

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

In accordance with Article L. 225-68 paragraph 7 of the French Commercial Code, the Chairman of the Supervisory Board of BioAlliance Pharma reports, at the end of the financial year ended 31 December 2008, on the corporate governance, internal control and risk management measures implemented by the Company during the 2008 financial year.

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 Supervisory Board as a whole on 4 March 2009.

5.4.1. Corporate governance

BioAlliance Pharma is a French stock corporation (*société anonyme*), with a Management Board and a Supervisory Board. The Company declares that it is in compliance with the national and European corporate governance rules currently in force. It refers in particular to the AFEP-MEDEF Code of Corporate Governance for listed companies¹, subject, due to the company's size, to certain provisions described in detail hereinafter in section 5.4.1.7. of this Reference Document.

The rules relating to the role and functioning of the Supervisory Board are set by law, the bylaws and the Board's internal regulations. These internal regulations, updated on 10 February 2009, provide for the relationship between the Management Board and the Supervisory Board, fix the Board's powers and those of the Committees and describe the methods of functioning of the Board as well as the rules of ethics that apply to its members. These regulations are available on the Company's website (www.bioalliancepharma.com).

5.4.1.1. Composition of the Supervisory Board

Pursuant to the provisions of law and the bylaws, the Supervisory Board is composed of at least three members and at most eighteen members, appointed by the Shareholders' Meeting for a term of three years and available 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. Based on the AFEP-MEDEF Code of Corporate Governance which provides that a member of the Supervisory Board is independent when he/she has no relationship with the Company, its Group or its management, which is liable to compromise that member's freedom of judgment, the Board's internal regulations apply the following independence criteria:

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

¹ Consolidated version published in December 2008 of the AFEP-MEDEF recommendations issued in 2003, January 2007 and October 2008.

During the 2008 financial year, the membership of the Supervisory Board was renewed by the Annual Shareholders' Meeting held on 29 April 2008. Between the beginning of such financial year and 29 April 2008, the Supervisory Board was composed of four members, three of whom were independent:

- Jean Claude Deschamps, independent member and Chairman of the Supervisory Board;
- François Sarkozy, Vice-Chairman of the Supervisory Board and independent member;
- Georges Hibon, independent member;
- Denis Biju Duval, permanent representative of ING.

The Shareholders' Meeting of 29 April 2008 appointed, for a term of three years, a Supervisory Board composed of six independent members, four of whom come from the pharmaceutical industry: Jean-Marie Zacharie, Chairman, François Sarkozy, Vice-Chairman, Georges Hibon and Gilles Marrache, and two of whom come from the finance sector: Philippe Taranto and Christophe de Backer.

Christophe de Backer tendered his resignation on 15 December 2008 and was replaced by Michel Arié, co-opted by the Supervisory Board on 17 December 2008.

Jean-Marie Zacharie, Chairman

67 years of age - Chairman 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^{2*} subsidiaries around the world, in Spain and South America. Prior to that, he gained experience working with the Sandoz group.

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

48 years of age – President of the SAS AEC Partners France, François Sarkozy previously served as Medical Director, France, at Aventis Pharma* and Medical & Pharmaceutical Director, France, at Hoechst Marion, after having been International Development Director at Roussel-Uclaf.

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

Georges Hibon.

70 years of age - Georges Hibon has over 35 years of pharmaceutical industry experience, especially at Merck* where he spent 18 years in the company's European and International Operations, and 8 years with Pasteur Mérieux Connaught (now Sanofi Pasteur*) which he left in 1998 after serving as Chairman and CEO for North America. Georges Hibon has also been a Board member of CEREP* since 2000, Biomérieux* since 2004 and Transgène* since 2008. Since 2006 he has been President of Shanta Biotechnics and Advanced Bioscience Laboratories.

Gilles Marrache

40 years of age - CEO of Amgen France and Vice-President of Amgen Inc* since January 2006 (incorporated in 1980, Amgen is a specialty pharma and the global biotech industry leader), Gilles Marrache previously managed the Belgium and Luxembourg subsidiary, after heading up Amgen's oncology division in France. Prior to joining Amgen, he had served in a number of positions in the oncology division of Novartis*.

Philippe Taranto

46 years of age - Associate Director at NI Partners investment fund (Natexis Private Equity Group*), from 1987 to 2005, Philippe Taranto successively held the positions of Investment Director at Paribas

² The companies followed by an asterisk are listed companies.

Affaires Industrielles and of Associate Director at PAI Partners, with responsibility for its investments in the healthcare and chemical sectors. He started his career as a financial analyst at Paribas*.

