BioAlliance Pharma

Limited company (*société anonyme*) with capital of €3,384,018
Registered office: 49 Boulevard du Général Martial Valin, 75015 Paris
410 910 095 RCS Paris

2010 REFERENCE DOCUMENT

INCLUDING THE

2010 ANNUAL REPORT

AMF AUTORITÉ DES MARCHÉS FINANCIERS

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Copies of this reference document are available free of charge from the registered office of BioAlliance Pharma, 49 Boulevard du Général Martial Valin, 75015 Paris, and from BioAlliance Pharma's website: http://www.bioalliancepharma.com as well as the website of the Autorité des Marchés Financiers: www.amf-france.org.

CHAPTER 1. OVERVIEW OF BIOALLIANCE PHARMA

1.1. PROFILE

INNOVATION AND PERFORMANCE

Cancer and associated pathologies

BioAlliance Pharma designs, develops and brings to market innovative drugs for the treatment of cancer and its associated pathologies, specifically for severe or rare diseases, in selected markets.

Founded in 1997 and listed on Euronext Paris in 2005, the company's ambition is to become a leading player in these fields by coupling innovation and patients' needs.

Targeting: Fighting drug resistance

Targeting (mucosal targeting, cellular targeting and molecular targeting) and fighting resistance –in which targeting can be a key efficacy factor – are at the core of BioAlliance Pharma's therapeutic approaches. The Company develops mucosal and nanoparticle delivery technologies as well as breakthrough technologies for targeted therapies that allow localand precise action and reduce drug resistance and intolerance.

From research to the market

BioAlliance Pharma has the key skills to identify, develop, register and bring drugs to market in Europe and the United States. Products are marketed through a network of international partners in the hospital sector. It has signed contracts with established partners in Europe, the United States and Asia worth €120 million, of which the Company has already received €48 million.

Portfolio of advanced products:

Loramyc®/Oravig® *oropharyngeal candidiasis in immunocompromised patients*: Registered in 26 European countries, Korea and the United States – marketed in Europe and the US

Setofilm® *prevention and treatment of chemotherapy- and radiotherapy- and post-operative-induced nausea and vomiting in adults and children*: Registered in 16 European countries.

Sitavir® (Acyclovir Lauriad™) *recurrent herpes labialis*: Positive Phase III (final results), registration phase in preparation

Clonidine Lauriad™ *post-chemotherapy and radiotherapy mucositis*: Phase II

Doxorubicin Transdrug™ *liver cancer*: Phase II

AMEP® *metastatic melanoma*: Phase I

Fentanyl Lauriad™ *chronic pain in cancer patients*: Positive preliminary clinical results for initial Phase I

1.2. KEY ACHIEVEMENTS IN 2010

EUROPEAN MARKETING PARTNERSHIP AGREEMENT WITH THERABEL

In March 2010, BioAlliance Pharma selected the Therabel Group to market Loramyc® and Setofilm® in Europe, including France. BioAlliance's French sales team was transferred to Therabel.

Financial consideration: BioAlliance Pharma will receive a total of up to €48.5 million, including €7.5 million in 2010, plus significant royalties on sales.

Additional registrations for Loramyc® and Setofilm® Europe

In March 2010, under second-wave procedures, Loramyc® was approved in 13 more European countries and Setofilm® was registered in 16 countries. Setofilm® is a film strip formulation of the antiemetic ondansetron, indicated for the prevention and treatment of nausea and vomiting induced by chemotherapy and radiotherapy, as well as post-operatively. It joins Loramyc® in the Company's supportive care range.

SITAVIR®/ ACYCLOVIR LAURIAD™ CANDIDATE FOR REGISTRATION

Regulatory approvals in Europe and the United States of a timetable for submitting the application by late 2011

Positive results of the Phase III pivotal trial of acyclovir Lauriad™ are sufficient to support an application for approval to register BioAlliance Pharma's second product, a mucoadhesive tablet for the treatment of recurrent herpes labialis through the administration of a single tablet at the first signs of infection.

The Lauriad™ technology of mucosal targeting gives Sitavir® several competitive advantages over existing treatments: one 50mg tablet exerts a preventive action on the appearance of blisters, accelerates their healing and significantly delays the onset of recurrent episodes. Sitavir® is a candidate for new partnership agreements.

REGISTRATION OF ORAVIG® IN THE US AND LAUNCH BY ESTABLISHED PARTNER

BioAlliance Pharma receives marketing authorisation for Oravig® in the US

In April 2010, Oravig® – the US trademark for Loramyc® – was registered in the US for the treatment of oropharyngeal candidiasis in adults. This was a major success for BioAlliance Pharma, the first French innovation SME to gain access to the world's largest market.

Financial consideration: under the license agreement signed in July 2007, the Company received US$20 million (~ €15 million) from its US partner Par/Strativa, in addition to significant royalties on sales.

Launch of Oravig® in the US market by sales partner Par/Strativa

In September 2010, Strativa Pharmaceuticals (Par Pharmaceutical Group) began marketing Oravig® in the US to hospital and primary care consultants.

PROGRESS ON OTHER MOST-ADVANCED PRODUCTS

Capitalising on proprietary targeting technologies, enrolment begins in two clinical trials

In 2010 BioAlliance Pharma began enrolling patients for two promising products in severe or rare diseases:

- Clonidine Lauriad™ uses Lauriad ™ mucosal targeting technology in the treatment of oral mucositis;
- AMEP®, a breakthrough anti-invasive biotherapy, uses technology targeting key receptors in the treatment of metastatic melanoma.

In addition, the Company continues to develop Transdrug™, its patented know-how in nanoparticle targeting for the administration of chemotherapy in cancer treatment.

1.3. KEY FIGURES

The table below presents selected financial data extracted from the consolidated financial statements prepared under IFRS for the years ended 31 December 2010 and 31 December 2009.

	31 December 2010	31 December 2009
Net sales	**22,532**	**7,536**
of which non-recurring sales related to licensing agreements	*20,257*	*5,189*
Operating expenses	-19,977	-23,213
of which recurring cash operating expenses (1)	*-18,237*	*-21,743*
of which non-recurring cash operating expenses (1)	*-1,250*	*0*
of which non-cash operating expenses (1)	*-490*	*-1,470*
Operating income/(loss)	**2,592**	**-15,478**
Net financial income	217	95
Net income/(loss)	**2,809**	**-15,383**
Earnings per share	0,21	-1,19
	,	,
Balance Sheet	,	,
Cash	**20,947**	**14,710**
Other current assets	3304	4306
Non-current assets	2,083	2,319
Shareholders' equity	18,852	12,761
Payables	7,482	8,574
	,	,
Cash	,	,
Cash flow	3,492	-14,091
Changes in working capital	-64	-3,438
Net cash generated from operating activities	3,428	-17,529
Net cash used in investing activities	-327	-341
Net cash used in financing activities	3,135	890
Change in cash and cash equivalents	**6,237**	**-16,981**

(1) Cash and non-cash operating expenses are not accounting measurements as defined by IFRS

The following significant items impacted 2010 and are discussed in Section 3 of this document:

- a dramatic increase in net sales related to the recognition in full in the period of exceptional payments received from European and US partners under licensing agreements for Loramyc®/Oravig®: US$20 million, or almost €15 million, paid by Par/Strativa in consideration for registering Oravig® in the US, and €4.5 million paid by Therabel upon signature of the European licensing agreement on Loramyc;
- an increase in available cash as a result of the above revenues, supplemented by a capital increase of €3 million subscribed by Therabel under the license agreement.

In parallel, the BioAlliance Pharma Group optimised its cost structure and reduced its recurring operating expenses by 19%, with the non-cash component (excluding depreciation, amortisation and IFRS adjustments) decreasing by 16%.

1.4. OUTLOOK

Over the next several years, BioAlliance Pharma will pursue its value creation strategy based on recurring revenues from its commercial partnership agreements on its most advanced products.

The Company will also further develop its innovative therapies for severe, rare and/or orphan diseases, which it could, in the medium term, launch directly on the European market, or distribute through licensed industry partners. 'Orphan' products are characterised by a specially-protected status, reduced development time, shorter delays in obtaining pricing and reimbursements, and a dedicated sales force for prescribers specialising in these diseases.

Within this dual perspective, the Company will focus on the following key areas in 2011:

- pursuing and strengthening alliances to provide indirect revenues. In particular, supporting the Therabel Group in the sales roll-out of Loramyc® and Setofilm® in Europe, following up on existing partnerships in the US, Southeast Asia and China, and seeking new partners in areas not yet served;
- finalising the Sitavir® application, to allow for filing with authorities in Europe and the US in late 2011, and setting up a partnership agreement for marketing the product over a large territory to generate new revenue;
- in parallel, furthering developments underway, including the three potentially "orphan" products, in line with strategic priorities:
    - continuing patient enrolment in trials initiated in late 2009: clonidine Lauriad™ (Phase II) and AMEP® (Phase I);
    - assessing with the French agency the strategy for continuing the development of doxorubicin Transdrug™ based on patient survival results and identified predictors;
- identifying potential acquisitions in the field of severe and orphan cancers;
- capitalising on the know-how and innovative properties of the Lauriad™ mucoadhesive technology by applying them to biological products (siRNA and vaccine products).

CHAPTER 2. ACTIVITY AND STRATEGY

CHAPTER 2. ACTIVITY AND STRATEGY

2.1 GENERAL PRESENTATION AND STRATEGY

2.1.1 History of the Company

BioAlliance Pharma, created in 1997, designs, develops and brings innovative products onto the market for the treatment of cancer and associated pathologies, and more specifically for severe or rare diseases, in targeted markets.

The Company's goal in these areas is to provide answers for unmet medical needs and improve the quality of life of patients. It focuses on targeting (e.g. mucosal targeting, cell targeting or molecular targeting) and on resistance problems where targeting can be a key efficacy factor. Targeting and the control of resistance are at the core of its therapeutic approaches.

BioAlliance Pharma's expertise in oncology and associated pathologies covers the design, development and registration of innovative medicinal products, medical marketing and access to the market, including price and reimbursement negotiation.

Innovative products designed and developed by the Company are generated through research programmes initiated by the largest French academic research centres, with which BioAlliance Pharma has forged durable alliances.

An initial fund raising operation in February 1999 allowed a new laboratory to be funded and set up on the premises of the Pharmacy Faculty in Châtenay-Malabry for the industrial development of new pharmaceutical forms of anticancer drugs. This capital also allowed the Company to begin its first clinical trials on products based on two patented technologies - Lauriad™ mucoadhesive oral technology as of 2000 and Transdrug™ nanoparticle technology as of 2001 - and initiate research projects on the identification of new therapeutic targets and new medications acting on these targets.

New venture capital funds were raised in 2000, and again in 2003-2004, making it possible to conduct clinical trials on the products resulting from both technologies, and subsequently finalising the procedure and filing in 2005 for the registration in France of Loramyc®, the first product entirely developed by the Company.

In order to support the development of its clinical trials and prepare the launch of Loramyc®, the Company joined the Euronext Paris market on 7th of December 2005. It then conducted a fund raising operation through private investment in July 2007.

After obtaining the Marketing Authorisation (MA) for Loramyc® in France in October 2006, BioAlliance Pharma obtained an innovation prize in August 2007 reflecting the service rendered and launched Loramyc® on the French market at the end of 2007, with the indication of oropharyngeal candidiasis in immunocompromised patients. In 2008, the Company obtained marketing authorisations for this product in eleven European countries (by the mutual recognition procedure) and completed a phase-III pivotal trial on Loramyc® in the United States. In 2009, the Company finalised the registration file to be submitted to the Food and Drug Administration (FDA) after concluding an agreement in 2007 with the company PAR Pharmaceutical, which acquired the rights to market Loramyc® in the United States.

In April 2010, BioAlliance Pharma obtained the marketing authorisation for Loramyc® in the United States under the brand name Oravig®, with the indication of oropharyngeal candidiasis in adults. Strativa Pharmaceuticals, the “support care products” branch of Par Pharmaceutical, began marketing Oravig® in the United States at the end of August 2010. Also in 2010, the Company obtained thirteen new MAs for Loramyc® in Europe, thus bringing the number of European countries in which this product is registered to twenty-six.

The Company has concomitantly conducted a phase-III pivotal trial on acyclovir Lauriad™ or Sitavir® (BA021) for the treatment of recurring herpes labialis in Europe, Australia and finally in the United States.

The Lauriad™ technology used (mucoadhesive buccal tablet) is the same as the technology tried and tested for Loramyc®. The excellent phase-III results obtained in December 2009 have made it possible

to define a strategy for the registration of the product - under the brand name of Sitavir® - in Europe and the United States, with an application scheduled for the end of 2011, and open the way for the negotiation of partnership agreements concerning this product designed for the management of recurrent herpes labialis by private practice.

The Company's product portfolio, presented in section 2.2.3 of this reference document, includes Setofilm®, another medication that is registered in Europe and for which BioAlliance Pharma acquired the European licensing rights from the APR Company in 2008, prepared the registration in Europe, and received MA for sixteen European countries in March 2010. This product is a thin film that dissolves in a few seconds, indicated for the prevention and treatment of nausea and vomiting induced by chemotherapy and radiotherapy, and post-operatively.

Other products for supportive care and cancer treatment are currently in the clinical and preclinical stage of development. Among them, three new products entered the clinical phase at the end of 2009: two products resulting from Lauriad™ technology: fentanyl Lauriad™ (phase I) for severe chronic cancer pain, clonidine Lauriad™ (phase II) for the treatment of mucositis, and AMEP® anti-invasive biotherapy (phase I), a new entity for the treatment of invasive melanoma.

In addition, the first product of the Company to use Transdrug™ nanoparticle technology, doxorubicin Transdrug™ or Livatag®, suspended in a phase-II trial since July 2008, has shown very important and promising results of survival improvement in patients with primary liver cancer, a severe and resistant orphan pathology. Based on these results, the Company is considering resuming clinical development provided the regulatory authorities give their approval.

BioAlliance Pharma has chosen strategic commercial partners to complement its own expertise. Having demonstrated the commercial potential of Loramyc® in France thanks to direct marketing via its operating subsidiary, Laboratoires BioAlliance Pharma, the Company entrusted the marketing of Loramyc® and Setofilm® in Europe - including France - to the group Therabel Pharma following an agreement signed on 31st March 2010, and put this group in charge of all marketing operations. For the marketing of Loramyc®/Oravig® in the rest of the world, the Company has established international partnerships with Par Pharmaceutical/Strativa in the United States, as well as Handok and NovaMed in Asia.

2.1.2 Business model

BioAlliance Pharma is a "*specialty pharma*" company. This term refers to an activity involving the development or marketing of drugs intended for specific selected populations, essentially managed by specialists.

As compared to drugs intended for the general population managed by general practitioners, this choice of severe or orphan diseases allows faster development of innovative products, with lower R&D costs and much smaller specialised sales teams because they intervene in targeted niche markets. It also makes it possible to obtain a specific price and reimbursement for innovative products intended for intentionally limited patient populations. All these factors help maximise the company's profitability and promote rapid growth by meeting established and uncovered therapeutic needs.

BioAlliance Pharma has chosen to develop products in the therapeutic field of oncology and associated pathologies, for patients with severe diseases or unmet medical needs. On these markets, BioAlliance Pharma can ensure optimal efficiency in terms of time required to develop its products, thereby limiting the risk and the cost, and therefore guaranteeing their competitive advantage:

- By focusing on serious, rare and/or orphan diseases, the Company can accelerate development of new products, particularly thanks to specific regulations such as *Fast Track* registration (accelerated registration for severe diseases), or "orphan drug" status, which authorises running single pivotal trials before obtaining marketing authorisation and offers additional protection;
- By designing these products based on active ingredients already recognised on the market and with well-established efficacy and tolerance profiles, the Company can concentrate its efforts on the development of original delivery methods for these active ingredients, and thus give them a novel pharmacological profile. This strategy allows the Company to reduce the overall risk linked to the development of its products, as well as the time and cost involved. As a result, the Company can develop products with an improved benefit/risk ratio for the selected indications.

In order to have marketing facilities within hospitals, with a network implanted among opinion leaders and the main prescribing physicians, BioAlliance Pharma has chosen to rely on worldwide commercial partners that will help it obtain maximum future revenues from its products.

These partnership agreements ensure long-term revenues for the Company in the form of payments received upon signature, milestone payments received as key stages are completed or upon achieving certain levels of turnover, as well as recurring revenues in the form of royalties on sales.

In the middle and long term, the Company does not preclude being able to return on the direct market for products with high added value for the treatment of rare cancers and orphan pathologies, whether they are products resulting from internal research or targeted acquisitions. The value levers inherent to such products are high price and limited marketing means, in niche markets where medical needs are not met.

2.1.3 Competitive advantage

The Company currently has strong competitive advantages:

- two registered products: Loramyc®/Oravig®, marketed in Europe and the United States by established commercial partners, and Setofilm®, registered in Europe;
- a third product on its way to being registered, Sitavir®, a candidate for new partnership agreements;
- international commercial partnerships in place, which are a source of revenue;
- distinctive technological know-how for targeting and resistance control;
- a balanced product portfolio comprising several clinical programmes enabling the Company to grow progressively and to balance the risks involved;
- a strong patent and trademark portfolio offering long-term protection for all the products developed by the Company;
- continuous access to cutting edge innovation, reflecting its notoriety in the research area.

Two registered products: Loramyc®/Oravig®, marketed in Europe and the United States by established commercial partners, and Setofilm®, registered in Europe

The two most advanced products of the Company, Loramyc®/Oravig® and Setofilm®, are intended for the same groups of weakened patients and for the same prescribing specialists and therefore complement each other in supportive care.

Loramyc®, mucoadhesive tablets of miconazole Lauriad™, indicated for the treatment of oropharyngeal candidiasis, has been marketed in France since the end of 2007. It is registered in twenty-six European countries, in the United States and in Korea. The Therabel group, which holds the marketing licence for Europe, is planning to extend marketing to Germany in 2011, and then to other large European countries, depending on the discussions on price and reimbursement.

Obtaining the MA for Loramyc®/Oravig® in the United States in April 2010 represented a major step for BioAlliance Pharma, one of the first French innovative companies to have obtained a marketing authorisation in the United States. Par/Strativa Pharmaceuticals, which is the licence holder for this territory, began marketing Oravig® in the United States at the end of August 2010.

Setofilm®, on the other hand, is registered in sixteen European countries. It is an antiemetic containing ondansetron, which is indicated for the prevention and treatment of nausea and vomiting induced by chemotherapy and radiotherapy, and occurring post-operatively in adults and children. Setofilm® is intended for patients with swallowing problems because the film dissolves without water within a few seconds, when applied directly onto the tongue.

With this product, BioAlliance Pharma has an original clinical advantage, since Setofilm® is recommended if there is a risk of food choking (children, elderly patients) and it is the first product of its class to have also obtained this indication for post-operative use, where this form is particularly indicated since the risk of food choking is common.

A third product on its way to being registered, Sitavir®, a candidate for new partnership agreements

Sitavir®, mucoadhesive tablet, second BioAlliance Pharma product of the Lauriad™ range, is intended for the treatment of recurrent herpes labialis. The Company has conducted a phase-III pivotal clinical trial for this product, the results of which were announced to be positive at the end of 2009. The trial primary and secondary endpoints were met with marked efficacy and satisfactory tolerance. In addition, this international study showed that Sitavir® acts in the short-term to prevent vesicular lesions and in the long-term to delay the recurrence of infection.

The European and American regulatory authorities considered that these results could support a request to authorise registration of the product (in Europe following the decentralised European procedure and in the United States according to the 505(b) (2) procedure). The application is due to be submitted at the end of 2011. The targeted indication is herpes labialis in patients with recurrent herpes.

In addition, in September 2010, BioAlliance Pharma announced the delivery of its acyclovir Lauriad™ patent in Europe. This specifically protects the mucoadhesive tablet containing acyclovir, its manufacturing process as well as its clinical application and original short-term and medium-term effects. The validation in all European countries, which represents an important step, is being pursued in the other major areas of the world, notably America and Asia.

BioAlliance Pharma is actively looking for the adequate commercial partner (private practice market) for this innovation. Approval by the regulatory authorities in Europe and the United States of the provisional schedule to file for registration in 2011 as well as obtaining the patents are key elements in this process.

International commercial partnerships in place, which are a source of revenue

BioAlliance Pharma, specialised in the field of cancer and supportive care (candidiasis, nausea and vomiting after chemotherapy and radiotherapy, mucositis, severe chronic pain, etc.), has chosen to rely on strategic commercial partners with expertise that is complementary to its own, established in hospitals across the world.

Its current partners are:

- the Therabel Pharma group in Europe (agreement of 31st March 2010);
- Strativa Pharmaceuticals/Par Pharmaceutical in the United States (2007 agreement);
- In Asia: Handok in Korea, Taiwan, Singapore, Malaysia and the Philippines; and NovaMed in China (2008 agreements).

These partnership agreements total over 120 million euros, nearly 48 million of which BioAlliance Pharma has already received since 2007. The remaining sums will be received as key steps are completed or as certain levels of turnover are achieved over the next few years. Significant royalties on product sales are also expected.

Since 1st April 2010, the group Therabel has been responsible for the marketing of Loramyc®, first of all in France. This Loramyc® transfer, setting up and discovery phase resulted in the maintenance of the turnover in 2010. Therabel is planning to extend marketing to Germany in 2011, and then to other large European countries, depending on price and reimbursement negotiations.

After obtaining the MA for Oravig® in the United States in April 2010, Strativa Pharmaceuticals began marketing Oravig® in the United States at the end of August 2010. After an initial product setting up phase, marketing in hospitals and with specialists has now started. Strativa Pharmaceuticals has shown a strong commitment to promote a change in prescription habits and make Oravig® gradually enter the therapeutic arsenal of clinicians in the United States.

In Asia, where registration steps always take longer due to the absence of mutual recognition, the development is ongoing.

Distinctive technological know-how for targeting and resistance control

BioAlliance Pharma has developed a unique know-how in the field of mucosal targeting (Lauriad™ technology), intracellular targeting using nanoparticles (Transdrug™ technology), as well as resistance and cell invasion, with programmes of technological disruption using biotherapies or chemical molecules.

