Tax Code)

SCHEDULES OF RECEIVABLES AND PAYABLES

Schedule A	RECEIVABLES	Gross amount	Within 1 year at most	More than 1 year
In fixed assets				
	Other financial assets	300,542	145,297	155,245
In current assets				
	Doubtful or contentious receivables	15,068	15,068	
	Other trade receivables	263,009	263,009	
	Personnel	5,000	5,000	
	Social security and other employee benefit bodies	(4,307)	(4,307)	
	Corporate income taxes	1,829,394	1,829,394	
	Value added tax	575,898	575,898	
	Other taxes			
	Sundry	50,000	50,000	
	Group and shareholders	1,509,960	1,509,960	
	Miscellaneous receivables	584,165	584,165	
	Prepaid expenses	272,575	272,575	
Total		5,401,304	5,246,059	155,245

Schedule B	PAYABLES	Gross amount	Within 1 year at most	1 to 5 years	More than 5 years
Bank debt					
	- maturity less than 1 year at outset	21,773	21,773		
	- maturity more than 1 year at outset				
	Trade payables	2,500,819	2,500,819		
	Personnel	901,105	901,105		
	Social security and other employee benefit bodies	748,298	748,298		
	Value added tax	23,837	23,837		
	Taxes other than on income	167,611	167,611		
	Group and shareholders	612,083	612,083		
	Other payables	3,431	3,431		
	Deferred revenue	1,439,374	1,439,374		
Total		6,418,332	6,418,332		

BREAKDOWN OF SHARE CAPITAL

(Articles R 123-195 and R 123-196 of the Commercial Code)

Categories of securities	Nominal value	Number of securities			
		At start of year	Issued during the year	Redeemed during the year	At end of year
SHARES	0.25000	12,896,834	1,500		12,898,334

ACCRUED INCOME

(Articles R 123-195 and R 123-196 of the Commercial Code)

Accrued income is included in the following balance sheet items	31/12/2009	31/12/2008
Receivables from investments		
Trade receivables		
Other receivables	422,526	607,767
Grants receivable	162,073	87,880
Rebates receivable	264,760	521,916
Others	(4,307)	(2,029)
Cash		3,152
Total	422,526	610,918

ACCRUED EXPENSES

(Articles R 123-195 and R 123-196 of the Commercial Code)

Accrued expenses are included in the following balance sheet items	31/12/2009	31/12/2008
Bank debt	6,192	8,360
Trade payables	1,357,522	2,377,663
Accrued taxes and personnel costs	1,473,898	1,382,613
Payables related to fixed assets		
Other payables		47,618
Total	2,837,613	3,816,254

DEFERRED REVENUE AND PREPAID EXPENSES

(Articles R 123-195 and R 123-196 of the Commercial Code)

Deferred revenue	31/12/2009	31/12/2008
Operating income	1,439,374	7,761,534
Total	1,439,374	7,761,534

Prepaid expenses	31/12/2009	31/12/2008
Operating expenses	272,575	575,702
Total	272,575	575,702

ITEMS RELATED TO SEVERAL BALANCE SHEET ITEMS

(Articles R 123-195 and R 123-196 of the Commercial Code)

Items related to several balance sheet items	Amount concerning		Amount of payables or receivables represented by commercial paper
	Related companies	Invested companies	
Subscribed, uncalled share capital			
Intangible assets			
Advances and prepayments			
Financial assets			
Investments		31,918	
Receivables from investments			
Loans			
Other long-term securities			
Other financial assets			
Total fixed assets	-	31,918	-
Prepayments to suppliers			
Receivables			
Trade receivables		146,601	
Other receivables		1,509,960	
Subscribed, called, unpaid share capital			
Total receivables	-	1,656,561	-
Marketable securities			
Cash			
Payables			
Convertible bonds			
Other bonds			
Bank debts			
Other debt		612,083	
Client prepayments			
Trade payables		3,431	
Payables related to fixed assets			
Other payables			
Total payables	-	615,514	-

BREAKDOWN OF NET SALES

(Articles R 123-195 and R 123-196 of the Commercial Code)

	France	Outside France	Total
Sale of finished products		(67,553)	(67,553)
Services rendered			
Sales of goods held for resale	232,296		232,296
Income from ancillary activities	748,258		748,258
Total	980,554	(67,553)	913,000

AVERAGE HEADCOUNT

(Articles R 123-195 and R 123-196 of the Commercial Code)

	Employees	Seconded personnel
Managers (<i>cadres</i>)	54	
Supervisors and technicians		
Staff (<i>non cadres</i>)	11	
Workers		
Total	65	0

LIST OF SUBSIDIARIES AND INVESTMENTS

(Articles R 123-195 and R 123-196 of the Commercial Code)

	Share capital	Shareholders' equity	% share of capital owned	Loss for most recent financial year
A – DETAILED INFORMATION CONCERNING SUBSIDIARIES AND INVESTMENTS				
1 – Subsidiaries (more than 50% of share capital owned)				
Laboratoires BioAlliance Pharma	100,000	588,105	100,000	(4,184,136)
BioAlliance Pharma Switzerland	67,404	(404)	100,000	(38,034)
2 – Investments (from 10% to 50% of share capital owned)				
SpeBio	40,000	(3,300,026)	50,000	(980,883)
B – OVERALL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS				
1 – Subsidiaries not in A:				
a) French				
b) non-French				
2 – Investments not in A:				
a) French				
b) non-French				

LEASES

(Articles R 123-195 and R 123-196 of the Commercial Code)

Balance sheet item	Original value	Theoretical amortisation		Net theoretical value	Fees	
		Financial year	Cumulative		Financial year	Cumulative
Plant and equipment	74,130	8,649	8,649	65,482	10,121	10,121
TOTAL	74,130	8,649	8,649	65,482	10,121	10,121

Balance sheet item	Fees still outstanding				Residual purchase price	Amount charged in financial year
	Within 1 year at most	From 1 to 5 years	More than 5 years	Total		
Plant and machinery	17,307	46,703		64,009	741	
TOTAL	17,307	46,703		64,009	741	

RESULTS AND OTHER KEY ITEMS REGARDING THE COMPANY OVER THE LAST FIVE YEARS

(Article R 225-102 paragraph 2 of the Commercial Code)

	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
Share capital at year end					
Share capital	2,073,498	2,169,086	3,115,473	3,224,208	3,224,584
Number of ordinary shares	8,293,991	8,676,343	12,461,894	12,896,832	12,898,334
Number of preference shares					
Maximum number of future shares to be issued:					
- through the conversion of bonds					
- through subscription rights					
Operations and results					
Net sales, excluding VAT	211,833	826,676	1,153,066	1,084,063	913,000
Net loss before tax, profit-sharing, depreciation, amortisation and provisions	(10,247,651)	(11,108,911)	(16,385,584)	(15,217,550)	(8,847,030)
Corporate income taxes	241,375	359,968	1,085,083	2,253,575	1,829,922
Employee profit-sharing					
Net loss after tax, profit-sharing, depreciation, amortisation and provisions	(7,705,221)	(11,022,461)	(15,721,589)	(14,560,997)	(22,398,410)
Distributions					
Earnings per share					
Net loss after tax, profit-sharing, before depreciation, amortisation and provisions	(1.21)	(1.24)	(1.23)	(1.01)	(0.54)
Net loss after tax, profit-sharing, depreciation, amortisation and provisions	(0.93)	(1.27)	(1.26)	(1.13)	(0.60)
Dividend paid					
Personnel					
Average headcount	45	47	53	75	65
Gross salary expense	1,971,463	2,978,149	3,275,570	4,788,434	4,308,010
Social charges and benefits (social security, charities and similar benefits)	895,273	1,362,762	1,492,593	2,384,799	2,063,429

**CHAPITRE 2. BIOALLIANCE PHARMA GROUP
2009 CONSOLIDATED FINANCIAL STATEMENTS**

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2.1. CONSOLIDATED BALANCE SHEET

ASSETS	31/12/2009	31/12/2008	Note
€			
Non-current assets			
Intangible assets	129,901	89,177	4
Tangible assets	1,919,070	2,077,399	4
Financial assets	269,683	235,355	
Other non-current assets	0	0	5
<i>Total non-current assets</i>	2,318,654	2,401,931	
Current assets			
Inventories	21,152	25,546	
Trade receivables	956,748	673,932	5
Other receivables	3,328,410	7,574,972	5
Marketable securities	13,898,788	31,200,514	5
Cash	811,547	490,490	
<i>Total current assets</i>	19,016,645	39,965,454	
TOTAL ASSETS	21,335,300	42,367,384	

LIABILITIES	31/12/2009	31/12/2008	Note
€			
Shareholders' equity			
Share capital	3,224,584	3,224,209	6
Less: treasury shares	(174,023)	(155,723)	6
Additional paid-in capital	97,948,490	97,944,440	
Reserves	(72,854,951)	(52,427,121)	
Minority interests	0	0	
Net loss for the year	(15,382,885)	(21,366,072)	
<i>Total shareholders' equity</i>	12,761,216	27,219,732	
Non-current liabilities			
Provisions	713,669	556,134	7
Other non-current liabilities	1,066,789	350,000	7
<i>Total non-current liabilities</i>	1,780,458	906,134	
Current liabilities			
Short-term debt	74,520	11,689	
Trade payables	2,920,996	5,045,813	8
Other liabilities	3,798,110	9,184,016	8
<i>Total current liabilities</i>	6,793,626	14,241,518	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21,335,300	42,367,384	

2.2. CONSOLIDATED PROFIT AND LOSS ACCOUNT

€	31/12/2009	Year ended 31/12/2008	Note
Net sales	7,536,312	8,173,943	9
Other income	198,503	0	9
Purchases	(398,754)	(314,142)	
Personnel costs	(8,891,703)	(9,641,939)	9
External expenses	(12,703,524)	(19,295,258)	9
Taxes other than on income	(451,158)	(888,782)	
Depreciation and amortisation, net	(454,261)	(402,268)	
Allowances to provisions, net	(172,274)	164,827	9
Other operating income	0	2,259,010	9
Other operating expenses	(141,386)	(3,247,876)	9
Operating loss	(15,478,244)	(23,192,485)	
Income from cash and cash equivalents	246,926	1,807,279	10
Other financial income	15,332	137,699	
Financial expenses	(166,899)	(117,411)	
Loss before taxation	(15,382,885)	(21,364,918)	
Tax expenses	0	(1,154)	11
Net loss	(15,382,885)	(21,366,072)	
Group share	(15,382,885)	(21,366,072)	
Minority interests			
Earnings per share	(1.19)	(1.66)	12
Diluted earnings per share	(1.19)	(1.66)	12

€	31/12/2009	31/12/2008	Note
Loss for the period	(15,382,885)	(21,366,072)	
Other comprehensive income			
Exchange rate differences arising at the time of conversion of activities abroad	0	0	
Losses and gains on derecognition of assets available for sale	0	0	
Cash flow hedges	0	0	
Profits resulting from revaluation of fixed assets	0	0	
Actuarial gains and losses on defined benefit schemes	0	0	
Share of other elements of comprehensive income in associated companies	0	0	
Tax related to elements of the comprehensive income	0	0	
Other elements of the comprehensive income for the period net of taxes	0	0	
Total comprehensive income for the period	(15,382,885)	(21,366,072)	
Total comprehensive income attributable to			
Owners of the parent company	(15,382,885)	(21,366,072)	
Minority interests	0	0	
	(15,382,885)	(21,366,072)	

2.3. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In €	Share capital	Additional paid-in capital	Treasury shares	Translation adjustment	Reserves and retained earnings	Total shareholders' equity	Minority interests	TOTAL
Shareholders' equity at 31/12/2006	2,169,086	53,831,900	0	0	(37,026,739)	18,974,247	0	18,974,247
Loss for the period					(18,248,871)	(18,248,871)		(18,248,871)
Capital increase	946,388	43,153,487				44,099,875		44,099,875
Share-based payment					1,794,518	1,794,518		1,794,518
Treasury shares			(108,223)		(21,148)	(129,371)		(129,371)
Dividends						0		0
Shareholders' equity at 31/12/2007	3,115,474	96,985,387	(108,223)	0	(53,502,240)	46,490,398	0	46,490,398
Loss for the period					(21,366,072)	(21,366,072)		(21,366,072)
Capital increase	108,735	959,054				1,067,789		1,067,789
Share-based payment					1,229,859	1,229,859		1,229,859
Treasury shares			(47,500)		(155,173)	(202,673)		(202,673)
Translation adjustment				432		432		432
Dividends						0		0
Shareholders' equity at 31/12/2008	3,224,209	97,944,441	(155,723)	432	(73,793,626)	27,219,733	0	27,219,733
Loss for the period					(15,382,885)	(15,382,885)		(15,382,885)
Capital increase	375	4,050				4,425		4,425
Capital reduction								
Share-based payment					842,987	842,987		842,987
Treasury shares			(18,300)		95,642	77,342		77,342
Translation adjustment				1,102	(1,488)	(386)		(386)
Dividends						0		0
Shareholders' equity at 31/12/2009	3,224,584	97,948,491	(174,023)	1,534	(88,239,370)	12,761,216	0	12,761,216

2.4. CONSOLIDATED CASH FLOW STATEMENT

	31/12/2009	31/12/2008
Consolidated net loss	(15,382,885)	(21,366,072)
+/- Depreciation, amortisation and provisions, net (excluding provisions against working capital)	656,342	330,585
-/+ Unrealised gains and losses related to changes in fair value	(3,146)	646
+/- Non-cash income and expenses on stock options and similar items	842,987	1,229,859
-/+ Other non-cash income and expenses	(107,127)	(2,297,575)
-/+ Capital gains or losses on disposal	6,252	3,206
-/+ Capital gains or losses on dilution		
+/- Share of earnings of associates		
- Dividends (non-consolidated investments)		
Gross operating cash flow after cost of net debt and taxes	(13,987,577)	(22,099,351)
+ Cost of net debt	(103,778)	(1,827,566)
+/- Tax expense (including deferred taxes)		
Gross operating cash flow before cost of net debt and taxes	(14,091,355)	(23,926,917)
- Taxes paid		
+/- Change in working capital (including employee benefit liabilities) (1)	(3,438,107)	(3,782,612)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(17,529,462)	(27,709,529)
- Expenditures on acquisition of tangible and intangible assets	(387,459)	(1,857,121)
+ Proceeds of disposal of tangible and intangible assets		
- Expenditures on acquisition of financial assets (non-consolidated investments)	(2,151)	(41,383)
+ Proceeds of disposal of financial assets (non-consolidated investments)	48,309	47,691
+/- Effect of changes in scope of consolidation		
+ Dividends received (equity accounted investments, non-consolidated investments)		
+/- Change in loans and advances granted		
+ Capital grants received		
+/- Other flows related to investment activities		
NET CASH FLOWS FROM INVESTING ACTIVITIES	(341,301)	(1,850,813)
+ Net amounts received from shareholders on capital increases		
. Paid by shareholders of the parent company	4,425	1,067,790
. Paid by minority shareholders in consolidated companies		
+ Amounts received on exercise of stock options		
-/+ Purchases and sales of treasury shares	77,341	(202,674)
- Dividends paid in the year		
. Dividends paid to shareholders of the parent company		
. Dividends paid to minority shareholders in consolidated companies		
+ Amounts received on issuance of new loans	74,130	
- Reimbursements of loans (including finance leases)	(8,649)	
- Net interest received (including finance leases)	103,778	1,827,566
+/- Other flows related to financing activities	639,448	2,302,674
NET CASH FLOWS FROM FINANCING ACTIVITIES	890,473	4,995,356
+/- Effect of fluctuations in foreign exchange rates	(386)	432
CHANGE IN CASH AND CASH EQUIVALENTS	(16,980,675)	(24,564,554)
Cash and cash equivalents at start of year	31,691,004	56,255,558
CASH AND CASH EQUIVALENTS AT YEAR END	14,710,329	31,691,004

(1) including allowance to provision for post-employment benefit obligations of €107,127

WORKING CAPITAL	31/12/2009	31/12/2008	Change
Inventories	21,152	25,546	(4,394)
Trade receivables	956,748	673,932	282,816
Other receivables	3,328,410	7,574,972	(4,246,562)
	4,306,310	8,274,450	(3,968,140)
Financial liabilities	9,039	11,689	(2,650)
Trade payables	2,920,996	5,045,813	(2,124,817)
Other payables	3,798,110	9,184,016	(5,385,906)
	6,728,145	14,241,518	(7,513,373)
Working capital	(2,421,834)	(5,967,068)	3,545,234

2.5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

NOTE 1: SIGNIFICANT EVENTS AND TRANSACTIONS

BioAlliance Pharma SA is a company dedicated to opportunistic infections, cancer and AIDS, which develops and markets innovative products that deal with drug resistance.

1.1 INFORMATION CONCERNING BUSINESS ACTIVITIES DURING THE 2009 FINANCIAL YEAR

- **Submission of registration files for Loramyc® in the United States and for the RapidFilm™ ondansetron in Europe**

In mid June, BioAlliance Pharma submitted its registration file to the US Food and Drug Administration (FDA) for the approval of Loramyc®, a mucoadhesive gingival tablet for treating oropharyngeal candidiasis. This file included data for marking the tablet specifically requested by the FDA in April and its admissibility was confirmed by the FDA in August. If this application is approved, Loramyc® could be launched on the US market in the second half of 2010 by Strativa Pharmaceuticals, the proprietary-products branch of Par Pharmaceutical, Inc. (NYSE: PRX), BioAlliance Pharma's sales partner in the United States. To accommodate this timetable, BioAlliance Pharma has extended the period for sales recognition of the payment of \$15 million received on signing the agreement with Par Pharmaceutical from 30 to 33 months.

Previously, in February 2009, BioAlliance Pharma had started the procedure for European registration of the file on Setofilm® orodispersible film (RapidFilm™ ondansetron) acquired under licence for Europe from Applied Pharma Research SA (Switzerland) and Labtech GmbH (Germany) in 2008. This innovation is dedicated to preventing and treating nausea and vomiting induced by chemotherapy and radiotherapy, and facilitates the taking, efficacy and observance of the treatment.

- **Establishment of a joint promotion agreement**

In the second half of 2009, Laboratoires BioAlliance Pharma handled the joint promotion in France of Seroplex®, an antidepressant from the Lundbeck laboratories, with its usual healthcare partners, notably oncologists, radiotherapists and haematologists. This move is part of a process aimed at better patient care, particularly care of those with cancer, and is in line with the provisions of the Cancer Plan. The joint promotion agreement made it possible to reinvoice part of the costs of the France sales force and contributed to consolidated sales.

Since the agreement with Lundbeck ended on 31 December 2009, the Group continued joint promotion by signing a new agreement in early 2010 with the Eisai SAS laboratory in France for joint promotion of Aequasyl®, indicated in the treatment of dry mouth (hyposialia). This disabling disease is very frequent in cancer patients and its treatment is considered supportive care.

- **Positive results of the aciclovir Lauriad® phase III clinical trial**

In December, BioAlliance Pharma announced the final results of its pivotal phase III clinical trial in immunocompromised patients with recurrent herpes labialis. Primary and secondary endpoints were met with marked efficacy and good tolerance. This international multi-centre randomised, double-blind, placebo-controlled study compared the efficacy and tolerance of a single dose of aciclovir Lauriad® 50mg mucoadhesive gingival tablet with matching placebo in 1,727 randomised and 775 treated patients suffering from recurrent herpes labialis.

These important results represent a solid basis for the file to be submitted to the regulatory authorities.

- **Three new programmes start clinical phase**

In the second half of 2009, BioAlliance Pharma announced the beginning of clinical trials for three new products:

- fentanyl Lauriad®, dedicated to the treatment of chronic pain in patients with cancer. This extended-release product capitalises on the mucoadhesive technology validated with Loramyc®. An initial phase I clinical trial began with the recruitment of the first subjects in late 2009;
- clonidine Lauriad®, the fourth product using the same innovative technology developed in the treatment of oral mucositis. The phase II trial began with the recruitment of the first patients in early 2010.
- AMEP™, an anti-invasive biotherapy dedicated to the treatment of metastatic or invasive melanoma, an advanced skin cancer resistant to most treatments. The phase I trial runs from early 2010. This project is supported by OSEO through the Industrial Strategic Innovation programme, which supports ground-breaking technological projects (see below).

- **Progress in other research and development programmes**

At a number of international conferences held in 2009, BioAlliance Pharma presented results concerning the progress of its preclinical irinotecan Transdrug® and anti-integrase programmes.

- **OSEO ISI funding of €6.4 million**

Funding was obtained within the framework of the Cancer Anti-invasive Program (CAP) public/private consortium, supported by OSEO through the Industrial Strategic Innovation programme. Coordinated by BioAlliance Pharma, this consortium combines two innovative smaller companies (Oroxcell and Xentech) and two companies of intermediate size (Novasep and CIT), which will invest in this programme, along with two academic centres of excellence, the Cachan Ecole Normale Supérieure and the Institut Gustave Roussy de Cancérologie. All told, this consortium will be funded over five years to the tune of €9.9 million comprising grants and reimbursable assistance, including €6.4 million for BioAlliance Pharma.

The collaborative programme will partially fund the development of two highly innovative therapeutic products until they go to market: AMEP™, a biotherapy indicated in invasive melanoma, and a targeted chemical therapy in invasive cancers acting in accordance with an original mechanism that enables the tumour cell to return to a normal phenotype. An amount of €886,000 was received in 2009.

- **Reacquisition of rights in Loramyc® in Europe and dispute with SpePharm**

On 27 February 2009, BioAlliance Pharma broke off collaboration with SpePharm and reacquired the rights to market Loramyc® in Europe from the SpeBio joint venture.

BioAlliance Pharma has taken SpePharm and SpeBio to the International Court of Arbitration of the International Chamber of Commerce to obtain damages for the loss suffered on account of breaches of contract committed by these companies under the partnership that had been agreed for the commercial launch of Loramyc®. This action is a continuation of the summons that had been served by BioAlliance Pharma on SpeBio before the Paris Commercial Court on 27 February 2009, in that it confirms BioAlliance Pharma's desire to globalise the litigation with its former sales partners before the arbitral court and to withdraw from its earlier summons.

SpePharm has also instituted emergency proceedings in the Netherlands against BioAlliance to avoid the liquidation of SpeBio.

SpePharm and SpeBio have claimed damages in their proceedings against BioAlliance Pharma.

As at 31 December 2008, the risk in this litigation could not be reliably measured, so no provision was made at 31 December 2009.

In addition, the consolidated financial statements at 31 December 2009 include the following elements:

- immediate recognition in sales of the residual share associated with the distribution over 10 years of the payment of €3 million received on signing the SpeBio contract in 2007, i.e. an amount of €2.4 million with 50% eliminated on account of the proportionate consolidation of SpeBio. This decision ensues from the joint venture's inactivity following the cancellation of the licence;
- continued consolidation of SpeBio under the proportionate consolidation method. SpeBio's financial statements for 2009 include costs (lawyers' fees and management fees) contested by BioAlliance in the litigation in progress. The consolidated share of these expenses comes to €252,000.

- **Departure of Pierre Morgon**

Because of the reorientation of European activity (outside France) into a partnership under licence, following the termination of the licensing agreement with SpeBio, Pierre Morgon, a member of the Management Board and Chief Operating Officer, specialising in international development, decided to leave the company at end May 2009.

- **Appointments to the Supervisory Board**

In October 2009, BioAlliance Pharma's Supervisory Board co-opted Mr André Ulmann, medical doctor, doctor of sciences, founder and director since 1996 of the HRA Pharma laboratory, and ING Belgium, represented by Mr Denis Biju-Duval, engineer, holder of an MBA, head of ING Belgium's private equity team since 2001, to replace Messrs Georges Hibon and Philippe Taranto.

1.2 POST BALANCE SHEET EVENTS

On 31 March 2010, BioAlliance signed a strategic partnership agreement with the Therabel Group to market Loramyc® and Setofilm® in Europe, including the French territory. Founded in Europe in 1945, Therabel is a private group that has for several years developed a strategy of external growth and development in its marketing to the hospital sector, particularly in supportive care. The agreement will potentially reach an amount of €48.5 million, broken down as follows:

- a payment of €6.5 million, including €4.5 million paid on signing followed by two additional payments each of €1 million by 31 December 2011 and 31 December 2012;
- payments as and when a certain price or reimbursement has been obtained or sales objectives achieved for a maximum amount of €36 million;
- royalties calculated on sales of products; and

- equity participation in BioAlliance Pharma for a total amount of €6 million: a first tranche of €3 million will be voted on by shareholders at the extraordinary general meeting on 22 April 2010 and will potentially be made straight away. There are accompanying lock-up conditions. A second tranche is planned 18 months after the first, i.e. at the earliest on 22 October 2011, subject to shareholder approval at a new general meeting, to be held in 2011.