Philippe Taranto is also a Board member of CEVA Santé Animale, CTM* and Labco and Observer of Titanobel and ALTAVIA SA.

Michel Arié

62 years of age - Chief Financial Officer, in charge of development, diversification, mergers and acquisitions at the CNIM Group* (Constructions Industrielles de la Méditerranée), he has served in a series of positions in the industrial area: internal audit, business analysis and controlling, administrative and financial management, export financing management and project financing.

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

5.4.1.2. Role of the Supervisory Board

The Supervisory Board performs an ongoing assignment of supervising the Company's management by the Management Board, and has powers to verify the situation on a regular basis.

The Board's internal regulations specify that this supervisory role covers the following areas:

- review of the financial position, the cash situation, the projected management accounts and the Company's commitments;
- assessment of the means put in place by the Company, the Statutory Auditors and the internal audit team to make sure that the parent company accounts and the consolidated financial statements have been duly and properly prepared and give a true and fair view;
- review of the information provided to shareholders and to the market;
- the prior authorisation of certain decisions made by the Management Board.

5.4.1.3. 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, Board 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 President of the Management Board. Outside the scope of any meetings, Supervisory Board members may obtain, at their request, any information which they consider appropriate from the same people. Furthermore, Supervisory Board members are kept regularly informed by the Management Board of the elements considered as important as well as of the press releases published by the Company.

Supervisory Board members are sent notices of meetings by email by the Chairman of the Supervisory Board, in accordance with a pre-defined calendar. Minutes are prepared in French by the Secretary in respect of each meeting and are signed by the Chairman and another member of the Supervisory Board who attended the meeting.

Management Board members are systematically present at each Supervisory Board meeting.

5.4.1.4. Report on the Supervisory Board's activities for 2008

During the past financial year, the Supervisory Board held seven meetings, including one held by telephone, in line with the provisions provided for in the internal regulations that apply in such a case. The Chairman of the Supervisory Board chaired all the meetings and the attendance rate was 86%. Out of a total amount of €153,000 in directors' fees voted by the Shareholders' Meeting, an amount of €146,500 was distributed for the 2008 financial year.

At each of the meetings, a detailed analysis was made of the significant events, 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. The Supervisory Board was required to make a decision on the major transactions carried out by the Company during the past financial year, and in particular the partnership agreements entered into in Asia and the purchases of products that complement the Company's product portfolio. The Supervisory Board was also regularly informed of the changes in the situation of the SpeBio joint venture.

At its meetings on 28 February and 26 August 2008, the Supervisory Board reviewed the consolidated financial statements and parent company accounts for the 2007 financial year and the first half of the 2008 financial year, in the presence of the Statutory Auditors. It also reviewed the elements of the financial communication on which it expressed its opinion.

5.4.1.5. Work of the Audit Committee

The audit committee is composed of three members of the Supervisory Board. Up until 29 April 2008, it was chaired by ING's representative on the Supervisory Board, Denis Biju Duval and also comprised the Chairman of the Supervisory Board, Jean Claude Deschamps, as well as the Vice-Chairman, François Sarkozy.

Since his arrival on the Supervisory Board, firstly as an observer and then as a co-opted member, Michel Arié, an independent member with specific expertise in accounting and finance, has been the Chairman of the Audit Committee. The Chairman of Supervisory Board, Jean-Marie Zacharie, and Philippe Taranto also serve on the Committee.

The Committee held two formal meetings at the Company's registered office in 2008³. Its activities concerned the following points in particular:

- review of the consolidated financial statements and accounts for 2007 and the interim consolidated financial statements and accounts for 2008 and review of accounting issues;
- changes in accounting standards and in the control environment, and particularly the 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 had the opportunity to meet with the Statutory Auditors without the presence of the Company's representatives.

The Chairman of the Audit Committee presented a report on the Committee's work at the Supervisory Board meetings on 28 February and 27 August 2008.

5.4.1.6. Work of the Compensation Committee

The Compensation Committee consists of two independent members of the Supervisory Board, the Chairman, Jean Claude Deschamps and the Vice Chairman, François Sarkozy, as well as an expert member, Dominique Jolivet, who chairs the Committee.

This Committee held five formal meetings at the Company's registered office in 2008⁴. This large number of meetings can be accounted for by the fact that, in addition to its usual tasks concerning compensation, the Committee had to review the profiles and conditions of recruitment of candidates for the post as third member of the Management Board. With regard to its usual areas of responsibility, its activity focused on the following points in particular:

- proposal of allocation of directors' fees for 2008 to Supervisory Board members, proposal of allocation for 2009 to be submitted to the Annual Shareholders' Meeting in 2009;

³ On 27 February and 26 August.