Capitalising on its Lauriad™ mucoadhesive technology (mucoadhesive buccal tablet) patented and validated by the success of Loramyc®, BioAlliance Pharma obtained excellent results in its phase-III trial on acyclovir Lauriad™ in December 2009. Based on this established know-how, the Company is developing three other Lauriad™ products: fentanyl Lauriad™ for severe chronic cancer pain, clonidine Lauriad™ for the treatment of mucositis and corticosteroid Lauriad™ for the treatment of severe inflammatory mouth lesions. The first two products entered the clinical phase at the end of 2009.

The Company is also capitalising on its patented Transdrug™ know-how on nanoparticle targeting for the administration of chemotherapy in cancer treatment.

After having obtained initial positive survival results in 2009 for the suspended phase-II trial on doxorubicin Transdrug™ for primary liver cancer, BioAlliance Pharma continued to run studies in order to improve the control of the respiratory side effects observed in 2008. In March 2011, the Company announced the updating of its preliminary positive results on patient survival, with a median survival of 32 months as compared to 15 months for patients receiving a reference treatment (transarterial chemoembolisation with a cytotoxic product). This significant survival increase of 17 months is of considerable interest for this targeted administration route.

The Company is also developing an innovative technology for the oral formulation of sustained-release nanoparticles (SRN) so as to obtain an optimal product concentration and prolong the exposure of cancer cells, thereby improving the efficacy and tolerance of the product.

A balanced product portfolio comprising several clinical programmes allowing the company to grow progressively and balance the risks involved.

The BioAlliance Pharma product portfolio comprises three advanced products: a medication marketed in Europe and the United States - Loramyc®/Oravig®, a medication registered in Europe - Setofilm® and a product that is being prepared for registration - Sitavir® (acyclovir Lauriad™).

Concomitantly with studies on doxorubicin Transdrug™ developed for primary liver cancer, BioAlliance Pharma started clinical trials on three new products at the end of 2009; two products resulting from the validated Lauriad™ technology: fentanyl Lauriad™ (phase I) for severe chronic cancer pain and clonidine Lauriad™ (phase II) for the treatment of mucositis. The 3rd product, AMEP® anti-invasive biotherapy (phase I), is intended for the treatment of invasive melanoma. Finally, the Company's portfolio also includes several products in the preclinical phase, for which it is developing breakthrough technologies or its know-how for mucosal and nanoparticle targeting.

BioAlliance Pharma therefore has a portfolio that can bring products gradually onto the market through progressive investment. Furthermore, the independence of its products in the clinical phase allows the Company to choose acceleration priorities and take into account the risks inherent to pharmaceutical research so as to limit the consequences linked to the possible failure of a programme.

A strong patent and trademark portfolio offering long-term protection for all the products developed by the Company

As it is dedicated to the development, marketing and sale of innovative products, BioAlliance Pharma places intellectual property at the core of its activities. It develops a proactive "Intellectual Property" strategy that is directly related to its R&D projects. Thus, BioAlliance Pharma's patent portfolio as of 31st December 2010 consists of 32 families of published patents and licences, comprising 318 patents and patent applications for innovative technologies or products. Nearly 70% of the portfolio consists of already issued patents (i.e. 220).

Continuous access to cutting edge innovation, reflecting its notoriety in the research area

The Company has established long-term relationships with high-level French human health research institutes such as the Centre National de Recherche Scientifique (CNRS), the Institut National de la Santé et de la Recherche Médicale (INSERM), the Ecole Normale Supérieure in Cachan (ENS), as well as several university research centres, including those of Paris XI University, the Institut Gustave Roussy (IGR) and the Institut Pasteur. These relationships give it access to a number of proposed drug development projects aiming to control drug resistance. The Company has thus been able to select innovative programmes in close collaboration with top specialists in the field.

2.2 RESEARCH AND DEVELOPMENT

2.2.1 Principles and organisation

General overview

Research and development are at the core of BioAlliance Pharma's activity. To run its activities, the Company relies on internal resources, partnerships with public research institutes and specialised outsourcing, for both preclinical and clinical trials and for production.

BioAlliance Pharma has laboratories on several sites in the Paris area (including the Faculty of Pharmacy in Châtenay-Malabry and the Company's headquarters). Its employees primarily work at the Company's headquarters in Paris, but also in university laboratories with which the Company works in the Paris area (Ecole Normale Supérieure in Cachan, Institut Gustave Roussy, Châtenay-Malabry, Paris XI).

Research and collaboration agreements

The Company has negotiated collaboration agreements with institutes such as the Centre National de la Recherche Scientifique (CNRS), the Institut National de la Santé et de la Recherche Médicale (INSERM), the Institut Gustave Roussy (IGR), the Ecole Normale Supérieure in Cachan (ENS) and Paris XI University.

Pursuant to the above collaboration agreements, the Company makes researchers available to these public institutes and finances part of the research expenditure of collaborative programmes. The results of this research and the patents derived from it are jointly owned by BioAlliance Pharma and the institutions concerned.

The collaboration agreements are usually accompanied by a licence option. If BioAlliance Pharma decides to develop the inventions resulting from this research, a licence agreement is signed, giving the Company exclusive patent exploitation rights and generally providing for the payment of royalties to the institutions concerned based on revenues from the product developed.

The licence agreements signed by BioAlliance Pharma and these institutions are described in section 2.2.4 of this reference document.

2.2.2 Regulatory Framework

Legislative and regulatory provisions defined by AFSSaPS, the European Commission, EMEA, FDA, and equivalent regulatory authorities in other countries provide a framework for research and development activities, preclinical and clinical studies, regulations applicable to facilities, and drug manufacture and marketing. Regulations applicable to the major markets covered by the Company are based on procedures defined by the *International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use* (ICH).

The Company's products may not be offered for sale in a jurisdiction without obtaining prior marketing authorisation. In order to obtain marketing authorisation for a product, the Company must submit proof of its efficacy and safety, as well as detailed information on the composition of the product and its manufacturing process. This forms the framework for conducting pharmaceutical development, and preclinical and clinical studies.

Broadly outlined, the development of a new drug involves fives stages, from basic research up to its launch on the market: (1) research; (2) pharmaceutical development, preclinical studies and manufacture; (3) clinical trials on humans; (4) application for marketing authorisation; and (5) marketing. Regulatory authorities request follow-up studies after the drug is launched on the market in order to continue monitoring the effects and the safety of authorised products. Similarly, regulatory authorities may request additional Phase-IV or Phase-III studies on specific groups of patients or impose conditions that may limit the commercial development of products.

The deadlines set by the regulatory approval process may *de facto* reduce the period of exclusive exploitation of patented products or technologies.

In the event of failure to comply with these regulations, regulatory authorities may impose fines, seize or withdraw the Company's products from the market, and partially or completely suspend their production. Regulatory authorities may also reject applications for marketing authorisation and institute legal proceedings if the Company fails to meet applicable standards. Finally, regulatory authorities have the right to withdraw marketing authorisations for failure to comply with the regulatory standards applicable.

2.2.2.1 Clinical trials

Clinical trials on humans are normally conducted in three phases known as Phase I, Phase II and Phase III, which are generally sequential but may also overlap.

Phase I: during this phase, the product is usually administered to healthy subjects in order to establish its initial safety profile, identify the side effects at the administered doses and determine its distribution and metabolism.

Phase II: the medicine is studied in a limited group of patients with the targeted disease in order to establish the preliminary efficacy and optimal dosage, and obtain a more precise tolerance profile.

Phase III: large-scale trials are carried out on patients with the disease under study in order to compare the drug with reference treatments and produce enough data to demonstrate that its efficacy and tolerability meet the requirements of regulatory authorities.

Clinical trials are sometimes required after products are launched on the market, in order to account for certain side effects, explore a specific pharmacological effect or obtain more accurate additional data. These are known as Phase IV trials.

In some cases, regulatory authorities may authorise the combination of Phase I-and Phase-II trials into a single Phase I/II trial by approving a Phase-II protocol in which the initial patients undergo specific testing for safety and tolerance. Phase I and Phase II are combined for instance when the disease makes it inappropriate to conduct Phase-I studies on healthy volunteers, which is the case with some of the Company's products, such as doxorubicin Transdrug™.

Similarly, regulatory authorities may authorise the combination of Phase-II and Phase-III studies into a single Phase-II/III trial by approving a Phase-III protocol in which a limited group of patients receives treatment and the results are evaluated. The total number of patients necessary for the data of the Phase-III trial to be significant is determined based on these results.

In most countries, clinical trials must comply with strict legislation. Moreover, these trials must adhere to standards of good clinical practice (GCP) defined by EMEA, FDA and ICH, as well as the ethical standards defined by the Declaration of Helsinki[1] of June 1964.

In Europe, undertaking a Phase-I, Phase-II, or Phase-III clinical trial requires prior authorisation from the competent authority in the country or countries in which the research study is carried out, as well as the opinion of an ethics committee such as the Committee for the Protection of Human Subjects (CPHS) in accordance with European Directive 2001/20/EC, or the *Institutional Review Board* (IRB) in the United States. When companies requesting permission to test products submit clinical trial protocols, the regulatory authorities may block or suspend such trials, or demand that major changes be made to the protocol. Furthermore, each ethics committee overseeing a clinical site may delay, temporarily halt or permanently terminate a clinical trial, if the committee believes patient safety is at risk, or in the event of failure to comply with the regulatory measures.

In the United States, an application for an *Investigational New Drug* (IND) detailing the protocols of the planned clinical trials must be filed with the FDA and must receive FDA approval before the clinical trials can begin on human subjects. Provided the FDA issues no objection, the authorisation to launch the IND studies is valid for 30 days after receipt. At any time during this 30-day period or subsequently, the FDA may call for the interruption of the planned or ongoing clinical trials. This temporary interruption is maintained until the FDA gets a response to its request for further information.

2.2.2.2 Marketing authorisations

In Europe, the United States and Japan, as in many other countries, a national or international regulatory authority controls the access to the drug market. In order to obtain marketing authorisation under the best possible conditions, the competent authority must be provided with full medical data concerning the new product, including toxicity, dosage, quality, efficacy and safety. The quality of this

[1] World Medical Association (WMA) Declaration of Helsinki, "Recommendations Guiding Physicians in Biomedical Research Involving Human Subjects."

information is assured by carefully supervised preclinical and clinical studies. The actual size and nature of these studies is determined by a number of factors, including the nature of the disease, the treatment developed, the indications sought and standards of care.

The marketing authorisation application file includes the results of preclinical and clinical studies, together with detailed information on the composition of the product, its manufacturing process and quality control. The preparation of these applications and their review by the competent authority are an expensive process that may take several years. In Europe, applications are made either to the regulatory authority of a European Union Member State (the reference State), in order to be recognised in other Member States by means of the mutual or decentralised recognition procedure or, for some products, directly to EMEA by a centralised procedure. The centralised procedure involves an application, a review and a single authorisation to market a particular drug in all European Union Member States.

In the United States, the FDA is the competent authority that grants marketing authorisation following a *New Drug Application* (NDA).

Various regulations in Europe and the United States, such as the *Food and Drug Administration Modernization Act,* can facilitate the marketing authorisation of new drugs by fast tracking regulatory review. Such accelerated procedures may require meeting various conditions such as conducting clinical studies after marketing authorisation has been obtained.

Similarly, various European and American regulations promote the development of treatments for rare diseases. The FDA grants orphan drug status to any drug aimed at treating diseases affecting fewer than 200,000 people a year in the United States. This status is also available in Europe under a similar law for drugs intended to treat a disease that affects up to five persons out of 10,000 in the European Union and for which there is no satisfactory treatment.

If the Company receives approval to market its products, it will be required to comply with strict regulations on labelling, advertising, promotion, marketing, and distribution. Any violation of these regulations may involve warnings, injunctions to remedy reported violations, product seizure or legal proceedings, which in certain jurisdictions, such as France, may be criminal in nature.

2.2.2.3 Product pricing and reimbursement

In many markets, drug prices are controlled by the State, which fixes prices or prohibits authorities from reimbursing more than a flat rate, which indirectly leads to the drug being priced at this flat rate. In order to obtain effective market access in France, the cost of the Company's products must be borne by the hospital (following approval for local authorities) or reimbursed by social security. Drug prices will be negotiated with the *Comité Economique des Produits de Santé* (economic committee on healthcare products) after receiving the opinion of the *Commission de Transparence* (transparency commission).

In the United States, although pharmaceutical laboratories may freely establish prices for their products, federal and local initiatives aim to lower the overall cost of healthcare. The American Congress and the lawmakers of each State are likely to continue their efforts towards reforming the healthcare system, including Medicare and Medicaid, and controlling the cost of prescription drugs. In the United States, the development of private health maintenance organisations (HMOs), which have a substantial influence on the purchase of healthcare services and therapeutic products, could also contribute to lower prices by imposing discounts or special price reductions on the Company’s products in order to avoid their exclusion from the lists of recommended products drawn up by HMOs.

2.2.2.4 Specific status applicable to pharmaceutical laboratories

In France, the Company has obtained approval for its operating subsidiary, Laboratoires BioAlliance Pharma, to market the Group’s products through a dedicated operating facility.

In the United States, the FDA will be mandated to inspect the sites of production of the Company's products in order to ensure that they comply with GMP norms before granting marketing authorisations for these products. After a marketing authorisation is received, the authorities regularly inspect production sites to verify regulatory compliance, particularly concerning quality control and

record keeping. Failure to comply with these regulatory requirements may result in criminal or administrative penalties for the manufacturer, such as the suspension of production and product recalls.

2.2.2.5 Environmental, health and safety regulations

In the countries where it operates, the Company is also subject to environmental, health and safety laws and regulations applicable, inter alia, to the use, storage, handling, unloading and disposal of hazardous substances such as chemicals and biological products. These regulations therefore have a substantial impact on the Company's operations. Federal, national, and local authorities have extensive powers in each of these areas and have the right to impose sanctions in the event of any violation.

2.2.3 Research & Development projects

Concerning the treatment of cancer and associated pathologies, BioAlliance Pharma is developing a diversified and balanced product portfolio. The Company is building up a range of hospital products for supportive care (candidiasis, nausea and vomiting following chemotherapy and radiotherapy, severe chronic cancer pain, mucositis, etc.), the common characteristic of which is to be intended for the same group of patients and the same hospital prescribers. The Company is also developing innovative products for the treatment of resistant cancers and severe diseases (e.g. primary liver cancer and invasive melanoma) which require new therapeutic approaches and constitute markets with a strong potential.

At the time of completion of this reference document, this portfolio consists of the following products:

Registered products

- Loramyc®/Oravig®, for the treatment of oropharyngeal candidiasis, marketed in France and in the United States, and registered in twenty-six European countries and in Korea;
- Setofilm®, for the treatment of nausea and vomiting in patients undergoing chemotherapy and radiotherapy, registered in sixteen European countries.

Product currently undergoing registration

- Acyclovir Lauriad™, for the treatment of recurrent herpes labialis.

Clinical Phase-I or II products

- Doxorubicin Transdrug™ for the treatment of advanced primary liver cancer: continuation of survival analysis and of the identification of pulmonary risk reducing factors;
- AMEP® innovative biotherapy for the treatment of invasive melanoma, phase-I trial.
- Clonidine Lauriad® phase-II clinical trial for the treatment of mucositis;
- Fentanyl Lauriad®, phase-I trial for the treatment of severe chronic pain in cancer patients.

Preclinical phase products

- Irinotecan Transdrug™, an oral anticancer drug using Transdrug™ nanoparticle know-how;
- An inhibitor of integrase (a key enzyme in HIV replication);
- Zyxine, a New Entity for the treatment of invasive cancer by reversion of the cancer cell phenotype, currently being developed;
- Corticosteroid Lauriad®, for potential use in the treatment of severe mouth inflammation.

Each of these products is presented in detail in section 2.3 of this reference document.

Product portfolio

Product/indication/*Technology*	Pre-clinical	Phase I/II	Phase II/III	Registration	Market
BA-001/ Loramyc®/Oravig® Oropharyngeal candidiasis *Lauriad™ mucosal technology*	→	→	→	Europe United States	Launched Europe United States
BA-030/ Setofilm® Antiemetic *Rapidfilm™ technology*	→	→	→	Approved Europe	
BA-021/Sitavir® (Acyclovir Lauriad™) Recurrent herpes labialis *Lauriad™ mucosal technology*	→	→	→	In preparation	
BA-003/ Doxorubicin Transdrug™ Liver cancer *Transdrug™ nanoparticle technology*	→	→	Ongoing		
BA-015/AMEP® Metastatic melanoma *New entity/Biotherapy*	→	Ongoing			
BA-028/ Clonidine Lauriad™ Oral mucositis *Lauriad™ mucosal technology*	→	Ongoing			
BA-041/ Fentanyl Lauriad™ Chronic cancer pain *Lauriad™ mucosal technology*	→	Ongoing			
BA-026/ Lauriad™ corticosteroid Severe mouth inflammation *Lauriad™ mucosal technology*	Ongoing				
BA-011/Integrase inhibitors HIV infection *New entity*	Ongoing				
BA-018/ Irinotecan Transdrug™ Oral cancer treatment *Transdrug™ nanoparticle technology*	Ongoing				
BA-016/ Zyxin Invasive cancers *New entity*	Ongoing				

2.2.4 Intellectual property, patents and licences

2.2.4.1 Patents

Intellectual property is a key asset of the Company and lies at the core of its research and development projects. As of 31st December 2010, BioAlliance Pharma's patent portfolio consists of 32 families of published patents concerning innovative products or technologies. The 32 patent families cover 318 patents and patent requests, including 220 delivered patents - i.e. nearly 70% of the portfolio - which provide international and long-term protection for the products marketed and currently being developed by BioAlliance Pharma.

BioAlliance Pharma's policy regarding intellectual property consists in (i) submitting new patent applications regularly in order to protect its technologies, products and manufacturing processes, (ii) extending this protection to the countries likely to constitute a favourable market or a generic risk and (iii) making continuous checks to act against any breach of its patents of trademarks.

The length of protection conferred by a patent family is generally twenty years as of the date of submission of the international patent application. This protection may be prolonged in certain territories, including the United States and Europe, depending on the current legislation applicable. The protection conferred can vary from one country to the next depending on the examination procedure, specific to each State.

Collaborations with academic partners regarding preclinical products are formalised by collaboration agreements comprising exclusive licence options for the benefit of the Company. The royalty rates negotiated are generally between 1% and 3% of the sales, depending on each party's investment in the agreement.

Concerning the Company's products that are marketed or under clinical development, the "patents" portfolio presented below provides the expiration date and the holders of the various families of patents as well as the conditions of use, when the right of use have been acquired by BioAlliance Pharma through a licence agreement ("*In-licensing*")

Reciprocally, BioAlliance Pharma has granted marketing rights *("Out-licensing")* on the products Loramyc®/Oravig® and Setofilm®, described in Section 2.3 of this reference document.

Concomitantly to the intellectual property strategy, BioAlliance Pharma also relies on its know-how and its regulatory strategy with respect to orphan medications in order to protect its products and technologies.

"Patents" portfolio for products that are marketed or under clinical development

Products	**Main therapeutic areas**	**Expiration dates of patent families**	**Holders of patent families**	**Conditions of use of the patent families by BioAlliance pharma** ***("In-licensing")***
Lauriad™ technology: mucosal targeting technology, mucoadhesive buccal tablets				
Loramyc®/ Oravig®	Oropharyngeal candidiasis	2022 (or 2028 if delivered)	BioAlliance Pharma 6 patent families Patents delivered in numerous territories	Licence contract from the Company Aptys (to which the co-inventor Jean-Marc Aiache has transferred his rights and obligations): the rights of use have been granted in exchange for the payment by BioAlliance Pharma of *royalties* of 1% of the net income generated by BioAlliance Pharma or its commercial partners throughout the duration of the patent.
Sitavir®	Prevention and treatment of herpes labialis.	2027 (or 2028 if delivered)		
Clonidine Lauriad™	Treatment of mucositis	2029 (if delivered)		
RapidFilm™ Technology: rapidly dissolving orodispersible film				
Setofilm®	Nausea and vomiting in patients under chemotherapy and radiotherapy	2025 (or 2027 if delivered)	LabTech 2 patent families Marketing rights in Europe	Licensing contract (with sub-licensing rights) from the company APR representing LabTech, for the European rights of Setofilm®. These rights of use have been granted in exchange of payment by BioAlliance Pharma of (i) *flat fees* once certain stages of the development and marketing of Setofilm® had been reached and of (ii) *royalties on sales* for the duration of the patents.
Transdrug ™ Technology: nanoparticle technology for intracellular targeting				
Doxorubicin Transdrug™	Treatment of primary liver cancer	2019	BioAlliance Pharma 1 patent family delivered	Not applicable
AMEP® biotherapy: molecular targeting technology				
AMEP®	Treatment of invasive melanoma	2022 in Europe and in Asia (2028 if delivered across the various territories)	3 patent families Main patent: BioAlliance Pharma Initial patent: INSERM Secondary patent: -BioAlliance Pharma - Institut Gustave Roussy - CNRS	BioAlliance Pharma has acquired the exclusive global license, signed together with INSERM, for AMEP® rights. These rights of use have been granted in exchange for payment by BioAlliance Pharma of (i) *flat fees* once certain stages of the development and marketing of AMEP® had been reached and of (ii) *royalties on sales* for the entire duration of the initial patent. BioAlliance Pharma is currently negotiating a co-ownership agreement with CNRS and the Institut Gustave Roussy on the secondary patent.

2.2.4.2 Trademarks

The protection of trademarks varies from country to country. In some countries, this protection is essentially based on the use of the trademark whereas in others, it only results from registration.

Rights on trademarks are obtained through national trademarks, through international registrations or through community trademarks. Registrations are usually granted for a period of ten years and are indefinitely renewable although in some case, the persistence of their validity depends on the continuous use of the trademark.

BioAlliance Pharma's trademarks are the names of the products that are marketed or under clinical development as well as the names of its proprietary technologies Lauriad™ and Transdrug™**,** the name of the company and its logo.

These trademarks benefit from a protection for the pharmaceutical products included in class 5 of the international classification for products and services.