BioAlliance Pharma will therefore receive a minimum amount of €7.5 million in 2010.

As the European partnership agreement includes France, BioAlliance Pharma cancelled, on 31 March, the exclusive licensing agreement concluded with the Laboratoires BioAlliance Pharma subsidiary to market Loramyc®. In accordance with article L 1224-1 of the Labour Code, the subsidiary's hospital sales force was automatically transferred to the Therabel Group's newly created French entity, Therabel Hôpital Pharma.

NOTE 2: ACCOUNTING PRINCIPLES, RULES AND METHODS

The consolidated financial statements are presented in euros.

The consolidated financial statements are prepared each year to a 31 December reporting date. The parent company financial statements included in the consolidated financial statements are prepared to the same date and cover the same period.

The consolidated financial statements at 31 December 2009, including the notes thereto, were approved by BioAlliance Pharma's Management Board on 2 April 2010.

2.1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies used in preparing BioAlliance Pharma's consolidated financial statements are in accordance with IFRS standards and interpretations as approved by the European Union at 31 December 2009, which are available on the following website: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

These accounting policies do not diverge from IFRS standards published by the IASB as the application of the following standards and interpretations, which are mandatory for financial periods beginning on or after 1 January 2009 but which have not yet been approved by the European Union, would have no impact on the Group's financial statements:

- IFRIC 12 Service Concession Arrangements;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

The financial statements are prepared in accordance with the historical cost convention, with the exception of financial assets measured at fair value. Preparation of financial statements in accordance with IFRS principles requires that estimates and assumptions be made that can affect the amounts and the disclosures provided in the financial statements. Actual results may differ significantly from such estimates in accordance with different assumptions or conditions and a sensitivity analysis may be performed if material. The captions mainly affected in terms of such estimates are estimates of the impact of litigation (see note 1) and changes in employee benefits corresponding to share-based payments (see note 2.9).

The financial statements were prepared on a going concern basis, as established by sufficient financial resources to finance the business, taking into account the payments provided for in 2010 in the licensing agreements signed with Therabel (see section 1.2.2 above) and Par Pharmaceutical (\$20 million for the authorisation to market Loramyc® in the United States).

The accounting policies adopted are consistent with those used in the previous financial year ended 31 December 2008, except for the changes presented in the paragraphs below.

The new accounting policies applied in preparing the consolidated accounts at 31 December 2009 are set out below.

New texts applicable at 31 December 2009

Application of the following new standards, amendments to existing standards and interpretations is compulsory for the financial year commencing 1 January 2009:

- IFRS 8: Operating Segments – published in November 2006 and with mandatory application for periods beginning on or after 1 January 2009, this standard related to operating segments has not been applied since there is only one segment within the Group.
- Revised IAS 1: Presentation of Financial Statements – published in September 2007 and with mandatory application to periods beginning on or after 1 January 2009, this standard related to the presentation of financial statements is applied by the Group at 31 December 2009.

The following standards, amendments and interpretations have little or no impact or are inapplicable:

- Amendment to IFRS 2: Vesting Conditions and Cancellations;
- Revised IAS 23: Borrowing Costs;
- Annual Improvements (2008);
- Amendments to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation;
- Amendments to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions;
- Amendments to IAS 39 and IFRS 7: Reclassifications of Financial Assets;
- Amendments to IFRS 4 and IFRS 7: Enhanced Disclosures about Derivative Instruments;
- Amendment to IFRS 7: Enhanced Disclosures about Financial Instruments;
- Amendment to IFRIC 9 and IAS 39: Embedded Derivatives;
- IFRIC 13: Customer Loyalty Programmes;
- IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Texts that are not yet applicable

The Group did not opt for early adoption of the following standards and interpretations, which are only compulsorily applicable for accounting periods commencing after 31 December 2009:

- Amendment to IAS 27: Consolidated and Separate Financial Statements;
- Revised IFRS 3: Business Combinations;
- Amendment to IFRS 1: First-Time Adoption of IFRS;
- Amendment to IAS 39: Eligible Hedged Items;
- Amendment to IFRS 2: Group Cash-settled Share-based Payment Transactions;
- Amendment to IFRS 9: Financial Instruments;
- Amendment to IAS 32: Classification of Rights Issues;
- Revised IAS 24: Related Party Disclosures;
- Annual Improvements (2009);
- Amendments to IFRS 1: Additional Exemptions for First-Time Adopters;

- IFRIC 12: Service Concession Arrangements;
- IFRIC 15: Agreements for the Construction of Real Estate;
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17: Distributions of Non-cash Assets to Owners;
- IFRIC 18: Transfers of Assets from Customers;
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IFRIC 14: Prepayments of Minimum Funding Requirement.

The Group is currently carrying out analysis of the practical consequences of these texts and their application in its financial statements. At this point in its analysis, the Group does not anticipate a material impact on its financial statements.

Options provided by IFRS and applied by BioAlliance Pharma

Certain international accounting standards provide options regarding recognition and measurement of assets and liabilities. In this context, in particular, BioAlliance Pharma elected, for post-employment benefits, to recognise actuarial gains and losses arising since 1 January 2005 in accordance with the corridor method. This method provides for the amortisation, through the profit and loss account, of actuarial gains and losses exceeding 10% of the greater of the benefit obligation or the related plan assets over the average residual working life of the employees entitled to the benefits.

2.2. SCOPE OF CONSOLIDATION

The scope of consolidation includes the following companies:

- **Laboratoires BioAlliance Pharma**, a simplified limited company, wholly owned by BioAlliance Pharma. Laboratoires BioAlliance Pharma is fully consolidated;
- **SpeBio BV**, a Dutch-law company established in Amsterdam, the Netherlands, which is 50% owned by BioAlliance Pharma and jointly held with SpePharm BV. SpeBio was incorporated on 31 May 2007 and is consolidated using the proportionate consolidation method;
- **BioAlliance Pharma Switzerland**, a Swiss-law company established in Geneva, Switzerland, which is wholly owned by BioAlliance Pharma. BioAlliance Pharma Switzerland is fully consolidated.

Intercompany transactions and balances arising from transactions between group companies have been eliminated.

The subsidiaries' accounting policies have been aligned with those of the Group.

2.3. SEGMENT REPORTING (IFRS 8)

The Group has not identified distinct operating segments at present.

2.4. FOREIGN CURRENCY TRANSLATION (IAS 21)

2.4.1. Financial statements prepared in foreign currencies

The assets and liabilities of companies which have functional currencies other than the euro, and which do not operate in a hyperinflationary environment, are translated into euros at the exchange rates prevailing at the balance sheet date. Their profit and loss accounts are translated at the average exchange rates for the year.

Differences arising from application of these translation methods to balance sheet and profit and loss account items are recognised in equity, within 'translation adjustments' for the Group share and within 'minority interests' for the minority share. When the foreign entity is sold, these translation adjustments are recognised in the profit and loss account as part of the gain or loss on disposal.

2.4.2. Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into euros using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, cash and cash equivalents and operating receivables and payables denominated in foreign currencies are translated into euros on the basis of the closing exchange rate for the year. Any foreign exchange gains or losses resulting from this translation are recognised in the profit and loss account for the year.

2.5. NON-CURRENT ASSETS

2.5.1. Intangible assets (IAS 38)

- **SOFTWARE**

Costs related to the acquisition of software licences are recognised in assets on the basis of the costs incurred both to acquire the software and to put it into operational use.

Software is amortised over a period of 12 months on a straight-line basis, which corresponds to its estimated useful life.

- **PATENTS**

Patents created by BioAlliance Pharma are recognised in expenses or activated in line with the accounting treatment for research and development costs set out below:

In application of the criteria set out in IAS 38, patents acquired by BioAlliance for consideration are capitalised and amortised. The amortisation period generally applied by BioAlliance is 10 years, which corresponds to the estimated useful life of the patents.

- **RESEARCH AND DEVELOPMENT COSTS**

Research costs are systematically recognised in expenses.

Development costs are capitalised once the conditions set out in IAS 38 are satisfied. The Company considers that the six criteria set out in IAS 38 are not satisfied until such time as a marketing authorisation is obtained.

- **LICENSING AGREEMENTS**

Licensing agreements under which the Group acquires, from a third party, a licence for the right to sell a product in a given geographical area generally involve a payment at the date of signing, various other additional payments which are subject to the achievement of regulatory and sales objectives and payment of royalties on sales.

These licensing agreements generally relate to products undergoing clinical development. The amounts paid on signing represent a participation in financing the research and development expenses and are therefore fully recognised in expenses in the year in which the agreement is signed.

2.5.2. Tangible assets (IAS 16)

In accordance with IAS 16, tangible assets are recognised at acquisition cost less accumulated depreciation and impairment losses. Depreciation of tangible assets is calculated on a straight-line basis.

The most common depreciation periods and methods are as follows:

Equipment and tooling	5 years
Specialised equipment	5 years
Fixtures and fittings	10 years
Office and computer equipment	4 years
Furniture	5 years

2.5.3. Asset impairment

When they have a finite useful life, intangible assets are amortised over their useful life as estimated by the Group. When they have indefinite useful lives, they are not amortised but are subjected to annual impairment tests.

Tangible assets are subjected to impairment tests as soon as an indication of impairment is identified.

2.6. FINANCIAL ASSETS

Financial assets included in the scope of IAS 39 are classified either in financial assets at fair value through profit or loss, in loans and receivables, in investments held to maturity, or in available-for-sale financial assets. On initial recognition, financial assets are measured at fair value, increased, in the case of investments that are not recognised at fair value through profit or loss, by directly attributable transaction costs.

The Group determines the classification of its financial assets at the date of initial recognition and, in cases where it is authorised and appropriate to do so, revises this classification at each year-end.

Non-current financial assets include financial fixed assets, in particular:

- pledged cash mutual funds;
- deposits and guarantees, mainly corresponding to leased premises;
- and the 'cash' portion of the liquidity contract related to the purchase of treasury shares (note 5.1).

They also include other non-current financial assets corresponding to research tax credit receivables (portion greater than one year).

Current financial assets include trade receivables, other current assets, and cash and cash equivalents:

- other current assets include research tax credit receivables (portion less than one year);
- cash includes available balances in bank current accounts;
- cash equivalents include cash mutual funds and other minimally volatile mutual funds which can be converted to cash at any time and which do not present liquidity risks.

These assets are recognised, depending on their nature, on the basis of the following policies:

- *Investments held to maturity recognised at amortised cost*

The Group does not have any such investment at present.

- *Assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial instruments designated as being measured at fair value through profit or loss as from the date of their initial recognition, in accordance with the conditions of application of the fair value option which can apply to items that are managed, and whose performance is measured, on the basis of fair value.

This item includes bank current accounts and cash mutual funds that can be converted to cash, or sold, in the very short term and which do not present significant risks of loss of value if interest rates were to change.

These assets are classified in the balance sheet under 'Cash and cash equivalents'.

These financial assets are recognised at fair value, without deduction of any transaction costs which could be incurred on their sale. All gains and losses, whether realised or unrealised, arising on changes in the value of these assets, are recognised in the profit and loss account under 'Income from cash and cash equivalents'.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are measured in accordance with the amortised cost method, applying the effective interest rate, net of any impairment.

This category includes deposits and guarantees recognised in non-current assets and operating receivables (trade receivables and other current assets) recognised in current assets.

Trade receivables are initially recognised at fair value, including internal and external marginal costs directly attributable to the transaction. They are discounted when their due date for settlement is more than one year hence. The difference between the fair value and the amount recognised in the balance sheet is recognised through the profit and loss account.

These assets may be subject to a provision for impairment if objective indications of impairment exist. The amount of the impairment is equal to the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses which have not yet been incurred), discounted at the original effective interest rate (i.e. at the effective interest rate calculated at the date of initial recognition).

The carrying amount of the asset is reduced using an impairment provision account. The impairment is recognised through the profit and loss account and is reversible if the recoverable amount changes favourably in the future: if the amount of the impairment reduces during a subsequent accounting period, and if this reduction can be objectively linked to an event which occurred after the recognition of the impairment loss, the impairment loss previously recognised should be reversed. However, such reversal cannot have the effect of causing the carrying amount to become greater than the amortised cost at the date of reversal of the impairment.

As regards trade receivables, an impairment loss is recognised when the expected cash flows at the balance sheet date are less than the carrying amount. The analysis of the risk is carried out case by case, taking account of criteria such as the client's financial situation (probability of bankruptcy or significant financial difficulties), the age of the receivable or the existence of a dispute.

- *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in one of the three previous categories. After initial recognition, available-for-sale financial assets are measured at fair value and gains and losses arising in relation to them are recognised through equity. When an available-for-sale financial asset is derecognised or impaired, the cumulative profit or loss previously recognised through equity is taken to the profit and loss account.

2.7. INVENTORIES

Inventories are stated at the lower of cost or net realisable value.

Cost is calculated in accordance with the average weighted cost method. The cost of finished products and work in progress incorporates the cost of raw materials, direct costs and general production overheads.

Impairment is calculated by comparing the value of the inventories at the balance sheet date with cost.

2.8. OTHER CURRENT ASSETS

Other current assets are measured at fair value.

2.9. SHARE-BASED PAYMENT (IFRS 2)

Founder's share purchase warrants (BCEs) and stock options granted to employees that vested after 1 January 2005 are measured at the date of grant in accordance with IFRS 2, with recognition of an expense in the profit and loss account. The valuation is performed in accordance with the Black & Scholes method. Implementation of this method notably requires making certain assumptions regarding the

underlying BioAlliance Pharma share price as well as regarding volatility. Volatility is assessed over a five-year period on the basis of a panel of comparable companies since BioAlliance Pharma has been quoted only since December 2005.

Definitive vesting of BCEs, stock options and free shares granted to group employees is subject to a condition under which the individuals must be present in the Group at the vesting date. If an employee leaves before this date, this condition is not satisfied and the employee forfeits his rights.

NON-CURRENT LIABILITIES

2.9.1. Employee benefit obligations (IAS 19)

- **POST-EMPLOYMENT BENEFITS**

Post-employment benefit obligations are recognised in provisions. In accordance with IAS 19, the actuarial valuation method used is the projected unit credit method service prorate, which is based on financial (discount rate, inflation rate) and demographic (rate of increase in salaries, employee turnover rate) assumptions.

This method enables the present value of the benefit obligation to be determined on the basis of services rendered by the employee at the valuation date.

- **OTHER COMMITMENTS TO EMPLOYEES**

Other commitments to employees, in particular those related to long-service awards, are not material.

2.9.2. Provisions for litigation

Provisions correspond to obligations resulting from sundry litigation and risks, whose timing and amount is uncertain, to which the Group may be exposed in the context of its operations. A provision is recognised where the Group has a legal or constructive obligation to a third party, as a result of a past event, which it is probable or certain will lead to an outflow of resources to the third party without receipt of equivalent consideration, where such future cash outflows can be estimated reliably.

2.10. FINANCIAL LIABILITIES

Bank borrowings and debt instruments are initially recognised at fair value less directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Gains and losses are recorded in the profit and loss account when the debt is derecognised, as well as through the amortised cost mechanism. The amortisation expense as calculated in application of the effective interest rate method is recognised under 'Financial income/expense, Cost of debt'.

2.11. CURRENT LIABILITIES

Current liabilities are stated at fair value.

2.12. NET SALES

The Group's net sales include income from the sale of pharmaceutical products, income generated under licensing agreements and income from services rendered.

Sales of goods are recognised at the date of transfer of the risks and rewards inherent in ownership to the client. They are measured on the basis of the price stipulated in the contract of sale.

Agreements under which the Group issues a licence to a third party providing it with rights to market one or more products in its portfolio generally involve a payment at the date of signing, various other additional payments which are subject to the achievement of regulatory and sales objectives and royalties on sales.

In accordance with IAS 18 ‘Revenue’:

- payments due in respect of signing of a licensing agreement, which are equivalent to one-off royalty payments, are initially recognised in deferred revenue and are subsequently taken to the profit and loss account over the period of the agreement or over a shorter period, depending on the Group’s involvement and the specific conditions of the agreement;
- subsequent payments related to the achievement of a condition are immediately recognised in other income in the year in which the Group receives them.

Royalties earned are recognised in net sales on the basis of (i) the sales figures achieved by the partners in the period and (ii) the contractual royalty rates.

2.13. GRANTS

In accordance with IAS 20 ‘Accounting for Government Grants and Disclosure of Government Assistance’, grants whose amounts are related to the pattern of corresponding costs are classified as a deduction from the corresponding expenses.

2.14. DEFERRED TAXES

A deferred tax asset is recognised for tax loss carryforwards and unused tax credits where it is probable that future taxable profits against which these items can be offset will be available.

A deferred tax liability is recognised for all taxable temporary differences.

NOTE 3: INTANGIBLE ASSETS

3.1 RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred in 2009 were recognised in expenses for an amount of €9,007,058.

Since obtaining the marketing authorisation for Loramyc® for France, no significant development costs have been incurred on this product for the country in question. No development costs were thus capitalised during the year.

3.2 PATENTS

In €	01/01/2009	Increase	Decrease	31/12/2009
Gross value	243,979			243,979
Accumulated amortisation	(155,717)	(80,402)		(236,119)
Net value of patents	88,262	(80,402)	-	7,860

3.3 SOFTWARE

In €	01/01/2009	Increase	Decrease	31/12/2009
Gross value	187,229	157,428		344,657
Accumulated amortisation	(186,315)	(36,301)		(222,616)
Net value of software	914	121,127	0	122,041

3.4 IMPAIRMENT

No intangible asset shows any indication of impairment and no impairment loss was thus recognised in 2009.

NOTE 4: TANGIBLE ASSETS

4.1 MOVEMENTS IN THE YEAR

In €	01/01/2009	Increase	Decrease	31/12/2009
Gross value	3,274,567	155,901	17,211	3,413,257
Accumulated amortisation	(860,751)	(410,156)	(10,955)	(1,259,952)
Capital grants	(336,417)		(36,700)	(299,717)
Original value of lease	0	74,130		74,130
Accumulated amortisation of lease	0	(8,649)		(8,649)
Net value of tangible assets	2,077,399	(188,773)	(30,444)	1,919,070

The change in tangible assets is due mainly to acquisitions of sundry laboratory and research equipment and computer equipment.

IMPAIRMENT

No tangible asset shows any indication of impairment and no impairment loss was thus recognised in 2009.

NOTE 5: OTHER ASSETS

5.1 FINANCIAL ASSETS

In €	01/01/2009	Increase	Decrease	Fair value adjustment	Discounting	31/12/2009
Other long-term securities	44,899		(41,747)	(3,152)		0
Receivable from investments		2,001				2,001
Deposits and guarantees	122,500	150	(6,562)		6,297	122,385
<i>Liquidity contract</i>						0
- Treasury shares		174,023	(174,023)			0
- Cash	67,956	341,541	(264,200)			145,297
Net value of financial assets	235,355	517,715	(486,532)	(3,152)	6,297	269,683

5.1.1. Other long-term securities

Long-term securities correspond to cash mutual funds that were subject to a pledge. Following the termination of the lease, this pledge was lifted in 2009. The fair value impact on the 2009 results is a reduction of €3,152 and corresponds to previously recognised revaluations.

5.1.2. Deposits and guarantees

Discounting of deposits and guarantees increased results by €6,297.

5.2 INVENTORIES

The total value of inventories is €21,152, broken down as follows:

In €	Gross	Provision for impairment	Net at 31/12/2009	Net at 31/12/2008
Raw materials inventories	824		824	824
Work in progress			0	0
Goods for resale	85,832	(65,504)	20,328	24,722
Total inventories	86,656	(65,504)	21,152	25,546

5.3 TRADE RECEIVABLES

In €	31/12/2009	< 1 year	> 1 year	31/12/2008
Trade receivables, net	956,748	848,760	107,988	673,932

Trade receivables concern mainly receivables related to the sale of Loramyc® and services invoiced to Eurofins-VirAlliance Inc.

5.4 OTHER RECEIVABLES

In €	31/12/2009	< 1 year	> 1 year	31/12/2008
Personnel	(22)	(22)		1,462
Research tax credit	1,829,394	1,829,394	0	4,627,451
Other tax receivables	792,318	792,318		1,451,916
Other receivables	379,893	379,893		845,142
Prepaid expenses	326,826	326,826		649,001
Net amount of other receivables	3,328,410	3,328,410	0	7,574,972

The research tax credit receivable of €1,829,394 related to the 2009 financial year is reimbursable early in accordance with the provisions of the Amended Finance Law for 2008 and is therefore classified in full at less than one year.

The amount of the research tax credit at 31 December 2008 of €4,627,451 euros includes €2,254,729 for the 2008 financial year and the remainder for the 2004 to 2007 financial years.

Other tax receivables relate to VAT recoverable as well as a VAT repayment requested for an amount of €448,558. Prepaid expenses correspond mainly to subcontracting scientific and marketing services and to rent.

In accordance with IAS 1, the research tax credit of €1,829,394 for 2009 was presented as a deduction from the corresponding income and expense accounts according to their nature, as follows:

In €	31/12/2009	31/12/2008
Reduction in personnel costs	508,840	500,600
Reduction in external expenses	1,514,621	1,755,387
Reduction in depreciation and amortisation	87,498	52,554
Reduction in grants	(281,565)	(53,813)
Total research tax credit	1,829,394	2,254,728

5.5 CASH AND CASH EQUIVALENTS

In €	Net at 31/12/2009	Net at 31/12/2008	Change
Bank current accounts	811,547	490,490	321,057
Marketable securities available for sale	13,898,788	31,200,514	(17,301,726)
Total cash and cash equivalents	14,710,335	31,691,004	(16,980,669)

Bank current accounts are euro and US dollar accounts opened with Neuflyze-OBC and Crédit du Nord.

Marketable securities available for sale are made up mainly of units of mutual funds purchased from Neuflyze-OBC and Crédit du Nord. The impact of measuring BioAlliance Pharma's cash equivalents at fair value is an increase in results of €761,111.

NOTE 6: SHAREHOLDERS' EQUITY

6.1 SHARE CAPITAL

6.1.1. Composition of share capital

Par value of shares	€0.25
Pledges and liens encumbering shares	None
Treasury shares	174,023
Shares reserved for stock option grants	None

6.1.2. Capital management policy

Since its creation in 1997, the Group has financed its growth through raising funds from private investors and public markets. The Group notably raised €30 million at the time of its IPO on the Euronext Paris stock exchange in December 2005 and €40 million through a private placement finalised in August 2007. Shareholders' equity thus represents the Group's key source of finance and its management must enable the Group to dispose of adequate levels of cash to finance its growth, particularly in the short term during the years when it will not yet generate sufficient sales to cover its development costs.

The Group also wishes to encourage the loyalty of its long-term shareholders, who will accompany it in its international development by proposing a business model involving rapid and high growth. In order to reduce the share's volatility, the Group also put in place a liquidity contract with a first-tier partner.

Lastly, the Group intends to encourage the loyalty of its employees through regular grants of stock options or free shares.

6.1.3. Change in composition of share capital

	Nominal	Number of shares	€
Shares fully paid at 31/12/2008	0.25	12,896,834	3,224,208.50
Management Board of 05/01/2010	0.25	1,500	375.00
Shares fully paid at 31/12/2009	0.25	12,898,334	3,224,583.50

On 5 January 2010, the Management Board recorded a capital increase of €375, corresponding to the issuance of 1,500 shares each of €0.25, resulting from the exercise of 1,500 BSAs between 1 January and 31 December 2009.

Share capital was thus increased to €3,224,583.50, divided into 12,898,334 shares.

6.1.4. Treasury shares

In accordance with IAS 32, paragraph 33, treasury shares acquired in the context of the liquidity contract signed with CM-CIC Securities were deducted from shareholders' equity for an amount of €174,023. Gains on buying such shares, amounting to €95,642 at 31 December 2009, were also recognised as shareholders' equity in accordance with the standard.

6.1.5. Reserves

Reserves, which amount to €(72,854,000), are made up mainly of negative retained earnings in an amount of €66,312,000.