⁴ On 27 February, 8 April, 20 May, 25 June, 16 December.

- proposal of allocation of share purchase warrants (BSA) to directors and Committee members for 2008 ;
- compensation of the Management Board members for 2008: determination of the fixed and variable portions, assessment of the level of achievement of objectives and special clauses. The Compensation Committee proposed to the Supervisory Board to increase the target variable compensation of the members of the Management Board from 30% of their gross annual salary for 2007 to 40% for 2008;
- proposal of the new plan for fostering the loyalty of the members of the Management Board, management and personnel presented to the Annual Shareholders' Meeting in 2008 (comparison between the grant of free shares and stock options for the subscription of shares);
- the grant of free shares to the members of the Management Board: the Compensation Committee proposed to grant 20,000 free shares to each of the members of the Management Board (out of a total number of 260,000 authorised free shares) subject to performance conditions. It also proposed to maintain for the members of the Management Board the same criteria and performance conditions for the vesting of the shares as those defined for all the employees;
- revision of the procedure with regard to the transferability of shares held by the members of the Management Board: in accordance with the AFEP-MEDEF recommendations, the Compensation Committee proposed a specific procedure in order to ensure that the executive officers did not hold any privileged information at the time of the exercise of their share purchase warrants or stock options and also at the time of sale of their shares;
- the AFEP MEDEF recommendations of October 2008 with regard to the compensation of executive officers: the Compensation Committee carried out a study of the recommendations and proposed to the Supervisory Board to adhere to the new Code of Corporate Governance.

All the recommendations made by the Compensation Committees were approved by the Supervisory Board.

5.4.1.7. Compensation policy and compliance with the AFEP MEDEF recommendations

The compensation and benefits of all kinds granted to the corporate officers are specified in the management report, in section 3.1.9.3 of this Reference Document.

With regard to the AFEP MEDEF recommendations of 6 October 2008:

- since no renewal of the term of office of the President of the Management Board has taken place since 6 October 2008, the recommendation with regard to termination of the employment contract when a management executive becomes a corporate officer does not apply;
- the Company has not put in place any departure indemnities or any supplementary pension plans;
- the Company already applies most of the complementary rules recommended with regard to stock options and free shares (referred to as performance shares):
 - allocation of stock options and grant of free shares to all employees;
 - grants of free shares in 2008 to corporate officers subject to serious, demanding performance conditions which apply over several consecutive years;
 - allocation during the same calendar periods, every year, for comparable amounts, without any discount or hedging of options, in order to avoid windfall effects;
 - setting of the exercise periods and the procedure to be followed by the members of the Management Board in order to ensure that they do not hold any privileged information which would be incompatible with such exercise;

- holding of the shares acquired: the executive officers of the BioAlliance group are subject to an obligation to hold in the form of registered shares, up to the time of termination of their duties, 50% of each allocation of securities giving access to the capital, with a ceiling equivalent to one year's total gross compensation;
- the Company is still waiting for specific recommendations applicable to the average values with regard to:
 - the setting of a maximum percentage of stock options and free shares in the total compensation of the executive officers;
 - the setting of a maximum percentage of stock options and free shares that may be granted to the members of the Management Board as compared to the total amount voted in this respect by the Annual Shareholders' Meeting; and
 - making the allocation of performance shares to corporate officers subject to a condition of share purchase.

5.4.1.8. Other corporate governance issues

The provisions with regard to the participation in Shareholders' Meetings are set out in Articles 20 to 24 of the by-laws that are available on the Company's website.

The elements that may have an impact in the event of a public bid are described in the management report, in 3.1.8 of this Reference Document

5.4.2. Risk management and internal control procedures implemented by the Company

5.4.2.1. Definition of internal control

The BioAlliance Pharma group adopts the definition of internal control proposed by the AMF⁵, whereby internal control is a system implemented by the Company which aims to ensure:

- compliance with laws and regulations;
- the application of the instructions and strategies laid down by general management;
- the due and proper functioning of the Company's internal processes;
- the 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 with the implementation of an internal control process intended to "guarantee internally the relevance and reliability of the information used and circulated in the Group's activities".

5.4.2.2. Scope

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

During the financial year, the SpeBio subsidiary, a 50/50 joint venture, began marketing the Group's first drug, Loramyc®, in European countries other than France and was the subject of specific internal control procedures. As a result of termination of the licence for the sale of Loramyc® by BioAlliance Pharma on 27 February 2009, no harmonisation with the Group's procedures is currently planned.