"Trademarks" portfolio for products that are marketed or under clinical development

Trademarks	**Income**	**Main countries in which the trademark is registered or pending registration**
Loramyc® or ™ depending on the territory	Miconazole Lauriad™	Europe, United States, Canada, China, Japan, India, Singapore, South Korea, Hong Kong, Malaysia,
Oravig®		United States
Sitamic®		Europe
Setofilm®	Ondansetron RapidFilm™	Europe
Sitavir®	Aciclovir Lauriad™	Europe, United States
Livatag®	Doxorubicin Transdrug™	Japan, Canada, United States, France, Europe
AMEP®	AMEP®	France, United States, Japan

BioAlliance Pharma defends its trademark rights by opposing identical or similar trademark registration applications and, if necessary, will initiate lawsuits in order to have its rights recognised.

FRANCE

2.3 PRODUCTS AND MARKETS

The biotechnology and pharmaceutical industry markets in which the Company operates are characterised by very rapid development and fierce competition.

BioAlliance Pharma designs, develops and brings innovative products onto the market for the treatment of severe or rare diseases affecting weakened patients, in targeted markets. The Company primarily targets markets in oncology, cancer and associated pathologies (supportive care), for which prescription is initiated in a hospital setting.

In close cooperation with specialist physicians, the Company develops drugs that meet their therapeutic expectations and their patients' needs.

Targeting (mucosal targeting, cellular targeting and molecular targeting) and the control of resistance - for which targeting can be a key efficacy factor - are at the core of BioAlliance Pharma's therapeutic approaches. The Company develops technologies of mucosal and nanoparticle delivery as well as targeted therapies that allow local and precise action so as to reduce resistance and intolerance.

Over the last three years, anticancer therapies have ranked first on the world market, with a turnover of 52.4 billion dollars in 2009 and a growth of 8.8% with respect to the previous years[2]. The cancer supportive care market amounted to 10.3 billion dollars in 2008, 1.5 billion dollars of which were for antiemetics.

2.3.1 Loramyc®/Oravig® and the oropharyngeal candidiasis market

2.3.1.1 Disorder

Oropharyngeal mycosis is primarily caused by yeasts: *Candida albicans* and non-*albicans species.* Although the most common species is *Candida albicans* (Ellepola A. N.*, et al.*, 2000), the pattern of strains involved has been changing over the last few years with the emergence of resistant isolates and species of *C.* non-*albicans* (Ruhnke M., 2006).

Opportunistic infections, like oropharyngeal candidiasis, take advantage of a deficiency in the immune system and/or a local disequilibrium to infect patients. The conditions associated with their development are often physiological, associated with a local trauma (irritation of the mucous membranes, poor dental hygiene) or with immune anomalies (advanced HIV infection, bone marrow or organ transplant, diabetes mellitus, severe malnutrition and debilitating age-related conditions). Furthermore, treatments such as immunosuppressive therapies, radiotherapy, chemotherapy, long-term antibiotic therapy and chronic or inhaled corticosteroid therapy promote the development of severe fungal infections.

These diseases impair the quality of life of patients, who are in pain and have difficulty eating and, in the case of severely immunocompromised patients, may also spread throughout the body and become life threatening (with a high patient mortality rate of 40%[3] for candidaemia). For cancer patients, oropharyngeal candidiasis is often associated with mucositis. It is essential that treatment should start as soon as the first symptoms appear to avoid the disease from recurring or getting worse.

[2] IMS Health data

[3] Scope Project, a study of infections in 49 hospitals in the United States, Epidemiology of Nosocomial Candidemia: a Six-Year National Perspective. BISCHOFF TR, TALLENT S, ADERA T, WENZEL RP, EDMOND MB, 2003

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On such a fragile background, oropharyngeal candidiasis and the associated mucositis are disarming for physicians. Local therapies are the most appropriate for treating this pathology. Unfortunately, topical therapies in the form of mouth washes only have a short-term effect and need several applications a day, keeping the product in the mouth for a long time despite its unpleasant taste, in order to be effective. Systemic therapies (acting via the general route) are also effective but, according to recommendations, should be reserved for severe or refractory infections, due to the risk of systemic toxicity and drug-resistance induction. These threats are of special concern since candidiasis of the mouth is a recurrent disease for seriously ill polymedicated patients.

The mucoadhesive miconazole Lauriad™ (Loramyc®) tablet is designed to be applied once a day and maintains sufficient levels of miconazole in the saliva for effective treatment of oropharyngeal candidiasis.

2.3.1.2 Epidemiology

Epidemiology of yeasts

The nature of yeasts responsible for candidiasis has changed considerably and *Candida* non-*albicans* which used to be relatively uncommon (10 to 40 % of all candidaemias between 1980 and 1990) are increasingly common (35 to 65 % of all candidaemias between 1991 and 1998) (Krcmery V.*, et al.*, 2002).

The incidence of non-*albicans* strains has increased a great deal over a period of 5 years, rising from 38 % in 1999 to 76 % in 2003. During the same period, there was a four-fold increase in the annual prescription of fluconazole (Bassetti M.*, et al.*, 2006). These data have been confirmed by a publication (Ruhnke M., 2006) showing a direct relationship between the appearance of the non-*albicans* strains and prior treatment with fluconazole. It has now been shown that these non-*albicans,* strains, including *C. tropicalis* and *C. glabrata,* are responsible for the increased morbidity and mortality by candidaemia. Thus, these two species are associated with a risk of mortality of 40 to 70% (Ruhnke M., 2006).

Furthermore, the broad use of systemic oral antifungals has facilitated the development of fluconazole resistant isolates, including among *C. albicans* which were initially sensitive.

In this context, the experts recommend the use of a broad-spectrum antifungal as a first-line treatment, in order to limit the emergence of *C.* non-*albicans* which are often intrinsically resistant to triazoles (Powderly W. G.*, et al.*, 1999: SOR Standards Options et Recommandations pour la prévention, le diagnostic et le traitement des candidoses en cancérologie FNCLCC 1999).

Epidemiology as a function of the underlying disease

- ***For cancer patients***

In oncology, the incidence of oropharyngeal candidiasis varies according to tumour localisation, the nature of the medication and the therapeutic protocol used: a recent meta-analysis performed by the Cochrane group has evaluated the median incidence of candidiasis in oncology to be 30% to 70% (Worthington H. V.*, et al.*, 2004). In these patients, mucositis (inflammation of the mucous membranes) is a common condition resulting from the antiproliferative activity of cancer treatment (chemotherapy, radiotherapy). Thus, mucositis lesions which are often associated with xerostomia (dry mouth) create local conditions that encourage the development of *Candida* infections (mucositis is superinfected by *Candida* in 60 to 90% of cases.

In a recent study of patients with rapidly growing cancers, it was shown that while 66% of patients had *Candida* infections, 30% had oropharyngeal candidiasis with clinical signs, confirmed by mycological testing. The main microorganism was usually *Candida albicans* but *C.* non-*albicans* isolates represented 25 % of cases and were associated in 19% of cases with *C albicans.* (Davies A. N.*, et al.*, 2006). Oropharyngeal candidiasis is extremely common in patients with ear, nose and throat cancers, where they are a virtually constant complication of radiotherapy, which causes xerostomia. (Makkonen T. A.*, et al.*, 2000, Nicolatou-Galitis O.*, et al.*, 2001, Redding S. W.*, et al.*, 1999).

- ***For HIV-infected patients***

The prevalence of HIV infection in France as of the end of 2007 is estimated to be between 113,000 and 141,000 patients (Delfraissy J. F., 2004, Yeni P., 2008). The incidence measured in terms of the number of new cases per year is 5200. The prevalence of *Candida albicans* remains higher than 50% in this population. However, according to a recent study, the rate of occurrence of strains resistant to antifungal agents is growing, approximately 10% of strains having been shown to be resistant to fluconazole and itraconazole while 4% are resistant to voriconazole (O'Grady NP., *et al.,* 2002). It has been established that the pressure exerted by the prescription of systemic antifungal agents in prophylactic treatments facilitates the emergence and development of resistant strains in this population (Runhke M., 2006).

Oral candidiasis is the infection that is most often encountered in HIV-infected patients (Vazquez J.A., *et al.*, 2006). Since the introduction of antiretroviral treatments in 1996, the prevalence of oropharyngeal candidiasis has fallen sharply and now stands at around 16-20% versus 80-90% previously (De Repentigny L. *et al.,* 2004 ; Patton L. *et al.,* 2000).

In cases of immunodeficiency related to HIV, the Company estimates, on the basis of existing scientific data, that oropharyngeal candidiasis in developing countries affects between 15% and 30% of patients, and nearly 90% of patients when the disease is progressing rapidly. Indeed, when the viral load is high (primary infection, progression to the AIDS stage, treatment failure), 100% of patients will develop oropharyngeal candidiasis.

- ***Other patients concerned***

Other medically fragile or immunocompromised patient populations are concerned by oropharyngeal candidiasis. These include hospitalised elderly patients taking multiple medications for co morbidities. The prevalence of oropharyngeal candidiasis in elderly patients is estimated at 30-70%.

2.3.1.3 Market and existing competitors

There is a public health risk associated with the treatment of oropharyngeal disease in immunocompromised populations. In order to avoid the emergence of non-*albicans* strains and preserve the maximum chances of treatment for these patients, clear recommendations have been issued and published (Powderly W. G., et al., 1999: SOR Standards Options et Recommandations pour la prévention, le diagnostic et le traitement des candidoses en cancérologie FNCLCC 1999; Delfraissy J. F., 2004, Yeni P., 2008).

The national and international recommendations advise using locally active agents as first-line treatment and reserving systemic agents for disseminated candidiasis due to the significant risk of drug interaction for patients receiving several medications and to the risk of emergence of Candida resistance, favoured by prolonged systemic antifungal treatment. In clinical practice, these recommendations have not been widely applied until now due to the constraints involved in administering topical treatments. Accordingly, there was a real need for treatments targeting the affected mucous membrane, with a broad spectrum of activity covering all *Candida*, thus avoiding drug resistance and greatly reducing the risk of drug interactions.

On the European market (France, Germany, the United Kingdom, Italy and Spain), the sales of antifungals indicated for oropharyngeal candidiasis totalled 433 million euros in the Moving Annual Total of September 2009 (sales for all indications, IMS data). Based on prescription data (IMS), the Company estimates that the oropharyngeal candidiasis market in adults was about 100 million euros in the September 2009 MAT.

In the United States, BioAlliance's commercial partner, PAR Pharmaceutical, has estimated, based on IMS data, that the potential oropharyngeal candidiasis market in adults was 400 million dollars.

Competitors

The competitors are the treatments currently used for oropharyngeal candidiasis. The pharmaceutical specialities currently sold for the treatment of oropharyngeal candidiasis may be administered locally (mouth washes) or systemically (oral administration, drinkable suspension) to produce their effect via the general route.

The antifungal active pharmaceutical ingredients used for the treatment of oropharyngeal candidiasis essentially belong to four specific chemical classes:

1. Antibiotics of the polyene class: amphotericin B, the active pharmaceutical principle in Fungizone® and nystatin, the active principle in Mycostatin®;

2. Azoles can be divided into two sub-groups:

- imidazoles: miconazole, the active principle in Daktarin® oral gel and ketoconazole, the active principle in Nizoral® (withdrawn from the French market in 2010 due to intolerance);
- triazoles: fluconazole, the active principle in Triflucan®; itraconazole, the active principle in Sporanox®, oral suspension (for use in hospitals only); voriconazole, the active principle in Vfend® (reserved for hospital use in severe or resistant systemic mycosis) and posaconazole, the active principle in Noxafil®, indicated for the treatment of systemic and oropharyngeal candidiasis when a weak response to topical treatments is expected.

3. DNA 5-fluorocytosine analogues: flutocytosine, the active principle in Ancotil® (reserved for hospital use in severe systemic mycosis).

4. Echinocandins:

- caspofungin Cancidas® available for administration by one-hour intravenous infusion is indicated for aspergillosis;
- anidulafungin, for intravenous administration, approved in 2005 for systemic Candida infections (candidaemia, septicaemia and oesophageal candidiasis);
- micafungin Micamine®, approved in 2005 in the USA and available for administration by one-hour intravenous infusion for invasive infections.

In oropharyngeal candidiasis, the two types of antifungal agents that compete with Loramyc® (miconazole Lauriad™) are systemic antifungal agents, the most significant of which in terms of value is fluconazole (a generic drug used in most markets), and locally active antifungal agents, among which the most commonly prescribed is the generic nystatin[4].

The systemic or general treatments for oropharyngeal candidiasis are primarily oral (fluconazole by Pfizer or laboratories selling the generic drug, ketoconazole and itraconazole by Johnson & Johnson).

These topical mouth treatments all require several daily applications. This is the case for nystatin and amphotericin B (various players), ketoconazole and miconazole gel (Johnson & Johnson or laboratories selling the generic drug) and clotrimazole (Alza, Johnson & Johnson or laboratories selling the generic drug).

Other systemic products are currently indicated for invasive candidiasis; these drugs could also be developed later on for oral candidiasis but would be of limited use due to their systemic effects. Noxafil (posaconazole, Schering-Plough) has obtained an indication in Europe for oral candidiasis, as first-line treatment for patients for whom topical treatments are expected to be ineffective.

The companies offering medications indicated for oral candidiasis are either generic drug companies or major pharmaceutical laboratories, which remain limited in number.

[4] IMS Study, October 2005. (All rights reserved, IMS Health, 2005).

2.3.1.4 Competitors currently being developed

Tibozole is a local treatment developed by Tibotec, a subsidiary of the Johnson & Johnson group, in the form of an adhesive tablet competing with miconazole Lauriad™ (Loramyc®). The molecule used in Tibozole is miconazole nitrate 10 mg. The product is only approved in Belgium and in about twenty African countries. This product was tested in Africa, and publications indicate efficacy results of the same magnitude as ketoconazole, given systemically[5]. A phase-III trial comparing Tibozole for 14 days with Sporanox (itraconazole) was initiated in China in December 2008. At the present time, this product is part of a compassionate programme in developing countries.

Furthermore, the Danish company Fertin Pharma has developed a local formulation of miconazole in the form of gum to be chewed four times daily (14.4 mg/day), for which the published results[6] show an efficacy equivalent to that of miconazole gel at 200 mg/day (in four doses) and greater than that of a placebo. The six-week treatment period seems abnormally long and the dose chosen for the reference treatment is lower than the normally recommended dose (500 mg/day).

2.3.1.5 The BioAlliance Pharma product: LORAMYC® / ORAVIG®

The BioAlliance Pharma product, miconazole Lauriad™, was registered under the trademarks Loramyc® or Sitamic® in Europe and in many other countries (see section 2.2.4.2 of this reference document). The Oravig® trademark is registered in the United States. Except in paragraphs specifying the territories covered by the authorisations or the indications granted by regulatory authorities of the various countries for this product, the term "Loramyc®," used in this reference document designates the BioAlliance Pharma product irrespective of its trademark.

The Loramyc®, mucoadhesive gingival miconazole tablet is based on a novel oral delivery system allowing mucous membrane targeting for the rapid and sustainable release of an effective concentration of active principle that impregnates the infected tissues, without systemic transfer. Loramyc® is the first antifungal medical product to use this mucoadhesive gingival technology.

Mucoadhesive gingival tablets are designed to remain in place in the oral cavity (in the canine fossa) and release the active principle on a controlled basis. The gingival tablet disintegrates gradually. The tablet matrix, which gives the tablet its mucoadhesive properties, consists of a milk protein concentrate. This natural protein excipient gradually becomes hydrated and sticks to the proteins of the mucosal surface, whereupon it releases the active principle on a continued basis. This excipient has been chosen for its long-lasting adhesive properties, and is moreover widely used in the food industry.

Miconazole Lauriad® (Loramyc®) is indicated for the treatment of oropharyngeal candidiasis in immunocompromised patients. In the United States, Oravig® is indicated for the treatment of oropharyngeal candidiasis in adults. Oropharyngeal candidiasis, caused by a *Candida,* fungus is an opportunistic infection that often occurs in fragile patients. If this infection is not treated adequately and quickly, it may become life threatening for certain immunocompromised patients due to the risk of dissemination. A fragile background facilitates the proliferation of this fungus; this is the case for cancer patients treated by chemotherapy or radiotherapy, patients infected with HIV, elderly patients with comorbidities receiving several medications, patients undergoing corticosteroid treatment or those receiving immunosuppressive treatment.

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5 JJ Roey 2004

6 H L. Bastian 0ral Surg Oral Med Oral Radiol Endod 2004; 98:423-8

Loramyc®, which uses Lauriad™ adhesive technology, takes into account these medical needs and the ecological changes observed with the increasingly common occurrence of resistant strains. It has been developed on the following bases:

- the choice of miconazole due to its broad antifungal spectrum and its activity on all kinds of Candida albicans and non-albicans (no known resistance) as well as its widely proven local efficacy and its tolerance profile;
- the development of a sustained-release mucoadhesive gingival tablet providing an early and prolonged concentration of antifungal in the saliva;
- an increased duration of contact of the active principle with the fungus with prolonged effective concentrations (greater than the minimum inhibitory concentration or MIC) that increase efficacy at the site of the infection;
- application at the very site of infection, thus limiting the absorption of miconazole through the general or systemic route and avoiding the risk of drug interactions in patients who are often polymedicated;
- sustained release requiring only one daily application.

Miconazole is an antifungal agent from the azole family and acts by inhibiting the synthesis of ergosterol. This molecule, widely described in the scientific medical literature and marketed throughout the world, is particularly indicated in cases of candidiasis. It has proven tolerance and efficacy profiles for the treatment of oral and intestinal candidiasis. It has an antifungal profile that is particularly well adapted to oropharyngeal candidiasis, with a broad spectrum of activity against different types of *Candida*, including *Candida albicans*, as well as *Candida* non-*albicans strains (C. krusei, C. glabrata, C. pseudotropicalis and C. parapsilosis)*. The sensitivity profile for miconazole is comparable to that of voriconazole (a new azole for systemic use) with respect to the various species of *Candida*, no initial drug resistance having been described to date with this antifungal agent (Kuriyama T.*, et al.*, 2005). In September 2007 at the ICAAC *"Interscience Conference on Antimicrobial Agents and Chemotherapy "*, the Company presented data generated by Professor M.A. Ghannoum (Center for Medical Mycology of the Cleveland University Hospitals, Cleveland, OH, United States) defining the mycological profile of miconazole. At the ECCMID (*European Congress of Clinical Mycology and Infectious Disease*), in April 2008, the Company presented the data of Professor M.A Ghannoum which show that miconazole does not induce resistance after repeated exposure to the molecule. These results confirm the potency and the broad spectrum of activity of the antifungal agent miconazole Lauriad™ with respect to all *Candida* responsible for oral pathologies.

In addition to its good tolerance profile, its absorption is limited. In this regard, digestive absorption of miconazole after administration of 500 mg of gel is minimal, as shown by the very low or even undetectable plasma concentrations (Sawyer P. R.*, et al.*, 1975). These results were confirmed in a study conducted with Loramyc® in HIV-infected patients.

Compared to systemic oral antifungal treatment, Loramyc® offers the advantage of having a spectrum covering all *Candida.* It also has the advantage of limiting systemic side effects and drug interaction in patients who are often taking several different drugs. Compared to topical treatments, it ensures a sustained presence of efficient salivary concentrations for about 13 hours at the very site of infection, which allows for a single daily application and contributes to a better observance of treatment by patients.

Loramyc® had been available on the French market since the end of 2007 and has been approved in twenty-six European countries (cf. the Company's press release of 25th March 2010 disclosing the approval of Loramyc® in thirteen other European countries). BioAlliance Pharma has licensed the marketing rights for Loramyc® in Europe to the group Therabel Pharma, through an agreement signed on 31st March 2010.

In the United States, BioAlliance Pharma received the marketing authorisation for Oravig® on 16 April 2010. Oravig® was launched on the American market in September 2010 by Strativa Pharmaceuticals, the branch of Par Pharmaceutical Companies, Inc. (a BioAlliance Pharma commercial partner in the United States) responsible for "products dedicated to supportive care".

The table below gives a summary of the marketing agreements signed by the Company for Loramyc®. These agreements total over 120 million euros, including nearly 48 million euros already generated since 2007. The remaining sums will be received as key steps are completed or as certain levels of turnover are achieved over the next few years. BioAlliance Pharma will moreover receive significant royalties on product sales.

Partner	**Territory**	**Phase**	**Amount already generated by the Company**	**Total to be generated from the agreement**
Therabel Pharma group Licensing agreement from March 2010	Exclusive marketing license for Europe, including Switzerland	Marketing in France and Germany	7.5 million euros	48.5 million euros + royalties on sales
Strativa Pharmaceuticals (Par Pharmaceutical) Licensing agreement from July 2007	Exclusive marketing license for the United States	Product launch in September 2010	26 million euros	65 million dollars + royalties on sales
Handok Licensing agreement from March 2008	Exclusive marketing license for Korea, Taiwan, Singapore and Malaysia	The MA for Korea was obtained in April 2009.	1 million euros	12 million dollars + royalties on sales
NovaMed Licensing agreement from June 2008	Exclusive marketing license for China	Ongoing development	0.6 million euros	4 million dollars + royalties on sales

2.3.2 Setofilm® and the antiemetic market

2.3.2.1 Disorder

Nausea and vomiting are considered as a natural protective mechanism of the human body to avoid ingestion of potentially unpleasant or harmful substances, and/or to expel them.

Nausea, often experienced by cancer patients undergoing chemotherapy, is controlled by the vegetative nervous system, which accounts for associated disorders such as the feeling of having a full stomach, sweating, paleness and accelerated heartbeat. Nausea may be associated with other symptoms like retching and vomiting. This is one of the side effects that cancer patients fear the most: an intense, persistent state of nausea is more unpleasant than vomiting for a short period of time. Nausea results from the same mechanisms as vomiting and calls for the same antiemetic treatment.

The risk of experiencing nausea or vomiting depends on the type of chemotherapy administered. Some treatments do not induce such symptoms. When they do, oncologists prescribe a preventive treatment to deal with this risk. There are currently a large number of drugs with different mechanisms of action, which help patients to overcome this side effect. The symptoms will definitely disappear between cycles of chemotherapy or radiotherapy, or after the treatment.

If nausea or vomiting occurs, a temporary change in eating habits may occur and have an impact on the food intake and hydration of patients.

2.3.2.2 Epidemiology

All anti-cancer chemotherapy drugs are emetic, but nausea and vomiting are more frequent with some of them (dacarbazin, cisplatin, streptozocin cause these symptoms nine times out of ten), when given at a higher dose and in women and patients who are more anxious or in a poor general state of health.