6.2 PAYMENTS IN SHARES

All disclosures concerning the BCEs, BSAs and stock options granted by the Group are set out in note 14 below.

6.2.1. Warrants

The ordinary and extraordinary meeting of 29 April 2008, in its resolution 21, delegated authority to the Management Board to issue a maximum of 150,000 BSA-L, each conveying a right to subscribe for one share, to a category of individuals comprising the independent members of the Supervisory Board and the members of the Scientific Committee currently in office or who could be subsequently appointed to these bodies.

The Management Board of 6 April 2009 granted 8,000 BSA-L2 to a member of the Scientific Committee, subject to vesting conditions over a period of four years.

The Management Board of 22 October 2009 granted 6,000 BSA-L3 to a member of the Supervisory Board, subject to vesting conditions over a period of four years.

The data and assumptions used under the Black & Scholes method to value BSAs granted in 2009 are set out below.

	BSA-L2	BSA-L3
Date of grant	06/04/2009	22/10/2009
Number of BSAs	8,000	6,000
Estimated date of exercise	06/04/2014	22/10/2014
Exercise price (€)	2.41	5.34
Volatility	58.85%	56.50%
Dividend rate	0%	0%
Risk-free rate	2.86%	2.64%
Total expense (€)	10,199	15,377
Unit price (€)	2.42	5.15
Expense for the financial year (€)	5,079	2,434

In addition, the Management Board of 30 June 2009 noted the automatic cancellations of 11,250 BCE-J6 and 450 BCE-J4 following the departure of employees from the Company. The corresponding impact of these cancellations is a decrease in the expense of €22,772.

The Management Board of 5 January 2010 noted the automatic cancellations of 9,000 BSA-L1 following the departure of members of the Company's Supervisory Board. The corresponding impact of these cancellations is a decrease in the expense of €10,642.

6.2.2. Stock options

The Management Board of 30 June 2009 automatically cancelled 33,500 SO 2006 (1) + 1,250 SO 2006 (2) + 3,750 SO 2006 (3) + 5,000 SO 2006 (4) following the departure of employees from the Company.

The corresponding impact of these cancellations is a decrease in the expense of €216,374.

6.2.3. Free shares

The ordinary and extraordinary meeting of 29 April 2008 delegated authority to the Management Board to grant a maximum of 260,000 shares to senior executives and employees of BioAlliance Pharma SA and any of its wholly-owned subsidiaries. The grant of these shares was subject to performance conditions to be decided upon by the Management Board.

A grant of 94,000 free shares (AGA 2008 (2)) was made by the Management Board of 1 April 2009. Definitive vesting of these shares is subject to a condition of continuous service and to performance conditions which are assessed at the end of a two-year period. Following the departure of employees in 2009, a total of 22,400 AGA 2008 (2) were automatically cancelled by the Management Boards of 30 June 2009 and 5 January 2010. The corresponding impact of these cancellations is a decrease in the expense of €47,981.

The valuation of the free shares granted in 2009 is summarised below:

Free shares	
Date of grant	01/04/2009
Number of shares	71,600
Estimated date of exercise	01/04/2011
Total expense (€)	153,367
Unit price (€)	2.38
Expense for the financial year (€)	57,513

In addition, the Management Board of 30 June 2009 automatically cancelled 7,000 AGA 2008 (1) following the departure of employees from the Company. The corresponding impact of these cancellations is a decrease in the expense of €31,500.

6.2.4. Overall summary of BCEs, BSAs, stock options and free shares granted

The table below summarises the total expense and the 2009 expense related to BCEs, BSAs, stock options and free shares granted by the Group:

	Total expense	Expense in 2009
Grant of BSAs and BCEs on 30/01/2006	715,960	0
Grant of BCEs on 24/03/2006	281,522	0
Grant of BSAs on 09/06/2006	274,761	4,455
Grant of BSAs on 13/12/2006	79,842	6,240
Grant of stock options on 30/10/2006	2,065,357	160,707
Grant of stock options on 05/04/2007	610,297	96,814
Grant of stock options on 10/10/2007	279,499	54,704
Grant of BSAs on 10/10/2007	191,657	41,639
Grant of stock options on 25/04/2008	290,212	99,371
Grant of free shares on 01/08/2008	576,450	284,080
Grant of BSAs on 17/12/2008	53,208	29,951

Grant of free shares on 01/04/2009	153,368	57,513
Grant of BSAs on 06/04/2009	10,200	5,079
Grant of BSAs on 22/10/2009	15,377	2,434
TOTAL	5,597,710	842,987

NOTE 7: NON-CURRENT LIABILITIES

7.1 PROVISIONS

In €	01/01/2009	Allowances	Reversals		31/12/2009
			Used	Unused	
Post-employment benefit obligations	293,542	107,127			400,669
Provision for litigation and claims	262,592	78,000		27,592	313,000
Total non-current provisions	556,134	185,127	-	27,592	713,669

The provision for litigation and claims relates to ex-employees and suppliers.

As at 31 December 2008, the risks in the litigation under way with Eurofins and SpePharm could not be reliably measured, so no provision was made at 31 December 2009.

• POST-EMPLOYMENT BENEFIT OBLIGATIONS (IAS 19)

The provision for post-employment benefit obligations came to €400,669 against €293,542 in 2008. The impact at 31 December 2009 is a decrease in the results of €107,127, linked to changes in parameters, particularly the discount rate, which declined from 5.60% to 5.09%.

The actuarial assumptions applied are as follows:

Collective bargaining agreement	Medical industry
Retirement age	Staff: 61, at the employee's initiative Managers: 64, at the employee's initiative
Calculation date	31/12/2009
Mortality rates	INSEE 2002–2004 M/F
Discount rate	5.09%
Rate of salary increase	4%
Employee turnover rate	By age category ⁽¹⁾⁽²⁾
Social charges	46% for BioAlliance Pharma and 44% for Laboratoires BioAlliance Pharma

(1) At 31 December 2009, the turnover rate applied for BioAlliance Pharma employees aged 16 to 24 was 0.5%, aged 25 to 34 was 3.48%, aged 35 to 44 was 3% and aged 45 to 54 was 2%. Above the age of 54, the rate was 0.50%.

(2) At 31 December 2009, the turnover rate applied for Laboratoires BioAlliance Pharma employees aged 16 to 34 was nil, aged 35 to 44 was 12.96% and aged 45 to 54 was 9.26%. Above the age of 54, the probability of leaving before retirement was nil.

7.2 OTHER NON-CURRENT LIABILITIES

This item corresponds solely to ANVAR grants, which are reimbursable under certain conditions. They have not been discounted.

NOTE 8: CURRENT LIABILITIES

8.1 TRADE PAYABLES

Trade payables have not been discounted to present value as none are payable more than one year after the balance sheet date.

In €	31/12/2009	31/12/2008
Trade payables	2,920,996	5,045,813

8.2 OTHER LIABILITIES

In €	31/12/2009	31/12/2008
Social security and similar liabilities	2,130,302	2,069,033
Tax liabilities	225,002	302,121
Other payables	1,442,806	6,812,862
Other liabilities	3,798,110	9,184,016

Other liabilities at 31 December 2009 include mainly deferred licence income in an amount of €1,295,000. This licence income is recognised as follows:

- over a period of 33 months, as from 1 July 2007 for the Par Pharmaceutical agreement;
- over a period of 27 months, as from 1 April 2008 for the Handok agreement;
- over a period of 30 months, as from 1 July 2008 for the NovaMed agreement.

In €	Balance at 31/12/2008	Increase	Reversal through profit and loss	Balance at 31/12/2009	Less than 1 year	From 1 to 5 years	> 5 years
Par Pharmaceutical	4,139,678		3,311,742	827,936	827,936	-	-
SpeBio	1,200,000		1,200,000	-			
Handok	632,431		421,621	210,810	210,810	-	-
NovaMed	512,402		256,246	256,156	256,156	-	-
	6,484,511	-	5,189,609	1,294,902	1,294,902	-	-

NOTE 9: OPERATING INCOME AND EXPENSES

9.1 NET SALES

In €	31/12/2009	31/12/2008
Net sales	7,536,312	8,173,943

Net sales include mainly a share of the payments received on signing the Par Pharmaceutical, Handok and NovaMed licensing agreements for a total amount of €3,990,000. Following the termination of the licence with SpeBio, an amount of €1,200,000 was also recognised in net sales in the first half of 2009. This amount corresponds to the residual share associated with spreading over 10 years the payment of €3 million received on signing the SpeBio contract in 2007, i.e. an amount of €2.4 million with 50% eliminated on account of the proportionate consolidation of SpeBio. Net sales also include sales of Loramyc® for an amount of €2,099,000.

9.2 PERSONNEL COSTS

Personnel costs are broken down as follows:

In €	31/12/2009	31/12/2008
Salaries	5,885,102	6,000,424
Expenses	2,714,438	2,920,258
Employee benefits (IFRS 2)	842,987	1,229,859
Deduction of research tax credit	(508,840)	(500,600)
Deduction of government grants	(41,984)	(8,002)
Total personnel costs	8,891,703	9,641,939
Headcount	67	92

9.3 EXTERNAL EXPENSES

External expenses include mainly the following items:

In €	31/12/2009	31/12/2008
Selling and administrative expenses	9,164,381	12,138,652
Scientific subcontracting	5,054,292	8,911,993
Deduction of research tax credit	(1,515,149)	(1,755,387)
Total	12,703,524	19,295,257

The 34% decrease in external expenses is related mainly to the ending of the phase III clinical programmes (reduced use of subcontracting), the limited contribution from the SpeBio subsidiary as a result of the withdrawal of the licence to market Loramyc® in late February 2009, and more generally to optimisation of sundry expense items.

The 2009 rental expense in respect of the lease of the registered office at 49 boulevard du Général Martial Valin, Paris 75015, is €670,880.

9.4 OTHER OPERATING INCOME

In €	31/12/2009	31/12/2008
SpeBio premium	0	2,250,000
Others	0	9,010
Total	0	2,259,010

Income of €2,250,000 representing the difference between the value of the SpeBio shares owned by BioAlliance Pharma and the Group's share in the net equity of SpeBio had been recognised at 30 June 2008. This difference resulted from the capital increase of SpeBio reserved to SpePharm under which the latter company had paid an additional amount of €4.5 million in the half year, recognised as issue premium.

9.5 OTHER OPERATING EXPENSES

Other operating expenses are broken down as follows:

In €	31/12/2009	31/12/2008
Novadel agreement – payment on signing	0	1,925,916
APR agreement – payment on signing	0	1,000,000
Others	185,292	321,960
Total	185,292	3,247,876

At 31 December 2008, these items included an expense of €2,926,000 corresponding to the acquisition of European licensing rights in the Oral Spray ondansetron and the RapidFilm™ ondansetron.

NOTE 10: OTHER FINANCIAL INCOME

Other financial income corresponds mainly to capital gains on disposal of marketable securities made by the Company and take account of the negative impact in the change at fair value in BioAlliance Pharma's liquid assets in the amount of €757,965.

NOTE 11: DEFERRED TAX

Even though the BioAlliance Pharma Group has accumulated tax losses of €106 million at 31 December 2009 (including €9.8 million from its subsidiary Laboratoires BioAlliance Pharma, which has been tax consolidated since 1 January 2007), no deferred tax asset was recognised as the Company is unable to recover these tax losses in the short term.

NOTE 12: EARNINGS PER SHARE

12.1 NET EARNINGS PER SHARE

In €	31/12/2009	31/12/2008
Net loss attributable to BioAlliance Pharma ordinary shareholders	(15,382,885)	(21,366,072)
Number of ordinary shares	12,898,334	12,896,834
Number of treasury shares	35,881	62,289
Net earnings per share	(1.19)	(1.66)

12.2 DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share does not take account of the options and warrants that could have an anti-dilutive effect because of the loss in the year.

NOTE 13: OFF BALANCE SHEET COMMITMENTS

13.1 STOCK OPTIONS

As part of the contract signed with Eurofins-VirAlliance (EVI) on 20 October 2005 related to the sale of licences (previously operated by VirAlliance, a subsidiary of BioAlliance Pharma dissolved in 2005), BioAlliance Pharma was allocated stock options in EVI that were exercisable between 1 January and 30 June 2009.

At 30 June 2009, BioAlliance Pharma had not exercised these options, which therefore lapsed.

13.2 OPERATING LEASES (IAS 17)

The Company has signed a lease agreement in respect of its registered office at 49 boulevard du Général Martial Valin, 75015 Paris. It has also signed a company car lease agreement. The future minimum lease expense is as follows:

In €	< 1 year	Between 1 and 5 years	> 5 years
	894,163	3,137,103	1,416,722

13.3 INDIVIDUAL STATUTORY TRAINING ENTITLEMENT

The law of 4 May 2004 provides employees of French companies with a right to a minimum of 20 hours' training per year, which they may accumulate over a period of six years. Rights exercised during the notice period of dismissed employees and rights exercised by employees that are regarded as unsuited to their employer's needs or are non-professional in nature are considered to be short-term benefits as defined by IAS 19 and are booked accordingly. All other rights are recorded when they are incurred, as BioAlliance Pharma expects to receive an amount of economic benefits arising from the training that exceeds the training costs.

The individual training entitlement represented 3,344 hours at 31 December 2009. Rights exercised up to the present time are not material.

13.4 CONTINGENT LIABILITY IN THE CONTEXT OF AN AGREEMENT WITH A THIRD PARTY

In the context of a contract concluded with the consultant involved in the negotiation of partnership agreements signed with the Company, provision was made for the payment of specific fees. These fees are calculated on the basis of the total amount of the agreements signed and are paid to the consultant when BioAlliance Pharma receives or pays the contractual milestone payments. As these payments are subject to the achievement of conditions precedent, the amount of future fees could not be reliably measured at 31 December 2009.

NOTE 14: SUMMARY OF BSAs (SHARE PURCHASE WARRANTS), BCEs (SPECIAL FOUNDERS' SHARE PURCHASE WARRANTS) AND STOCKS OPTIONS AT 31 DECEMBER 2009

Schedule of BSAs (share purchase warrants) and BCEs (special founders' share

• purchase warrants) at 31 December 2009

Type	Date of authorisation	BSAs and BSPCEs authorised	BSAs or BSPCEs granted	Beneficiaries	BSAs or BSPCEs outstanding at 31/12/2008	BSAs or BSPCEs exercised between 01/01/2009 and 31/12/2009	BSAs or BSPCEs outstanding at 31/12/2009	Shares that may be subscribed, taking account of cancellations and vesting	Subscription price per share (€)	Expiry date
BSA-B	17 March 2004 Resolution 3	15,000	15,000	Members of the Supervisory Board	11,100	0	Lapsed on 16/03/2009	0	4.09	16/03/2009
BCE-F	19 July 2004 Resolution 5	5,420	5,420	Founders	5,420	0	Lapsed on 18/07/2009	0	4.09	18/07/2009
BCE-G	19 July 2004 Resolution 7	114,157	114,157	Senior Executives	69,188	0	Lapsed on 18/07/2009	0	4.09	18/07/2009
BCE & BSA-J	7 November 2005 Resolution 10	161,000	137,394 (1)	Officers Employees Members of the Supervisory Board	78,500 of which 73,387 vested	0	66,800 (2) All vested	267,200	10.64	07/11/2010
BSA-K	16 May 2006 Resolution 10	90,000	90,000	Members of the Supervisory Board and the Scientific Board	70,000 of which 34,000 vested	0	66,500 (4) of which 51,500 vested	26,000 10,500 15,000	12.51 11.80 11.18	09/06/2011 13/12/2011 10/10/2012
BSA-L	29 April 2008 Resolution 21	150,000	68,000 (5)	Members of the Supervisory Board and the Scientific Board	54,000 of which 0 vested	1,500	57,500 of which 14,000 vested	12,000 2,000 0	2.95 2.41 5.34	17/12/2013 05/04/2014 21/10/2014
TOTAL WARRANTS					288,208 of which 159,095 + 34,000 vested (6)	1,500	190,800 of which 66,800 + 65,500 vested (7)	267,200 + 65,500		
TOTAL SHARES						1,500 shares issued		332,700		

(1) After deduction of 23,606 warrants not granted and cancelled by the Management Board of 24 March 2006

(2) After deduction of cancellations (23,606 + 31,350 post-award on departure of employees)

(4) After deduction of 20,000 BSA-K1 (Management Board of 31 December 2008) and 3,500 BSA-K2 (Management Board of 31 December 2+009)

(5) After deduction of 82,000 warrants not granted and cancelled by the Management Board of 22 October 2009

(6) 159,095 warrants conveying a right to 4 shares and 34,000 warrants conveying a right to 1 share

(7) 66,800 warrants conveying a right to 4 shares and 65,500 warrants conveying a right to 1 share

• **Schedule of stock options at 31 December 2009**

Plan designation	Date of grant (Management Board)	Number of options authorised	Number of options granted	Beneficiaries	Acquisition by tranche of 25% as from ...	Number of options cancelled (1)	Outstanding options at 31/12/2009	Options that may be subscribed taking into account cancellations and vesting	Subscription price per share (€)	Expiry date
SO (2006) 1	30/10/2006		352,000	Officers and employees	30/10/2007	97,000	255,000	191,250	12.74	30/10/2011
SO (2006) 2	05/04/2007		114,000	Employees	05/04/2008	35,000	79,000	39,500	12.55	05/04/2012
SO (2006) 3	10/10/2007		55,000	Employees	10/10/2008	15,000	40,000	20,000	11.18	10/10/2012
SO (2006) 4	25/04/2008		74,000	Employees	25/04/2009	5,000	69,000	17,250	7.06	25/04/2013
TOTAL		630,000 (2)	595,000			152,000	443,000	268,000		

(1) Summary of cancellations due to the departure of employees as recorded in the minutes of the Management Board of 31 December 2009

(2) On 25 April 2008 the Management Board cancelled 35,000 unallocated stock options

• **Schedule of free share grants at 31 December 2009**

Plan designation	Date of grant (Management Board)	Number of free shares authorised	Number of free shares granted	Beneficiaries	Date of vesting subject to conditions of presence + performance	Number of rights to free shares cancelled (1)	Rights to free shares outstanding at 31/12/2009	Number of free shares that have vested taking into account the cancellations made
AGA (2008) 1	01/08/2008		148,500	Officers and employees	01/08/2010	20,400	128,100	0
AGA (2008) 2	01/04/2009		94,000	Officers and employees	01/04/2011	22,400	71,600	0
TOTAL		260,000	242,500 (2)			42,800	199,700	0

(1) Summary of cancellations due to the departure of employees as recorded in the minutes of the Management Board of 31 December 2009

(2) The Management Board of 6 April 2009 cancelled 17,500 rights to unallocated free shares

NOTE 15: REMUNERATION OF CORPORATE OFFICERS

The table below summarises the remuneration recognised in 2009 in respect of the corporate officers, including the three members of the Management Board and the members of the Supervisory Board. As stated in paragraph 1.1, Mr Pierre Morgon, the third member of the Management Board, left the Company in late May 2009.

Corporate officers (irrespective of the length of their term in the year)	Remuneration paid and benefits of all kinds					
	Gross remuneration (€)			BSA-BCE, stock options and free share grants	Benefits in kind (€)	Total (€)
	Fixed	Variable	Exceptional			
TOTAL	637,535	24,500	0	0	17,292	679,327

BioAlliance Pharma has put in place a system under which directors' fees are payable to members of the Supervisory Board. The general meeting of 29 April 2009 fixed the amount of such directors' fees, to be divided among the members of the Supervisory Board, at €148,250 for the year.

The amount of post-employment benefits of corporate officers is €193,418.

NOTE 16: RELATED PARTIES

Transactions entered into with companies that are related parties from the Group's perspective under paragraph 9 of IAS 24 concern only companies included in the scope of consolidation.

(in €)	31/12/2009	31/12/2008
Assets	1,668,198	10,809,347
Liabilities	652,484	17,621
Income	1,469,107	6,010,647
Expenses	1,190	11,342

CHAPITRE 3. AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below includes the audit opinion on the financial statements and an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

BioAlliance Pharma

Year ended December 31, 2009

Statutory auditors' report on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying financial statements of BioAlliance Pharma;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the executive board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the following matters set out in:

- note 1.1 "Accounting principles and methods" to the financial statements, to be read closely with note 1.2.2 "Subsequent events to December 31, 2009" to the financial statements, presenting the elements underlying the presumption to keep the going concern principle for the financial statements,
- note 1.2.1 "Taking back Loramyc® rights in Europe and litigation with SpePharm" to the financial statements relating to the pending litigation with respectively SpePharm and SpeBio.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

- Note 4.3 to the financial statements presents the accounting treatment used, related to the SpeBio license agreement, as well as to the financial statements caption concerned. As part of our appreciation of the rules and accounting policies followed by your company, we checked the appropriateness of this accelerated revenue recognition.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the executive board and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code (*Code de Commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders has been properly disclosed in the management report.

Paris and Paris-La Défense, April 6, 2010

The statutory auditors

French original signed by

GRANT THORNTON
French Member of Grant Thornton International

ERNST & YOUNG Audit

Olivier Bochet

Franck Sebag

CHAPITRE 4. AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below includes the audit opinion on the consolidated financial statements and an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

BioAlliance Pharma

Year ended December 31, 2009

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying consolidated financial statements of BioAlliance Pharma;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the executive board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; 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. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matters set out in:

- note 2.1 “Financial statements preparation basis” to the consolidated financial statements, to be read closely with note 1.2.2 “Subsequent events to December 31, 2009” to the consolidated financial statements, presenting the elements underlying the presumption to keep the going concern principle for the financial statements,
- note 1.1 “Taking back Loramyc® rights in Europe and litigation with SpePharm” to the consolidated financial statements and note 7.1 “Non current liabilities” relating to the pending litigations with respectively SpePharm, SpeBio and Eurofins.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 9.1 to the consolidated financial statements presents the accounting treatment used, related to the SpeBio license agreement, as well as to the consolidated financial statements caption concerned. As part of our appreciation of the rules and accounting policies followed by your company, we checked the appropriateness of this accelerated revenue recognition.
- In accordance with standard IFRS 2, your company carried out an evaluation in date of attribution of options of applications for shares and bonus shares granted to the employees in order to book an expense in the income statement, as mentioned in note 6.2 “Payment in shares” to the consolidated financial statements. We made sure of the reasonable character of the selected assumptions and the evaluations resulting from it.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

- Paris and Paris-La Défense, April 6, 2010

The statutory auditors

French original signed by

GRANT THORNTON

ERNST & YOUNG Audit

French Member of Grant Thornton International

Olivier Bochet

Franck Sebag

CHAPITRE 5. MANAGEMENT REPORT INCLUDING THE REPORT ON THE GROUP

This report at least includes the information mentioned in articles L 225-100, L 225-102, L 225-100-3 and L 225-211 paragraph 2 of the Commercial Code.

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5.1. SITUATION AND CHANGES IN THE COMPANY'S AND GROUP'S BUSINESS ACTIVITIES DURING THE FINANCIAL YEAR

5.1.1. Group companies

The Group consists of BioAlliance Pharma SA and its three subsidiaries, Laboratoires BioAlliance Pharma SAS, SpeBio BV and BioAlliance Pharma Switzerland.

Laboratoires BioAlliance Pharma is a simplified limited company (*société par actions simplifiée*) created on 20 March 2006 and is a wholly owned subsidiary. This subsidiary has the status of operating laboratory licensed by the AFSSaPS and is devoted to marketing the Group's products in France. In 2009, Laboratoires BioAlliance Pharma developed sales of Loramyc® and also embarked on a joint promotion activity to optimise the promotional resources in place.

SpeBio BV is a Dutch-law company established in Amsterdam, the Netherlands. Owned 50/50 with SpePharm BV, it was formed on 31 May 2007 to promote and market Loramyc® in Europe outside France. Following the termination on 27 February 2009 by BioAlliance Pharma of the licence to market Loramyc®, SpeBio is no longer trading.

BioAlliance Pharma Switzerland SA is a Swiss-law company with its registered office in Geneva, Switzerland. Wholly owned by BioAlliance Pharma, it was formed in April 2008 to register and market the Group's drugs in Switzerland. Registration of Loramyc® was obtained in August 2009.

5.1.2. Change in activity and significant events during the financial year

OUR GROUP IS GOING PLACES...