⁵ Guide to implementation of the reference framework on internal control adapted to small and mid-caps published on 9 January 2008

5.4.2.3. Reference framework and standards

As a company admitted for trading on a regulated market, BioAlliance Pharma has adopted the reference framework of the French financial markets authority (*Autorité des Marchés financiers*). Over the course of the 2008 financial year, the Group made progress in its implementation of the reference framework adapted to small and mid-caps, both with regard to accounting and financial information and risk management.

Furthermore, the Group, which works in the pharmaceutical sector, is subject to very strict, specific regulations which govern 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, as well as the manufacture and marketing of drugs. The main regulatory provisions that apply to the activities of the 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 and 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.

5.4.2.3. 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 at the scale of the whole Group by the managers of the activities;
- 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 the drafting of procedures and in document management, and through the performance and follow-up on 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 drive it, in particular at the time of period management reviews. Each member of the Management Committee is responsible for overseeing his/her activity;
- The employees are responsible on a day-to-day basis for compliance with standards and orientations in their field and also for the reliability and relevance of the information they generate or pass on. For this purpose, they are able to use the resources of the document system validated by the Quality Assurance Department (consisting of over 200 procedures and operating methods) – a system which they are invited to update and improve on an ongoing basis, and their activities are regulated by a system of monthly internal control reviews.

5.4.2.4. Risk management policy

During the 2008 financial year, the BioAlliance Pharma group initiated formal risk management procedures or ERM ("Enterprise Risk Management"). This process is aimed at taking into account 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 has prepared a risk map which it will validate every year. 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 eleven categories: Research & Development, Regulatory Affairs, Pricing and Reimbursement, Production, Marketing and Sales, Human Resources, Agreements and licences, Finance, Shareholder strategy, Information Technology, Legal Affairs and Industrial property.

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, as well as 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 will be updated by the Risk Management Committee every year in order to take into account changes in the company's environment and its activities as well as in its financial position.

The description of the risk factors set out in chapter 5 of BioAlliance Pharma's 2008 Reference Document is organised in a manner that is coherent with the 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 different 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. Due to the formal risk management procedures laid down at the end of 2008 financial year – at the beginning of the 2009 financial year, this reporting to the Audit Committee will be enlarged to include the monitoring of major risks, in accordance with the provisions of the French Ordinance of 8 December 2008.

5.4.2.5. 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 or 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 enables access to be optimised to documents and permits 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 the operational processes, the management processes or the 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 relating to the listing of the Company on Euronext;
- production and pharmaceutical operations;
- marketing and sales activity in France and on an international basis;
- regulatory activities and pharmacovigilance;
- research and development, including clinical research;
- services performed for third parties.

With regard to the extremely specific activity of experiments on animals, since June 2002, BioAlliance Pharma has had an animal experimentation ethics committee consisting of seven members, which has the objectives of approving all the experiment protocols, from the point of view 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 relating to each activity. For each of the areas set out below, information that is considered to be significant for the corresponding activities has been identified and selected. It 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;
- The monthly review of the accounts, financial reporting and capital transactions;
- Human resources and payroll;
- The Company's legal aspects, the regulatory aspects and intellectual property;
- Sales and purchasing;
- Quality assurance and the information system;
- Information with regard to Research & Development projects (progress made/budget);
- Information relating 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 incur liability 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 relating 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 relating 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 effect, control and reporting procedures have been set up in order to guarantee command of the information collection, production and accounts closing processes, in line with the criteria described in the AMF reference framework. These procedures, relating to the general recognition in the accounts 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 due and proper elimination of intercompany transaction and uniform restatements of the individual accounts according to the international standards (IFRS).

In general, all the company's accounting options are defined by the Chief Financial Officer, discussed with the Management Board and presented to 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 are completely in compliance 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 operational managers, making it possible to validate the cost accounting entries in this respect and to review all expenses, and financial reporting is prepared by the Chief Financial Officer for the attention of the Management Board and Supervisory Board members. This reporting is presented and discussed at Supervisory Board meetings.

The Group has moreover 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 relating 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 with regard to the IT aspects.

5.4.2.6. Limits on internal control and areas for improvement

In 2009, the Company is going to 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.

Following this report, I have no comments to make on the way in which the Company, its Supervisory Board and the Management Board have implemented their organisation in order to respond to the requirements of transparency, corporate governance, risk management and internal control.

The Supervisory Board approves the terms of this report which will be presented to the Annual Shareholders' Meeting on 29 April 2009.

The Chairman of the Supervisory Board