Immediate nausea and vomiting start within 24 hours after the beginning of chemotherapy, while delayed nausea and vomiting are not as intense but last for several days. Anticipated nausea and vomiting appear after several cycles of chemotherapy, depending on the seriousness of immediate vomiting: they are triggered by visual or olfactory stimuli when arriving on the treatment site, even before the treatment begins.

Nausea and vomiting induced by cancer treatments can be prevented using antiemetic drugs.

According to Datamonitor, which has developed an *ad hoc* predictive model, the incidence of cancer patients treated with antiemetics in 2008 was estimated at 902,000 new cases, a number which tends to be increasing slightly with time so that the figure predicted for 2018 is 920,000.

2.3.2.3 Market and existing competitors

In Europe[7], the sales of antiemetics at the MAT in March 2010 totalled 386 million euros. The turnover figure is slightly down (-3.1%) because of the impact of generics and the application of lower prices in some cases. But the market is still growing in terms of volume (+2.3% units). The major part of the turnover for antiemetics comes from the setron class (67% of the market).

Ondansetron remains the leader of the antiemetic class with a turnover figure of 195 million euros at the MAT in March 2010, and a progression of + 6.7% in volume and – 6.3% in value (effect of price lowering + generic impact). First representative of the anti 5-HT3 (or setrons) class, on the European market for twenty 20 years under the trademark Zophren®, ondansetron has kept its leadership on the market with a market share (among setrons) of 75% in terms of turnover and 80% in unit terms. Granisetron (Kytril® or Kevatril®, BMS) has risen to rank 2nd with 39 million euros and a market share of 15%.

Ondansetron shows a unit growth (+6.7%) that is higher than that of all setrons put together (+4.4%). Since anti 5-HT3, the only significant innovation in terms of new molecules was the advent of aprepitant (Emend®, Merck & Co) launched in 2003 in the United States. Representative of a new class (antagonist of neurokinine 1 receptors or anti-NK1), aprepitant has recorded a turnover of 45 million euros in Europe at the MAT in March 2010 (+ 24%), which makes it the 2nd ranking antiemetic molecule in terms of sales after ondansetron. There is little (or no) substitution effect observed between the 2 molecules in as much as the indication of aprepitant recommends its use as part of a protocol that includes a setron among other things (the mechanisms of action are complementary).

[7] France, Germany, the United Kingdom, Italy and Spain, IMS data

2.3.2.4 Competitors currently being developed

With respect to anti-NK1, there are a few molecules undergoing development in the pipeline of various pharmaceutical companies but these candidates are at a stage that is still remote from marketing. GSK, which invented ondansetron, pushed the development of its anti-NK1 (casopitant) quite far but stopped the programme and decided not to file an application with the FDA who had requested complementary clinical data. Besides this molecule, which was abandoned, the other substances identified at an advanced stage are netupitant (Roche / Helsinn, phase II) and rolapitant (Merck Schering-Plough, phase II),

Concerning anti-5-HT3, the products undergoing development which have been identified are in fact new pharmaceutical forms of existing molecules. These are in particular:

- Sancuso: transdermal patch of granisetron marketed by ProStrakan since November 2008 in the United States. This is applied 24 to 48 hours before chemotherapy. The product is registered in Europe and in the United States.
- APF-530 by AP Pharma, granisetron for subcutaneous injection, providing sustained efficiency for 5 days. The product is due to be registered in the United States.
- AB 1001 by Abeille Pharmaceuticals, granisetron in the form of a skin patch, also with sustained efficiency for 5 days. The product was licensed to ProStrakan in 2009 for Europe and the United States. It is currently in phase III of development.
- Ondansetron in the form of an oral spray (see below; product obtained under licence by BioAlliance Pharma from NovaDel Pharma Inc.)

2.3.2.5 The BioAlliance Pharma product: Setofilm® (APR/Labtech licence)

Ondansetron, the leading 5-HT3 antagonist antiemetic, is indicated in the prevention of nausea and vomiting induced by chemotherapy, radiotherapy and surgery, in tablet form or formulated for intravenous administration.

BioAlliance Pharma has acquired the sales licence for Europe for the thin film formulation of ondansetron (Ondansetron RapidFilm™) from the company APR. The RapidFilm™ technology, which is the property of APR/Labtec, is a new, non-mucoadhesive, fast dissolving oral dosage form. It features a thin film based on a water-soluble polymer. The film disintegrates within seconds upon contact with water or saliva, releases the drug inside the mouth and promotes gastrointestinal absorption. This ondansetron formulation is particularly well adapted for good compliance of patients with nausea since the treatment is taken without water.

In March 2010, BioAlliance Pharma obtained the registration of ondansetron thin film, under the trademark Setofilm®, in sixteen European countries. Setofilm® is indicated for the prevention and treatment of nausea and vomiting induced by chemotherapy and radiotherapy and occurring post-operatively in adults and children. Thanks to its innovative formulation, Setofilm® is the first product of its class to have also obtained this indication for post-operative use in children. Indeed, this film dissolves rapidly in the mouth and is recommended if there is a risk of food choking. It is particularly well adapted for patients with swallowing difficulties, such as children and elderly subjects.

BioAlliance Pharma has licensed the marketing rights for Setofilm® in Europe to the group Therabel Pharma, through an agreement signed on 31st March 2010. With this second drug aimed at the same target as Loramyc® (the marketing of which is also licensed to the group Therabel in Europe) - same diseases and same hospital prescribers - the Company is strengthening its offer on the major market of supportive care in oncology.

The Company has also taken a European licence for ondansetron OS (Oral Spray) from the company NovaDel Pharma Inc. Provided this development (conducted in the United States by NovaDel and its licence partners) is successful and as long as it is approved by the registration agencies, this innovative delivery system, by oral spray, could provide an additional therapeutic alternative to improve the quality of life of patients suffering from severe nausea and vomiting and constitute a complement for Setofilm® ondansetron thin film.

2.3.3 Acyclovir Lauriad™ and the herpes labialis market

2.3.3.1 Disorder

Caused by herpes simplex virus 1, herpes labialis - often called "cold sores" - is the most common form of herpes. This virus causes the appearance, on and around the lips, of transparent vesicles the size of a pinhead, surrounded by a red areola. The blisters burst fairly quickly to form scabs. The skin heals without leaving a scar.

Skin eruptions are frequent around the mouth or nostrils, but also inside the mouth, at the back of the throat, on the gums, on the cheeks, on the forehead or even the eyes (ocular herpes).

Herpes virus can be found in lesions but also in saliva, nasal secretions and tears. Contamination may occur through direct contact with lesions or contaminated secretions. Self-contamination is also common. Transmission can occur as soon as the first symptoms appear and until the scabs dry up.

2.3.3.2 Epidemiology

Over 80% of the world's adult population currently carries HSV-1, the main herpes labialis virus[8], while the rate of occurrence of the disease is estimated at 5 to 10% new cases each year[9]. Acyclovir Lauriad™ targets patients with at least four outbreaks per year, which represents roughly 35% of patients suffering from recurrent herpes labialis according to a study of patients conducted by Nielsen for BioAlliance Pharma[10].

In addition, HSV-1 infection is often associated with HIV infection in which case, patients have about twelve outbreaks a year.

2.3.3.3 Market and existing competitors

According to an internal evaluation based on IMS data, the turnover for antivirals used on herpes is in the order of 1.6 billion dollars (CM 03/2010) in the five major European markets and in the United States. The share of herpes labialis is estimated at around 800 million dollars. This added value is only based on antiviral molecules and therefore does not include the many topical products (creams, sticks) available over the counter.

Competitors

The systemic forms of acyclovir, valacyclovir and famcyclovir have been approved for the preventive and episodic treatment of recurring herpes infections.

The drugs prescribed for the treatment of herpes target each disease episode and are designed to clear up the lesion more rapidly or are given continuously as a preventive measure over several months to reduce the frequency of recurring episodes.

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8 Yeung-Yue KA *Herpes simplex viruses 1 and 2 Dermatol Clin* 2002; 20(2):249-66.

9 R J Whitley et all *Lancet 2001 357:1513-18* — R Brady et al *Antiviral Research* 2004: 61; 73-81.

10 Press release of 7 February 2011, "BioAlliance Pharma presents the results of an international investigation conducted by Nielsen on patients with oral herpes"

Nucleosides

Four types of nucleoside analogues are currently available through general administration routes for the treatment of HSV infections:

- Acyclovir (Zovirax - GSK), competes with the natural nucleotides during the viral replication process. Generic versions are available; it is the molecule of reference;
- Valacyclovir (Valtrex - GSK), a pro-drug that transforms into acyclovir, has better absorption properties;
- Pencyclovir (Denavir – GSK), similar to acyclovir; and
- Famcyclovir (Famvir - Novartis), the pro-drug for pencyclovir.

Topical agents currently available in the form of a cream shorten the duration of symptoms but none are truly effective in eliminating outbreaks. They are essentially:

- Acyclovir (Zovirax – GSK - Biovail) is the reference treatment and must be applied five times a day for five days;
- Pencyclovir (Denavir - Novartis), to be applied for five to ten days, every two hours during the day (nine applications daily);
- Docosanol (Abreva - Avanirpharma - GSK), to be applied five times a day for five to ten days;
- The combination acyclovir / hydrocortisone (Xerclear® / Xerese®) by the company Medivir, comes in the form of a cream requiring five daily applications for five days, as for acyclovir alone in cream form.

2.3.3.4 **Competitors currently being developed**

NanoBio Corp is developing NB-001, a topical formulation based on an emulsion (a mixture of oil and water) in the form of nano-drops. The product is currently in phase II and a marketing agreement has been signed with GSK for the United States.

The product SoloVir®, an electroporation system to ensure penetration of acyclovir into the lip, developed by Transport Pharmaceuticals, has been stopped following the acquisition of the company by Nitric Biotherapeutics which is considering other indications for this technology.

Clavis Pharma is working on a different formulation of acyclovir (an ester of elaidic acid), and the project is about to enter phase II.

2.3.3.5 The BioAlliance Pharma product: acyclovir Lauriad™ or Sitavir®

BioAlliance Pharma is developing acyclovir Lauriad™ (BA021), the second product of the Lauriad™ range, for the treatment of herpes labialis. The product results from the combination of Lauriad™ technology and acyclovir. Acyclovir is considered the gold standard molecule for the treatment of Herpes virus infections (HSV). Acyclovir in the form of topical cream is indicated for herpes labialis but has limitations due to its poor penetration.

In response to the need for a more effective topical treatment for herpes labialis, the development of acyclovir Lauriad™ aims to obtain high concentrations of acyclovir for several hours at the infected site.

In March 2005, BioAlliance Pharma carried out a clinical pharmacokinetic and pharmacodynamic study of acyclovir Lauriad™ in the form of a dosage study comparing a mucoadhesive buccal tablet (50 mg and 100 mg) to a reference treatment (200 mg, Zovirax® tablet). A prompt and lasting high concentration was obtained for 24 hours in the saliva, corresponding to a continuous presence of the active principle. A concentration far above the effective clinical concentration (MIC) was also observed for 24 hours at the labial site.

After this study, the dose of 50 mg was chosen to continue development and a Phase-III international study on acyclovir Lauriad™ was conducted in Europe, Australia and the United States. This multi-centre, randomised, double-blind, placebo-controlled study compared the efficacy and tolerance of a

single dose of acyclovir Lauriad™ 50 mg mucoadhesive gingival tablet with that of a placebo in 775 patients among 1727 randomised patients suffering from recurrent herpes labialis (771 treated patients, 376 with acyclovir Lauriad™ and 395 with the placebo).

The results show that this trial was a success since both primary and secondary endpoints were met, with marked efficacy and good tolerance. A single dose of acyclovir Lauriad™ 50 mg significantly reduces the time required for healing of the primary vesicular lesion, which was the primary criterion ($p = 0.017$). The secondary clinical criteria showed that the duration of the herpes episode from the time of the first prodromes up until healing is significantly reduced ($p = 0.0038$) and that the percentage of patients with aborted episodes (absence of progression to the vesicular lesion stage) increases ($p = 0.042$).

Furthermore, this trial has shown that acyclovir Lauriad™ can delay the recurrence of infection ($p = 0.05$). Over nine months of follow-up, the median time to the first recurrence was delayed by 56 days in the treated group and by 83 days for those who had applied the product within an hour following the first signs ($p = 0.017$).

These results represent a major opportunity, heralding a new paradigm in the treatment of orofacial herpes. The European and American agencies were approached in 2010 in order to define and validate the registration strategy for Sitavir® (acyclovir Lauriad™). BioAlliance Pharma has announced that it will file for the European registration of Sitavir® during the third quarter of 2011, as part of a decentralised European procedure. The American regulatory authorities also consider that the positive results of the phase III pivotal study on acyclovir Lauriad™ are sufficient and support the application to authorise the registration of the product in the United States according to procedure 505(b)(2). The application is due to be submitted in the United States at the end of 2011.

In addition, in September 2010, BioAlliance Pharma announced the delivery of its acyclovir Lauriad™ patent in Europe. This specifically protects the mucoadhesive tablets containing acyclovir, their manufacturing process and their clinical application. This validation in all European countries, which represents an important step, is continuing in the other major areas of the world, namely America and Asia.

Sitavir® allows treatment of recurrent herpes labialis with a single tablet applied as soon as the first signs of infection appear: BioAlliance Pharma is looking for the adequate commercial partner (private practice market) for this innovation. Approval by the regulatory authorities in Europe and the United States of the provisional schedule for the application for registration in 2011 as well as obtaining the patents are key elements in this process.

2.3.4 Doxorubicin Transdrug™ and the hepatocellular carcinoma market

2.3.4.1 Disorder

Hepatocellular carcinoma (HCC) develops from liver cells (hepatocytes) and represents 85% of primary liver cancers. In the great majority of cases (>90%), HCC occurs in cases of abnormal liver status (cirrhosis). Risk factors are well established:

- infection with hepatitis B and C viruses is the source of 80% of liver cancers. This is why the areas where the infection is endemic, such as Asia, are the most affected by HCC;
- the consumption of large amounts of alcohol, because of its implication in cirrhosis, is also an HCC risk factor which contributes more extensively in Western than Asian countries;

- there may also be cases of genetic predisposition, such as mutations in the p53 protein.

Most HCCs are diagnosed at an advanced stage because the tumour progresses slowly and without any visible clinical manifestations in the early stages. In addition, when the first symptoms appear, they are not specific for HCC and may indicate other metabolic pathologies.

2.3.4.2 Epidemiology

The incidence of HCC is growing worldwide, with significant geographic differences. An orphan disease in Europe and the United States, this disease is, on the other hand, highly developed in Asia (2002 incidence in East Asia: 373,436 patients - mortality: 354,531 patients, South East Asia incidence in 2002: 45.000 patients - mortality: 42,000 patients), because of the higher incidence of viral hepatitis (HBV and HCV).

Primary liver cancer is globally on the rise (8% per year) in Western countries and the incidence of HCC in developing countries is two to three times higher than in developed countries.

HCC, with a five-year survival rate under 5% without treatment, is one of the diseases with the highest mortality rate[11]. In Europe (France, Germany, the United Kingdom, Italy and Spain), the incidence is estimated at 21,900 cases in 2010 with a projection at 27,200 cases in 2020. In the United States, the incidence is estimated at 18,500 cases in 2010 and 27,700 cases in 2020. Among developed countries, Japan records the largest number of incident cases (47,900 in 2010), but unlike Western countries, this country has entered a phase of incidence decrease since the end of the 1990s so that the projection for 2020 is less than 36,000 new cases.

2.3.4.3 Market and existing competitors

Given the rarity of reference treatments authorised for the HCC indication, the Company believes that there are no figures allowing evaluation of the size of the relevant market with any accuracy.

When primary liver cancer is diagnosed, the first treatment possible is surgical resection to remove the whole tumour. However, due to late diagnosis of HCC, the tumours are often large and numerous and only 20 to 30% of patients can undergo surgical treatment. Regarding transplantation, it is very limited because of the rarity of grafts and the very strict attribution rules applied.

In patients who can benefit from neither technique, there are four alternative therapies:

- systemic chemotherapy, which has limited effectiveness and entails systemic toxicity since the tolerable doses are generally ineffective;
- two intra-arterial methods (IA): an IA injection of lipiodol and doxorubicin, which gives a response rate of about 12%, and 23% when combined with Mitomycin C; and chemoembolisation consisting in an IA injection of an embolising agent to prevent blood from circulating for a very short period of time. This therapy is accompanied by a syndrome following chemoembolisation, resulting in longer hospital stays for 30% of patients;
- radiofrequency: this involves obtaining thermal necrosis of the tumour (with an electric current) but this technique is limited to single tumours not exceeding 4 cm.
- sorafenib (Nexavar®, Onyx / Bayer), a product derived from biotechnology active on multiple kinase targets (RAF kinase, VEGFR Kinases), is indicated for the treatment of HCC (as well as renal cancer). It gave positive survival results compared to the placebo at ASCO in 2007 for the indication of primary liver cancer in patients who had not undergone prior systemic treatment. This product is also being developed in another clinical trial in which the sorafenib/doxorubicin combination is being compared to doxorubicin alone. Sorafenib (Nexavar™), which has already been approved for renal cancer, was also approved in Europe and the USA for the indication of primary liver cancer at the end of 2007.

The problems involved with the treatment of HCC and the associated high mortality rate are attributable to various factors such as cirrhosis, which limit treatment options. In addition, primary liver cancer is a resistant cancer.

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[11] Llovet JM et al. Hepatocellular Carcinoma. Lancet 2003; 362: 1907-17.

Cancer resistance, whether arising spontaneously or acquired over time, represents a major challenge in the fight against this type of disease. Currently, multi-drug resistance is the principal reason for failure of chemotherapy. Multi-drug resistance of certain tumour cells after repeated cycles of chemotherapy makes these cells insensitive to any other form of therapy.

One of the causes of this type of multi-drug resistance is the appearance of a family of proteins called "transmembrane transporters". These proteins are activated under the influence of a multi-resistance gene called MDR-1. The proteins actively reduce the intracellular concentration of cytotoxic agents. Their function is to expel the cytotoxic agent from the target cell as soon as it enters the cell. These proteins act as veritable "pumps" preventing the cytotoxic agent from exerting its therapeutic action.

There is therefore an unmet medical need for effective therapy and new treatment strategies for the management of HCC.

With respect to drug resistance, the competitors are:

- liposome-mediated drug delivery systems: several liposome formulations have been approved (doxorubicin and daunorubicin, in the anthracyclin class) for the treatment of ovarian cancer and Kaposi's sarcoma; these liposomes are not known to act on resistance phenomena; their development has been directed towards improving tolerance by reducing passage through the heart, cardiac toxicity being a known consequence of anthracyclin use;
- conjugation with a polymer: anthracyclins are covalently linked to a polymer to form a new chemical entity, the profile of which remains to be demonstrated in full with respect to the regulatory process; and
- agents to block the pumps that are active in multi-drug resistance: designed to interfere specifically with active pumps, these agents can, however, generate serious side effects (including cardiac effects related to the physiological role of these pumps).

Finally, another means of circumventing phenomena of resistance to cytotoxic molecules is the development of targeted molecular therapies. Other than Nexavar®, which was the precursor with HCC, the candidates currently in phase III are: everolimus (Afinitor®, Novartis), already approved for renal cancer; erlotinib (Tarceva®, Bayer), already indicated for bronchial cancer and pancreatic cancer; brivanib by BMS and linifanib by Abbott. It is to be noted that Pfizer stopped its phase-III trial on sunitinib (Sutent®) following a high incidence of adverse effects and owing to the poor results compared to Nexavar®.

2.3.4.4 The BioAlliance Pharma product: Doxorubicin Transdrug™ or Livatag®

The main product in the Company's Transdrug™ programme is Livatag® (doxorubicin Transdrug™) (BA003). This product contains doxorubicin in the form of lyophilised PIHCA nanoparticles, to be delivered to the liver by intra-arterial infusion.

This novel therapeutic approach can overcome drug resistance by short-circuiting the multi-drug resistance mechanisms: the masking of the anticancer agent prevents it from being expelled from the cell so that cells and tissues can be directly targeted. The technology also offers controlled release of the active principle in order to extend its effect over a prolonged period.

By specifically targeting tumour cells in the liver and overcoming drug resistance, Livatag® is likely to represent a significant breakthrough in the treatment of a variety of cancers. The first indication of this product is primary liver cancer; the fifth most widespread cancer in the world and the third highest cause of cancer-related deaths.

The efficacy of Livatag® in the form of nanoparticles has been demonstrated in resistant cancer models *in vivo*, its superiority over free doxorubicin having been established. This form of doxorubicin has obtained the status of orphan medication in Europe and the United States.

On 16th July 2008, BioAlliance Pharma announced the suspension of the phase-II trial on Livatag® (doxorubicin Transdrug™) in primary liver cancer, following advice from the Drug Safety Monitoring Board and the Steering Committee which had been monitoring the progress of this trial. On the basis of the preliminary results, the Drug Safety Monitoring Board and the Steering Committee observed a clinical benefit but also acute pulmonary intolerance of unexpected frequency and seriousness. They recommended that the trial be suspended in view of the incidence of this effect.

This type of acute pulmonary lesion was observed at the time of the phase I/II trial at 35mg/m^2 (the toxic dose limit) but was not observed at 30mg/m^2, the dose chosen for repeated administration in subsequent development stages.

In this phase-II trial, Livatag® (doxorubicin Transdrug™ was assessed in comparison with the existing standard of care (control group treated by intra-arterial chemoembolisation). The assessment criteria concerned the efficacy and tolerance of Livatag® (doxorubicin Transdrug™) administered by hepatic intra-arterial infusion in repeated cycles, efficacy being assessed on the basis of time without progression at three months.

The follow-up of patients included in this trial continued through 2009 and 2010, and showed positive survival results: in December 2009, BioAlliance Pharma was able to announce a survival rate of 88.9% after 18 months of treatment in patients who had received three injections of Livatag® (doxorubicin Transdrug™) via the hepatic arterial route as scheduled in the protocol. This result is clearly higher than the rate of 54.5% observed in patients who received the standard treatment.