In both regulatory and clinical terms, 2009 was marked by considerable progress in our portfolio of products, which represent significant assets for the Group:

- *one drug almost at the registration stage in the United States;*
- *one product showing results likely to transform the treatment of herpes labialis;*
- *one biotherapy entering phase I in melanoma;*
- *two other products entering phase I or II in sizeable supportive care markets.*

This new configuration of our assets is profoundly transforming the Group, strengthening our credibility as regards our expertise and products and enabling us to diversify our range, structured around three major markets: supportive care in oncology, cancer treatment and primary care.

Along with these developments, the Group is continuing its sales growth and has doubled its net sales of Loramyc® in France.

A. Sales activity

The Group has doubled its net sales of Loramyc® – its leading drug – in France

Launched on the French market in late 2007, our leading product, Loramyc®, continues to enjoy steady sales growth in France. In 2009, sales of Loramyc® totalled €2,099,000, more than double the 2008 figure. This recurring income confirms the success of a product that is increasingly valued by hospital consultants as a treatment of choice for oropharyngeal candidiasis that fully meets the official international recommendations for a local, first-intention treatment.

As candidiasis is a pathology that is often under-expressed by the patient, the Company has published the results¹ of its epidemiological study on oropharyngeal candidiasis in oncology and on observance of the treatment by miconazole mucoadhesive buccal tablet (MBT) or mucoadhesive gingival tablet. These results highlighted the prevalence of oropharyngeal candidiasis (22% in cancer patients treated with chemotherapy and radiotherapy and 30% in patients with an ENT cancer) and the fact that observance of the treatment is strongly increased with treatments administered once a day, as is the case with the MBT miconazole.

At 31 December 2009, more than 50,000 patients had received Loramyc® and the market share in the intra-hospital market that represents the core target had reached 21%.

Optimisation of the sales force by a joint promotion agreement

In the second half of 2009, BioAlliance Pharma arranged for the joint promotion in France of Seroplex®, an antidepressant from the Lundbeck laboratories. This move involving the Group's healthcare partners – particularly hospital oncologists, radiotherapists and haematologists – is part of a process aimed at better patient care, particularly care of those with cancer, and is in line with the provisions of the Cancer Plan.

This agreement, scheduled for a limited period until 31 December 2009, generated net sales of €0.3 million and validated the appeal and efficiency of the Laboratoires BioAlliance Pharma sales force. The Group will continue to optimise its sales resources in the future.

In Europe, reacquisition of rights to market Loramyc® and search for partnerships

On 27 February 2009, BioAlliance Pharma announced that it had reacquired the rights to market Loramyc® in Europe. The Company is looking for partners present in oncology in various European countries so that it can market its products.

B. Portfolio of products under development

Towards opening up the US market: admissibility of registration of Loramyc® (BA001) in the United States

On 15 June 2009, BioAlliance Pharma submitted to the Food and Drug Administration (FDA) its registration file for the approval of miconazole Lauriad® (Loramyc®) in the United States. As the Company's leading marketed product, Loramyc®, a mucoadhesive tablet for the treatment of oropharyngeal candidiasis, has already received marketing authorisation in 12 European countries and South Korea.

In agreement with the US agency, the Company supplemented its file to include data on the marking to be stamped on the tablets. In July 2009 it obtained the approval for Europe for this identification procedure, initially required for the US market.

¹ Results presented to the 51st Annual Conference of the American Society for Therapeutic Radiology and Oncology (ASTRO), Chicago, 1–5 November 2009. Study conducted on more than 2,000 patients, observed for one month in 35 specialised cancer treatment centres.

The admissibility of the registration file of miconazole Lauriad® was confirmed by the FDA in August 2009. If the file is approved, this major step for the Company will make it possible to arrange for the launch of miconazole Lauriad® on the US market in the second half of 2010, by Strativa Pharmaceuticals, the proprietary products branch of Par Pharmaceutical Inc., BioAlliance Pharma's sales partner in the United States. Miconazole Lauriad® is protected in the United States by patents and patents pending until 2028.

A second product soon to be on the European market: admissibility of the registration of Setofilm® (BA030) in Europe

In February 2009, BioAlliance Pharma started the procedure for European registration of the orodispersible film (RapidFilm™ ondansetron) acquired under licence for Europe from APR SA (Switzerland) and Labtech GmbH (Germany) in 2008. The Company takes the view that the decentralised registration procedure covering 16 European countries should be completed in the first half of 2010. Setofilm® is dedicated to preventing and treating nausea and vomiting induced by chemotherapy and radiotherapy. Particularly suited to patients suffering from nausea or having difficulties swallowing, it facilitates the taking, efficacy and observance of the treatment.

BioAlliance Pharma will begin marketing Setofilm® in a number of European countries from 2010, depending on the progress of pricing and reimbursement negotiations. With this second drug aimed at the same target as Loramyc®, with the same diseases and the same prescribing doctors, the Company is strengthening its offering on the important market of supportive care in oncology. This offering will in due course be supplemented by two other products under development: fentanyl Lauriad® for the treatment of pain and clonidine Lauriad® for the treatment of mucositis.

Successful phase III trial for aciclovir Lauriad® (BA021)

In December 2009, BioAlliance Pharma announced the definitive results of its pivotal phase III clinical trial for aciclovir Lauriad® in recurrent herpes labialis in immunocompromised patients (Lauriad® Immunocompromised Patient, LIP). This international multi-centre randomised, double-blind, placebo-controlled study compared the efficacy and tolerance of a single dose of aciclovir Lauriad® 50mg mucoadhesive gingival tablet with matching placebo in 1,727 randomised and 775 treated patients suffering from recurrent herpes labialis.

Primary and secondary endpoints were met with marked efficacy and good tolerance. Furthermore, this trial showed that aciclovir Lauriad® is capable of preventing the occurrence of vesicular lesions and of delaying recurrences of the infection.

These excellent results now represent a major opportunity, heralding a new paradigm in the treatment of orofacial herpes. They give the file a sound basis so that the Company can meet the regulatory authorities in 2010 and approach major pharmaceutical groups involved in the primary care market (prescription mainly by general practitioners).

These results are also extremely important for the Company in strategic terms, since they validate for the second time its mucous expertise and the potential of the Lauriad® mucoadhesive gingival tablet, which makes it possible to obtain rapid, high and sustained salivary concentrations.

Deployment of the Company's mucous expertise: two Lauriad® products entered the clinical phase in 2009 (BA041 and BA028)

Capitalising on its Lauriad® technology patented and validated by Loramyc® and aciclovir Lauriad®, BioAlliance Pharma is committed to a strategy of deploying its mucous expertise. The Company is developing three other Lauriad® products: fentanyl Lauriad® in severe chronic pain in cancer patients, clonidine Lauriad® in the treatment of mucositis and corticoid Lauriad® in the treatment of erosive lichen planus.

In October 2009, BioAlliance Pharma announced the agreement of the French drug agency (AFSSaPS) to its first phase I clinical trial of fentanyl Lauriad®. This clinical trial, which evaluates the pharmacokinetic parameters of fentanyl Lauriad® in healthy voluntary subjects, was completed at end 2009. Fentanyl Lauriad® aims to reduce the variability observed in current treatments of chronic pain.

In December 2009, the Company also received the agreement of the AFSSaPS to a phase II clinical trial of clonidine Lauriad® in post-chemotherapy and post-radiotherapy mucositis. Recruitment of the first patients is scheduled for early 2010.

Whether for oropharyngeal candidiasis, nausea and vomiting, chronic pain, or mucositis, BioAlliance Pharma confirms its accelerated development of products dedicated to supportive care in oncology and is creating an outstanding range of drugs in the service of cancer patients.

Ambitious, technologically ground-breaking programmes for the treatment of invasive cancers: entry into clinical trials of the anti-invasive biotherapy AMEP™ (BA015)

BioAlliance Pharma has for some years been committed to a second line of development, that of treating invasive cancers by means of ambitious, technologically ground-breaking programmes. In March 2009, the Company obtained a grant from OSEO ISI (see below) for the development of two of its highly innovative therapeutic products, AMEP™ and zyxine (BA016), representing substantial support for the development of these products with high added value.

In December 2009, the Company announced the agreement of the Danish and Slovenian agencies to a phase I clinical trial of AMEP™ in invasive melanoma. An anti-invasive biotherapy, AMEP™ is dedicated to the treatment of metastatic or invasive melanoma, an advanced skin cancer resistant to most treatments. Its original mechanism of action targets specific receptors involved in the tumour growth and in the tumour angiogenesis. In November 2009,² the Company presented significant preclinical results in terms of efficacy and tolerance of the AMEP™ biotherapy. The first patients will be included in the trial in the first half of 2010.

The Company is continuing to develop its Transdrug® nanotechnology targeting expertise for the administration of chemotherapies in the treatment of cancers

The doxorubicine Transdrug® (BA003) programme developed in advanced hepatocellular carcinoma (primary liver cancer) has shown a significant improvement in the period of survival of patients included in the currently suspended phase II trial. This treatment takes the form of nanoparticles delivered by intra-arterial route. Based on these results, BioAlliance Pharma plans to review the entire doxorubicine Transdrug® file so that it can better control the secondary respiratory effects that had led to the trial's suspension and possibly resume clinical development.

The Company is also developing an oral formulation of sustained released nanoparticles (SRN) of irinotecan (BA018). The results of this new oral formulation of nanoparticles were presented to the 2009 Annual Conference of the AAPS.³

² Results presented to the Annual Conference of the European Society of Gene and Cell Therapy (ESGCT) in Hanover, Germany, 21–25 November 2009.

³ Annual Conference of the American Association of Pharmaceutical Scientists (AAPS) in Los Angeles, 8–12 November 2009.

C. Corporate governance

Management Board

Because of the reorientation of the Group's European activity (outside France) into a partnership under licence, following the termination of the licensing agreement with SpeBio, Pierre Morgon, a member of the Management Board and Chief Operating Officer since August 2008, a specialist in international development, decided to leave the Company at end May 2009.

Supervisory Board

In October 2009, BioAlliance Pharma's Supervisory Board co-opted Mr André Ulmann, medical doctor, doctor of sciences, founder and director since 1996 of the HRA Pharma laboratory, and ING Belgium, represented by Mr Denis Biju-Duval, engineer, MBA and head of ING Belgium's private equity team since 2001, to replace Messrs Georges Hibon and Philippe Taranto. ING Belgium, BioAlliance Pharma's biggest shareholder, thereby strengthened the representation of shareholders on the Supervisory Board, alongside AGF Private Equity, represented by Mr Rémi Droller since September 2009.

D. Funding of the Company and recognition of its growth capacity

OSEO ISI funding of €6.4 million

In the first half of 2009, BioAlliance Pharma obtained funding of €6.4 million from OSEO ISI (Innovation Stratégique Industrielle) within the framework of the public/private Cancer Anti-invasive Program (CAP) consortium.

Coordinated by BioAlliance Pharma, this consortium combines two innovative smaller companies (Oroxcell and Xentech) and two companies of intermediate size (Novasep and CIT), along with two academic centres of excellence, the Cachan Ecole Normale Supérieure and the Institut Gustave Roussy de Cancérologie. All told, this consortium will be funded over five years to the tune of €9.9 million comprising grants and reimbursable assistance, including €6.4 million for BioAlliance Pharma.

The collaborative programme will partially fund the development of the Company's two highly innovative therapeutic products until they go to market: AMEP™, a biotherapy indicated in invasive melanoma, and the zyxine project, a targeted chemical therapy in invasive cancers acting through an original mechanism that enables the tumour cell to return to a normal phenotype. In this context, BioAlliance Pharma is coordinating the collaborative work on researching new biomarkers of invasive cancers. An amount of €886,000 was received in 2009.

This public aid represents substantial support for the clinical development of these two projects with high added value and reflects the Company's efforts to seek alternative funding that does not dilute its shareholders.

First place in Deloitte's Technology Fast 50 2009

BioAlliance Pharma took first place in the Deloitte 2009 Technology Fast 50 awards programme, which honours high-growth technology companies. This ranking was awarded on the basis of the net sales growth over five years, from 2004 to 2008.

This top spot on Deloitte's list of winners recognises BioAlliance Pharma's ability to go from research to the market and to turn innovations into recognised medical products. It shows that BioAlliance Pharma is one of France's leading high-growth technology companies.

5.2. PRESENTATION OF PARENT COMPANY FINANCIAL STATEMENTS AND APPROPRIATION OF NET LOSS OF BIOALLIANCE PHARMA

The BioAlliance Pharma parent company financial statements that we submit to you for your approval have been prepared in accordance with the presentation rules and valuation methods provided for by the regulations in force.

5.2.1. Review of the financial statements and results

In 2009 the Company generated net sales of €913,000 against €1,084,062 in 2008. This corresponds primarily to sales of finished products of Loramyc® to subsidiaries as well as intercompany services.

Other income totalled €6,807,090 against €9,575,182 in 2008. This item comprises mainly recognition of a share of payments received on the signing of partnership agreements:

- following termination of the licensing agreement on 27 February 2009, immediate recognition in net sales of the residual share associated with spreading over 10 years the payment of €3 million received on signing of the SpeBio contract in 2007, i.e. an amount of €2.4 million with 50% eliminated on account of the proportionate consolidation of SpeBio. At 31 December 2009, an amount of €1.2 million was therefore recognised in other income;
- the amount received on signing the Par Pharmaceutical agreement, €11,039,000 (equivalent to \$15 million), is being spread over a period of 33 years as from 1 July 2007. At 31 December 2009, an amount of €3,312,000 has been recognised in other income, with the balance of €827,000 being deferred and recorded as deferred revenue;
- the amount received on signing the Handok agreement, €949,000 (equivalent to \$1.5 million), is being spread over a period of 27 years as from 1 April 2008. At 31 December 2009, an amount of €422,000 has been recognised in other income, with the balance of €211,000 being deferred and recorded as deferred revenue;
- the amount received on signing the NovaMed agreement, €641,000 (equivalent to \$1 million), is being spread over a period of 30 years as from 1 July 2008. At 31 December 2009, an amount of €256,000 has been recognised in other income, with the balance of €256,000 being deferred and recorded as deferred revenue.

Operating expenses were €19,041,353 in 2009 against €29,041,312 in 2008. This significant change is due to the decline in clinical research expenses associated with the ending of phase III studies and also results from the implementation of a cost-cutting strategy following the Company's restructuring in December 2008.

The operating expenses recognised in 2009 are comprised mainly of the following elements:

- research and development expenses (excluding salaries) totalling €5,543,000, reflecting mainly the preclinical and clinical development programmes described above;
- personnel costs of €6,371,000;
- the balance, i.e. a total amount of €7,126,000, includes sundry fees and success fees paid in the context of the negotiation of partnership agreements, marketing expenses not specifically related to Loramyc® and miscellaneous general and administrative expenses.

Research and development expenses totalled €9 million and correspond to actual research and development activities, clinical trials under way, manufacturing and regulatory activity.

The operating loss for the year came to €10,648,626 against a loss of €18,307,184 in 2008.

Total financial income came to €1,168,025 against €1,744,650 in 2008 and is made up mainly of capital gains on the sale of the marketable securities in which the Company invests its cash. Financial expenses totalled €14,757,116 against €126,237 in 2008. This amount corresponds mainly to the impairment on equity shares in the subsidiary. Net financial income showed a loss of €13,589,091 against a profit of €1,618,412 in 2008.

The loss before exceptional items and tax for the year was €24,237,716 against a loss of €16,688,771 in 2008.

Taking account of exceptional income of €154,423 and exceptional expenses of €145,039, total exceptional items amounted to a gain of €9,384 against a loss of €125,801 in 2008.

After recognition of a tax credit of €1,829,922 (research tax credit), the net loss for the year amounted to €22,398,410 against a loss of €14,560,997 in 2008.

5.2.2. Allocation of net loss

We propose that you appropriate the total amount of the loss for the year, €22,398,410, to (negative) 'retained earnings', the negative balance of which would thus increase from €66,282,749 to €88,681,159.

In accordance with the provisions of article 243 A of the General Tax Code, we remind you that no dividend was distributed during the three preceding financial years.

5.2.3. Non-tax-deductible expenses

In accordance with the provisions of article 223 C of the General Tax Code, we inform you that no expense that was not deductible for tax purposes was incurred during the financial year.

Furthermore, no general expenses referred to in articles 39-5 and 223 D of the General Tax Code that are not included on the special declaration for such purposes were incurred.

5.2.4. Schedule of results and other key items

In accordance with article R 225-102 paragraph 2 of the Commercial Code, we attach the schedule showing the Company's results and other key items over the last five years as an annex hereto.

5.2.5. Investments and controlling interests at year-end

In accordance with the provisions of article L 233-6 of the Commercial Code, we inform you that, during the financial year, the Company did not invest in any Company having its registered office in France.

5.2.6. Statement related to payment periods

In accordance with the provisions of article L 441-6-1 of the Commercial Code, we notify you of the periods in which the Company's suppliers are paid. At 31 December 2009, the balance of trade payables was €2,343,487, made up of provisions for invoices still to arrive for an amount of €1,357,522 and trade payables of €985,965. The amount of €985,965 corresponds to a total of €1,092,794 less €106,829 of advances paid in anticipation of invoices.

The amount of €1,092,794 breaks down as follows:

- 55% or €596,780 of invoices due, consisting of:
 - €294,042 of invoices due in a period from 0 to 30 days (27% of total trade payables);
 - €24,538 of invoices due from 30 to 60 days;
 - €278,200 of invoices due from more than 60 days, which correspond to disputed invoices;
- 11% or €116,418 of invoices payable 15 days from the date on which the invoice is issued;
- 34% or €379,597 of invoices payable 30 days from the date on which the invoice is issued, of which €27,869 is covered by intercompany invoices.

5.3. PRESENTATION OF THE GROUP FINANCIAL STATEMENTS

The BioAlliance Pharma Group's consolidated financial statements which we submit for your approval have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Our Group's consolidated financial statements show net sales of €7,563,312 against €8,173,943 in 2008 and a net loss of €15,382,885 against a net loss of €21,366,072 for the previous financial year.

The contribution made by the consolidated subsidiaries to the Group's results is a loss of €4,715,000:

- Laboratoires BioAlliance Pharma generated net sales of €2,099,000 chiefly from marketing Loramyc® in France and mainly recorded sales promotion and marketing costs related to the product;
- besides accelerated recognition in net sales of the deferred income explained in paragraph 2.1, SpeBio contributed only marginally to the consolidated net result because it ceased trading, with a loss of €488,000;
- finally, BioAlliance Pharma Switzerland had not started trading at 31 December 2009.

The main impacts related to the restatement of the Group's financial statements for the purposes of compliance with IFRS are as follows:

- an expense of €843,000 related to the recognition of share warrants and stock options issued as well as free shares issued;
- recognition of unrealised capital gains on the Company's investments for an amount of €761,000.

We submit these financial statements for your approval (articles L 225-100, L 223-16 and R 225-102 of the Commercial Code).

5.4. FINANCIAL POSITION AND MAIN RISKS TO WHICH THE COMPANY IS EXPOSED

5.4.1. Financial position in light of the volume and complexity of its business

The Group had a cash position of €14.7 million at year-end and did not contract any financial debt, except for repayable OSEO assistance amounting to €1,066,789. As a result of the licensing agreement signed with Therabel on 31 March 2010, BioAlliance Pharma will strengthen its short-term cash position: on signing, Therabel will pay €4.5 million and a resolution will be put to the general meeting on 22 April 2010 allowing Therabel to take an equity stake in the Company in the amount of €3 million. Furthermore, when authorisation to market Loramyc® in the United States is obtained, as expected in the second quarter of 2010, BioAlliance Pharma will receive \$20 million from its partner Par/Strativa, which will strengthen its cash position.

5.4.2. Main risks and uncertainties to which the Company is exposed

A description of the main risks and uncertainties to which the Company and the Group may be exposed is set out in Chapter 5 of the 2009 Reference Document. The main risks are listed below for information purposes:

Financial risks

The financial risks relate mainly to the Company's cash position as long as it does not generate sufficient net sales to ensure its development. In light of the cash available at year-end, the foreseeable resources within the framework of licensing agreements already signed and its growth objectives including, in particular, concluding new licensing agreements with regard to its products and projects, the Company has sufficient resources to ensure its short- and medium-term development. However, the Company cannot guarantee that it will not be required to obtain financing in the next few years, due to factors such as the inability to conclude licensing agreements with regard to the products in its portfolio within the anticipated time periods, a delay or inadequate success in the marketing of its products, unexpected opportunities in terms of development or acquisitions or higher costs for the developments currently in progress, or to defend its intellectual property rights.

Risks related to the Company's business

The Company's operating risks may be summarised as risks related to development, obtaining of regulatory approval, marketing, and the life of the products as drugs, and in particular with regard to the aspects of the benefit/risk ratio for patients assessed by the regulatory authorities. The risk of failure or substantial delay in the development of products that have not yet received regulatory approval exists at the preclinical and clinical trial stages as well as with regard to the response by the regulatory authorities to the application files submitted.

With regard to the Company's structure and its strategy, the most significant risks are associated with the resources and size of the Company, which has to attract and foster the loyalty of its key staff members, outsource and subcontract its production and succeed in launching a product with its partners. Moreover, there is a competitive risk for all the products developed by the Company.

Legal and regulatory risks

The legal risks relate chiefly to intellectual property, licensing agreements and intellectual property infringements once the products are put on the market. In addition, the Company is subject to regulatory requirements with regard to obtaining regulatory approval and drug pricing, and it cannot guarantee that regulatory requirements will not lead to a change in the periods required or the terms and conditions of product registration, and that there will not be any change in the price of its drugs, in particular due to changes in reimbursement policies.

Insurance and risk coverage

The Company considers that it has insurance cover suited to its business activities and in particular the cover required by law for clinical trials, in France and the rest of the world. The Company does not foresee any specific difficulties in continuing to ensure adequate levels of insurance in future, within the limit of availability and market conditions.

5.4.3. Main litigation in progress

4.3.1. Litigation with Eurofins

In October 2008, BioAlliance Pharma was informed of a civil action filed by Eurofins Pharma US Holding Inc. and one of its affiliates Viralliance Inc. ('Eurofins') against BioAlliance Pharma and one of its executives in the State of Delaware. The action concerns the use of intellectual property related to the phenotyping technology called Phenoscript®, an HIV resistance test, which BioAlliance Pharma developed before 2005 in collaboration with INSERM and the Institut Pasteur. At end 2005, BioAlliance Pharma transferred its intellectual property and licensing rights to Eurofins, for the purpose of optimal international commercial development.

Eurofins alleges that the value of the assets transferred is compromised by the rights of a third party, which rights existed before the transfer and were not disclosed and that a new invention developed by BioAlliance Pharma was not offered to it. To this end, Eurofins seeks to have the agreement related to the transfer rescinded and to claim damages. BioAlliance Pharma contests the merit of all these allegations and immediately submitted an application for removal of the case from the US courts. In September 2009, the federal judge favourably received the application for removal submitted by BioAlliance Pharma. Eurofins lodged an appeal against this decision.

Furthermore, considering that Eurofins had not fulfilled its contractual commitments, BioAlliance Pharma instituted legal proceedings against Eurofins before the Paris Commercial Court in January 2009 for non-development of the phenotyping technology and harm to its image and claimed damages on this basis.

As at 31 December 2008, the risk in this litigation could not be reliably measured, so no provision was made at 31 December 2009.

4.3.2. Litigation with SpeBio/SpePharm

On 27 February 2009, BioAlliance Pharma broke off collaboration with SpePharm and reacquired the rights to market Loramyc® in Europe from the SpeBio joint venture.

BioAlliance Pharma has taken SpePharm and SpeBio to the International Court of Arbitration of the International Chamber of Commerce to obtain damages for the loss suffered on account of breaches of contract committed by these companies under the partnership that had been agreed for the commercial launch of Loramyc®. This action is a continuation of the summons that had been served by BioAlliance Pharma on SpeBio before the Paris Commercial Court on 27 February 2009, in that it confirms BioAlliance Pharma's desire to globalise the litigation with its former sales partners before the arbitral court and to withdraw from its earlier summons.

SpePharm has also instituted emergency proceedings in the Netherlands against BioAlliance to avoid the liquidation of SpeBio.

SpePharm and SpeBio have claimed damages in their proceedings against BioAlliance Pharma.

As at 31 December 2008, the risk in this litigation could not be reliably measured, so no provision was made at 31 December 2009.

5.5. FORESEEABLE DEVELOPMENTS AND FUTURE PROSPECTS

In 2010 the BioAlliance Pharma Group will pursue its value creation strategy by focusing on the following key areas:

- ensuring the operational implementation of the partnership with the Therabel Group to market Loramyc® in Europe and launch Setofilm® in 2010;
- bringing registration of Loramyc® in the United States to a successful conclusion so that it can be launched in the second half of 2010 by Strativa Pharmaceuticals, the proprietary products branch of Par Pharmaceutical Inc., BioAlliance Pharma's sales partner in the United States;
- then consolidating the Group's financial resources: planned milestone payments in contracts already signed, notably \$20 million associated with obtaining marketing authorisation from the FDA in the United States, and payments associated with the licensing agreement in Europe;
- pursuing developments under way and continuing to expand the portfolio of products. In particular, building on the excellent results for aciclovir Lauriad® so that we can review the registration strategy with European and US regulatory agencies and find the best partner;
- continuing the growth strategy and developing the Group's assets and expertise by means of agreements tailored to the various products and markets; potential for agreements concerned with joint development and the licensing of marketing.

BioAlliance Pharma considers that, in light of its current activities, it has no particular comments to make on trends that might affect its production, sales, inventories, costs and sales prices between the date of the last financial year-end on 31 December 2009 and the date of filing of the 2009 Reference Document.

Main future investments, future financing policy

The Company's main investments will concern research and development expenditure. In light of the cash available at end 2009 and taking into account the milestone payments provided for by the partnership agreements, the Company will finance its development using its cash flow and will not in principle be required to use external financing sources.

Significant post balance sheet events

In February 2010, the Company concluded a new agreement with the Eisai laboratory in France for the joint promotion of the speciality Aequasyl®, indicated in the treatment of dry mouth (hyposialia). This widespread disease is very frequent in cancer patients, which will enable BioAlliance Pharma to take advantage of sales synergies in terms of targets visited and to continue to optimise its sales resources.

On 10 March 2010, the Company announced the positive preliminary results of its first phase I trial of fentanyl Lauriad®. The plasma concentrations observed remained stable for 24 hours with low interindividual variability. This success, which is the particular result of the original expertise in mucous release from Lauriad® drugs, raises the hope that just one application per day of fentanyl Lauriad® will efficaciously treat severe chronic pains in cancer patients. The Company plans to complete a second pharmacokinetic study with repeated doses by end 2010.

On 23 March 2010, BioAlliance Pharma announced the approval of its second innovative product, Setofilm®, in 16 European countries (by decentralised procedure). Indicated in the prevention and treatment of nausea and vomiting induced by chemotherapy, radiotherapy and post-operative effects in adults and children, Setofilm® is particularly suitable for patients having difficulties swallowing and is recommended in case of risk of aspiration. Commercially, Loramyc® and Setofilm® are highly complementary in supportive care, of interest in the same type of debilitating diseases and to the same specialists.

On 25 March 2010, BioAlliance Pharma announced the approval of Loramyc® in another 13 new European countries (mutual recognition procedure), which brings to 26 the number of countries where it is approved in Europe. This major extension, which follows the recent approval of Setofilm® in 16 European countries, will enable the Company to rely on an attractive portfolio of complementary products in supportive care in oncology, thereby creating beneficial commercial synergies.

On 31 March 2010, BioAlliance signed a strategic partnership agreement with the Therabel Group to market Loramyc® and Setofilm® in Europe, including throughout France. Founded in Europe in 1945, Therabel is a private group that has for several years developed a strategy of external growth and development in its marketing to the hospital sector, particularly in supportive care. The agreement will potentially reach €48.5 million, broken down as follows:

- a payment of €6.5 million, including €4.5 million paid on signing followed by two additional payments each of €1 million by 31 December 2011 and 31 December 2012;
- payments as and when a certain price or reimbursement has been obtained or sales objectives achieved for a maximum amount of €36 million;
- royalties calculated on sales of products;
- equity participation in BioAlliance Pharma for a total amount of €6 million: a first tranche of €3 million will be voted on by shareholders at the planned extraordinary general meeting on 22 April 2010 and will potentially be made straight away. There are accompanying lock-up conditions. A second tranche is planned 18 months after the first, i.e. at the earliest on 22 October 2011, subject to shareholder approval at a new general meeting, to be held in 2011.

BioAlliance Pharma will therefore receive a minimum amount of €7.5 million in 2010.

As the European partnership agreement includes France, BioAlliance Pharma cancelled, on 31 March, the exclusive licensing agreement concluded with the Laboratoires BioAlliance Pharma subsidiary to market Loramyc®. In accordance with article L 1224-1 of the Labour Code, the subsidiary's hospital sales force was automatically transferred to the Therabel Group's newly created French entity, Therabel Hôpital Pharma.

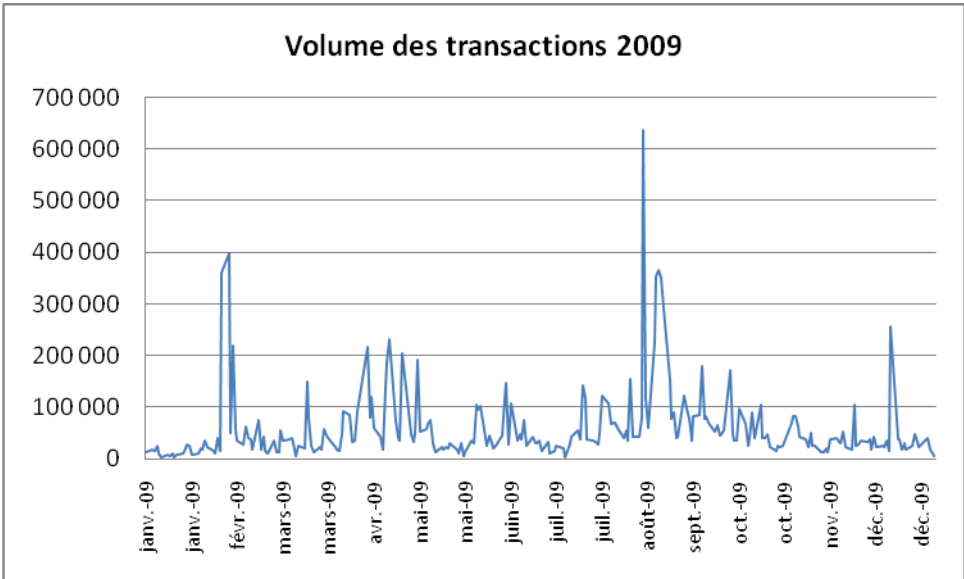
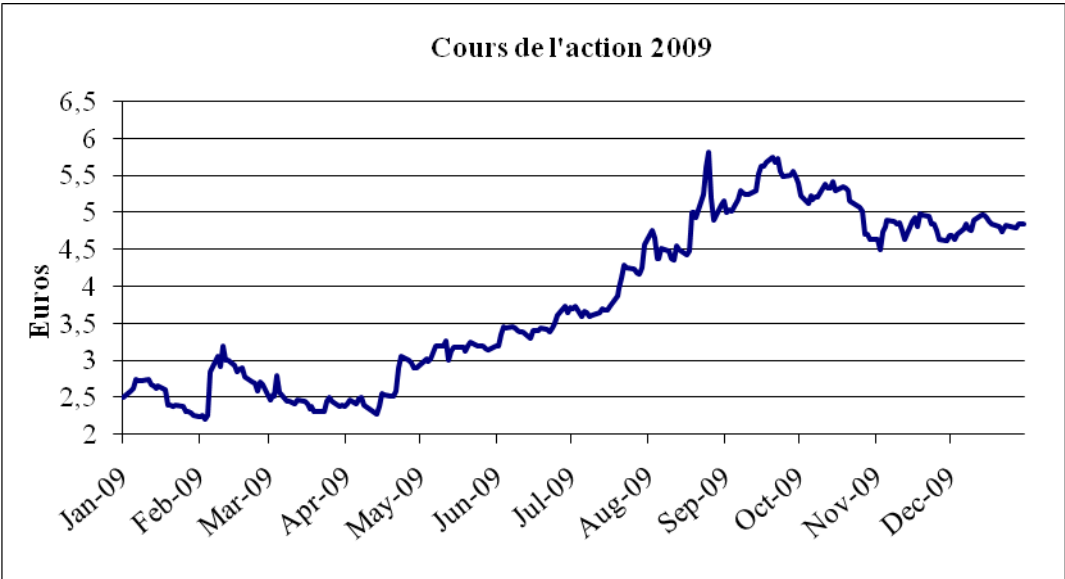
5.6. CHANGE IN THE SHARE PRICE AND OTHER INFORMATION CONCERNING THE SHARE CAPITAL

The Company’s shares were first listed on the Eurolist market of Euronext Paris (compartment C) on 7 December 2005. The initial listing price was set at €13.30 per share. Previously, the shares were not listed on any French or foreign stock exchange.

In 2009 the share price reached its lowest level of €2.2 on 4 February 2009, and closed at €4.85 on 31 December 2009. The peak price of €5.81 was reached on 26 August 2009.

5.6.1. Change in share prices and trading volumes

The tables below show the changes in the share price and trading volumes for the period from 2 January 2009 to 31 December 2009 (NYSE Euronext Paris price).



5.6.2. Transactions carried out with regard to the share capital during 2009 and amount of the share capital at 31 December 2009

The share capital amounted to €3,224,208.50 at 31 December 2008. A capital increase was carried out on 31 December 2009, as the result of the issuance of new shares due to the exercise of share purchase warrants:

- on 5 January 2010, the Management Board recorded a capital increase of €375 as of 31 December 2009, corresponding to the issuance of 1,500 shares each of €0.25, resulting from the exercise of 1,500 BSAs in the last quarter of 2009. The share capital grew from €3,224,208.50 to €3,224,583.50.

At 31 December 2009, the share capital amounted to €3,224,583.50, divided into 12,898,334 ordinary shares each with a par value of €0.25, all in the same class and all fully paid up.

5.6.3. Cross-shareholdings and treasury shares held

We hereby inform you that our Company did not carry out any of the transactions mentioned in articles L 233-29 and L 233-30 of the Commercial Code.

5.6.4. Buyback by the Company of its own shares in 2009

Objectives of the share buyback programme and use made of the shares bought back

We remind you that, in accordance with the provisions of articles L 225-209 *et seq.* of the Commercial Code, the Company was authorised by its shareholders to trade in its own shares, up to a maximum of 10% of the share capital. This authorisation was granted to it for a period of 18 months, by the Company's ordinary and extraordinary shareholders' meeting of 29 April 2008 under the terms of its resolution 18 and then renewed for a period of 18 months by the Company's ordinary and extraordinary shareholders' meeting of 29 April 2009 under the terms of its resolution 10.

In 2009 the Management Board successively implemented the programme authorised by the meeting of 29 April 2008 then, as from 1 October 2009, the programme authorised by the meeting of 29 April 2009, which was identical to the previous programme.

The objectives pursued by this buyback programme, in decreasing order of priority, concern the following situations:

1. to enter into a share management process on the secondary market with regard to, or to preserve the liquidity of, the company's shares with an investment services provider acting independently within the scope of a liquidity contract in accordance with an ethics charter recognised by the *Autorité des Marchés Financiers*;
2. to implement any company share purchase option plan within the scope of the provisions of articles L 225-177 *et seq.* of the Commercial Code;
3. to award free shares to employees and corporate officers;
4. to grant shares to employees and, where applicable, corporate officers under profit-sharing agreements and to implement any employee savings plan, under the conditions provided for by law, in particular within the scope of articles L 3332-18 *et seq.* of the Labour Code;
5. to purchase shares to retain them and tender them subsequently in exchange or as payment within the scope of external growth transactions within the limit of 5% of the share capital;
6. to provide shares upon the exercise of rights attached to securities granting immediate or future rights to capital;
7. to cancel the shares thus bought back within the limits set by law and subject to the condition precedent of the adoption of resolution 11 of this meeting.

The details of this share buyback programme, including a report on the results of the programme that ended on 30 September 2009, are available at the company's registered office or on its website.

Implementation of the share buyback programme

In accordance with the provisions of article L 225-211 of the Commercial Code, we hereby specify the methods of implementation of the share buyback programme during the past financial year.

During the 2009 financial year, this share buyback programme was exclusively used within the scope of a liquidity contract aimed at entering into a share management process with regard to, or preserving the liquidity of, the company's shares with an investment services provider. Under the regulations in force, and in particular the provisions of European Regulation No 2273/2003 of 22 December 2003, on 2 January 2007 the company concluded a liquidity contract with CM-CIC Securities that complied with the ethics charter of the French Association of Financial Markets (*Association Française des Marchés Financiers*, AMAFI), recognised by the *Autorité des Marchés Financiers*.

The amount of €400,000 has been allocated to the liquidity account (€250,000 initially and then an additional €150,000 on 8 October 2008). This contract was implemented as from 2 January 2007 and is still in force at the date of registration of the 2009 Reference Document.

Under the share buyback programme, the company made the following purchases and sales of its own shares, between the beginning and end dates of the last financial year:

- number of shares bought: 948,097 at an average price of €3.82 (weighted average calculated over the year);
- number of shares sold: 974,505 at an average price of €3.81 (weighted average calculated over the year);
- brokerage fees: €27,000 per year.

The company held 35,881 treasury shares at 31 December 2009, with a nominal value of €8,970.25 and a book value of €172,600.23 assessed at the purchase price of the shares.

	Number of shares bought	Number of shares sold	Average purchase price	Average selling price	Number of shares registered in the company's name	Percentage of capital
Outright buyback agreement	0	0	0	0	0	0
Liquidity contract						
January 2009	35,837	46,338	2.41	2.47	51,788	0.40
February 2009	74,402	82,241	2.71	2.73	43,949	0.34
March 2009	74,105	73,310	2.40	2.44	44,744	0.35
April 2009	144,289	121,981	2.62	2.58	67,052	0.52
May 2009	41,130	62,230	3.09	3.16	45,952	0.36
June 2009	80,110	106,044	3.39	3.40	20,018	0.16
July 2009	64,051	68,171	3.90	3.91	15,898	0.12
August 2009	145,467	143,386	4.81	4.90	17,979	0.14
September 2009	73,043	65,996	5.34	5.37	25,026	0.19
October 2009	72,089	47,818	5.09	5.09	49,297	0.38
November 2009	38,411	61,196	4.76	4.81	26,512	0.21
December 2009	105,163	95,794	4.78	4.82	35,881	0.28
Total	948,097	974,505	3.83 (1)	3.81 (1)		

(1) (weighted average calculated over the year)

All purchases and sales made by the company with respect to its shares since they were admitted for trading on a regulated market have been made within the scope of the liquidity contract in order to stabilise the share price.

5.6.5. Breakdown of the share capital at 31 December 2009 and changes that have taken place during the financial year

At 31 December 2009, the Company's share capital consisted of a free float of 78.8% of holders of bearer shares and of 21.2% of holders of registered shares.

In accordance with the provisions of article L 233-13 of the Commercial Code, we set out below the identity of the holders of registered shares holding over 5% of the share capital, i.e. holding over one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds or nineteen-twentieths of the capital or voting rights at 31 December 2009.

<u>Shareholders</u>	<u>Shares</u>		<u>Voting rights</u>	
	<u>Number of shares</u>	<u>% of share capital</u>	<u>Number of voting rights</u>	<u>% of share capital</u>
ING Belgium	1,129,553	8.8	1,129,553	8.8
Financière de la Montagne Group	1,000,000	7.8	1,000,000	7.8
AGF Private Equity	742,889	5.8	742,889	5.8
Founders	524,002	4.0	524,002	4.0
CDC Entreprise Valeurs Moyennes	351,122	2.7	351,122	2.7
Total for main shareholders	3,747,566	29.1	3,747,566	29.1
Others	9,150,768	70.9	9,150,768	70.9
Total at 31 December 2009	12,898,334	100.0	12,898,334	100.0

Shareholdings continue to remain relatively concentrated insofar as the 10 largest shareholders account for 37% of the capital, but the process of opening up to the capital begun in 2007 has continued to gain momentum. Finally, during the year the number of shareholders grew from 6,260 at end 2008 to 8,896 at end 2009, an increase of over 40%. This large number reflects a significant increase in the number of natural person shareholders, whose percentage grew from 27.8% at end 2008 to 43.6% at end 2009 (including founders).

5.6.6. Transactions carried out by management executives with regard to the Company's shares

In accordance with the provisions of article L 621-18-2 of the Monetary and Financial Code, we report on the transactions (purchases, sales, subscriptions or exchanges of shares) carried out by management executives, members of the Management Board and members of the Supervisory Board, or persons having close personal links with them during the 2009 financial year.

Mrs Dominique Costantini, co-founder and Chairman of the Company's Management Board, acquired 2,143 shares on 30 July 2009.

Mr Gilles Avenard, co-founder and member of the Company's Management Board, sold, on 4 August 2009, 200,000 shares of which 194,912 were issued by exercising BCEs in March 2008.

The conditions for subscription of the shares were the subject of a declaration made to the *Autorité des Marchés Financiers* in accordance with the provisions of article L 621-18-2 of the Monetary and Financial Code.

5.7. SHARE PURCHASE WARRANTS, STOCK OPTIONS AND FREE SHARES RESERVED FOR EMPLOYEES OR MANAGEMENT EXECUTIVES OF THE COMPANY

5.7.1. Share purchase warrants and special founders' share purchase warrants

The Company's general meetings of 7 November 2005, 16 May 2006 and 29 April 2008 authorised the issuance of BCEs (special founders' share purchase warrants) and BSAs (share purchase warrants) in favour of its employees, management executives, corporate officers and scientific consultants.

In 2009, 74,608 BCEs representing 298,432 shares benefitting management executives expired, not having been exercised due to the share price.

In addition, the Company allocated 14,000 of the 150,000 BSA-L authorised for issuance by the general meeting of 29 April 2008, in favour of a category of beneficiaries including independent members of the Supervisory Board and members of the Scientific Committee. These BSAs are subject to rules providing for vesting over a four-year period on condition of the beneficiaries continuous service (Management Boards of 6 April and 22 October 2009). On the other hand, the Company decided not to issue authorised 82,000 BSA-L whose authorisation expired on 28 October 2009.

At 31 December 2009:

- outstanding BCEs allocated to employees other than the two founders who are members of the Management Board totalled 21,800 warrants (BCE-J4 and J6), which would represent 87,200 shares if exercised, i.e. 0.68% of the share capital;
- outstanding BCEs allocated to the two founders who are members of the Management Board totalled 30,000 warrants (BCE-J3), which would represent 120,000 shares if exercised, i.e. 0.93% of the share capital;
- outstanding BSAs allocated to members of the Supervisory Board and scientific consultants of the Company totalled 184,000 warrants, which would represent 184,000 shares if exercised, i.e. 1.43% of the share capital.

5.7.2. Stock options

The Company's general meeting of 16 May 2006 authorised the issuance of 630,000 options to subscribe for shares in favour of its management executives and employees. The Management Board made four allocations in the 2006, 2007 and 2008 financial years. These options were subject to rules providing for vesting over a four-year period on condition of the beneficiaries' continuous service.

At 31 December 2009:

- the options allocated to employees other than the two founders who are members of the Management Board totalled 323,000 options representing the same number of shares, i.e. 2.50% of the share capital;
- the options allocated to the two founders who are members of the Management Board totalled 120,000 options representing the same number of shares, i.e. 0.93% of the share capital.

5.7.3. Rights to free shares

The ordinary and extraordinary general meeting of 29 April 2008 delegated authority to the Management Board to grant a maximum of 260,000 shares to senior executives and employees of BioAlliance Pharma S.A. and any of its wholly owned subsidiaries. The grant of these shares was subject to performance conditions to be decided upon by the Management Board. The Management Board made an initial grant on 31 July 2008.

On 1 April 2009, the Management Board granted 94,000 rights to free shares to 44 group employees, which will finally vest subject to the condition of continuous service in the Company and performance conditions assessed at the end of a two-year period.

At 31 December 2009:

- the total number of rights to free shares granted to employees other than the two founders who are members of the Management Board amounts to 159,700 representing the same number of shares, i.e. 1.24% of the share capital;
- the total number of rights to free shares granted to the two founders who are members of the Management Board amounts to 40,000 representing the same number of shares, i.e. 0.31% of the share capital.

5.7.4. Capital that may be subscribed by the employees and management executives and diluted capital

In total, at 31 December 2009:

- the shares that may be acquired by employees other than the two founders who are members of the Management Board (through the exercise of warrants, stock options or the vesting of free shares) represent 4.42% of the Company's share capital;
- the shares that may be acquired by the two founders who are members of the Management Board (through the exercise of warrants, stock options or the vesting of free shares) represent 2.17% of the Company's share capital, i.e. a total of 6.59% of the share capital that may be subscribed by employees and the founders.

The diluted capital at 31 December 2009 includes the share capital at 31 December 2009 (12,898,334 shares) plus the shares that may be subscribed in respect of plans for allocating securities giving access to the Company's capital (1,033,900). This amounts to 13,932,234 shares, i.e. a potential dilution of 8.02%.

The stock option plan in favour of senior executives and employees to be submitted to the general meeting on 22 April 2010 will relate to a number of options representing a maximum potential dilution of 1.4% in relation to the Company's share capital at end 2009, which would keep the maximum overall dilution below 10%, in line with the recommendations of good corporate governance.

5.7.5. Employees' equity participation

In accordance with article L 225-102 of the Commercial Code, we inform you that, at 31 December 2009, the Company's employees did not hold any shares in the Company's capital through a collective fund scheme.

5.8. DESCRIPTION AND EXPLANATION OF ELEMENTS THAT COULD HAVE AN IMPACT IN THE EVENT OF A PUBLIC TAKEOVER BID

In accordance with article L 225-100-3 of the Commercial Code, we set out below the elements that could have an impact in the event of a public takeover bid:

- the structure of the Company's capital does not comprise any characteristic that could have an impact in the event of a public takeover bid;
- there are no restrictions imposed by the articles of incorporation on the exercise of the voting rights and the transfer of shares, and there are no clauses included in agreements brought to the Company's attention pursuant to article L 233-11 of the Commercial Code;
- no declaration made pursuant to articles L 233-7 and L 233-12 of the Commercial Code mentions any direct or indirect shareholdings in the Company's capital that could have an impact in the event of a public takeover bid;
- there are no securities carrying special control rights;
- there is no employee ownership system;
- the Company is not aware of any shareholder agreements that could lead to restrictions on the transfer of shares and the exercise of voting rights;
- pursuant to article 14 of the Company's articles of incorporation, the members of the Management Board are appointed for a term of three years by the Supervisory Board and may be removed from office by the general meeting or the Supervisory Board. The Company's articles of incorporation may be amended only by an extraordinary general meeting;
- the Management Board benefits from authorisations set out in the 'Table summarising currently valid authorisations granted by the general meeting to the Management Board' annexed hereto;
- the Company has concluded certain agreements explicitly containing a clause with regard to change in control. These are in particular collaboration and licensing agreements concerning the New Entities, which include a clause requiring prior approval by the contractor in the event of a change in control of BioAlliance Pharma;
- to date, there has been no agreement providing for indemnities for the members of the Management Board or employees, if they resign or are dismissed without just and serious cause or if their employment ends due to a public takeover bid.

5.9. CORPORATE OFFICES AND REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In accordance with the provisions of article L 225-102-1 of the Commercial Code, we set out below the list of all the offices and duties performed in French or foreign companies by each of the members of the Company's Management Board and Supervisory Board over the last five years.

5.9.1. Composition of the Management Board

First name, last name, age	Term of office	Principal duties performed in the Company	Other offices and duties performed in any company over the last five years
Anne-Marie Dominique Costantini, 55	<i>First appointed: 19 December 1997</i> <i>Term of office expires: 24 April 2010</i>	Chairman of the Management Board ⁽¹⁾	<u>Duties in the Group:</u> President of the subsidiary Laboratoires BioAlliance Pharma since March 2006 Director of the subsidiary SpeBio BV since May 2007 President of the Board of Directors of the subsidiary BioAlliance Pharma Switzerland since April 2008
Gilles Avenard, 58	<i>First appointed: 19 December 1997</i> <i>Term of office expires: 24 April 2010</i>	Chief Operating Officer and member of the Management Board	<u>Duties in the Group:</u> Director of the subsidiary BioAlliance Pharma Switzerland since April 2008 Director of EVI Inc. since December 2005 Director of the subsidiary SpeBio BV from May 2007 to November 2008 <u>Other duties:</u> Director of Hemarina SA since October 2007 Director of InnaVirvax SAS since June 2009 <u>Expired duties:</u> Director of Hemosystem SA until November 2006 Member of the Supervisory Board of Gemac SA from January 2006 to September 2007

(1) Previously, Chairman of the Company's Board of Directors

Mr Pierre Morgon, 47, was also Chief Operating Officer and a member of the Management Board of BioAlliance Pharma from 27 August 2008 to 29 May 2009, the date of his departure. He was Chief Executive Officer of the subsidiary Laboratoires BioAlliance Pharma from October 2008 to May 2009 and was a director of the subsidiary SpeBio BV from November 2008 to May 2009.