Based on these survival results, BioAlliance Pharma continued studies aiming to control more effectively the respiratory side effects observed in 2008. In March 2011, the Company announced the updating of its preliminary positive results on patient survival, with a median survival of 32 months as compared to 15 months for patients receiving a reference treatment (transarterial chemoembolisation with a cytotoxic product). This significant survival increase of 17 months considerably revives interest in this product. Furthermore the Company has developed a new and validated administration scheme in animals allowing the significant reduction of acute side effects in the lungs, which had led to the interruption of the trial. This new administration scheme as well as the survival benefit observed will be presented to the French drug agency during the second quarter of 2011. The Company plans to release all these results at a specialised international congress.

2.3.5 Clonidine Lauriad™ and the mucositis market

2.3.5.1 Disorder

Oral mucositis consists in erythematous and ulcerative lesions of the oral mucous membrane which affect cancer patients treated by chemotherapy and/or radiotherapy.

The risk of mucositis is directly linked to the intensity of the dose and the type of chemotherapy administered and/or the radiotherapy protocol.

Oral mucositis, which can be extremely painful, is treated by potent painkillers such as morphine derivatives. It hampers food intake and requires complementary parenteral feeding. Infections associated with mucositis can lead to septicaemia during periods of severe immunosuppression, particularly for patients who have haematological pathologies and need to receive a haematopoietic cell transplant.

Consequently, the patients' quality of life is affected, the periods between treatment cycles are longer and the doses are reduced, resulting in longer hospital stays and less effective treatment (Lalla RV., 2008).

2.3.5.2 Epidemiology

Recent studies have shown that 29 to 66% of patients receiving radiotherapy for head and neck cancers suffered from severe oral mucositis. 75 to 80% of patients receiving high-dose chemotherapy linked to haematopoietic cell transplants develop clinically significant oral mucositis. According to reports, 51% of patients with solid tumours treated by chemotherapy develop oral or gastro-intestinal mucositis.

2.3.5.3 Market and existing competitors

There is currently no effective treatment for mucositis. Until now, the treatment has essentially been palliative in nature. It consists in managing pain using topical lidocaine-based agents often combined with systemic painkillers such as opiates. The recommendations are food supplementation, liquid or parenteral feeding, oral decontamination, and the treatment of xerostomia and bleeding. The growth factor palifermin (Kepivance®) is currently indicated and has proved to be effective in patients suffering from mucositis as a result of high-dose chemotherapy prior to a haematopoietic cell transplant. But the safety of this class of growth factors has been questioned in patients with non-haematological malignant diseases.

Among therapies without active molecules but aiming to protect the mucosa, one can identify Caphosol® (EUSA Pharma), a solution of calcium and phosphate ions, MuGard® (Access Pharmaceuticals), a solution that forms an aqueous gel; Gelclair® (Helsinn / EKR Therapeutics), an oral bioadherent gel and Episil®, a bioadhesive lipid-based liquid film (FluidCrystal® technology) developed by Camurus and licensed to IS Pharma for commercial use in Europe.

2.3.5.4 Competing products currently being developed

Among the products identified, the majority aim to relieve the painful symptoms of mucositis. One can identify in particular:

- Saforis® by MGI Pharma (bought up by Eisai), oral solution containing L-glutamine (phase III);
- SBG-1 by Biotec Pharmacon (phase III in 2009, but with disappointing results according to the company, who is redirecting its clinical programme towards the management of diabetic ulcers);
- SCV-07 developed by Sciclone, which started a phase IIb trial at the beginning of 2011;
- CB-1400 (oltipraz), product for local application developed by Canopus Biopharma for the prevention and treatment of oral mucositis (phase IIa).

2.3.5.5 The BioAlliance Pharma product: clonidine Lauriad™

The Company is developing clonidine Lauriad™ (BA028) for the treatment of oral mucositis and has patented this new therapeutic application of clonidine.

Clonidine is traditionally used to treat high blood pressure since it stimulates the alpha-2 adrenergic receptors in the brain and lowers the release of catecholamines in the cardiovascular control centre. This leads to a decrease in peripheral resistance and thus a lowering of blood pressure, as well as a reduction in heart rate and renal vascular resistance.

However, clonidine also acts as an agonist of the alpha-2 adrenergic receptors on leucocytes and macrophages, thereby decreasing the expression of the pro-inflammatory genes and the release of cytokines IL6, IL1β and TNFα. This effect leads to a reduction in the pro-inflammatory mechanisms. It also acts on the anti-inflammatory mechanisms by increasing the release of TGF β.

Clonidine therefore has the following properties:

- painkilling properties due to changes in the inflammatory response and its direct action on nociceptors;
- anti-inflammatory properties due to its action on the expression of the pro-inflammatory genes and the resulting release of cytokines IL6, IL1 β and TNFα and due to the release of TGF β.

In December 2009, the Company received the go-ahead from AFSSAPS (French agency for the safety of healthcare products) for its Phase II clinical trial on clonidine Lauriad™ for post-chemotherapy and radiotherapy mucositis. The recruitment of the first patients began in April 2010 and is ongoing in France, Germany and Spain. In June 2010, the Company presented its phase-II trial at an international congress devoted to supportive care for cancer patients[12].

2.3.6 Fentanyl Lauriad™ and the market of chronic pain in cancer patients

2.3.6.1 Disorder

An analysis of unmet medical needs for medically fragile patients, and persistent pain in particular, has shown the need for painkillers that have limited variability and are easy to administer.

The existing products in this sector, such as fentanyl skin patches, achieve a variable effective concentration after a period of 12-18 hours depending on the patient concerned and fentanyl continues to be present 17 hours after the patch is removed, which may pose overdose problems. The variability observed with skin patches may be related in part to the state of the underlying skin and does not cover the needs of all patients. Fentanyl Lauriad™ is designed to meet specifications of greater manageability for doctors treating chronic pain.

2.3.6.2 Epidemiology

Cancer and pain are often associated. Always dreaded by patients, and now recognised by doctors, this type of pain has several causes: tumour invasion, therapeutic acts or diagnosis, toxicity of medications and physical treatments. The percentage of cancer patients who experience pain as the disease progresses varies from 30 to 45% at the time of diagnosis and in the beginning stages of the disease, to over 75% in advanced stages of the disease.

Prevalence of pain symptoms in oncology depending on the type of cancer: Head and Neck: 75%; Digestive system: 75%; Respiratory system: 70%; Breast: 80%; Genital and urinary tract: 72%; Haemopathy: 32%; Skin: 57 %

Among patients experiencing moderate or intense pain, just under half say that the pain is sufficiently relieved. However, it seems possible to relieve around 90 % of patients by simple methods. Only 10% of patients suffering from uncontrollable pain need to be treated in specialised structures.

2.3.6.3 Market and existing competitors

Most of the existing drugs to treat acute or chronic cancer pain are opiates. They can be administered orally, by injection, under the tongue (sublingual), rectally, transdermally or by transmucosal absorption in the mouth.

[12] Poster presented at the *2010 MASCC/ISOO International Symposium* in Vancouver (Canada), 24th to 26th June 2010

Transmucosal administration includes medications taken by mouth, but designed to be absorbed by oral mucous membranes rather than swallowed. This is the method of administration used with fentanyl Lauriad™.

The sales of fentanyl in the five largest European countries and the United States totalled 0.9 billion euros in 2009 (IMS data). The transdermal formulation (patch), dedicated to the treatment of chronic pain, represents the great majority of sales. In addition, Nycomed began to commercialise its own fentanyl patch under the trademark Matrifen® in 2006, with a MAT turnover of 18 million euros in September 2008.

The other market share corresponds to oral forms for immediate release aiming to treat peaks of pain above background pain. These sales total 452 million euros (MAT of September 2008) and the two main products are Actiq® and Fentora® by Cephalon[13]. Rapid delivery forms are strictly intended for acute pain and have no effect on chronic pain.

2.3.6.4 Competitors currently being developed

On the fentanyl market, a number of companies are developing new pharmaceutical formulations but all are targeting acute pain or peaks of pain above background pain. These products are therefore not directly in competition with the product being developed by BioAlliance Pharma, which targets chronic pain.

One can identify:

- Breakyl® / Onsolis®, by Meda and BioDelivery Sciences International, Inc, a product based on BEMA™ technology, a BioErodible MucoAdhesive accelerated release system (*24th Annual Meeting of the American Academy of Pain Medicine - Orlando, Florida.* January 2008). It allows rapid build-up of fentanyl concentrations, which are more advantageous than those of Actiq™. The product obtained its MA in 2009 in the United States where it is already marketed, and in 2010 in Europe. Fentanyl TAIFUN®, developed by AkelaPharma in partnership with Janssen-Cilag for Europe, is an inhaled form of the molecule (phase III);
- NasalFent® by Archimedes, a fentanyl nasal spray comparable in its mode of administration to Instanyl® by Nycomed, which is already on the market.

2.3.6.5 The BioAlliance Pharma product: Fentanyl Lauriad™

The skin patch, the only pharmaceutical form of fentanyl available for chronic pain, presents two disadvantages which are variability and delayed action. This observed variability, which limits the manageability of the patch and leads to the risk of overdose, gives rise to a medical need for novel delayed-delivery techniques.

As part of its strategy to deploy its Lauriad™ mucoadhesive know-how, BioAlliance Pharma has selected fentanyl Lauriad™ (BA041) for the indication of severe chronic pain in oncology, with the aim of reducing the current variability of fentanyl skin patches. Fentanyl is a synthetic opiate analgesic that is one hundred times more powerful than morphine. A form of sustained-release fentanyl which can be simply administered would be particularly suitable for chronic pain since cancer patients often develop resistance to other forms of painkillers. This has led the Company to study the use of Lauriad™ mucoadhesive systems to propose transmucous membrane adhesive application of fentanyl for this indication.

At the end of 2009, BioAlliance Pharma conducted its first phase-I clinical trial on fentanyl Lauriad™, in order to evaluate the pharmacokinetic parameters of fentanyl Lauriad™ in healthy volunteers.

[13] Statistics published on the Cephalon website in 2006.

In March 2010, the Company announced positive preliminary results for this monocentre, randomised study conducted on healthy volunteers, evaluating the phamacokinetic parameters of a single dose of 2 different mucoadhesive formulations of fentanyl Lauriad™ Fentanyl was rapidly detected in plasma after applying the 2 formulations and the plasma concentrations remained stable for 24 hours with little interindividual variability, particularly with one of the two formulations, which will be used for subsequent development. These mucoadhesive gingival formulations were well tolerated locally.

These initial results suggest that a single daily application of fentanyl Lauriad™ can provide efficient treatment for severe chronic pain in cancer patients. The Company plans to conduct a second pharmacokinetic study using repeated doses.

2.3.7 AMEP® and the melanoma market

2.3.7.1 Disorder

There are three types of skin cancers: basocellular carcinoma, which is the most common, never gives rise to metastasis and can be treated by removal in the dermatologist's surgery; spinocellular carcinoma, which can also be treated by surgery but may spread to the nodes; and melanoma, which is the most serious form of skin cancer, due to its capacity to induce metastasis. It can only be cured if treated in the early stages, before it has a chance to spread.

Melanoma is directly related to sun exposure, although other lesser known factors also come into play. It is one of the tumours that have shown the greatest increase in incidence over the last 25 years, the number of cases having more than tripled over this period.

2.3.7.2 Epidemiology

The incidence[14] of melanoma has doubled in 10 years; melanoma affects 10 out of every 100,000 inhabitants in Europe and 25 out of every 100,000 inhabitants in Australia, which has the highest rate of melanoma together with New Zealand. Reasoning in terms of risk, it is estimated that the risk for an American to develop a melanoma is 1 in 34. The incidence of melanoma in the 7 major markets (top 5 Europe + United States + Japan) is in the order of 115,000 cases in 2009 and should reach 200,000 cases in 2019, with a little over half of the cases in the United-States. Mortality on the other hand should remain approximately stable, with around 20,000 deaths per year, thanks to screening and early diagnostic strategies which have allowed and will continue to allow a significant increase in global survival.

2.3.7.3 Market and existing competitors

Only aldesleukin (Proleukin® Chiron / Novartis / Prometheus) and dacarbazine (DTIC-DOME, Bayer and Deticene®, Sanofi Aventis) have been approved for metastatic melanoma (in the United States only for Proleukin®). Temozolomide (Temodar®, Schering-Plough) is also widely used but outside approved indications (off-label). These molecules induce many side effects (high toxicity) and their efficacy is highly variable, so that the medical needs are still globally not met in this area.

The target market was estimated at 359 million dollars in 2009 and should grow by more than 15% per year over the next few years to reach 1,420 million dollars in 2017. The main driving forces of this expected strong growth are the increase in the incidence and the marketing of innovative products (GlobalData source).

2.3.7.4 Competitors currently being developed

Datamonitor has identified 8 candidates currently in phase III or in the pre-registration phase for malignant melanoma: ipilimumab (Medarex / BMS), the registration application of which is currently being examined by the FDA with an expected answer by March 2011 ; Abraxane® (nanoparticles of paclitaxel bound to albumin, Abraxis / Celgene) Taxoprexin® (Luitpold Pharmaceuticals), a complex

[14] 2008 Globocan data

of paclitaxel and DHA ; Allovectin-7® (velimogene aliplasmid, Vical Inc), an immunotherapeutic agent; oblimersen sodium (Genasense®, Genta) which aims to increase the efficacy of dacarbazine ; astuprotimut-R (or MAGE -A3 antigen vaccine, GSK), a vaccine aiming to stimulate the immune response against tumours expressing the MAGE-A3 antigen; anticancerex ; OncoVex GM-CSF (BioVex), a modified herpes simplex virus to target only cancer cells and induce an immune response and RG7204 (previously PLX4032, Plexxikon / Roche), a molecule that inhibits the BRAF protein when the latter is activated by a given mutation.

In December 2010, Lilly suspended its phase-III trial on tasisulam for melanoma.

2.3.7.5 The BioAlliance Pharma product

BioAlliance Pharma is developing an innovative biotherapy, AMEP® (BA015), for the treatment of advanced and metastatic melanoma, an advanced skin cancer resistant to most treatments, for which new therapeutic approaches are needed. AMEP®binds to cellular receptors, known as integrins, which are present both on the endothelial cells of neovessels and on certain tumour cells. AMEP® has an original mechanism of action that targets specific receptors, integrins αvβ3 (alpha-v-beta-3) and α5β1 (alpha-5-beta-1), involved in both tumour growth and tumour angiogenesis.

The *in vitro* study results presented by the Company to the ESGCT[15] in October 2007 show that AMEP®inhibits both the proliferation and invasion of endothelial cells responsible for the formation of neovessels. It also inhibits the proliferation and migration of melanoma cells.

The results presented at the ASGT[16] meeting in Boston, in June 2008, show the efficacy of AMEP® when administered to animals by the general intramuscular route: AMEP® induces a 53% inhibition of tumour growth (proof of concept established in a melanoma model).

New results presented at the ESGCT[17] congress in 2009 show that administration of the AMEP® biotherapy in a human xenograft melanoma model can significantly reduce tumour growth and angiogenesis, leading eventually to complete tumour regression. Furthermore, the efficacy of AMEP® is significantly higher than that of temozolomide, the reference chemotherapy used for the treatment of metastatic melanoma.

Regulatory toxicology studies show that four repeated doses of AMEP® given seven days apart are well tolerated and do not induce major toxic effects.

In December 2009, BioAlliance Pharma initiated a phase-I clinical trial on AMEP® for invasive melanoma in France, Denmark and Slovenia. This project is co-financed by OSEO through the Industrial Strategic Innovation Programme promoting breakthrough technology projects.

The goal of the trial is to evaluate the tolerance and efficacy of AMEP® biotherapy administered by intratumoral electrotransfer in patients suffering from advanced or metastatic melanoma. It is being conducted in three specialised centres: in Denmark at the Herlev Hospital in Copenhagen, in France at the Institut Gustave Roussy in Villejuif and in Slovenia at the Oncology Institute in Ljubljana.

In November 2010, BioAlliance Pharma presented[18] promising preliminary phase-1 preclinical and clinical results: they show satisfactory tolerance of AMEP® biotherapy with good acceptance of the new electrotransfer technology.

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[15] Results presented at the 15th Annual Congress of the ESGCT (the European Society of Gene and Cell Therapy) in Rotterdam (Holland), 27th-30th October 2007.

[16] Results presented at the 11th Annual Congress of the ASGT – *American Society of Gene Therapy*, held in Boston (United States), from 28th May to 1st June 2008.

[17] Results presented at the Annual ESGCT congress - *European Society of Gene and Cell Therapy*, in Hanover (Germany), 21st–25th November 2009.

[18] Results presented at the "*Electrochemotherapy 1st International Users' Meeting*" in Bologna (Italy), 19th-20th November 2010

2.3.8 Corticosteroid Lauriad™ and the market of severe mouth inflammation

2.3.8.1 Disorder

Severe chronic inflammation of the mouth is particularly invalidating for fragile or immunocompromised patients. The aetiology of mucosal inflammation of the oral cavity is very variable. To remain in the realm of oncology and supportive care, which are at the core of its activities, the Company is considering the development of a Lauriad™ corticosteroid for severe mouth manifestations.

2.3.8.2 The BioAlliance Pharma product

The Company is planning to develop a formulation (BA026) to be applied locally once a day for two months, using the same deployment logic as for Lauriad™ mucoadhesive know-how.

The choice of the molecule and of the dosage takes into account the effective dose, the systemic absoption and the drug release profile. Hence the choice of the molecule clobetasol, a strongly active corticosteroid (class 1). Several formulations are currently under development.

2.3.9 Irinotecan Transdrug™ and the treatment of cancer by oral administration.

Chemotherapy by oral administration represents a real challenge which should modify cancer treatment in the years to come, particularly for outpatients.

BioAlliance Pharma is developing an innovative nanoparticle technology for use by oral administration and offering new prospects for oral cancer chemotherapy. This new oral formulation of sustained-release nanoparticles (SRN) provides an optimal concentration of the product and allows prolonged exposure of cancer cells, thus improving efficacy and reducing adverse effects.

At the AAPS[19] Annual Congress in November 2009, the Company presented the results of its irinotecan formulation encapsulated in nanoparticles designed for oral administration (irinotecan, derived from camptotecin, is currently used for the treatment of colorectal cancer. It is a pro-drug with an active metabolite known as SN38). A pharmacokinetic study has shown that the plasma half-life of irinotecan and its active metabolite SN-38 is significantly higher than when irinotecan is administered intravenously. This prolongs the duration of exposure to IRN and SN-38.

This new oral formulation of SRN irinotecan tested *in vivo* on experimental models of colon tumours shows improved tolerance and a comparable efficacy in terms of tumour growth inhibition. The Company is pursuing its clinical studies on this product in view of addressing the treatment of rare digestive cancers.

2.3.10 Integrase inhibitors and the HIV infection market

2.3.10.1Epidemiology

According to Datamonitor, the United Nations Joint Programme on HIV/AIDS (UNAIDS) estimates that there were roughly 33 million people (30 to 36 million) worldwide living with the HIV virus in 2007, with 2.7 million new infections and 2 million deaths from acquired immunodeficiency syndrome (AIDS) each year. In the United States and Western Europe, the prevalence - which is on the rise - is estimated at 1.8 million people, two thirds of whom are in the United States.

[19] Annual Conference of the AAPS, *American Association of Pharmaceutical Scientists* - Los Angeles, 8th–12th November 2009.

The factors responsible for this increase in the number of infected people are:

- the prolongation of life expectancy due to Highly Active Antiretroviral Therapy (HAART);
- immigration from zones with a high prevalence of HIV;
- the improvement of screening and diagnostic methods that increase the diagnosis rate; and
- a relatively stable number of new infections each year in the six major markets.

2.3.10.2 Market and existing competitors

Anti-HIV medications can be divided into six main classes: nucleoside reverse transcriptase inhibitors (NRTI, non-nucleoside reverse transcriptase inhibitors (NNRTI), protease inhibitors (PI), entry inhibitors (EI) and integrase inhibitors. There are also fixed dose combinations, which associate at least two different classes. NRTIs constitute the oldest and largest class of drugs as they have traditionally formed the backbone of all the first-line HAART protocols.

In 2008, the sales of antiretrovirals throughout the United States and the five major European countries (France, Germany, Italy, Spain and the United Kingdom) totalled 10.5 billion dollars, with an average annual growth rate (AAGR) of 13.1% between 2005 and 2008. The American market is the largest among the six countries because of its far greater patient population, which represents 65% of total sales.

The broadening of the therapeutic arsenal has contributed to promote the expansion of the market, notably with the launch of Truvada and Atripla. The other main contributors to this growth have been the protease inhibitor REYATAZ and the anti-integrase ISENTRESS.

While a curative treatment is still not on the horizon, the infection is nevertheless manageable. The last two decades and a half have seen the introduction of several classes of drugs that considerably slow down viral replication and disease progression.

Integrase inhibitors belong to the new classes of antiretrovirals. The mechanism of action consists in inhibiting the activity of the enzyme known as viral integrase. This prevents the integration of the viral genetic material into the host, thereby blocking viral replication. There is to date only one approved integrase inhibitor, ISENTRESS by Merck & Co. This drug was approved in 2007 for patients already treated with antivirals and obtained FDA approval in the United States for naive patients in July 2009. In 2008, Isentress sales represented 265 million dollars in the United States and the five major European countries.

In its report of October 2009 on the HIV market, Datamonitor foresees a five-fold increase in turnover for the anti-integrase class of drugs between 2008 and 2018, rising from 265 million dollars to 1,379 million dollars.

2.3.10.3 Competitors currently being developed

Elvitegravir by Gilead is the only integrase inhibitor under phase-III study, where its efficacy for the treatment of pre-treated patients is being compared to that of Isentress.

Among the other integrase inhibitors currently being developed, the S/GSK1349572 project of GlaxoSmithKline and Shionogi Pharmaceuticals is currently in phase II, and the JKT-656 project of Japan Tobacco is in phase I of development.

2.3.10.4 The BioAlliance Pharma product

BioAlliance Pharma is developing inhibitors of integrase, the key enzyme in HIV replication, responsible for integrating the virus's DNA into the DNA of the infected cell. These inhibitors (which belong to the styrylquinolein family) have a novel mechanism of action as they target the pre-integration phase, unlike the molecules currently being developed which target later stages of integration (Semenova EA, Marchand C, Pommier Y. HIV-1 *integrase inhibitors: update and perspectives. Adv Pharmacol*. 2008;56:199-228). This novel action mechanism has allowed the identification of molecules active on strains that are multi-resistant to other HIV inhibitors.

On the basis of studies on the relationship between structure and activity, quinoleins, new molecules derived from the original series have been synthesised. In February 2009[20] BioAlliance presented results on the new mechanisms of action of quinoleins and their activity on viruses resistant to other classes of antiretrovirals and to the Merck product currently on the market (Isentress®, raltegravir) and, in February 2010[21], further results were presented on the mechanism of action of quinoleins and their impact on viral DNA integration in the host genome.

The Company will continue the preclinical development of this product.

2.3.11 "Zyxin" programme and the invasive cancer market

2.3.11.1Disorder

Among the many cancers with a strong invasive potential, i.e. tumours that do not remain localised but develop in adjacent tissues and at distant sites (metastases), the Company has selected those for which the unmet medical needs are the most pressing: resistant haematological cancers and sarcomas.

Resistant haematological cancers evade current therapies and the Company is targeting acute myeloid leukaemia (AML) in particular.

Sarcomas are tumours that develop at the expense of tissues known as supporting tissues, i.e. the framework of the body. They can therefore develop in bones (osteosarcomas), muscles (rhabdomyosarcomas), or "conjunctive" tissue (sarcomas of soft tissue). A Sarcoma is a rare tumour the causes of which have not been identified.

2.3.11.2Epidemiology

The incidence of leukaemia worldwide is estimated at 350,000 new cases per year, including 95,000 cases in the seven major world markets (United States, Top 5 European countries and Japan, 2008 Globocan data). For the form of acute myeloid leukaemia, the incidence reported by Datamonitor is 29,000 new cases per year.

Sarcomas are rare and represent only about 1% of cancers in adults and 15% of cancers in children. *Based on American data from SEER (Surveillance, Epidemiology, and End Results,* http://seer.cancer.gov), Datamonitor estimates the number of new cases per year at 15,000 for Europe (5 major countries) and the same figure (15,000) for the United States. About 70% of sarcomas affect soft tissue.

Every year, cancer is diagnosed in over 10 million individuals[22] and the number of new cases a year by 2020 is estimated at nearly 15 million. Cancer is the cause of 6 million deaths every year, i.e. 12% of world deaths.

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[20] Results presented at the 16th Conference on Retrovirus and Opportunistic Infections (CROI) in Montreal (Canada), 8th-11th February 2009

[21] Results presented at the 17th Conference on Retrovirus and Opportunistic Infections (CROI) in San Francisco (USA), 16th-19th February 2010

[22] Data monitor 2007 - WHO Source.

2.3.11.3 Market and existing competitors

In 2009, the global cancer treatment market represented 52 billion dollars[23], with a rise of 8 %. This market will continue to show strong growth due to unmet medical needs and the continuous influx of innovative products. For the three major world markets (the United-States, the top 5 European countries and Japan), which represented 38 billion dollars in 2008, Datamonitor estimates that the sales of anticancer drugs could reach 70 billion dollars in 2018 (including 45 billion dollars for targeted therapies).

The main forms of treatment used for AML are cytarabine in combination with an anthracycline (idarubicin, daunorubicin) or mitoxantrone. For patients who cannot tolerate these molecules, azacytidine may be prescribed. It should be noted that Mylotarg® (gemtuzumab ozogamicin), a targeted therapy from Wyeth/Pfizer indicated for AML was withdrawn from the American market in June 2010 at the request of the FDA. This product had not been authorised in Europe.

Concerning sarcomas, the molecules used most commonly are doxorubicin and ifosfamide, which can be combined with dacarbazine and/or methotrexate. Recently, Yondelis® (trabectedin by PharmaMar / J&J) was approved for advanced / metastatic soft tissue sarcomas, as second-line treatment following failure of doxorubicin or ifosfamide therapy. For gastrointestinal tumours (GIST), a type of sarcoma with a fairly high incidence, imatinib (Glivec®) and sunitinib (Sutent®) have become reference therapies that clearly improve the prognosis of patients.

2.3.11.4 Competitors currently being developed

According to Datamonitor, over 70 products are currently being developed for AML, including five currently in phase III:

AS1413 / amonafide (Antisoma plc, for secondary AML), decitabine (Eisai/Johnson & Johnson) clofarabine (Southern Research Institute / Genzyme), midostaurin (Novartis) and PR1 peptide antigen vaccine (The Vaccine Company).

For sarcomas, four molecules are currently in an advanced stage of development for this indication: Junovant® (liposomal mifamurtide, IDM Pharma/Millenium/Takeda, previously known as Mepact®) obtained its MA in Europe for osteosarcoma. Avastin® (bevacizumab, Genentech/Roche/Chugai), ombrabulin (Sanofi Aventis) and deforolimus (ARIAD/Merck & Co) are currently in phase III of development.

2.3.11.5 The BioAlliance Pharma product

With the "Zyxin" (BA016) programme, the Company is conducting research into reversion of invasive cancers.

One of the mechanisms that lead to malignant cell transformation is the modification of the normal cell phenotype. This modification is associated with the destructuring of the actin cytoskeleton, which is itself correlated with under-expression of zyxin. BioAlliance Pharma has developed tests, in collaboration with ENS in Cachan, in order to identify molecules that act on the actin cytoskeleton and have anti-tumour properties through a non-cytotoxic action mechanism: these molecules act by re-establishing tissue contact and reducing the motility of invasive cells.

On the basis of these pharmacological studies, a "lead" molecule acting on new cytoskeleton targets has been identified, for which the Company has established proof of concept *in vivo*. Target indications could be resistant sarcomas or haematological cancers.

The AMEP® and Zyxine projects will be developed as part of a collaborative CAP programme (*Cancer Anti-invasive Program*) bringing together innovative companies and academic centres of excellence. On 16th March 2009, this consortium, which is coordinated by BioAlliance Pharma, received funding of 10 million euros from OSEO, including 6.4 million euros for BioAlliance Pharma. These funds will be paid over a period of 5 years in the form of subsidies and refundable loans.

[23] Datamonitor 2009 – IMS data.

CHAPITRE 3. MANAGEMENT REPORT AND FINANCIAL POSITION

Financial background

Information describing the change in the financial situation and the result of transactions made during the financial years corresponding to historical financial data is included by reference in this reference document:

- Chapter 3, 'Management Report and Financial Position', on pages 43 to 68 of the 2009 *Document de Référence* filed with the AMF on 29 June 2010 under number D.10-0572;

- Chapter 3, 'Management Report and Financial Position', on pages 40 to 66 of the 2008 *Document de Référence* filed with the AMF on 7 April 2009 under number D.09-0204.

3.1 MANAGEMENT REPORT

This report is available for the shareholders. It aims, in particular, to describe the changes in the financial position of BioAlliance Pharma (hereinafter the "Company") as well as the one of the group (hereinafter the "Group"), in accordance with Articles L.225-100, L.233-26 and L. 232-1 of the French Commercial Code, in order to enable the shareholders to approve the financial statements for the financial year ended 31 December 2010 at the Annual Ordinary and Extraordinary Shareholders' Meeting.

The parent company financial statements for the financial year ended 31 December 2010 were prepared using the same presentation and valuation methods as for the previous financial year. The Group presents its consolidated financial statements in accordance with IFRS as from the preparation of the financial statements for the financial year ended 31 December 2006.

3.1.1 Situation and changes in the Company's and Group's business activities during the financial year

3.1.1.1 Group companies

The Group includes BioAlliance Pharma SA and its three subsidiaries:

- Laboratoires BioAlliance Pharma SAS, a wholly-owned French operating subsidiary;
- SpeBio BV, a 50% held joint venture which had no activity in 2010;
- BioAlliance Pharma Switzerland AG, a wholly-owned Swiss subsidiary, which had no commercial activity in 2010.

3.1.1.2 Changes in activity and significant events during the financial year

BioAlliance Pharma designs, develops and brings to market innovative drugs for the treatment of cancer and its associated pathologies, specifically on severe or rare diseases, in selected markets.

In these areas, the Company aims to respond to unmet medical needs and improve the quality of life for patients. Its focuses on targeting (mucosal targeting, cellular targeting and molecular targeting) and problems of drug resistance, for which targeting can be a determinant element of efficacy. Targeting and resistance are at the heart of its therapeutic approaches.

The Company has key skills to identify, develop, register and bring to market drugs in Europe and the United States, marketing them through a network of international partners in the hospital sector.

Its product portfolio includes a first drug, Loramyc®/Oravig®, developed entirely by the Company and brought to market in France, Europe and the United States in 2010, in the treatment of oropharyngeal candidiasis (opportunistic disease affecting patients weakened by cancer or immunodeficiency). The Company has capitalised on this first success by developing a second product using the same mucosal targeting technology and has finalised the development of Sitavir® for herpes labialis.

2010 was buoyed by exceptional successes, decisive for the future growth of BioAlliance Pharma and the value of its assets:

- a new partnership in Europe for marketing Loramyc®
- marketing authorisation obtained in sixteen European countries for Setofilm®
- marketing authorisation for Oravig® in the US, opening up this market
- a third product being prepared for registration: Sitavir® (acyclovir Lauriad™)
- continuation of on-going clinical trials.

BioAlliance Pharma is now one of the few French innovation SMEs to have a product registered in the United States.

A. Sales activity

A new partnership in Europe for marketing Loramyc® and Setofilm®

Loramyc®, already approved in 12 European Union countries, obtained marketing authorisation in March 2010, for thirteen additional member states under a second-wave of Mutual Recognition Procedure with France as the rapporteur state. Loramyc® has also been registered in Switzerland since August 2009 and indicated for candidiasis in immunocompromised patients (e.g., post-radiotherapy and chemotherapy).

Meanwhile, Setofilm®, a film strip formulation of ondansetron indicated for the prevention and treatment of nausea and vomiting induced by chemotherapy and radiotherapy as well as postoperatively in adults and children, received regulatory approval in sixteen European countries in 2010. It is a product intended for patients who have difficulty swallowing; the film dissolves within seconds without water, by direct application on the tongue.

In this very favourable context for the two most advanced products in the portfolio, the Company announced on 6 April 2010 that it had signed an exclusive partnership agreement with the Therabel Group to market Loramyc® and Setofilm® in Europe, including France, and for the transfer of the French sales organisation to a new entity, Therabel Hôpital Pharma.

In consideration for this license, BioAlliance Pharma will receive from Therabel a total of up to €48.5 million, including €6.5 million in unconditional payments (an upfront payment of €4.5 million recognised as net sales in the first half of 2010 and two successive payments of €1 million each at the end of 2011 and 2012). Of the total, €3 million will be linked to obtaining reimbursement agreements for Loramyc® in three European countries and €33 million will be linked to milestones in combined sales of both products. The agreement includes significant royalties based on net sales and linked to the products' state of progress.

The agreement also provides for Therabel, as a strategic partner, to subscribe to the capital of BioAlliance. An initial capital increase of €3 million was approved by the shareholders at the annual meeting of 22 April 2010. The new shares were issued at a price of €5.89, a 15% premium over the average of the last 20 trading days preceding the signing of the agreement. A second capital subscription of €3 million, also including a 15% premium on the share price, will take place subject to the approval of the annual shareholders' meeting in 2011.

In 2010, BioAlliance Pharma received a total of €7.5 million, significantly strengthening the Company's cash position.

During the first quarter of 2010, BioAlliance Pharma continued to market Loramyc® directly in France. On 1 April 2010, this activity was transferred to the Therabel Group, commencing with France. During this phase of transferal, placement and awareness-building on Loramyc®, net sales remained steady. Therabel is planning in 2011 to extend marketing efforts to Germany, followed by other major European countries, depending on negotiations on pricing and reimbursement. Under the agreement, BioAlliance Pharma receives recurring revenues in the form of royalties on sales made by the Therabel Group.

Opening of the US market following the marketing authorisation for Oravig®

On 16 April 2010, BioAlliance Pharma obtained marketing authorisation for Oravig® (the US trademark for Loramyc®) in the United States for the treatment of oropharyngeal candidiasis in adults. BioAlliance Pharma is the first French innovation company to obtain a marketing authorisation in the United States. This is a major success which opens the doors to the world's largest market.

Registration of Oravig® in the US allowed the Company to receive a payment of €20 million (€14.8 million euros) from its sales partner Strativa Pharmaceuticals (a division of Par Pharmaceutical Group), under the license agreement signed in July 2007. This payment was recognised in full as net sales for the first half of 2010. The 2007 agreement also provides for recurring revenues in the form of royalties on sales.

Strativa Pharmaceuticals began marketing Oravig® in the US in late August 2010. After an initial phase of placing the product with wholesalers, and the progressive launch of hospital marketing, trends are showing growth similar to that observed in France during the launch in late 2007. Strativa Pharmaceuticals has demonstrated a strong commitment and planned significant investments in 2011 to promote changes in prescribing habits to gradually establish Oravig®'s place in the armamentarium of hospital clinicians.

Today, BioAlliance Pharma bases its revenues on its commercial partnerships. In 2010, such partnerships provided the Company nearly €24 million (€22.5 million in exceptional milestone payments and €1.6 million in recurring revenue in the form of sales-based royalties). Through the Therabel and Par/Strativa groups, BioAlliance Pharma has skilled sales organisations at its disposal that are capable of driving sales.

B. Portfolio of products under development

Sitavir® (acyclovir Lauriad™ BA021), a third product being prepared for registration based on the success of the Phase III trial

European regulators and the US FDA have accepted a filing of the Sitavir® registration application based on the pivotal Phase III clinical trial of acyclovir Lauriad™ for which BioAlliance Pharma announced positive results in late 2009.

Sitavir®, BioAlliance Pharma's second product in the Lauriad™ mucoadhesive tablet range is intended for the treatment of recurrent herpes labialis. The trial's primary and secondary endpoints were met with marked efficacy and good tolerance. In addition, this international trial showed that Sitavir® has a short-term effect of preventing vesicular lesions, and a long-term effect of delaying the recurrence of infection. In the short term, Sitavir® exerts a preventive action on the onset of blisters and, when they do occur, accelerates their healing. In the long term, Sitavir® significantly delays the next episode (56 days observed difference versus placebo over nine months of follow-up).

BioAlliance Pharma has announced that it will file the European registration application for Sitavir® in Q3 2011 under a decentralised European procedure. US regulators also considered that the positive results from the pivotal Phase III trial of acyclovir Lauriad™ were sufficient to support an application for approval to register the product in the United States under the 505(b)(2) procedure. Filing of the application in the US is planned for late 2011.

Additionally, in September 2010, BioAlliance Pharma announced the award of its patent for acyclovir Lauriad™ in Europe. This patent specifically protects the mucoadhesive tablet containing acyclovir, its manufacturing process and its clinical application and original short- and medium-term effect. This approval for all European countries represents an important step, and is being pursued in the other major regions of the world, the Americas and Asia.

Sitavir® enables treatment of recurrent herpes labialis with the administration of a single tablet at the first signs of infection: BioAlliance Pharma is actively seeking the right business partner (primary care market) for this innovation. Obtaining patents and the agreement of the European and US regulators on a projected timetable for filing the registration application for 2011 are key elements in this process.

Continuation of the most advanced trials

Capitalising on its patented Lauriad™ technology, as well as its approved Loramyc® and Sitavir® expertise, BioAlliance Pharma has adopted a strategy of deploying its know-how on the Lauriad™ mucoadhesive tablet. The Company is developing three other Lauriad™ products: clonidine Lauriad™ (*BA028)* for the treatment of mucositis; fentanyl Lauriad™ *(BA041)* for severe chronic pain in cancer patients; and corticosteroid Lauriad™ (*BA026)* for the treatment of severe inflammation of the mouth.

Moreover, BioAlliance Pharma is engaged in a new development area—the treatment of invasive cancers—through ambitious programmes using breakthrough technology. The Company coordinates a consortium which in March 2009 received a five-year €10 million grant from [French innovation agency] OSEO ISI for an anti-invasive cancer programme, of which €6.4 million was awarded to BioAlliance Pharma for the development of two of its highly-innovative therapeutic products, AMEP® (*BA015*) and zyxine (*BA016*).

Phase I trial of AMEP® for metastatic melanoma

An anti-invasive biotherapy, AMEP® is intended for the treatment of metastatic or invasive melanoma, an advanced skin cancer resistant to most treatments. Through its original action mechanism, AMEP® targets specific receptors (integrins) specifically expressed on melanoma cells and implicated in both tumour growth and tumour angiogenesis. The purpose of this trial is to evaluate the tolerance and efficacy of the AMEP® biotherapy administered by intratumoral electrotransfer in patients with advanced or metastatic melanoma. It is being conducted at three specialised centres: the Herlev Hospital in Copenhagen, Denmark, the Institut Gustave Roussy in Villejuif, France, and the Institute of Oncology in Ljubljana, Slovenia.

In November 2010[24], BioAlliance Pharma presented promising early preclinical and clinical Phase I results which show satisfactory tolerance of the AMEP® biotherapy and acceptance of the new electrotransfer technology.

Phase II trial of clonidine Lauriad™ for post-chemotherapy and radiotherapy mucositis

Clonidine Lauriad™ uses the innovative Lauriad™ mucoadhesive technology featuring mucosal diffusion of an active biological ingredient. This new product, currently in Phase II, is intended for the prevention and treatment of oral mucositis, an inflammation of the mouth which is very common in cancer patients being treated with radiotherapy and chemotherapy.

The enrolment of patients is underway in France, Germany and Spain. The Company presented its Phase II trial in June 2010 at an international convention on supportive care for cancer patients.[25]

Initial Phase I clinical trial of fentanyl Lauriad™ for severe chronic pain

In March 2010, BioAlliance Pharma announced the preliminary results of its pilot Phase I clinical trial of fentanyl Lauriad™, which is evaluating the pharmacokinetics of fentanyl Lauriad ™ in healthy volunteers. Fentanyl Lauriad™ is active for 24 hours and aims to reduce the variability observed with current treatments for chronic pain (skin patches or morphine pump).

In addition, the Company continues to develop Transdrug™, its patented know-how in nanoparticle targeting for the administration of chemotherapy in cancer treatment (Phase II).

The Transdrug™ doxorubicin programme (BA003), vectorised doxorubicin nanoparticles administered by intra-arterial route, which has been granted orphan drug status, is used to treat primary liver cancer. A survival rate of 89% (against 55% for standard chemo-embolisation treatment) was observed in patients who received three injections of the product. Based on these results, BioAlliance Pharma is continuing studies to decrease the respiratory side effects observed in 2008 that led to the suspension of thetrial. Depending on the survival follow-up analysis and the identification of factors reducing the pulmonary risk, a resumption of clinical development is planned in 2011, subject to regulatory approval.

[24] Results presented at the "Electrochemotherapy 1st International Users' Meeting" in Bologna (Italy) on 19 and 20 November 2010

[25] Poster presented at the 2010 MASCC/ISOO International Symposium in Vancouver (Canada) on 24 to 26 June 2010

C. Funding of the Company and new collaborative projects

After receiving a grant from OSEO ISI of €6.4 million to fund two five-year clinical programmes in March 2009, the Company continued to seek alternative funding which is non-dilutive for its shareholders.

During the second half of 2010, BioAlliance Pharma received funding from the French national research agency, ANR (*Agence Nationale de la Recherche*) for the development of muco-adhesive Lauriad™ containing a siRNA (small interfering RNA targeting the androgen receptor) for the treatment of prostate cancer resistant to castration. The project is run in partnership with SeleXel, the company that develops this biological molecule. This proof of concept can be extended to similar biological molecules.

Furthermore, BioAlliance Pharma has obtained co-labelling by the Medicen Paris Region and Atlanpôle science and technology clusters for new mucoadhesive Lauriad ™ applications. The 'Fluriad' project will be conducted with different academic centres (University of Paris XI and University of Lyon I, and the CHU of Nice) and industry partners (Sogeval, specialising in veterinary products, and Gredeco, developing models of mucosal penetration). The consortium, for which BioAlliance is the project leader, wants to develop vaccines administered by mucosal route in order to benefit from the innovative properties of the Lauriad™ mucoadhesive system while avoiding ingestion.

The labels from the science and technology clusters are the first steps toward new opportunities in substantial public grants for SMEs.

D. Corporate Governance

Changing the Company's mode of administration

In 2010, the Company sought to support its evolving business model and strategy by simplifying its mode of governance. The shareholders' meeting of 22 April 2010 adopted the principle of changing BioAlliance Pharma's mode of administration and appointed an eight-member Board of Directors, including five directors who previously sat on the Supervisory Board.

This Board of Directors operates with a non-executive Chairman, Andre Ulmann, who is also Chairman of the Remuneration Committee. Dominique Costantini was named Chief Executive Officer and Gilles Avenard was appointed Chief Operating Officer. The other independent members are Michel Arié, also Chairman of the Audit Committee, Gilles Marrache, and newly-appointed Catherine Dunand. The Board also includes two shareholders' representatives, ING Belgium, represented by Denis Biju-Duval, and AGF Private Equity Partners, now IDInvest, represented by Rémi Droller. At the end of fiscal 2010, IDInvest Partners delegated the management of its stake in BioAlliance Pharma to the company Kurma Life Science Partners and resigned from the Board in its favour. On 16 December 2010, the Board of Directors co-opted Kurma Life Science Partners, still represented by Rémi Droller.

Changes in Executive Management

BioAlliance Pharma's executive management has changed with the resignation, as from 4 August 2010, of Gilles Avenard from his positions on the Board of Directors and as Chief Operating Officer, Head of R&D. Pierre Attali, Chief Medical Officer at BioAlliance Pharma for several years, was appointed Chief Operating Officer, Strategy & Medical Affairs.

3.1.2 Presentation of the parent company financial statements and appropriation of income of BioAlliance Pharma

The BioAlliance Pharma annual financial statements that we are submitting for your approval have been prepared in accordance with the rules of presentation and the assessment methods prescribed by the regulations in force.

3.1.2.1 Review of the financial statements and results

For the financial year ended 31 December 2010, the Company achieved net sales amounting to €1,653,000 against €913,000 for the year ended 31 December 2009. Net sales mainly reflect sales of Loramyc® finished goods to the subsidiary Laboratoires BioAlliance Pharma and to licensed partners Par/Strativa and Therabel, as well as royalties based on sales of Loramyc® made by these partners and intra-group services.