5.9.2. Members of the Supervisory Board

Membership of the Supervisory Board from January to October 2009

First name and last name or corporate name and office held in the Company	Date of appointment	Expiry date of term of office	Other offices and/or duties performed in any other company during the past year and over the last five years
Jean-Marie Zacharie Independent member and Chairman of the Supervisory Board	29 April 2008	General meeting deciding on the financial statements for the year ending 31 December 2010	Jean-Marie Zacharie has also been: – President of ShigaMediX since October 2006; and – a director of Lundbeck France since March 2008. He was President of the subsidiary MSD-Chibret France until 2006 and VP Europe from 2001 to 2006.
François Sarkozy Independent member and Vice-Chairman of the Supervisory Board	<i>First appointed:</i> 7 November 2005	General meeting deciding on the financial statements for the year ending 31 December 2010	François Sarkozy has also been or is: – President of SAS AEC Partners (France) since 2008; – a member of the Supervisory Board of Proгна AG (Germany); and – managing director of FSNB Conseil (France).
Georges Hibon Independent member of the Supervisory Board	<i>First appointed:</i> 25 October 2006	Departed on 14 September 2009	Georges Hibon has also been: – a director of Biomérieux since 2004 and Transgène since 2008; and – President of Shanta Biotechnics and Advanced Bioscience Laboratories since 2006. He was a director of CEREP from 2000 to end 2008.
Gilles Marrache Independent member of the Supervisory Board	29 April 2008	General meeting deciding on the financial statements for the year ending 31 December 2010	Gilles Marrache has also been or is: – President of Amgen France since 2006 and Vice-President of Amgen Inc. He was President of Amgen Belgium and Luxembourg from September 2004 to 2005.
Philippe Taranto Independent member of the Supervisory Board	29 April 2008	Departed on 13 September 2009	Philippe Taranto has also been or is: – an associate director of NI Partners since 2006; – a director of CEVA Santé Animale and CTM Labco; and – a non-voting director (<i>censeur</i>) of Titanobel and Altavia SA.
Michel Arié Independent member of the Supervisory Board	Co-opted on 17 December 2008, ratified by the general meeting of 29 April 2009	General meeting deciding on the financial statements for the year ending 31 December 2010	Michel Arié is also: – Chief Financial Officer of the CNIM Group; and – a corporate officer of subsidiaries of the CNIM Group.
AGF Private Equity represented by Mr Thierry Laugel	29 April 2009	General meeting deciding on the financial statements for the year ending 31 December 2011	

Members of the Supervisory Board as from 21 October 2009

First name and last name or corporate name and office held in the Company	Date of appointment	Expiry date of term of office	Other offices and/or duties performed in any other company during the past year and over the last five years
Jean-Marie Zacharie Independent member and Chairman of the Supervisory Board	29 April 2008	General meeting deciding on the financial statements for the year ending 31 December 2010	Jean-Marie Zacharie has also been: – President of ShigaMediX since October 2006; and – a director of Lundbeck France since March 2008. He was President of the subsidiary MSD-Chibret France until 2006 and VP Europe from 2001 to 2006.
François Sarkozy Independent member and Vice-Chairman of the Supervisory Board	<i>First appointed:</i> 7 November 2005	General meeting deciding on the financial statements for the year ending 31 December 2010	François Sarkozy has also been or is: – President of SAS AEC Partners (France) since 2008; – a member of the Supervisory Board of Proгна AG (Germany); and – managing director of FSNB Conseil (France).
Michel Arié Independent member of the Supervisory Board	Co-opted on 17 December 2008, ratified by the general meeting of 29 April 2009	General meeting deciding on the financial statements for the year ending 31 December 2010	Michel Arié is also: – Chief Financial Officer of the CNIM Group; and – a corporate officer of subsidiaries of the CNIM Group.
Gilles Marrache Independent member of the Supervisory Board	29 April 2008	General meeting deciding on the financial statements for the year ending 31 December 2010	Gilles Marrache has also been or is: – President of Amgen France since 2006 and Vice-President of Amgen Inc. He was President of Amgen Belgium and Luxembourg from September 2004 to 2005.
André Ulmann Independent member of the Supervisory Board	Co-opted on 21 October 2009	General meeting deciding on the financial statements for the year ending 31 December 2010	André Ulmann has also been: – Chairman of the Supervisory Board of HRA Pharma since 2009 having been its Chief Executive Officer from 1996 to 2009; and – Chairman of the Management Board of Celogos since 1996.
AGF Private Equity, represented by Rémi Droller Member of the Supervisory Board	29 April 2009	General meeting deciding on the financial statements for the year ending 31 December 2011	Rémi Droller also represents AGF Private Equity on: – the boards of directors of Integragen, Adocia, Domain Therapeutics and BMD; and – the supervisory boards of Novagali Pharma and Prosensa.
ING Belgium, represented by Denis Biju-Duval Member of the Supervisory Board	Co-opted on 21 October 2009	General meeting deciding on the financial statements for the year ending 31 December 2010	Denis Biju-Duval also represents ING Belgium at the following companies: Environnement SA (France), Immupharma SA (France), Numeca SA (Belgium), Oncomethylome SA (Belgium), Roller Grill SA (France) and Surf SA (France). He is also a director of the Belgian company Sogam SA and its permanent representative at Bienca SA (Belgium), BNL Food Investments SA (Belgium), Marnix Invest (France) and Sodir SA (France).

5.9.3. Remuneration of corporate officers in 2009

In accordance with the provisions of article L 225-102-1 of the Commercial Code, we set out below the total remuneration and benefits of all kinds paid in 2009 to each corporate officer, in accordance with the presentation stipulated by the AMF Recommendation of 22 December 2008.

In addition, in accordance with the provisions of article L 225-68 of the Commercial Code, the principles and rules decided upon by the Supervisory Board to determine the remuneration and benefits of the corporate officers are set out in the President's report on corporate governance and internal control.

Our Company refers to the Middennext corporate governance code for small and medium capitalisation companies.⁴

Table 1

Summary of remuneration and stock options and shares granted to each executive officer (in €)		
Dominique Costantini –Chairman of the Management Board	2008	2009
Remuneration payable in respect of the financial year (broken down in Table 2)	260,911	233,798
Value of options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	100,000	N/A
TOTAL	360,911	233,798
Gilles Avenard – member of the Management Board and Chief Operating Officer		
Remuneration payable in respect of the financial year (broken down in Table 2)	242,782	230,708
Value of options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	100,000	N/A
TOTAL	342,782	230,708
Pierre Morgon – member of the Management Board and Chief Operating Officer from 27 August 2008 to 29 May 2009		
Remuneration payable in respect of the financial year (broken down in Table 2)	78,833	103,071
Value of options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
TOTAL	78,833	103,071

⁴ Corporate governance code for small and medium capitalisation companies, published in December 2009, available at www.middennext.com.

Table 2

Summary of remuneration paid to each executive officer (in €)				
Dominique Costantini Chairman of the Management Board	Amounts in respect of 2008		Amounts in respect of 2009	
	owed	paid	owed	paid
- fixed remuneration	202,731	202,731	226,929	226,929
- variable remuneration	48,001	48,001	0	24,000
- exceptional remuneration	5,000	5,000	0	0
- directors' fees	N/A	N/A	N/A	N/A
- benefits in kind	5,179	5,179	6,869	6,869
TOTAL	260,911	260,911	233,798	257,799
Gilles Avenard Member of the Management Board and Chief Operating Officer				
- fixed remuneration	192,399	192,399	221,085	221,085
- variable remuneration	45,602	45,602	0	22,801
- exceptional remuneration	0	0	0	0
- directors' fees	N/A	N/A	N/A	N/A
- benefits in kind	4,781	4,781	9,623	9,623
TOTAL	242,785	242,785	230,708	253,509
Pierre Morgon Member of the Management Board and Chief Operating Officer from 27 August 2008 to 29 May 2009				
- fixed remuneration	78,833	78,833	102,271	102,271
- variable remuneration	17,600	0	0	17,600
- exceptional remuneration	0	0	0	0
- directors' fees	N/A	N/A	N/A	N/A
- benefits in kind	0	0	801	801
TOTAL	96,443	78,833	103,071	120,671

Note to Table 2 – Summary of remuneration paid to each executive officer (in €)

The members of the Management Board do not receive any remuneration in respect of their corporate offices. Their salary remuneration comprises a fixed part and a variable part, of which the Supervisory Board, at the proposal of the Remuneration Committee, has fixed the target at 40% of their gross annual salary, depending on attainment of their objectives.

For 2009, these objectives broke down as follows: strategic objectives, objectives associated with regulatory procedures for access to the market of the Company's products, objectives associated with the research and development activity and objectives associated with restructuring the Company. Their realisation was appraised in February 2010. It was decided by the Supervisory Board, at the proposal of the Remuneration Committee and in agreement with the Management Board, not to pay any variable part to the officers for 2009.

Exceptional remuneration of members of the Management Board corresponds, where applicable, to the reward made to employee inventors put in place in the Company in favour of all the employees concerned. Their benefits in kind consist in insurance for loss of employment for Dominique Costantini and Gilles Avenard and, for 2009, use of a Company car for Gilles Avenard and Pierre Morgon.

Note to Table 3 – Directors' fees and other remuneration received by members of the Supervisory Board

The general meeting of 29 April 2009 fixed the total amount of directors' fees to be paid in respect of the financial year ended 31 December 2009 at €148,500. The distribution of directors' fees between its members was decided by the Supervisory Board, at the proposal of the Remuneration Committee, on the basis of an inclusive amount per actual attendance at meetings of the Supervisory Board and committees. This results in a total amount of directors' fees paid of €111,750 for 2009.

Table 4 – Stock options to purchase or subscribe for shares granted during the financial year to each corporate officer

Not applicable. No option to purchase or subscribe for shares was allotted to the corporate officers in 2009.

Table 5 – Stock options to purchase or subscribe for shares exercised during the financial year by each corporate officer

Not applicable. No option to purchase or subscribe for shares was exercised by the corporate officers in 2009.

Table 6 – Performance shares awarded during the financial year to each corporate officer

Not applicable. No performance shares were awarded to corporate officers in 2009.

Table 7 – Performance shares that became available during the financial year for each corporate officer

Not applicable. No performance shares became available in 2009.

Table 9 – Stock options to purchase or subscribe for shares granted during the financial year to the 10 non-corporate officer employees receiving the largest number of shares or exercised by them

Not applicable. No options were granted by the Company to non-corporate officer employees in 2009; no options previously granted to employees who are not corporate officers were exercised during the financial year.

Table 3

Directors' fees and other remuneration received by non-executive company officers				
Non-executive company officers	Amounts in 2008		Amounts in 2009	
	Directors' fees in €	Other remuneration	Directors' fees in €	Other remuneration
Jean-Claude Deschamps Term of office expired on 29 April 2008	34,500	0	N/A	N/A
Jean-Marie Zacharie Appointed in April 2008	41,000	18,000 BSAs	43,500	N/A
François Sarkozy	34,000	12,000 BSAs	19,500	N/A
Michel Arié Appointed in December 2008	0	6,000 BSAs	18,500	N/A
Christophe de Backer April 2008 to December 2008	4,000	0	N/A	N/A
Georges Hibon Departed in September 2009	19,000	6,000 BSAs	7,000	N/A
Gilles Marrache Appointed in April 2008	8,000	6,000 BSAs	8,750	N/A
Philippe Taranto April 2008 to September 2009	6,000	6,000 BSAs	8,250	N/A
André Ulmann Appointed in September 2009	N/A	N/A	6,250	6,000 BSAs
AGF Private Equity Represented by T Laugel then R Droller	N/A	N/A	N/A	N/A
ING Belgium represented by D Biju-Duval	N/A	N/A	N/A	N/A
TOTAL	146,500	54,000 BSAs	111,750	6,000 BSAs

Note to Table 8 – History of awards of warrants and stock options

As part of its policy of remunerating and motivating its officers and employees, BioAlliance Pharma put in place special founders' share purchase warrants (BSPCEs) from 2003 to 2005. This scheme was succeeded in 2006 by the award of stock options and in 2008 by the granting of free shares. In each of these cases, the plans benefited the officers and all the employees of the Group.

The independent members of the Supervisory Board also benefited from successive plans awarding share purchase warrants (BSAs) from 2003 to 2008.

In 2009 the officers who had not exercised their warrants from the 2008 plans (categories F and G) since they were awarded had to renounce exercising them when they expired, due to the share price.

Table 8

History of the award of financial instruments giving access to the share capital				
Information on BSPCEs and stock options awarded to members of the Supervisory Board				
Date of meeting	BCE-F GM 19/07/04	BCE-G GM 19/07/04	BCE-J GM 07/11/05	SO 2006(1) GM 16/05/06
Date of Management Board	19/07/04	19/07/04	30/01/06	30/10/2006
Shares that may be subscribed by	1 warrant/4 shares	1 warrant/4 shares	1 warrant/4 shares	1 SO/1 share
<i>Members of the Management Board</i>	21,680	276,752	120,000	120,000
<i>Dominique Costantini</i>	10,840	138,376	60,000	60,000
<i>Gilles Avenard</i>	10,840	138,376	60,000	60,000
<i>Pierre Morgon</i>	N/A	N/A	N/A	N/A
Starting date for exercise	19/07/04	19/07/04	30/01/06	30/10/07
Expiry date	18/07/09	18/07/09	07/11/10	30/10/11
Subscription price (€)	4.093	4.093	10.64	12.74
Exercise terms	N/A	N/A	Vesting/4 years	Vesting/4 years
Shares subscribed at 31/12/09	0	0	0	0
BCE/options cancelled or lapsed	5,420	69,188	0	0
BCE/options outstanding at end 2009	0	0	30,000	120,000

Table 8

History of the award of financial instruments giving access to the share capital				
Information on BSAs awarded to members of the Supervisory Board				
Date of meeting	BSA-B GM 17/03/04	BSA-J GM 07/11/05	BSA-K GM 16/05/06	BSA-L GM 29/04/08
Date of Management Board	17/03/04	30/01/06	09/06/06 (1) 13/12/06 (2)	17/12/08 (1) 22/10/09 (2)
Shares that may be subscribed by:	1 warrant/4 shares	1 warrant/4 shares	1 warrant/1 share	1 warrant/1 share
<i>Corporate officers</i>	36,000	60,000	54,000	60,000
<i>Jean-Claude Deschamps</i>	36,000	40,000	20,000 (1)	
<i>Jean-Marie Zacharie</i>				18,000 (1)
<i>François Sarkozy</i>		20,000	20,000 (1)	12,000 (1)
<i>Georges Hibon</i>			14,000 (2)	6,000 (1)
<i>Gilles Marrache</i>				6,000 (1)
<i>Philippe Taranto</i>				6,000 (1)
<i>Michel Arié</i>				6,000 (1)
<i>André Ulmann</i>				6,000 (2)
Starting date for exercise of BSAs	17/03/04	30/01/06	09/12/06 (1) 13/06/07 (2)	17/06/09 (1) 22/04/10 (2)
Expiry date	16/03/09	07/11/10	08/06/11 (1) 12/12/11 (2)	16/12/13 (1) 21/10/14 (2)
Subscription price (€)	4.093	10.64	12.51 (1) 11.80 (2)	2.95 (1) 5.34 (2)
Exercise terms	N/A	N/A	Vesting/4 years	Vesting/4 years
Shares subscribed at 31/12/09	0	0	0	1,500
Total BSAs cancelled or lapsed	9,000	0	23,500	9,000
BSAs outstanding at end 2009	0	15,000	30,500	49,500

Table 10 – Summary of elements concerning remuneration of executive company officers

As mentioned above, the Company’s compliance with the Middledenext corporate governance code for small and medium capitalisation companies is stipulated in point I.7 of the report of the Chairman of the Supervisory Board on internal control: the Company applies all the recommendations of the Middledenext corporate governance code related to executive company officers.

The two members of the Management Board of BioAlliance Pharma, the Company’s founders, combine their corporate office with a contract of employment. The facts that governed this decision stem from the decisive importance of their expertise and at the same time their technical management duties, level of remuneration that was for a long time well below the market and the high level of risk inherent in the biotechnology sector, which justifies maintaining the protections inherent in the contract of employment.

Table 10

Executive corporate officer	Employment contract		Supplementary pension plan		Indemnities or benefits due in respect of termination or change in duties		Indemnities related to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Dominique Costantini Chairman of the Management Board Start of term of office: 24/04/2007 End of term of office: 24/04/2010	yes			no		no		no
Gilles Avenard Member of the Management Board and Chief Operating Officer Start of term of office: 24/04/2007 End of term of office: 24/04/2010	yes			no		no		no
Pierre Morgon Member of the Management Board and Chief Operating Officer Start of term of office: 27/08/2008 End of term of office: 29/05/2009	yes			no		no		no

Commitments of all kinds corresponding to elements of compensation, indemnities or benefits due or that could be due by the Company with regard to the assumption of duties, the termination of duties or a change in duties of members of the Management Board or Supervisory Board or after such event: there are no such commitments in the Group that are subject to the procedure provided for in article L 225-42-1 of the Commercial Code.

In 2009 the Company did not award any equity securities, debt securities or securities giving access to the capital to officers. It awarded the BSAs set out in Table 8 above to the independent members of the Supervisory Board.

In accordance with the provisions of articles L 225-197-1 and L 225-185 of the Commercial Code, the Supervisory Board, on the recommendation of the Remuneration Committee, set the percentage of shares (shares granted or shares resulting from the exercise of stock options) that the executive company officers who are members of BioAlliance Pharma’s Management Board have the obligation to hold as registered shares until the termination of their duties. This percentage was set at 50% of each award of securities giving access to the capital, with a ceiling equivalent to one year of total gross remuneration. This provision applies to the options granted and shares awarded after 31 December 2006.

5.10. INFORMATION ON EMPLOYEE-RELATED AND ENVIRONMENTAL CONSEQUENCES

In accordance with the provisions of articles L 225-102-1, R 225-104 and R 225-105 of the Commercial Code, we draw your attention to the information with regard to the way in which the Company and the Group take into consideration employee-related and environmental consequences of business activities.

5.10.1. Employee information (article R 225-104)

The existence of an Economic and Social Unit between BioAlliance Pharma SA and its subsidiary, Laboratoires BioAlliance Pharma SAS was recognised by the district court (*tribunal d'instance*) of the 15th arrondissement of Paris on 6 October 2006. The Economic and Social Unit has fallen within the scope of the collective bargaining agreement for the pharmaceutical industry since the collective agreement signed on 11 July 2007. Furthermore, the Group complies with all the legal requirements with regard to the provision of information and consultation between labour and management and maintains ongoing consultation and dialogue.

Employee data is set out below:

Total headcount at 31 December 2009:

- **of the Company:** the total headcount in terms of full-time equivalents is 65.10 employees (62.4 indefinite-term contracts, 1.8 fixed-term contracts and 0.9 apprentices). It consists of 52.80 managers, 12.30 staff including 0.9 apprentices.
- **of the Group:** the total headcount in terms of full-time equivalents is 86.28 employees (83.58 indefinite-term contracts, 1.8 fixed-term contracts and 0.9 apprentices). It consists of 73.98 managers, 12.30 staff including 0.9 apprentices.

Movements in personnel in 2009:

- **at company level:** Hirings: 6 employees: 1 indefinite-term contract, 4 fixed-term contracts and 1 apprentice. Departures: 9 employees: 2 resignations, 4 fixed-term contracts ended, 2 redundancies, 1 retirement.
- **at group level:** Hirings: 7 employees: 2 indefinite-term contracts, 4 fixed-term contracts and 1 apprentice. Departures: 11 employees: 4 resignations, 4 fixed-term contracts ended, 2 redundancies, 1 retirement.

Organisation of working time and absenteeism:

- **At company level:**

Under the agreement on the adjustment and reduction of working time of 2 February 2002, working time in the Company is calculated on an annual basis, on the basis of 218 days a year for managers who work a fixed number of days and on the basis of 36 hours 45 minutes for staff.

Four employees are employed on an 80% part-time basis.

Absences were mainly due to illness (2 people for 2 months, 1 person for 1 month, 2 people for 0.5 months), maternity leave (1 person for 3 months, 1 person for 1 month) and work-related accident (1 person for 2 months, 1 person for 1 month).

- **At group level:**

The scientific associates who act as medical sales representatives work on the basis of a fixed number of working days of 213 days a year.

Remuneration, changes, professional gender parity

At BioAlliance Pharma level, the payroll was not increased owing to measures taken following the redundancies at end 2008 (hiring and remuneration restrictions). For Laboratoires BioAlliance Pharma, the payroll increased significantly on account of the increase in the number of employees in the third quarter of 2008 and the change in the system of the scientific associates' bonuses.

Professional gender parity is illustrated in the Group by the following breakdown between the employees: 65% are women and 35% are men.

Grant of securities giving access to the capital

On the authorisation of the general meeting of 29 April 2008, on 1 April 2009 the Management Board granted free shares to employees who had not met the required length of service condition at the time of the first grant (31 July 2008). Like that concerning the financial year ended 31 December 2008, this grant is subject to collective performance conditions. The Works Council issued a favourable opinion on 17 July 2008. 94,000 free shares were awarded to 43 employees of the Group on the basis of criteria related to length of service and recent allocations of other instruments giving access to the capital.

Professional relations and description of collective agreements

Labour dialogue is conducted by the Management Board with the employee representatives. Twelve meetings of employee delegates and fifteen meetings of the Works Council (including three exceptional meetings) were held in 2009.

Employee representatives: In 2009, two members and one alternate member of the management representatives resigned, as did one alternate member of the staff representatives. In accordance with the regulations in force, partial elections were not organised since each category is still represented and the number of members, after replacement, was not reduced by half. Three exceptional meetings of the Works Council took place: on the increase in the mutual insurance rate and the internal reorganisation (29 January 2009); on the reorganisation following the departure of the third member of the Management Board (8 June 2009); and on the reconstitution of shareholders' equity of the subsidiary Laboratoires BioAlliance Pharma (17 December 2009).

Health and safety: The Health and Safety and Working Conditions Committee (set up on 18 December 2008 with three staff representatives) met three times in 2009. In addition, the Company drew up a business continuity plan applicable in the event of a flu pandemic, in accordance with the recommendations of the pharmaceutical industry and in particular the French Pharmaceutical Companies Association (LEEM).

Main agreements: The main collective agreements in force in the Economic and Social Unit are as follows:

- the agreement for the adjustment and reduction of working time of 2 February 2002;
- a company code of conduct with regard to the system for employee inventors, concluded on 17 March 2006 to encourage innovations, the Company's core business;
- the collective company-level agreement of 11 July 2007 on the company's changeover from the collective bargaining agreement for the chemical industries to that for the pharmaceutical industry as from 1 October 2007;
- the collective company-level agreement of 11 July 2007 with regard to the employee provident and healthcare scheme.

Training: The training policy conducted by the Company and the Group allows for continuous adaptation of the skills of all the employees to the changes in the business activities and the new business lines of the Group. In 2009, 2,046 hours were spent on technical training (72 managers and 10 staff) and 24 hours were devoted to employees' individual statutory training entitlement.

Action plan on employment and keeping older people in work: In accordance with its legal obligations, the Group has put in place an action plan on employment and keeping older people in work, which received an unreservedly favourable opinion from the Works Council on 20 November 2009.

Significance of subcontracting: The BioAlliance Pharma group focuses its activity and human resources on its know-how in respect of development, registration and marketing of innovative drugs. On this basis, it organises subcontracting and contracting out with regard to scientific issues, production and various support services such as IT, reception, and cleaning and maintenance activities.