Other income totalled €21,037,000, against €6,807,000 for 2009. This item consists mainly of non-recurring payments received from licensed partners and recognised immediately as income on the year:

- US$20 million (€14.8 million) in consideration for obtaining marketing authorisation for Oravig® in the US
- €4.5 million upfront payment for the European agreement with the Therabel Group.

As in 2009, the Company continued to recognise in other income a share of upfront payments received for other partnership agreements:

- the balance of the upfront payment for the agreement with Par Pharmaceutical, or €828,000. The initial amount of €11,039,000 (equivalent of US$15 million) had been spread over 33 months from 1 July 2007 to 31 March 2010 (MA obtained in 16 April 2010);
- a share of the upfront payments for the Handok and NovaMed agreements, spread over total periods of 30 and 45 months, respectively, for a total of €153,000. At 31 December 2010, the balance – or €314,000 – was deferred and included in deferred revenue;

Operating expenses for the year ended amounted to €20,965,000, against €19,041,000 for 2009. This change comes from a combination of lower spending on R&D related especially to the end of the Phase III Sitavir® trial and increased purchases of goods because of orders from Par/Strativa for the launch of Oravig® in the US The Company also made a milestone payment of €1,250,000 to APR in consideration for obtaining regulatory approval of Setofilm®. In 2010, BioAlliance Pharma maintained strict control over its operating expenses and optimised several line items, including overheads.

Operating expenses recognised in 2010 mainly reflect the following elements:

- R&D expenses reflecting preclinical, clinical and industrial development programmes for products in the portfolio: €8,563,000;
- milestone payment to APR: €1,250,000;
- other external expenses including various fees as well as "success fees" paid in connection with the negotiation of partnership agreements, marketing costs not specifically associated with Loramyc®, as well as various overhead and administrative expenses: €4,196,000.

Including the exceptional non-recurring revenues recognised, operating income/(loss) shows a profit of €2,170,000, against a loss of €10,649,000 in fiscal 2009.

Net financial income shows a profit of €160,000, mainly from foreign exchange gains, against a loss of €13,589,000 in fiscal 2009. This loss stemmed mainly from the impairment of equity shares in the subsidiary Laboratoires BioAlliance Pharma.

Income/(loss) before exceptional items and tax shows a profit of €2,330,000, against a loss of €24,238,000 in 2009.

With exceptional income of €117,000 and exceptional expenses of €72,000, exceptional items show a gain of €45,000.

After recognition of a tax credit of €1,456,000 (research tax credit), net income/(loss) for the financial year shows a profit of €3,831,000, against a loss of €22,398,000) thousand in 2009.

3.1.2.2 Appropriation of net income

We propose that you appropriate the all of profit for the year of €3,831,450 to the 'Retained earnings deficit', which will thus decrease from €88,681,159 to €84,849,709.

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.

3.1.2.3 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.

Moreover, no overhead expenses covered by articles 39-5 and 223 D of the General Tax Code not appearing on the special statement were noted.

3.1.2.4 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.

3.1.2.5 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.

3.1.2.6 Statement related to payment periods

In accordance with the provisions of Article L.441-6-1 of the French Commercial Code, in the table below we specify the payment terms for the Company's suppliers for the past two financial years.

	31/12/2010		**31/12/2009**	
Trade payables balance	2,943,230		2,500,819	
of which provisions for invoices not received	1,284,893		1,357,522	
of which trade payables	1,658,338	100%	1,143,297	100%
- Invoices due	**987,875**	**60%**	**647,283**	**57%**
of which intra-group	*23,956*	*1%*	*12,532*	*1%*
of which disputes	*404,320*	*24%*	*272,700*	*24%*
- Invoices payable within 15 days	**528,640**	**32%**	**116,418**	**10%**
- Invoices payable between 15 and 30 days	**141,823**	**9%**	**379,597**	**33%**
of which intra-group	*4,617*	*0%*		

3.1.3 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).

The Group's consolidated financial statements show net sales of €22,532,000 in 2010, against €7,536,000 in 2009. Operating expenses amounted to €19,962,000 and include a payment of €1,250,000 to APR. Apart from this item, current operating expenses amounted to €18,713,000, down 19% compared to 2009 (€23,213,000). This change was due mainly to the reduction in scientific subcontracting with the end of Phase III clinical trials underway in 2009 and the decline in promotional expenses related to the transfer of the sales force to Therabel at end March 2010. The net result is a profit of €2,809,000 against a loss of €15,383,000 in the previous year.

The contribution made by the consolidated companies to the overall result is as follows:

- BioAlliance Pharma is the main contributor with net sales of €21,998,000, consisting mainly of non-recurring milestone payments received through international licensing agreements for the product Loramyc®/Oravig®. This figure allowed the company to generate a consolidated net profit of €4,304,000.
- Laboratoires BioAlliance Pharma generated net sales of €985,000 chiefly from marketing Loramyc® in France and mainly recorded sales promotion and marketing costs related to the product; In April 2010, the French sales operation was transferred to the Therabel Group under the partnership agreement for marketing Loramyc® and Setofilm® in Europe. The company's consolidated loss came to €1,010,000 euros.
- With no activity since March 2009, the SpeBio contributed only marginally to consolidated results with a consolidated loss of €253,000 euros.
- BioAlliance Pharma Switzerland had not begun operating as at 31 December 2010.

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

- a charge of €202,000 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 €41,000.

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

3.1.4 Financial position and major risks to which the Company is exposed

3.1.4.1 Financial position with respect to the volume and complexity of its business

The Group had a cash position of €20,947,000 at year-end and did not contract any financial debt, except for repayable OSEO grants amounting to €1,130,000. As provided in the Therabel licensing agreement signed in 2010, the Group will receive a total of €4 million in earn-out payments by no later than 31 December 2011, €3 million in cash under a reserved capital increase to be approved by the shareholders in 2011, and an unconditional payment of €1 million.

3.1.4.2 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 2010 reference document. The main risks are listed below for information purposes:

Financial risks

Financial risks are essentially risks associated with the Company's cash flow to the extent that it does not generate sufficient revenues to ensure its development. Given the level of free cash flow 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 products developed by the Company.

Legal and regulatory risks

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.

3.1.4.3 Main litigation in progress

Litigation with Eurofins over a diagnostic technology for HIV drug resistance

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 senior 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 optimising its 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 as well as claiming damages. BioAlliance Pharma contests the merit of these allegations and immediately submitted an application for withdrawal of the case from the US courts. In September 2009, the federal judge approved the application for withdrawal submitted by BioAlliance Pharma. Eurofins lodged an appeal against this decision. In October 2010, a Court of Appeals upheld the dismissal, with no substantive examination by the federal judge.

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 in the US and harm to its image and claimed damages on this basis. The proceedings are underway.

As of 31 December 2009, the risk in this litigation could not be reliably measured, so no provision was made as of 31 December 2010.

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 commercial partners before the arbitral court and to withdraw from its earlier summons.

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

The proceedings continued in 2010 on questions of form and jurisdiction.

As of 31 December 2009, the risk in this litigation could not be reliably measured, so no provision was made as of 31 December 2010.

3.1.5 Foreseeable developments and future prospects

Over the next several years, BioAlliance Pharma will pursue its value creation strategy based on recurring revenues from its sales partnership agreements on its most advanced products. The Company will also further develop its innovative therapies for severe, rare and/or orphan diseases, which it could, in the medium term, launch directly on the European market, or distribute through licensed industry partners. 'Orphan' products are characterised by a specially-protected status, reduced development time, shorter delays in obtaining pricing and reimbursements, and a dedicated sales force for prescribers specialising in these diseases.

Within this dual perspective, the Company will focus on the following key areas in 2011:

- Pursuing and strengthening alliances to provide indirect revenues. In particular, supporting the Therabel Group in the sales roll-out of Loramyc® and Setofilm® in Europe, following up on existing partnerships in the US, Southeast Asia and China, and seeking new partners in areas not yet served;
- Finalising the Sitavir® application, to allow for filing with authorities in Europe and the US in late 2011, and setting up a partnership agreement for marketing the product over a large territory to generate new revenue;
- In parallel, furthering developments underway, including on the three potentially 'orphan' products, in line with strategic priorities:
    - continuing patient enrolment in trials initiated in late 2009: clonidine Lauriad™ (Phase II) and AMEP® (Phase I);
    - evaluating the strategy for continuing the development of doxorubicin Transdrug™ based on patient survival results and identified predictors;
- identifying potential acquisitions in the field of severe and orphan cancers;
- capitalising on the know-how and innovative properties of the Lauriad™ mucoadhesive technology by applying them to biological products (siRNA and vaccine products).

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 2010 and the date of filing of the 2010 reference document.

Main investments for the future; future funding policy

The Company's main investments will focus on research and development. Given the level of free cash flow at end 2010 and taking into account the scheduled milestone payments under partnership agreements, the Company will be able to fund its development and, possibly, turn to the capital market to finance its growth.

Significant post balance sheet events

Strengthening of the Company's Executive Management

On March 2, 2011 BioAlliance Pharma announced that it was strengthening its management team with the appointment of Judith Greciet as Chief Operating Officer, Operations and R&D.

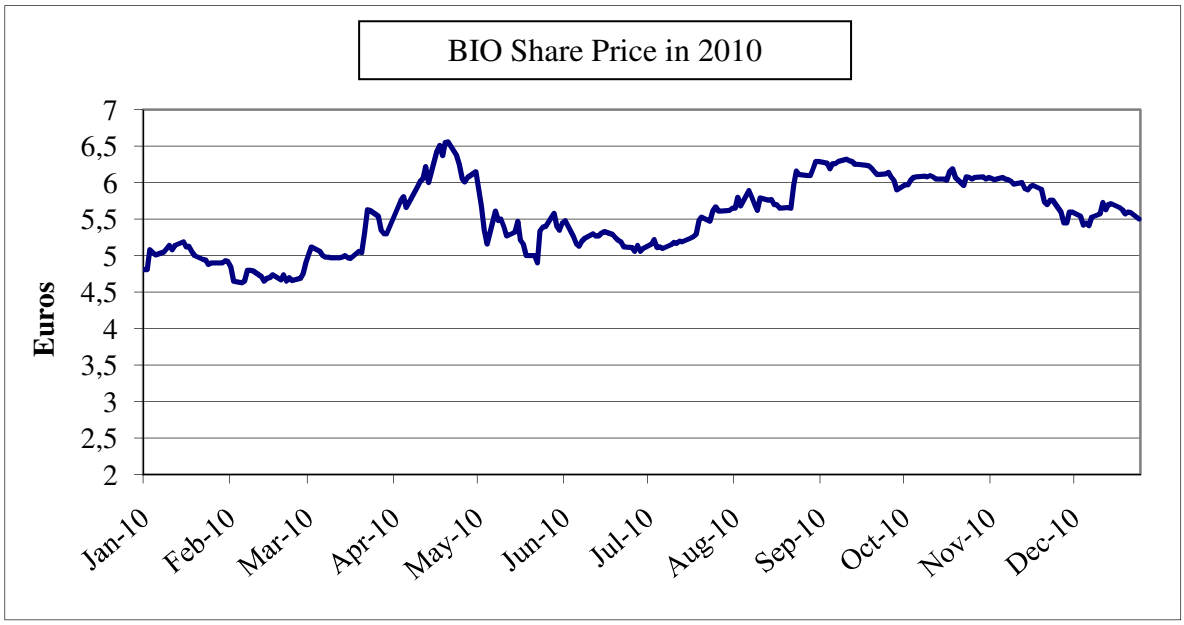
3.1.6 Change in BioAlliance Pharma's share price and other information concerning the share capital

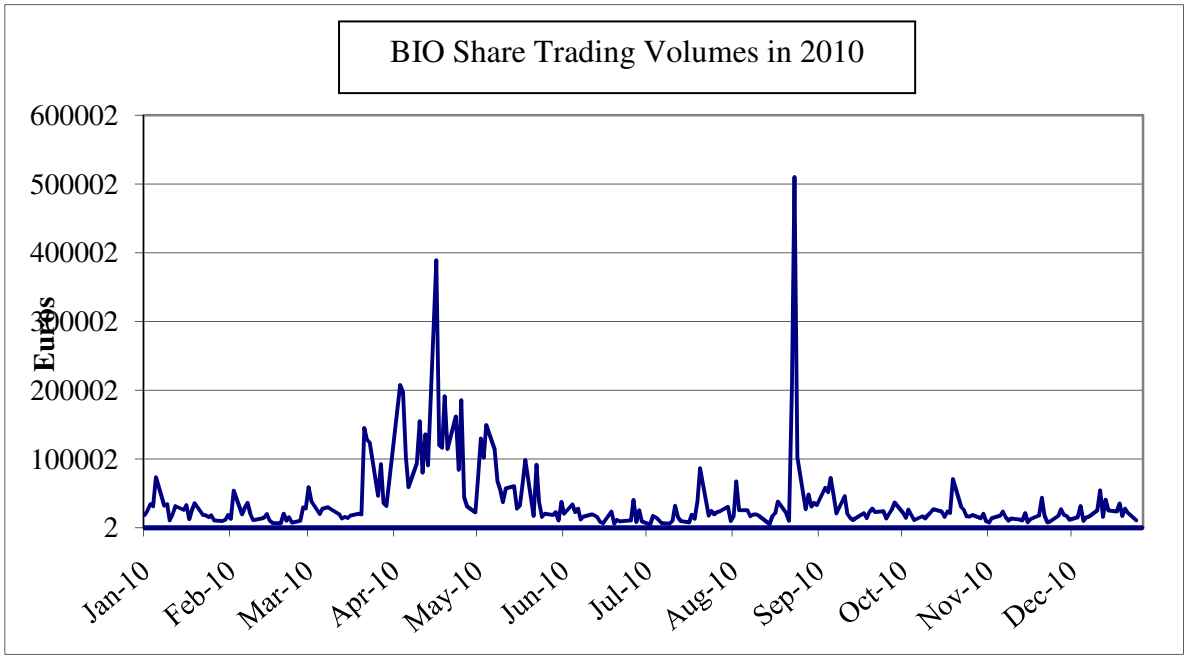
The Company's shares were introduced on the Eurolist market of Euronext Paris (compartment C) on 7 December 2005. The shares had not been previously listed on any French or foreign stock exchange.

In 2010, the share its low of €4.63 on 8 February 2010, and closed at €5.50 on 31 December 2010. The share reached a high of €6.56 on 23 April 2010.

3.1.6.1 Change in share price and trading volumes

The tables below show the changes in the share price and trading volumes for the period from 2 January 2010 to 31 December 2010 (NYSE Euronext Paris price).





3.1.6.2Transactions on the capital in 2010 and share capital at 31 December 2010

The share capital at 31 December 2009 stood at €3,224,583.50. Three capital increases were carried out in 2010, resulting, firstly, from the acquisition of an equity stake by a trading partner and, secondly, from the vesting of free shares and the subscription of share purchase warrants.

The first capital increase was carried out following the decision taken by the extraordinary shareholders' meeting of 22 April 2010, in its twenty-second resolution, to increase the capital by €127,334.50 and to reserve subscription to all 509,338 new shares to Therabel Pharma N.V., with which BioAlliance Pharma had on 31 March 2010 signed a strategic partnership agreement for marketing Loramyc® and Setofilm® in Europe. This agreement provides for Therabel Pharma to take an equity stake in BioAlliance worth €6 million: an initial tranche of €3 million was approved by the shareholders at the extraordinary shareholders' meeting of 22 April 2010, subject to lock-up conditions. A second tranche is planned eighteen months after the first, or at the earliest on 22 October 2011, subject to shareholder approval at a new shareholders' meeting to be held in 2011.

- the shareholders' meeting of 22 April 2010 recorded a capital increase reserved for a named entity, Therabel Pharma NV, in the nominal amount of €127,334.50, through the issue of 509,338 new shares in the Company with a nominal value of €0.25 each, fully paid up in cash.This increased the share capital from €3,224,583.50 to €3,351,918.

The second capital increase resulted from the vesting on 1 August 2010 of free shares issued on 1st August 2008. The Board of Directors noted the achievement of the condition of continuous service in the Company by 34 employees and the achievement of performance conditions initially set by the Management Board.

- the Board of Directors meeting of 25 August 2010 recorded a capital increase in the nominal amount of €30,225, through the issue of 120,900 new shares in the Company with a nominal value of €0.25 each, fully paid up by the capitalisation of additional paid-in capital. This increased the share capital from €3,351,918 to €3,382,143.

The last capital increase resulted from the exercise of 7,500 share purchase warrants between 25 August 2010 and 31 December 2010, representing the subscription of 7,500 new shares with a nominal value of €0.25 each.

- the Board of Directors meeting of 10 February 2011 recorded a capital increase in the nominal amount of €1,875 as at 31 December 2010, through the issue of 7,500 new shares in the Company with a nominal value of €0.25 each, fully paid up in cash and resulting from the exercise of 7,500 share purchase warrants during the second half of 2010. This increased the share capital from €3,382,143 to €3,384,018 at 31 December 2010.

At 31 December 2010, the share capital amounted to €3,384,018, divided into 13,536,072 common shares with a nominal value of €0.25 each, all of the same class and fully paid up.

Cross-shareholdings and treasury shares held

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

3.1.6.3 Buyback by the Company of its own shares in 2010

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

We wish to remind you that, in accordance with the provisions of Articles L. 225-209 et seq. of the French 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 eighteen months, by the Company's ordinary and extraordinary shareholders' meeting of 29 April 2009 under the terms of its eighteenth resolution and then renewed for a period of eighteen months by the Company's ordinary and extraordinary shareholders' meeting of 22 April 2010 under the terms of its sixteenth resolution.

In 2010, the Management Board successively implemented the program authorised by the shareholders' meeting of 29 April 2009 then, as from 23 April 2010, the program authorised by the shareholders' meeting of 22 April 2010, which was identical to the previous program.

The objectives pursued by this buyback program, 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 the ethics charter of the French Association of Financial Markets (*Association Française des Marchés Financiers*, AMAFI), 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 of the French 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 program, including a report on the results of the program that ended on 22 April 2010, are available at the company's registered office or on its website.

Implementation of the share buyback program

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 program during the past financial year.

During the 2010 financial year, this share buyback program 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 sum of €400,000 was 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 2010 reference document.

Under the share buyback program, 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: 770,692 at an average price of €5.62 (weighted average calculated over the year);
- Number of shares sold: 770,535 at an average price of €5.66 (weighted average calculated over the year);
- Brokerage fees: €27,000 per annum.

The company held 30,038 treasury shares at 31 December 2010, with a nominal value of €7,509.50 and a book value of €166,225.95 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 2010	34,671	35,757	5.02	5.03	34,795	0.27%
February 2010	40,108	44,657	4.74	4.75	30,246	0.23%
March 2010	76,601	68,912	5.23	5.22	37,935	0.29%
April 2010	139,121	143,934	6.03	6.14	33,122	0.25%
May 2010	115,137	113,596	5.38	5.38	34,663	0.26%
June 2010	41,770	37,907	5.27	5.26	38,526	0.29%
July 2010	29,040	46,422	5.27	5.36	21,144	0.16%
August 2010	107,365	101,072	5.88	6.00	27,437	0.20%
September 2010	72,632	58,499	6.17	6.20	41,570	0.31%
October 2010	35,647	35,626	6.00	6.05	41,591	0.31%
November 2010	38,877	25,031	5.79	5.93	55,437	0.41%
December 2010	39,723	65,122	5.52	5.59	30,038	0.22%
Total	**770,692**	**776,535**	5.62(1)	5.66(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.

3.1.6.4 Ownership structure as of 31 December 2010 and changes during the year

As of 31 December 2010, the Company's share capital consisted of a free float of 78% of holders of bearer shares and of 22% of holders of registered shares.

In accordance with the provisions of Article L 233-13 of the French Commercial Code, we set out below the identity of registered shareholders exceeding the 5% threshold 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 as of 31 December 2010.

	Shares		Voting rights	
Shareholders	**Number of shares**	**% of share capital**	**Number of voting rights**	**% of share capital**
Groupe Financière de la Montagne	1,249,185	9.2 %	1,249,185	9.2 %
ING Belgium	1,128,550	8.3%	1,128,550	8.3%
IDInvest Partners	742,889	5.5%	742,889	5.5%
Therabel Group	505,705	3.74%	505,705	3.74%
Dominique Costantini (Co-founder)	404,555	3.0%	404,555	3.0%
CDC Entreprise Valeurs Moyennes	351,122	2.6%	351,122	2.6%
Total for main shareholders	4,382,006	32.37%	4,382,006	32.37%
Other	9,154,066	67.63%	9,154,066	67.63%
Total at 31 December 2010	**13,536,072**	**100 %**	**13,536,072**	**100 %**

While we had seen significant changes in the share capital between 2007 and 2009, with a substantial increase in the number of individual shareholders (their ownership percentage rose from 28% at end 2008 to more than 40% at end 2009), ownership remained relatively stable in 2010. The top ten shareholders continue to represent 37% of the capital, the number of shareholders remains above 8,000, and shareholding by individuals, at about 40% (including founders).

3.1.6.5Transactions by executives in the Company's shares

In accordance with the provisions of Article L.621-18-2 of the French Monetary and Financial Code *(Code Monétaire et Financier*), we report on the transactions (purchases, sales, subscriptions or exchanges of shares) carried out by senior executives, members of the Management Board and members of the Supervisory Board or Board of Directors of the Company, or by persons having close personal links with them during the 2010 financial year:

None.

3.1.7 Share purchase warrants, stock options and free shares reserved for employees or executives of the Company

3.1.7.1 Share purchase warrants and special founders' share purchase warrants

The Company's shareholders' 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, senior executives, corporate officers and scientific consultants.

During the year ended 31 December 2010, 7,500 warrants were exercised by former members of the Supervisory Board. In addition, 45,900 warrants representing 183,600 shares expired without their beneficiaries being able to exercise them in light of the share price.

At 31 December 2010:

- there were no more BCEs still valid in the company;
- outstanding BSAs allocated to members of the Supervisory Board and scientific consultants of the Company totalled 56,000 warrants representing 56,000 shares. Of this total, 11,000 were allocated in 2007 to Pierre Attali, then a scientific consultant, an employee of the Company since 2008, and Chief Operating Officer, Strategy & Medical Affairs since 2010.

3.1.7.2 Stock options

The shareholders' meeting of 16 May 2006 authorised the issuance of 630,000 stock options to the Company's senior 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.