5.10.2. Environmental information (article R 225-105)

The Company and the Group have a responsible attitude and demonstrate good corporate citizenship which aims to minimise the impacts of the business activity that may be potentially harmful to the environment.

They comply with the main principles intended to guarantee the protection of health and the environment.

As the manufacture of its products is contracted out, the Group has no industrial sites but it has research and development laboratories in which it has implemented the measure for confinement and protection of workers exposed to biological and chemical agents. Furthermore, the procedures for the elimination of toxic waste and contaminants are in compliance with regulations.

The Group has ensured that its practices have been brought into line with the European regulation known as REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation). As a user of chemical substances, BioAlliance Pharma:

- complies with the safety conditions laid down in the safety datasheets provided by manufacturers and prepares its own safety datasheets for products developed internally;
- informs its suppliers of any information with regard to product hazards; and
- ensures that product use is indeed that intended by the supplier.

In addition to approval of the parent company and consolidated financial statements, we will ask you to give an opinion on the following points on the agenda of the annual ordinary and extraordinary general meeting:

- renewal of the appointment of the statutory auditors and alternate statutory auditors approaching expiry;
- the change in the Company's mode of administration by adoption of a Board of Directors and corresponding amendments to the articles of incorporation, the appointment of directors and the determination of the amount of the directors' fees;
- authorisation to implement a new share buyback programme;
- authorisation to reduce the capital by cancelling shares bought back as part of the aforementioned share buyback programme;
- authorisation to proceed with a capital increase, either by maintaining preferential subscription rights or through an offer to eligible investors;
- authorisation to grant stock options to purchase or subscribe for shares to all the Group's employees and to the Company's executive corporate officers;
- capital increase in cash with cancellation of shareholders' preferential subscription rights in favour of Therabel Pharma and corresponding amendment of the articles of incorporation, under the condition precedent of completing the aforementioned capital increase; and
- authorisation to proceed with a capital increase reserved for employees within the framework of a collective shareholding.

These various points are submitted to you in the document entitled 'Report of the Management Board to the combined general meeting of 22 April 2010 – Description and explanation of the resolutions' attached hereto and the report prepared by the Chairman of the Supervisory Board on internal control.

We also inform you that the table of delegations in the process of validation granted by the general meeting to the Management Board is annexed hereto.

Your Management Board invites you, after reading the reports presented by your statutory auditors, to adopt the resolutions submitted for your vote.

The Management Board

Annex 1 to the Management Report

RESULTS AND OTHER KEY ITEMS REGARDING THE COMPANY OVER THE LAST FIVE YEARS

(Article R 225-102 paragraph 2 of the Commercial Code)

	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
Share capital at year end					
Share capital	2,073,498	2,169,086	3,115,473	3,224,208	3,224,584
Number of ordinary shares	8,293,991	8,676,343	12,461,894	12,896,832	12,898,334
Number of preference shares					
Maximum number of future shares to be issued:					
- through the conversion of bonds					
- through subscription rights					
Operations and results					
Net sales, excluding VAT	211,833	826,676	1,153,066	1,084,063	913,000
Net loss before tax, profit-sharing, depreciation, amortisation and provisions	(10,247,651)	(11,108,911)	(16,385,584)	(15,217,550)	(8,847,030)
Corporate income taxes	241,375	359,968	1,085,083	2,253,575	1,829,922
Employee profit-sharing					
Net loss after tax, profit-sharing, depreciation, amortisation and provisions	(7,705,221)	(11,022,461)	(15,721,589)	(14,560,997)	(22,398,410)
Distributions					
Earnings per share					
Net loss after tax, profit-sharing, before depreciation, amortisation and provisions	(1.21)	(1.24)	(1.23)	(1.01)	(0.54)
Net loss after tax, profit-sharing, depreciation, amortisation and provisions	(0.93)	(1.27)	(1.26)	(1.13)	(0.60)
Dividend paid					
Personnel					
Average headcount	45	47	53	75	65
Gross salary expense	1,971,463	2,978,149	3,275,570	4,788,434	4,308,010
Social charges and benefits (social security, charities and similar benefits)	895,273	1,362,762	1,492,593	2,384,799	2,063,429

Annex 2 to the Management Report

TABLE SUMMARISING CURRENTLY VALID AUTHORISATIONS GRANTED BY THE GENERAL MEETING TO THE MANAGEMENT BOARD Year ended 31 December 2009

In accordance with the provisions of article L 225-100 of the Commercial Code, we report to you the valid delegations granted by the general meeting to the Management Board in respect of capital increases and the use made of these delegations in 2009.

(in €)	Date of EGM	Expiry date of the authorisation	Maximum authorised amount	Increase carried out in preceding years	Increase(s) carried out during the financial year	Residual amount on the date of preparation of this table
Share buyback programme	29/04/2009 Resolution 10	18 months (10/2010)	10% of capital	None	None	See the Management Board's report
Authorisation to grant free shares (260,000 shares) Vesting subject to performance conditions two years after grant	29/04/08 Resolution 20	12 months (04/2009)	2% of capital	Grant of 148,500 rights to free shares No capital increase	Grant of 94,000 rights to free shares and cancellation of 17,500 rights not granted No capital increase	-
Authorisation to issue BSAs (Supervisory Board + Scientific Committee) (150,000 warrants each conveying the right to 1 share)	29/04/08 Resolution 21	18 months (10/2009)	1.19% of capital	Grant of 54,000 BSAs No exercise	Grant of 14,000 BSAs and cancellation of 82,000 BSAs not granted Increased in the capital of 1,500 shares recorded at 31/12/2009	-
Authorisation to increase capital, either by all types of securities combined, with maintenance of preferential subscription rights, or by capitalisation of reserves, profits or premiums	24/04/2007 Resolution 11	26 months (06/2009)	€3,000,000	None	None	-
Authorisation to increase capital, all types of securities combined, with the cancellation of preferential subscription rights	24/04/2007 Resolution 12	26 months (06/2009)	€1,800,000 (deducted from the ceiling in resolution 11)	None	None	-
Authorisation to increase capital in consideration of contributions in kind	24/04/2007 Resolution 14	26 months (06/2009)	10% of capital	None	None	-

CHAPITRE 6. ATTESTATION BY THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

Persons responsible for the Annual Financial Report:

Mrs Dominique Costantini, President of the Management Board

Mr Gilles Avenard, Chief Operating Officer

“We certify that, to our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards (IFRS as adopted by the European Union for the consolidated financial statements and French accounting principles for the parent company accounts) and give a true and fair view of the assets and liabilities, financial position and financial results of the Company and all the companies included within the scope of consolidation. We also certify that the management report (included in page 65 of this Document) gives a true and fair view of the changes in the business activities, financial results and financial position of the Company and of all the companies included within the scope of consolidation as well as a description of the main risks and uncertainties with which they are faced”.

Dominique Costantini
President of the Management Board, CEO

Gilles Avenard
Chief Operating Officer

CHAPITRE 7. STATUTORY AUDITORS' FEES

The table below shows the fees of the statutory auditors and the members of their network paid by the Company over the 12-month period from 1 January to 31 December 2009:

<i>(in €)</i>	Grant Thornton				Ernst & Young			
	Amount		%		Amount		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit, statutory audit, certification, review of financial statements under French GAAP and IFRS								
Issuer	79,900	116,990	88	89	102,467	94,810	100	100
Fully consolidated subsidiary	10,544	15,043	12	11	0	0	0	0
Other procedures and services directly related to the statutory audit engagement								
<i>Subtotal</i>	90,444	132,033	100	100	102,467	94,810	100	100
Other services rendered by the networks to the fully consolidated subsidiary								
<i>Subtotal</i>								
Total	90,444	132,033	100	100	102,467	94,810	100	100

CHAPITRE 8. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

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CHAPITRE 8. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

In accordance with article L 225-68 of the Commercial Code, the Chairman of the Supervisory Board of BioAlliance Pharma reports, at the end of the financial year ended 31 December 2009, on the corporate governance, internal control and risk management measures implemented by the Company in 2009.

This report, which has been prepared by the Company's Chief Financial Officer together with his staff and reviewed by the Management Board, was submitted to the Audit Committee, which then presented it for approval to the full Supervisory Board on 3 March 2010.

8.1. CORPORATE GOVERNANCE

BioAlliance Pharma is a French-law limited company (*société anonyme*), with a Management Board and a Supervisory Board. The Company declares that it complies with the national and European corporate governance rules currently in force. It refers in particular to the Middlednext corporate governance code for small and medium capitalisation companies.⁵

The rules related to the role and functioning of the Supervisory Board are set by law, the articles of incorporation and the Board's internal regulations. These internal regulations, updated on 10 February 2009, define the relationship between the Management Board and the Supervisory Board, determine the boards' powers and those of the committees and describe the modes of operation of the boards as well as the rules of ethics that apply to its members. These regulations are available on the Company's website (www.bioalliancepharma.com).

8.1.1. Members of the Supervisory Board

Under the provisions of law and the articles of incorporation, the Supervisory Board is made up of at least three members and at most 18 members, appointed by the general meeting for a term of three years and eligible for re-election at the end of their terms of office.

The Supervisory Board undertakes that at least one-third of its members will be independent. To qualify the independence of members, which is characterised by the absence of any significant financial, contractual or family relationship likely to compromise independence of judgment, the Supervisory Board's internal regulations have used the following independence criteria:

- the member must not be an employee or member of the Company's Management Board and must not have held any such position during the five years before his appointment in the Company;
- he must not be a client, supplier, investment banker or corporate banker of the Company;
- he must not have any close family ties with any corporate officer;
- he must not have been the Company's auditor over the past five years;
- he must not have been a director or member of the Company's Supervisory Board for over 12 years; and
- he must not directly or indirectly hold more than 1% of the Company's share capital whether on a fully diluted basis or not.

In 2009 the composition of the Supervisory Board changed twice.

From 1 January to 29 April 2009, the Supervisory Board was made up of six members, all independent.

The general meeting of 29 April 2009 appointed to the Supervisory Board AGF Private Equity, which has a 5.8% shareholding in the Company, represented by Mr Thierry Laugel. Then, at its meeting on 21 October 2009, the Supervisory Board co-opted ING Belgium, represented by Mr Denis Biju-Duval, and

⁵ Corporate governance code for small and medium capitalisation companies, published in December 2009, available at www.middlednext.com.

Mr André Ulmann, replacing Messrs Hibon and Taranto. ING Belgium, BioAlliance Pharma's biggest shareholder (with 8.8%), thereby strengthens the representation of shareholders on the Supervisory Board, alongside AGF Private Equity represented by Mr Rémi Droller since September 2009.

At 31 December 2009, the Company's Supervisory Board was made up of seven members, five of whom were independent:

- Jean-Marie Zacharie, independent member and Chairman of the Supervisory Board;
- François Sarkozy, independent member and Vice-Chairman of the Supervisory Board;
- Michel Arié, independent member;
- Gilles Marrache, independent member;
- André Ulmann, independent member;
- ING Belgium, represented by Denis Biju-Duval;
- AGF Private Equity, represented by Rémi Droller.

Jean-Marie Zacharie, Chairman

Aged 68, President of the subsidiary MSD-Chibret France until 2006 and Vice-President Europe from 2001 to 2006, Jean-Marie Zacharie previously managed a number of Merck MSD*⁶ international subsidiaries in Spain and South America. He acquired his earlier experience in the Sandoz Group, where he was CEO of the Belgium subsidiary and Vice-President of the Middle East and Africa region. He started his career in marketing with Sandoz Japan.

Other duties: Jean-Marie Zacharie has also been President of ShigaMediX since October 2006 and a Board member of Lundbeck France* since March 2008.

François Sarkozy, Vice- Chairman

Aged 50, President of AEC Partners France, François Sarkozy previously served as Medical Director, France, at Aventis Pharma* and Medical & Pharmaceutical Director, France, at Hoechst Marion, having been International Development Director at Roussel-Uclaf. He started his career at AP-HP, where he completed his hospital training in paediatrics.

Other duties: François Sarkozy is also a member of the Supervisory Board of Proгна AG (Germany) and managing director of FSNB Conseil (France).

Michel Arié, independent member

Aged 62, Chief Financial Officer, in charge of development, diversification, mergers and acquisitions at the CNIM Group* (Constructions Industrielles de la Méditerranée), Michel Arié has worked in industry in a series of positions including internal audit, business analysis and control, administrative and financial management, export financing management and project financing. He is an engineering graduate of Supelec, and a graduate of IAE Dauphine.

Other duties: Michel Arié is also a Board member of various subsidiaries in the CNIM Group.

Gilles Marrache, independent member

Aged 41, CEO of Amgen France and Vice-President of Amgen Inc* since January 2006 (incorporated in 1980, Amgen is a speciality pharmaceutical company and the global biotech industry leader), Gilles Marrache previously managed the Belgium and Luxembourg subsidiary, after heading up Amgen's oncology division in France. Previously, he held various posts with Novartis, in the oncology business unit where he helped launch Glivec and Zometa, and served as marketing manager. He began his career with the distributor CERP. Gilles Marrache is a doctor of pharmacy from Paris XI and holds an MBA from ISC Paris.

⁶ The companies followed by an asterisk are listed companies.

André Ulmann, independent member

Aged 61, Founder and Chairman of the Supervisory Board of Laboratoire HRA Pharma founded in 1996, a European pharmaceutical company that develops and markets drugs in reproductive care and endocrinology, André Ulmann began his career as a hospital doctor and joined the pharmaceutical industry where he served as international project manager, medical manager and research and development manager in endocrinology with Hoechst Roussel. André Ulmann is a doctor of medicine, doctor of sciences and specialist in nephrology and internal medicine.

Other duties: He has also been Chairman of the Management Board of Celogos since 1996.

Denis Biju-Duval, permanent representative of ING Belgium

Aged 53, Denis Biju-Duval has run the ING Belgium's private equity team since 2001. He began his career with Boston Consulting Group. He was then manager with the Institut de Développement Industriel, head of business development with Chargeurs, manager at Marceau Investments overseeing industrial activities, CEO of Investop SA and manager with ING Investment Management France. Denis Biju-Duval is a qualified engineer, with an MBA (HEC/ISA Paris).

ING Belgium, which acquired a holding in BioAlliance Pharma in 2003, is the biggest shareholder in BioAlliance Pharma and was a member of the Company's Supervisory Board from 2003 to 2008, represented by Denis Biju-Duval. He rejoined the Supervisory Board in October 2009.

Rémi Droller, permanent representative of AGF Private Equity

Aged 34, Rémi Droller rejoined AGF Private Equity in 2003 as partner in charge of healthcare investments. Previously, he spent three years with CDC Ixis Innovation (now CDC Entreprise Innovation), where he was in charge of analysing and monitoring healthcare investments. Rémi Droller has a postgraduate diploma in molecular biology and a master's degree in innovation management.

AGF Private Equity crossed the threshold of 5% of the Company's capital in 2008 and was appointed a member of BioAlliance Pharma's Supervisory Board in April 2009.

8.1.2. Role of the Supervisory Board

The Supervisory Board oversees the Company's management by the Management Board, and has powers to review the situation on a regular basis.

Its internal regulations specify that this supervisory role covers the following areas:

- review of the Company's financial position, cash situation, management projections and its commitments;
- review of the means employed by the Company, the statutory auditors and the internal audit team to ensure that the parent company and consolidated financial statements have been duly and properly prepared and give a true and fair view;
- review of information related to the financial statements disclosed to shareholders and the market.

Furthermore, certain decisions of the Management Board may not be adopted and certain deeds or undertakings may not be concluded by the Management Board or the Chairman of the Management Board unless they have been authorised in advance by the Supervisory Board. Besides the transactions provided for by law, these mainly relate to decisions to acquire or dispose of assets for an amount greater than €200,000 per year other than those referred to in the Company's annual budget.

8.1.3. Conditions for preparation and organisation of the work of the Supervisory Board

In order to enable it to fully perform its supervisory role, the Supervisory Board has specified in its internal regulations that it may carry out the verifications and controls that it considers appropriate and may ask to be provided with the documents that it considers useful for the performance of its functions.

In practice, before Supervisory Board meetings are held, its members are provided with all the appropriate documents to provide them with information. The provision of this information is the responsibility of the Chairman of the Supervisory Board and the Chairman of the Management Board. Outside the scope of any meetings, Supervisory Board members may obtain, at their request, any information that they consider appropriate from the same people. Furthermore, Supervisory Board members are kept regularly informed by the Management Board of the elements considered important and of the press releases issued by the Company.

Supervisory Board members are sent notices of meetings by email from the Chairman of the Supervisory Board, in accordance with a preset calendar. The agenda is prepared by the Management Board in consultation with the Chairman of the Supervisory Board and notified to members of the Supervisory Board at least one week before meetings. A file detailing the content of topics on the agenda, prepared by general management, is sent to each member attending meetings.

Minutes of each meeting are prepared, with a draft sent to members of the Supervisory Board for their observations. The definitive minutes are approved at the following meeting and signed by the President and one other member of the Supervisory Board who attended the meeting.

Management Board members are systematically present at each Supervisory Board meeting. Also present at meetings to approve the half-year and annual financial statements are the representatives of the Works Council and the Company's statutory auditors.

The Board of Directors is assisted by two standing committees whose duties and mode of operation are set out in the internal regulations: the Audit Committee and the Remuneration Committee. The internal regulations also provide for the possibility of setting up other specialist committees, which carry out their business under the responsibility of the Supervisory Board. In the second half of 2009, the Supervisory Board set out a Strategic Reflection Committee comprising André Ulmann and Rémi Droller (representative of AGF Private Equity), which met three times and regularly reported its work to the Supervisory Board.

The internal regulations also provide for the existence of a Scientific Committee made up of the Management Board and the Chief Scientific Officer of BioAlliance Pharma, as well as distinguished members affiliated with renowned French universities, hospitals, or scientific bodies or institutions. The Scientific Committee is consulted depending on the Company's strategic needs, and members are consulted during project meetings, separately for each business unit. It is tasked with guiding and evaluating the progress of certain projects as well as the scientific relevance of the Company's new projects.

The internal regulations set out the method of evaluation by the Supervisory Board of its own operations. The Supervisory Board devotes, once a year, an item on its agenda to a discussion on its operations, in particular at the time when the report on internal control is drawn up.

8.1.4. Report on the Supervisory Board's activities for 2009

During the past financial year, the Supervisory Board held seven meetings, including one held by telephone, in line with the provisions in the internal regulations that apply in such a case. The Chairman of the Supervisory Board chaired all the meetings and the attendance rate of all the members was 89%.

At each of the meetings, a detailed analysis was made of the significant events, and a review of the progress of research and development projects, a financial report and a detailed report on sales and marketing operations were presented to the Supervisory Board by the Management Board, the Chief Financial Officer and the Marketing and Sales Director. Matters were discussed concerning strategic orientation and the search for partnerships. The Supervisory Board was also regularly informed of the changes in the situation of the SpeBio joint venture.

At its meetings of 4 March and 26 August 2009, the Supervisory Board reviewed the parent company and consolidated financial statements for 2008 and the consolidated financial statements for the first half of 2009, in the presence of the statutory auditors. In February, April, July and October 2009, it also reviewed the consolidated quarterly net sales and the quarterly business report presented by the Management Board. It regularly noted the elements of financial disclosure on which it expressed an opinion.

At the beginning of 2010, the Supervisory Board reviewed the corporate governance code for small and medium capitalisation companies published in December 2009 by Middlednext and decided, at its meeting of 9 February 2010, to adopt this code as a benchmark for implementing its corporate governance, given its suitability for the Company's size and issues.

At this meeting, the Supervisory Board took note of the items presented under the code's 'special Vigilance notes' heading.

As regards recommendations, the Company applies almost all those related to the Supervisory Board and departs only regarding the provision that requires that the internal regulations be signed by the members of the Supervisory Board. Currently, acceptance of his duties by a member of the Supervisory Board entails full and entire adherence on his part to the internal regulations and charter that it contains. The Company will comply with this recommendation when it next updates its internal regulations.

8.1.5. Work of the Audit Committee

Chaired by Michel Arié, an independent member with financial and accounting expertise, the Audit Committee also comprised the Chairman of the Supervisory Board, Jean-Marie Zacharie, and Philippe Taranto, until the latter resigned in September 2009. Mr Taranto was not replaced in 2009.

The Supervisory Board has taken account in its internal regulations of the expansion of the Audit Committee's duties resulting from the provisions of the Order of 8 December 2008, transposing the 8th European Directive. Consequently, the Audit Committee carries out all the duties delegated to it by law. In addition, under the terms of the internal regulations, the Audit Committee may study any issue brought to its attention and has a right of direct, independent and confidential consultation with the Company's statutory auditors, officers and staff as well as of all the Company's management accounts, books and registers.

The Audit Committee met four times in 2009, at the Company's head office, with one meeting devoted specifically to its duty to monitor the internal control and risk management systems implemented by the Company. Its activity related in particular to inspecting the 2008 and interim 2009 financial statements and reviewing related accounting issues, the schedule of the statutory auditors' work, presentation of the new risk management process implemented by the Company and review of the draft Chairman's report on internal control.

In addition to the committee members, the statutory auditors, the Chief Financial Officer and a member of the Management Board attended every meeting. The committee was able to meet the statutory auditors without the presence of the Company's representatives.

The Chairman of the Audit Committee submitted to the Supervisory Board a report on the committee's work following each of its meetings.

8.1.6. Work of the Remuneration Committee

The Remuneration Committee is made up of two independent members of the Supervisory Board, the Chairman, Jean-Marie Zacharie, and the Vice-Chairman, François Sarkozy, as well as an expert member, Dominique Jolivet, who chairs the Committee.

The Remuneration Committee submits all recommendations to the Supervisory Board with regard to the initial level and any increase in the remuneration of members of the Management Board, the distribution of directors' fees to be allocated to members of the Supervisory Board and the level of any exceptional remuneration of members of the Supervisory Board. In accordance with the principle of comprehensiveness, it also gives an opinion on the planned award of stock options and free shares to officers and on the performance conditions attached to them.

This committee met once in 2009, at the Company's head office. In December 2008, it gave an opinion on the appraisal of attainment of their 2008 objectives by members of the Management Board and on the proposed distribution of 2009 directors' fees to members of the Supervisory Board. At the beginning of 2009, it reviewed the remuneration of members of the Management Board and set their 2009 objectives, which were appraised in February 2010.

All the recommendations made by the Remuneration Committee were approved by the Supervisory Board.

8.1.7. Principles and rules determining remuneration of the corporate officers

The Company applies all the recommendations of the Middledent corporate governance code for small and medium capitalisation companies related to executive company officers.

The two members of the Management Board of BioAlliance Pharma, the Company's founders, combine their corporate office with a contract of employment. The facts that governed this decision stem from the decisive importance of their expertise and at the same time their technical management duties, level of remuneration that was for a long time well below the market and the high level of risk inherent in the biotechnology sector, which justifies maintaining the protections inherent in the contract of employment.

The members of the Management Board do not receive any remuneration in respect of their corporate offices. Their salary remuneration comprises a fixed part and a variable part, of which the Supervisory Board, at the proposal of the Remuneration Committee, has fixed the target at 40% of their gross annual salary, depending on attainment of their objectives. For 2009, these objectives broke down as follows: strategic objectives, objectives associated with regulatory procedures for access to the market of the Company's products, objectives associated with the research and development activity and objectives associated with restructuring the Company.

Exceptional remuneration of members of the Management Board corresponds, where applicable, to the reward made to employee inventors put in place in the Company in favour of the employees concerned. Their benefits in kind consist in insurance for loss of employment and, for 2009, use of a company car for two members of the Management Board.

The Company has not put in place any severance compensation or any supplementary pension plans.

As part of its policy of remunerating and motivating its officers and employees, BioAlliance Pharma put in place special founders' share purchase warrants (BSPCEs) from 2003 to 2005. This scheme was succeeded in 2006 by the award of stock options and in 2008 by the granting of free shares.

In each of these cases, the plans benefited the officers and all the employees of the Group. The vesting of free shares granted in 2008 is subject to the achievement of performance conditions validated by the Supervisory Board.

Furthermore, the Supervisory Board, in its decision of 30 January 2008, set at 50% the percentage of each award of securities giving access to the capital that the officers had to hold in registered form until the end of their employment with the Company, this amount being capped at the equivalent of one year of total gross remuneration.

Independent members of the Supervisory Board receive directors' fees, allocated by the general meeting and distributed by the Supervisory Board, at the proposal of the Remuneration Committee, on the basis of an inclusive amount per actual attendance at meetings of the Supervisory Board and committees. The independent members of the Supervisory Board also benefited from successive plans awarding share purchase warrants (BSAs) from 2003 to 2008.

8.1.8. Other corporate governance issues

The provisions with regard to participation in general meetings are set out in articles 20 to 24 of the articles of incorporation, which are available on the Company's website.

The information referred to in article L 225-100-3 of the Commercial Code that could have an impact in the event of a public takeover bid is detailed in section 8 of the management report.

8.2. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

8.2.1. Definition of internal control

The BioAlliance Pharma Group adopts the definition of internal control proposed by the *Autorité des Marchés Financiers*,⁷ whereby internal control is a system implemented by the Company that aims to ensure:

- compliance with legislation and regulations;
- application of the instructions and strategies laid down by general management;
- proper functioning of the Company's internal processes;
- reliability of financial information; and

contributes in general to control over its activities, the effectiveness of its operations and the efficient use of its resources.

Over the year, the Group continued to implement an internal control process intended to 'guarantee internally the relevance and reliability of the information used and circulated in the Group's activities'.

8.2.2. Scope

The BioAlliance Pharma Group's risk management and internal control procedures apply to BioAlliance Pharma SA and its wholly owned subsidiaries, Laboratoires BioAlliance Pharma SAS and BioAlliance Pharma Switzerland SA.

8.2.3. Reference framework and standards

As a company admitted for trading on a regulated market, BioAlliance Pharma has adopted the reference framework of the *Autorité des Marchés Financiers*. In 2009 the Group made progress in its implementation of the reference framework suited to small and medium capitalisation companies, with regard both to accounting and financial information and to risk management.

Furthermore, the Group, which works in the pharmaceutical sector, is subject to very strict, specific regulations governing its activities and internal control procedures are also applied to ensure compliance with such regulations. Legislative and regulatory provisions defined by the AFSSaPS, the European Commission, the EMEA, the FDA, and equivalent regulatory authorities in other countries govern research and development, preclinical and clinical studies, regulation of laboratories, and the manufacture and marketing of drugs. The main regulatory provisions that apply to the activities of the two companies are as follows: Good Clinical Practices (GCP), Good Manufacturing Practices (GMP), Good Laboratory Practices (GLP), the French and European regulations that apply to the development, sale and marketing of drugs, the regulations regarding GMOs, the disposal of waste, the transportation of hazardous substances, the handling of micro-organisms, health and safety.

8.2.4. Organisation

All the Group's stakeholders, both governance bodies and employees, are involved in the internal control system. This system is organised as follows:

Risk management is overseen by the Risk Management Committee, which consists of the General Management, the Chief Financial Officer and the Quality Assurance Director, in coordination with the Audit Committee of the Supervisory Board. It is rolled out group-wide by the managers of the activities.

⁷ Guide to implementation of the reference framework on internal control suited to small and medium capitalisation companies published on 9 January 2008.

The Quality Assurance Department plays a key role through its close involvement in the Company's various activities, through the support that it provides in drafting procedures and in document management, and through the realisation and monitoring of external audits of the Company's service providers and the implementation of actions to make improvements. It is also responsible for monitoring regulations, together with the Regulatory Affairs Department, which includes the Chief Pharmacist of Laboratoires BioAlliance Pharma SAS.

The Management Board defined the system and continues to steer it, in particular at the time of periodic management reviews. Each member of the Management Committee is responsible for overseeing his activity.

Finally, employees are responsible for day-to-day compliance with standards and orientations in their area and also for the reliability and relevance of the information they generate or pass on. For this purpose, they can use the resources of the document system validated by the Quality Assurance Department (consisting of over 200 procedures and operating methods) – a system that they are invited to update and improve on an ongoing basis, and their activities are regulated by a system of monthly internal control reviews.

8.2.5. Risk management policy

The BioAlliance Pharma Group initiated the formalisation of its risk management process in 2008 and continued with this in 2009. This process aims to identify all risks and risk factors that might affect the Company's activities and procedures and to define the resources that make it possible to manage such risks, particularly by implementing preventive measures. This process aims to take account of all the types of risks and is to be applied to all the activities of the BioAlliance Pharma Group, subject to the specific provisions required in the regulatory field.

The Group has adopted a procedure intended to provide a framework for all the risk management tools and methods put in place, which specifies the terminology adopted within the Group (probability and severity criteria, risk typology, etc.).

The objectives of this risk management policy are essentially to preserve the Group's revenues and its image, keep its costs to a minimum and promote the achievement of its strategic objectives.

Identification and analysis of the main risks

The Risk Management Committee annually updates and validates a risk map. Based on an inventory of the Group's activities and key processes, it identifies all the risks that may affect the Group and classifies them in one of the following 12 categories: Research and Development, Regulatory Affairs, Pricing and Reimbursement, Production, Operation and Marketing/Sales, Human Resources, Agreements and Licences, Finance, Shareholder Strategy, Information Technology, Legal Affairs and Intellectual Property, General.

For each of the risks identified, the Risk Management Committee analyses the potential consequences in terms of financial impact, the number of days' work lost and the impact on the Company's activities and its image.

The committee then assigns a probability risk and a criticality indicator to each risk identified and thereby determines a coefficient combining the two criteria. The risks are then classified in decreasing order of importance making it possible to determine the main risk factors, according to a typology which breaks them down into three categories: major risk, high risk or acceptable risk.

The risk map is updated annually to take account of changes in the Company, its activities and its financial situations as well as changes in its environment.

The description of the risk factors set out in chapter 5 of BioAlliance Pharma's 2009 Reference Document is organised in a manner consistent with this risk map.

Management processes for major risks

All risks considered to be high or major give rise to a risk management plan specifying the responsibilities and the actions to be taken.

The Risk Management Committee validates the action plans with the managers of the various activities and carries out a monitoring process twice a year. If the actions are considered to be incomplete or the level of risk fails to decrease as anticipated, corrective actions are defined by the Risk Management Committee and put in place by the manager of the activity concerned.

Copies of all the risk monitoring sheets are stored and kept on file by the Risk Management Committee.

Risk oversight and risk management processes

Regular reporting on the internal control system to the Audit Committee of the Supervisory Board has already existed for several accounting periods. As a result of the formalisation of the risk management process, this reporting to the Audit Committee has been expanded to the monitoring of major risks, in accordance with the provisions of the Order of 8 December 2008.

8.2.6. Control activities

The Group has set up a quality assurance system. The processes for all the fields of activity are described in procedures (standard operating procedures, SOPs), operating methods, information notices and forms. These written documents describe the conduct of activities, define the means and responsibilities of those involved, specify the know-how held by the Company and give precise instructions in order to carry out a given operation.

All the documentation with regard to the quality system is saved on a dedicated intranet, which optimises access to documents and allows them to be adapted on an ongoing basis to any changes in activities (management of the life cycle of the documents). The objective pursued is to continuously improve the quality and the processes for the Company's functioning, including operational, management and support processes.

The quality assurance system covers the following areas:

- quality assurance, health and safety, risk management;
- the administrative, legal, employment and financial fields, including internal control, corporate communications and the rules related to the listing of the Company on Euronext;
- production and pharmaceutical operations;
- marketing and sales activity in France and internationally;
- regulatory activities and pharmacovigilance;
- research and development, including clinical research;
- services performed for third parties.

With regard to the very specific activity of animal testing, since June 2002, BioAlliance Pharma has had an animal testing ethics committee consisting of seven members, which has the objectives of approving all the test protocols, from the viewpoints of animal ethics and of monitoring compliance with regulations and training.

With respect to the information systems, procedures that are part of the quality system define the rules with regard to access, protection and storage of information. An IT Code of Conduct has also been implemented.

Monthly reviews

The Management Board has set up specific internal control procedures which consist in monthly reviews of the key information related to each activity. For each of the areas set out below, information considered to be significant for the corresponding activities has been identified and selected. This information must represent the actual situation in the activity and make it possible to retrace such activity both in terms of quantity and quality, also taking into account compliance with the standards governing the activity concerned. This key information must be verifiable and properly documented. It is to be updated each month by the people carrying out the activity concerned. This system covers the following areas:

- communication of accounting, financial, scientific and institutional information;
- monthly review of the accounts, financial reporting and capital transactions;
- human resources and payroll;
- the Company's legal aspects, regulatory aspects and intellectual property;
- sales and purchasing;
- quality and the information system;
- information with regard to research and development projects (progress made/budget);
- information related to equipment and installations and facilities.

At the time of the monthly reviews, the Management Committee members review the data with the employees who have prepared them, verify the supporting documentation and the procedures that have been used. They make themselves accountable by signing the documents and defining the improvements to be made and the actions to be taken. The purpose of these reviews is to ensure that the information related to each of the elements of the scope of application accurately reflects the Group's activities and its situation.

These monthly reviews, including all the elements documenting them, are then presented to the Management Board and a management review is carried out validating the actions to be taken, where applicable. They form the basis for the regular, formal system of internal control set up by the Group.

Procedures related to the preparation and processing of accounting and financial information

As stated above, the reliability of financial information is one of the main objectives of the internal control system put in place by the Company. To this end, control and reporting procedures have been set up in order to guarantee control of the processes of information gathering, preparation and approval of the financial statements, in line with the criteria described in the AMF reference framework. These procedures, related to the general accounting of the Company's operations, also more specifically cover budgetary aspects and expense commitments and payments. Furthermore, with regard to the consolidation process for the Group's financial statements, the finance department controls the proper elimination of intercompany transactions and uniform restatements of the individual accounts according to international standards (IFRS).

In general, all the Company's accounting options are defined by the Chief Financial Officer, discussed with the Management Board and the Statutory Auditors and then presented to the Audit Committee and discussed with this committee. This makes it possible to ensure that the Company's practices fully comply with French and international (IFRS) standards and that the financial statements are consistently presented.

At the end of each year, a detailed budget is prepared by the Chief Financial Officer for the following financial year and is validated with the Management Board. This budget is presented to the Supervisory Board. At the end of each month, the accounting teams carry out a full closing of the individual accounts of the Group companies. Budgetary reviews are organised with all the line managers, making it possible to validate the cost accounting entries in this respect and to review all expenses, and a financial report is prepared by the Chief Financial Officer for the attention of the Management Board and Supervisory Board members. This report is presented and discussed at Supervisory Board meetings.

The Group has also had in place for several years a process for the validation of its expenses and payments which enables it to control the risk of fraud. Moreover, all the invoicing operations and those related to the collection of receivables concerning sales of Loramyc® in France are entrusted to Depolabo, which applies control procedures with regard to the transactions, particularly regarding the IT aspects.

8.2.7. Limits on internal control and areas for improvement

In 2010 the Company will take steps to arrange for the risk management system to evolve in line with the Company's business activities and provide for a uniform document system underlying its internal control procedures with action plans resulting from its risk management system.

The Supervisory Board approves the terms of this report, which will be presented to the general meeting held on 22 April 2010.

The Chairman of the Supervisory Board

CHAPITRE 9. STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France

BioAlliance Pharma
Year ended December 31, 2009

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French commercial code (*Code de Commerce*), on the report prepared by the chairman of the supervisory board of BioAlliance Pharma

To the Shareholders,

In our capacity as statutory auditors of BioAlliance Pharma and in accordance with article L. 225-235 of the French commercial code (*Code de Commerce*), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-68 of the French commercial code (*Code de Commerce*) for the year ended December 31, 2009.

It is the chairman's responsibility to prepare and submit for the supervisory board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-68 of the French commercial code (*Code de Commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the chairman's report in respect of the internal control procedures and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 225-68 of the French commercial code (*Code de Commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the supervisory board in accordance with article L. 225-68 of the French commercial code (*Code de Commerce*).

Other information

We confirm that the report prepared by the chairman of the supervisory board also contains the other information required by article L. 225-68 of the French commercial code (*Code de Commerce*).

Paris and Paris-La Défense, April 6, 2010

The statutory auditors
French original signed by

GRANT THORNTON
French Member of Grant Thornton International

ERNST & YOUNG Audit

Olivier Bochet

Franck Sebag

CHAPITRE 10. STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.

This report should be read in conjunction with and is construed in accordance with French law and professional standards applicable in France

BioAlliance Pharma
Year ended December 31, 2009

Statutory auditors' report on related party agreements and commitments

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are not required to ascertain the existence of any such agreements and commitments but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with article R. 225-58 of the French commercial code (*Code de Commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

NO AGREEMENTS OR COMMITMENTS CONCLUDED DURING THE YEAR

We hereby inform you that we have not been advised of any agreements or commitments concluded during the year which are covered by article L. 225-86 of the French commercial code (*Code de Commerce*).

AGREEMENTS AND COMMITMENTS AUTHORIZED IN PRIOR YEARS AND WHICH REMAINED CURRENT DURING THE YEAR

However, in accordance with the French commercial code (*Code de Commerce*), we have been advised that the agreements and commitments approved in prior years remained current during the year.

1. With Laboratoires BioAlliance Pharma

Nature and purpose

Convention of cash management between your company and its subsidiary, Laboratoires BioAlliance Pharma, authorized by the supervisory board on September 4, 2007.

Terms and conditions

This convention enables implementing a centralized management treasury system in accordance with the requirements of article L. 511-7 of the French monetary and financial Code (*Code Monétaire et Financier*). It aims to optimize the management of the needs and cash surpluses in order to minimize the interests paid as overdraft and to facilitate the short-term investment of the surplus funds.

2. With Mr. Gilles Avenard

Nature and purpose

Authorized agreement to bear full costs related to Mr. Gilles Avenard, board of directors' member, in the litigation opposing your company to Eurofins Pharma US Holding Inc. and Viralliance Inc. or EVI (hereafter the "American Procedure").

Terms and conditions

Within the framework of the American Procedure, Mr. Gilles Avenard is assigned in his capacity as administrator of EVI. He holds this function following an agreement which is provided for the designation of a representative of BioAlliance within the board of directors of EVI. The charges against him have thus their origin in his functions within your company.

The expenses related to Mr. Gilles Avenard's defense not being individualized in the global amount of the procedure, this amount cannot be communicated to you.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Paris and Paris-La Défense, April 6, 2010

The statutory auditors
French original signed by

GRANT THORNTON
French Member of Grant Thornton International

ERNST & YOUNG Audit

Olivier Bochet

Franck Sebag

CHAPITRE 11. INDEX SHOWING INFORMATION PUBLISHED OR MADE PUBLIC DURING THE LAST 12 MONTHS

This paragraph replaces the annual information document provided for by Article 222-7 of the *Autorité des Marchés Financiers* General Regulation.

Date (in ascending chronological order)	Informations published or made in public	Media used
6 April 2010	BioAlliance Pharma is now relying on partnerships to insure its growth strategy and is licensing European commercialization rights for Loramyc® and Setofilm® to the Therabel Group in a €48.5 million deal	Company's website, -full, effective distribution
25 March 2010	BioAlliance Pharma announces extension of Loramyc® approval in 13 European countries	Company's website, -full, effective distribution
23 March 2010	BioAlliance Pharma receives European Approval for its second innovative product Setofilm®	Company's website, -full, effective distribution
17 March 2010	Combined Ordinary and Extraordinary General Meeting on April 22nd 2010 Procedures for obtaining preparatory documents	Company's website, -full, effective distribution
10 March 2010	BioAlliance announces positive preliminary results in the first phase I clinical trial of fentanyl Lauriad®	Company's website, -full, effective distribution
03 March 2010	Full-year accounts for 2009	Company's website, -full, effective distribution
09 February 2010	BioAlliance Pharma announces its consolidated turnover for 2009 A doubling in recurring revenues	Company's website, -full, effective distribution
13 January 2010	Publication of a notice in a journal of legal announcements concerning the recording of a capital increase at December 31, 2009	Petites Affiches No. 9
12 January 2010	Publication of liquidity contract statements at December 31, 2009	Company's website, -full, effective distribution
22 December 2009	BioAlliance Pharma publishes its 2010 financial calendar	Company's website, -full, effective distribution
15 December 2009	Entry into clinical phase: clonidine Lauriad® into phase II and AMEP™ into phase I. With fentanyl Lauriad®, three products entered clinical phase in 2009	Company's website, -full, effective distribution
10 December 2009	Breakthrough positive phase III results with acyclovir Lauriad® Primary and secondary endpoints met – Final results	Company's website, -full, effective distribution
8 December 2009	Doxorubicin Transdrug®: Significant increased survival rate in patients with advanced hepatocellular carcinoma treated in a phase II clinical trial	Company's website, -full, effective distribution

Date (in ascending chronological order)	Informations published or made in public	Media used
23 November 2009	BioAlliance Pharma presents efficacy and safety preclinical results for its AMEP™ anti-invasive biotherapy at the ESGCT Annual Congress in Hannover, November 21 to 25, 2009	Company's website, -full, effective distribution
19 November 2009	BioAlliance Pharma ranked as France's fastest growing company in the 2009 Deloitte Technology Fast 50™	Company's website, -full, effective distribution
12 November 2009	BioAlliance Pharma presents results for its new oral chemotherapy nanoparticle innovation at the AAPS Annual Meeting in Los Angeles, November 8 to 12, 2009	Company's website, -full, effective distribution
5 November 2009	Epidemiological study on Oropharyngeal Candidiasis and results on miconazole MBT* compliance were presented at the 51st ASTRO Annual Meeting	Company's website, -full, effective distribution
4 November 2009	BioAlliance Pharma presents additional US pivotal Phase III results on Loramyc™ (miconazole Lauriad®) at the 47th Annual Meeting of the IDSA	Company's website, -full, effective distribution
30 October 2009	Publication of a notice in a journal of legal announcements concerning changes in the Supervisory Board	Petites Affiches No. 120
21 October 2009	Two new appointments to BioAlliance Pharma's Supervisory Board in phase with the company's development	Company's website, -full, effective distribution
21 October 2009	Q3 2009: Strong Sales Growth and Significant Progress in Clinical Development	Company's website, -full, effective distribution
12 October 2009	BioAlliance Pharma announces Phase I trial for Fentanyl Lauriad® and the submission of a Clonidine Lauriad® Phase II clinical trial application	Company's website, -full, effective distribution
22 September 2009	BioAlliance Pharma announces that the civil action filed by Eurofins in the United States is rejected	Company's website, -full, effective distribution
15 September 2009	BioAlliance Pharma makes four presentations at the 49th ICAAC meeting including three phase III study results with miconazole Lauriad® and one with its integrase inhibitor	Company's website, -full, effective distribution
7 September 2009	BioAlliance Pharma announces participation in the MidCap Event on September 21 and 22, 2009	Company's website, -full, effective distribution
28 August 2009	BioAlliance Pharma to present at the French-Norwegian Interdisciplinary Symposium on Nano and Micro Frontiers in Biology and Medicine (Bergen, Norway, August 31 to September 2, 2009)	Company's website, -full, effective distribution
26 August 2009	Consolidated accounts for the first half of 2009	Company's website, -full, effective distribution
26 August 2009	BioAlliance Pharma announces positive preliminary pivotal phase III results in herpes labialis with acyclovir Lauriad®	Company's website, -full, effective distribution
24 August 2009	Loramyc® obtains Marketing Authorization in Switzerland	Company's website, -full, effective distribution

Date (in ascending chronological order)	Informations published or made in public	Media used
19 August 2009	FDA Accepts Drug Application for Miconazole Lauriad® (Loramyc®) to Treat Oropharyngeal Candidiasis	Company's website, -full, effective distribution
28 July 2009	BioAlliance Pharma submits clinical trial new drug application and announces results of its July 27th 2009 General Assembly Meeting	Company's website, -full, effective distribution
22 July 2009	Turnover for Q2 2009 : sustained sales growth and an NDA for Loramyc® in the USA	Company's website, -full, effective distribution
21 July 2009	BioAlliance Pharma signs a co-promotion agreement with Lundbeck for in-hospital prescription of the antidepressant Seroplex®	Company's website, -full, effective distribution
10 July 2009	Publication of the notice of the Shareholders' Meeting of 27 July 2009	Publication in the BALO No. 82 Petites Affiches No. 137
9 July 2009	BioAlliance Pharma obtains european approval for Loramyc® tablet embossing and extension of its shelf life to 36 months	Company's website, -full, effective distribution
8 July 2009	Publication of liquidity contract statements at 30 June 2009	Company's website, -full, effective distribution
7 July 2009	Combined Extraordinary and Ordinary General Meeting on July 27th 2009 Procedures for obtaining preparatory documents	Company's website, -full, effective distribution
22 June 2009	Publication of the notice of the Combined Ordinary and Extraordinary Shareholders' Meeting	Publication in the BALO No. 74
17 June 2009	Publication of a notice in a journal of legal announcements concerning changes in the Management Board and Supervisory Board	Petites Affiches No. 120
15 June 2009	BioAlliance Pharma submits Loramyc® NDA to US FDA and announces a general shareholders' meeting to amend its by-laws	Company's website, -full, effective distribution
12 June 2009	Publication of the approval of the corporate accounts by the Shareholders' Meeting	Publication in the BALO No. 70
19 May 2009	Upcoming BioAlliance Pharma's presentations at international conferences on infection US diseases and oncology	Company's website, -full, effective distribution
15 May 2009	Changes on BioAlliance Pharma Management Board	Company's website, -full, effective distribution
7 May 2009	BioAlliance Pharma to resubmit Loramyc® NDA in the second quarter of 2009	Company's website, -full, effective distribution

Date (in ascending chronological order)	Informations published or made in public	Media used
29 April 2009	Q1 2009 turnover Sustained growth and a solid cash situation Significant portfolio developments	Company's website, -full, effective distribution
21 April 2009	BioAlliance Pharma presents results on its new oral Irinotecan nanoparticle formulation for the treatment of advanced colorectal cancer at the American Association for Cancer Research (AACR) 100th Annual Meeting in Denver, April 18 to 22, 2009	Company's website, -full, effective distribution
21 April 2009	BioAlliance Pharma presents results on its new biotherapy plasmid AMEP™ for metastatic melanoma at the American Association for Cancer Research (AACR) 100th Annual Meeting in Denver, April 18 to 22, 2009	Company's website, -full, effective distribution
20 April 2009	BioAlliance Pharma announces participation in the SmallCap Event on April 27th and 28th in Paris	Company's website, -full, effective distribution
13 April 2009	Publication of the amendment to the notice of information for the Shareholders' Meeting Publication of a notice in a journal of legal announcements concerning the notice of the Combined and Ordinary General Meeting on 22 April 2009	Publication in the BALO No. 44 Petites Affiches No. 73-74
9 April 2009	BioAlliance Pharma to complete NDA for Loramyc® with data on debossed mucoadhesive tablet	Company's website, -full, effective distribution
8 April 2009	Publication of the 2008 Annual Report	Company's website, -full, effective distribution
1 April 2009	BioAlliance Pharma announces that it has initiated arbitration proceedings in the International Chamber of Commerce against SpePharm and SpeBio	Company's website, -full, effective distribution
25 March 2009	Notice of the Combined Ordinary and Extraordinary Shareholders' Meeting of 22 April 2009	Publication in the BALO No. 36
25 March 2009	Combined Ordinary and Extraordinary General Meeting on April 29th 2009 Procedures for obtaining preparatory documents	Company's website, -full, effective distribution and publication in « La Tribune »
16 March 2009	BioAlliance Pharma receives €6.4 million in funding for the development of its innovative cancer therapeutics	Company's website, -full, effective distribution
5 March 2009	Full-year accounts for 2008	Company's website, -full, effective distribution
27 February 2009	BioAlliance Pharma reacquires the rights to Loramyc® in Europe	Company's website, -full, effective distribution
16 February 2009	BioAlliance Pharma files for European marketing authorization for ondansetron RapidFilm™ in supportive care in cancer	Company's website, -full, effective distribution
10 February 2009	2008 consolidated turnover: +134% Strong sales growth A pro-active partnering strategy	Company's website, -full, effective distribution

Date (in ascending chronological order)	Informations published or made in public	Media used
06 February 2009	BioAlliance Pharma presents results on a new quinoline family on HIV integrase inhibitors at the 16th Conference on Retroviruses and Opportunistic Infections (CROI)	Company's website, -full, effective distribution
15 January 2009	BioAlliance Pharma publishes its 2009 financial calendar	Company's website, -full, effective distribution
6 January 2009	Publication of liquidity contract statements at 31 December 2008	Company's website, -full, effective distribution