No options were exercised in 2010 and 139,000 options were automatically cancelled due to the departure of employees. Accordingly, at 31 December 2010, 304,000 of the 'SO 2006' options remained outstanding.

The ordinary and extraordinary shareholders' meeting of 22 April 2010, in its twentieth and twenty-first resolutions, authorised the Board of Directors to grant stock options, each conveying a right to one share, through two separate plans: an 'Employees' plan, for a maximum of 150,500 options, and an 'Executives' plan, for a maximum of 25,000 options.

In 2010, the Board of Directors made three such grants: two for employees and one for senior executives. Stock options granted to employees are subject to a four-year timetable for their exercise, according to which the options granted are exercisable in increments of 25% on the anniversary date of the grant. Executive options are only exercisable after a period of four years, subject to the achievement of performance conditions:

- in 2010, the Board of Directors granted 120,800 'SO Employees 2010(1)' options on 25 August, and 16,200 'SO Employees 2010(2)' on 16 December. No options were exercised in 2010 and 4,400 options were automatically cancelled due to the departure of employees.

- the Board of Directors on 25 August granted a total of 25,000 'SO Executives 2010' options to the Chief Executive Officer and the Chief Operating Officer. No options were exercised or cancelled.

Accordingly, at 31 December 2010, 132,600 of the 'SO Employees 2010' and 25,000 of the 'SO Executives 2010' stock options remained outstanding.

As of 31 December 2010:

- the options granted to employees other than the two senior executives totalled 376,600 options representing the same number of shares, or 2.79% of the share capital;
- the options granted to members of the Executive Management totalled 85,000 options representing the same number of shares, or 0.62% of the share capital.

3.1.7.3 Rights to Free Shares

The combined shareholders' 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.

Rights to 242,500 free shares were awarded under two grants, on 1 August 2008 (AGA 2008(1)) and on 1 April 2009 (AGA 2008(2)).

In 2010, 120,900 rights to Free Shares (AGA 2008(1)) were fully vested on 1 August and converted into free shares. The Board of Directors noted the achievement of the condition of continuous service in the Company by 34 employees and the achievement of performance conditions initially set by the Management Board.

At 31 December 2010:

- the total number of rights to free shares granted to employees other than the two members of the Executive Management amounts to 39,700 representing the same number of shares, or 0.29% of the share capital;
- the total number of rights to free shares granted to the two members of the Executive Management amounts to 8,000 representing the same number of shares, or 0.06% of the share capital.

3.1.7.4 Capital that may be subscribed by employees and executives and diluted capital

Designation of the Plan	Beneficiaries	Subscription price per share in euro	Expiry date	Number of shares outstanding at 31/12/10	% dilution of share capital	% AGGREGATE
BSA-L1	Members of the Supervisory and Scientific Boards	€2.95	17/12/13	12,000	0.09%	0.33%
BSA-L2		€2.41	05/04/14	8,000	0.06%	
BSA-L3		€5.34	21/10/14	6,000	0.04%	
BSA - K3		€11.18	10/10/12	19,000	0.14%	
BSA - K3	Executives	€11.18	10/10/12	11,000	0.08%	0.77%
SO 2006(1)		€12.74	30/10/11	60,000	0.44%	
SO 2010 Exec.		€5.70	25/08/20	25,000	0.18%	
AGA (2008) 2			01/04/11	8,000	0.06%	
SO 2006(1)	Employees	€12.74	30/10/11	131,000	0.97%	3.08%
SO 2006(2)		€12.55	05/04/12	67,000	0.49%	
SO 2006(2)		€11.18	10/10/12	17,000	0.13%	
SO 2006(4)		€7.06	25/04/13	29,000	0.21%	
SO 2010 Emp. (1)		€5.70	25/08/20	116,400	0.86%	
SO 2010 Emp. (2)		€5.64	16/12/20	16,200	0.12%	
AGA (2008) 2			01/04/11	39,700	0.29%	
TOTAL				**565,300**	**4.18%**	**4.18%**

As of 31 December 2010:

- the shares that may be vested by employees other than the two members of the Executive Management (upon exercise of options or vesting of free shares) represent 3.08% of the Company's share capital and those likely to be vested by the two members of the Executive Management represent 0.77% of the Company's share capital.

- the total number of shares that may be subscribed amounts to 4.18% of the Company's share capital.

The diluted capital at 31 December 2010 includes the share capital at 31 December 2010 (13,536,072 shares) plus the shares that may be subscribed in respect of plans for allocating securities granting rights to the Company's capital (565,300). This amounts to 14,101,372 shares, i.e. a potential dilution of 4.18%.

3.1.7.5 Employee share ownership

In accordance with Article L 225-102 of the French Commercial Code, we inform you that, at 31 December 2010, the Company's employees did not hold any shares in the Company's capital through a collective fund scheme.

3.1.8 Presentation and explanation of elements that could have an impact on a public tender offer

In accordance with Article L 225-100-3 of the French Commercial Code, we set out below the elements that could have an impact on a public tender offer:

- the capital structure of the Company has no characteristics that are likely to have an impact on a public tender offer;

- 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 French Commercial Code mentions any direct or indirect shareholdings in the Company's capital that could have an impact on a public tender offer;

- 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;

- under Article 14 of the articles of incorporation, the members of the Board of Directors are appointed for a term of four years by the annual shareholders' meeting. In case of vacancy by death or resignation of one or more board seats, the Board of Directors may, between annual shareholders' meetings, make appointments on an interim basis, which are subject to ratification by the next annual meeting. The Company's articles of incorporation may be amended only by an extraordinary shareholders' meeting;

- the Board of Directors benefits from authorisations set out in the 'Table summarising currently valid authorisations granted by the shareholders' meeting to the Board of Directors' 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 members of the Executive Management or employees, if they resign or are dismissed without just and serious cause or if their employment ends due to a public tender offer.

3.1.9 Remuneration of corporate officers

3.1.9.1Directorships and offices held

In accordance with the provisions of Article L 225-102-1 of the French Commercial Code, we set out below the list of all directorships and offices held in French or foreign companies by each of the Company's corporate officers during the financial year. This report is extended to five years to comply with Annex I of Regulation (EC) 809/2004, which governs the drafting of registration documents.

First name and last name or corporate name and office held in the Company	**Date of appointment**	**Expiry date of term of office**	**Directorships /positions performed in any other company during the past year and over the past five years**
André Ulmann Chairman of the Board of Directors, Independent director	22 April 2010 (previously a member of the Supervisory Board. 1st appointment: 21 October 2009)	Shareholders' meeting to approve the 2013 financial statements	André Ulmann has also been or is: – Chairman of the Supervisory Board of HRA Pharma since 2009 after having served as Chairman and CEO from 1996 to 2009; – Chairman of the Management Board of Celogos since 1996 – Chairman of the Supervisory Board of Advicenne Pharma since January 2009 – Director of Biofront since January 2010 – Manager of limited companies AmmTek, Cemag and Linepharma.
Michel Arié Independent director	22 April 2010 (previously a member of the Supervisory Board. 1st appointment: 17 December 2008)	Shareholders' meeting to approve the 2013 financial statements	In 2010 Michel Arie was also: – Chief Financial Officer of the CNIM Group; – Member of the Management Board of CNIM SA (since September 2009) and corporate officer of CNIM Group subsidiaries. These terms and functions ended on 31/12/2010.
Catherine Dunand Independent director	22 April 2010	Shareholders' meeting to approve the 2013 financial statements	Catherine Dunand is also: – Director of the Altavia Group – Chair of the Board of Directors of Kalibox – Chair of the Supervisory Committee of Gemology – Chair of Promontoires SAS – Director of Yxene SAS. Past directorships held in the last five years: Chair of 'Thermes de Bagnoles de l'Orne', and 'Thalie Spa'; CEO of 'France Thermes' and 'Financière de Millepertuis'; director of CNETh, a professional thermatology association.
Gilles Marrache Independent director	22 April 2010 (previously a member of the Supervisory Board. 1st appointment: 29 April 2008)	Shareholders' meeting to approve the 2013 financial statements	In 2010, Gilles Marrache was also: – President of Amgen France (since 2006) and Vice-President of Amgen Inc.; – Board Officer and Director of LEEM and Chairman of Agipharm. Since 1 January 2011, Gilles Marrache is Vice-President of Marketing and Business Operations at Amgen International.

First name and last name or corporate name and office held in the Company	Date of appointment	Expiry date of term of office	Directorships /positions performed in any other company during the past year and over the past five years
ING Belgium Director represented by Denis Biju-Duval	22 April 2010 (previously a member of the Supervisory Board. 1st appointment: 2003)	Shareholders' meeting to approve the 2013 financial statements	Denis Biju-Duval also represents ING Belgium in the following companies: Environnement SA (France), MDXHealth SA (Belgium), Numeca SA (Belgium), Roller Grill SA (France) and Surf SA (France). He is also director of the Belgian company Sogam SA (a subsidiary of ING Belgium) and its permanent representative in the following companies: Bienca SA (Belgium), BNLfood Investment SARL (Luxembourg), Elysées GNI Finance SA (France), Marnix Invest SAS (France) and Sodirdeux SA (France).
Kurma Life Science Partners Director represented by Rémi Droller	16 December 2010 (co-opted following the resignation of IDInvest Partners, previously GF Private Equity)	Shareholders' meeting to approve the 2013 financial statements	Kurma Life Science Partners is a director of: Adocia, BMD, Domain Therapeutics Erytech, Genticel, Indigix, Integragen, Key Neuroscience, Meiogenics, Novagali and Sterispine.
Dominique Costantini Chief Executive Officer Director	22 April 2010 (formerly Chair of the Management Board. 1st appointment: 19 December 1997)	Shareholders' meeting to approve the 2013 financial statements	<u>Directorships/positions performed in the Group:</u> – Chair of subsidiaries Laboratoires BioAlliance Pharma SAS and BioAlliance Pharma Switzerland <u>Past directorships within the BioAlliance Pharma Group:</u> – director of subsidiary SpeBio BV
Gilles Avenard Chief Operating Officer Director	22 April 2010 (previously a member of the Management Board and CEO. 1st appointment: 19 December 1997)	4 August 2010	Gilles Avenard is also: – Director of InnaVirvax SAS since June 2009 – Director of Hemarina SA since October 2007 <u>Past directorships within the BioAlliance Pharma Group:</u> – Director of subsidiaries SpeBio BV and BioAlliance Pharma Switzerland – Director of EVI Inc. from 2005 to March 2010 <u>Past directorships held in the last five years:</u> – Director of Hemosystem SA and member of the Supervisory Board of Gemac SA
Pierre Attali Chief Operating Officer, Strategy & Medical Affairs	22 July 2010	Shareholders' meeting to approve the 2013 financial statements	Pierre Attali is also: – Director of Cerba European Lab – Director of Quantificare – Director of Advicenne Pharma – Chairman of the Management Board of Urogene – Manager of Selexel, 2LC Pharma, BioInvest Consulting limited companies and Invest Attali SCI – Chairman of Coopératif Group: Get(n)a.
Judith Greciet Chief Operating Officer, Operations and R&D	3 March 2011	Shareholders' meeting to approve the 2013 financial statements	Judith Greciet was President of Esai France SAS from October 2008 to February 2011.

3.1.9.2 Remuneration of corporate officers in 2010

The information on the remuneration of corporate officers in 2010 is provided in the chapter on corporate governance, in section 5.2 of this document.

3.1.10 Information on the social and environmental impacts of the business

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

3.1.10.1 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 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 on-going consultation and dialogue.

Employee data is set out below:

Total headcount at 31 December 2010:

- **of the Company:** the total headcount in terms of full-time equivalents is 56.4 employees (54.4 indefinite-term contracts, 2 fixed-term contracts and 0 apprentices). It consists of 46.7 managers and 9.7 staff
- **of the Group:** the total headcount in terms of full-time equivalents is 56.4 employees (54.4 indefinite-term contracts, 2 fixed-term contracts and 0 apprentices). It consists of 46.7 managers and 9.7 staff

In effect, the subsidiary Laboratoires BioAlliance Pharma has no employees since the transfer of the operation to the Therabel Group on 31 March 2010 (see note below).

Movements in personnel in 2010:

- **at Company level:**
  - New recruits: 3 employees: 2 indefinite-term contracts, 1 fixed-term contract.
  - Departures: 11 employees: 3 resignations, 1 expiration of a fixed-term contract, 3 contractual separations, 3 dismissals, 1 termination of an apprenticeship.
- **at Group level:**
  - New recruits: 3 employees: 2 indefinite-term contracts, 1 fixed-term contract.
  - Departures: 33 employees: 5 resignations, 1 expiration of a fixed-term contract, 3 contractual separations, 3 dismissals, 1 expiration of an apprenticeship and 20 employment-contract transfers.

  This is pursuant to the strategic partnership agreement signed on 31 March 2010 between the BioAlliance Pharma and Therabel for marketing Loramyc® and Setofilm® in Europe, including throughout France. Accordingly, the exclusive licensing agreement concluded between BioAlliance Pharma and its subsidiary Laboratoires BioAlliance Pharma for Loramyc® was partially terminated on 31 March 2010 and the Laboratoires BioAlliance Pharma sales force was automatically transferred to the Therabel Group, in application of Article L.1224-1 of the French Labour Code.

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 per week for non-managerial staff.

Two employees work on an 80% part-time basis and one employee works on a 90% part-time basis.

Absences during the period were mainly due to illness and maternity leave (2 persons for 3 months, 1 person for 1 month). One person was on parental leave for 7 months.

- **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

The Company's payroll fell in the period due to departures of employees during the year. The payroll of subsidiary Laboratoires BioAlliance Pharma is now zero.

The gender breakdown between employees is as follows: 78% women and 22% men.

Allocation of securities granting rights to capital

In 2010, 120,900 Rights to Free Shares (AGA 2008(1)) were fully vested on 1 August and converted into free shares. The Board of Directors noted the achievement of performance conditions initially set by the Management Board and the achievement of the condition of continuous service in the Company by 34 employees.

In addition, the ordinary and extraordinary shareholders' meeting of 22 April 2010, in its twentieth and twenty-first resolutions, authorised the Board of Directors to grant stock options, each conveying a right to one share, through two separate plans: an 'Employees' plan, for a maximum of 150,500 options, and an 'Executives' plan, for a maximum of 25,000 options.

The Board of Directors made three such awards, two for employees, totalling 137,000 options granted to 54 beneficiaries, and one for executives, in the amount of 25,000 options for two beneficiaries. Stock options granted to employees are subject to a four-year timetable for their exercise; those for executives are only exercisable after a period of four years and are subject to performance conditions.

Employee relations and description of collective bargaining agreements

Labour dialogue is conducted by the Executive Management with the employee representatives. Twelve meetings of employee delegates and fourteen meetings of the Works Council (including three exceptional meetings) were held in 2010.

Employee representatives: In 2010, one member of the management representatives resigned from the company, which ended his term. In accordance with the regulations in force, partial elections were organised for management representatives as this category was no longer represented. Two members were elected on this occasion. The Delegation therefore comprises two members in the management category and one member in the non-managerial staff category.

Health and safety: The Company has set up a Health and Safety department to manage the prevention of occupational hazards and implement actions ensuring the health and safety of its employees. The main Health and Safety actions during the period concern (1) the prevention and management of risks related to research and development activities:

- staff training in chemical and biological hazards;
- management and monitoring of products used;
- set up, maintenance and utilisation of suitable means of group and individual protection;

(2) safety management for premises (fire, electrical installations); and (3) annual risk assessment via the Single Document.

The Health and Safety and Working Conditions Committee (set up on 18 December 2008 with three staff representatives) met four times in 2010. Two members of this committee left the company in August and in October 2010. In accordance with the regulations in force, the committee was partially renewed in September 2010, but with the second departure taking place less than two months before the expiry of the term, this seat was not filled. Following the expiry of the term of employee representatives on 18 December 2010, three employee representatives were elected to the HSWCC.

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

- Agreement for the Adjustment and Reduction of Working Time dated 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 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 company-level agreement of 11 July 2007 with regard to the employee provident and healthcare scheme.

Training: The training policy led by the Company and the Group allows for continuous adapting of the skills of all employees to changes in the business activities and new business lines of the Group.

During the year ended 31 December 2010, 1,084 hours were devoted to technical training (24 employees trained) and 48 hours were devoted to the statutory individual training entitlement (*droit individuel à la formation* or DIF).

Significance of subcontracting: The BioAlliance Pharma Group focuses its activity and human resources on its know-how in respect of the development and registration 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.

3.1.10.2 Environmental information (Article R. 225-105)

With the manufacture of products being outsourced, the Group does not have industrial site but operates two R&D laboratories and offices. Thus, the impact of its activity on the environment is limited.

The Company and the Group operate as a responsible corporate citizen that seeks to minimise potential negative impacts of its activity on the environment and respects the main principles aimed at ensuring the protection of human health and the environment.

The main actions to reduce its environmental impact are:

For laboratory activities:

- The R&D activity in the laboratories does not generate any gaseous discharge. Containment measures have been implemented: the Company's two laboratories are equipped with an air treatment system (clean rooms, i.e., vacuum chambers that filter incoming and outgoing air) that prevents the release of contaminants to the outside.
- The procedures for disposing of toxic waste and contaminants are in accordance with the regulations and there is no discharge to the outside. All liquid and solid wastes are collected in suitable containers, sorted according to the nature of their risks and disposed of according to regulations by specialised providers.
- 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.

For office activities:

- control of resource consumption: in 2010, follow-up communications were directed to all staff on optimising HVAC settings in the premises (heating and air conditioning) to lessen the impact on the environment;
- waste management: since 2008, specialised containers are available to staff to recover all recyclable waste, mainly paper and recyclable packaging.

Annex 1 to the Management Report

FIVE-YEAR SUMMARY OF RESULTS

Type of indicator	2006	2007	2008	2009	2010
Share capital at year end					
Share capital	2,169,086	3,115,473	3,224,208	3,224,583	3,384,018
Number of ordinary shares outstanding	8,676,343	12,461,894	12,896,832	12,898,334	13,536,072
Number of preference shares outstanding					
Maximum number of future shares to be issued:					
By conversion of bonds					
By exercise of subscription rights					
Operations and results					
Net sales, excluding VAT	826,676	1,153,066	1,084,062	913,000	1,653,357
Income/(loss) before tax, employee profit sharing, depreciation, amortisation and provisions	(11,108,911)	(16,385,584)	(15,217,550)	(8,847,030)	3,636,579
Corporate income tax	359,968	1,085,083	(2,253,575)	(1,829,922)	(1,456,276)
Employee profit sharing					
Net income/(loss) after tax, employee profit sharing, depreciation, amortisation and provisions	(11,022,461)	(15,721,589)	(14,560,997)	(22,398,410)	3,831,450
Distributions					
Earnings per share					
Net income/(loss) after tax, empl. profit sharing, but before depreciation, amortisation and provisions	-1.24	-1.23	-1.01	-0.54	0.38
Net income/(loss) after tax, empl. profit sharing, depreciation, amortisation and provisions	-1.27	-1.26	-1.13	-1.74	0.28
Dividend per share					
Personnel					
Average headcount	47	53	75	65	61
Gross payroll	2,978,149	3,275,570	4,788,434	4,308,010	4,695,184
Amounts paid for employee benefits	1,362,762	1,492,593	2,384,799	2,063,429	2,085,017

Appendix 2 to the Management Report

SUMMARY OF CURRENTLY VALID AUTHORISATIONS GRANTED BY THE SHAREHOLDERS' MEETING TO THE MANAGEMENT BOARD

Year ended 31 December 2010

In accordance with the provisions of Article L.225-100 of the Commercial Code, we report to you the delegations currently valid granted by the shareholders' meeting to the Board of Directors in respect of capital increases and the use made of these delegations in 2010.

(in €)	**Date of EGM**	**Expiry date of the author-isation**	**Maximum nominal amount authorised**	**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 program Articles L. 225-209 *et seq.* of the French Commercial Code	22/04/2010 Resolution 16	18 months (10/2011)	10% of capital	N/A	Use only under a liquidity contract	See Management Report
Authorisation to increase capital via all types of securities, with maintenance of preferential subscription rights Articles L. 225-129 to L. 225-125-4, L. 225-134 and L.228-91 et seq. of the French Commercial Code	22/04/2010 Resolution 18	26 months (06/2012)	€500,000 or 2 million shares, i.e., 15% of capital at 31/12/2009	N/A	None	The entire authorisation
Authorisation to increase capital by issuing shares and/or securities granting rights to capital, by offering to qualified investors or a restricted circle of investors within the meaning of paragraph II of Article L. 411-2 of the French Monetary and Financial Code	22/04/2010 Resolution 19	26 months (06/2012)	€325,000 or 1.3 million shares, i.e., 10% of capital at 31/12/2009 (deducted from the ceiling in resolution 18)	N/A	None	The entire authorisation
Authorisation to grant stock options to all employees Articles L. 225-177 to L. 225-184 et seq. of the French Commercial Code	22/04/2010 Resolution 20	38 months (06/2013)	€37,625 or 150,500 options, i.e., 1.2% of capital at 31/12/2009	N/A	137,000 options granted. No exercise, therefore, no capital increase	The entire authorisation
Authorisation to grant stock options to executive officers of the Company Articles L. 225-177 to L. 225-184 et seq. of the French Commercial Code	22/04/2010 Resolution 21	38 months (06/2013)	€6,250 or 25,000 options, i.e., 0.2% of capital at 31/12/2009	N/A	25,000 options granted. No exercise, therefore, no capital increase	The entire authorisation

3.2 CASH FLOW AND FINANCING

This section should be read in conjunction with the figures set out in chapter 4 of this reference document and in particular the Consolidated Cash Flow Statement and the Consolidated Statement of Shareholders' Equity.

3.2.1 The Group's financial profile

The business model chosen by the BioAlliance Pharma Group is that of a pharmaceutical laboratory holding products sold on markets on which prescriptions are initiated by hospital specialists.

In the short and medium term, the Group's objective is to find partners with the aim of granting marketing licences in these niche markets. Depending on the state of progress of the products, the chosen partner could assist in the development of clinical trials, in particular in their late stages, and thus limit the development costs for BioAlliance Pharma. This strategy is particularly relevant for certain New Entities that will require long, costly trials. Furthermore, the Company could from time to time consider linking up with partners in order to obtain the authorisations required to market a given product. Within the scope of such strategic alliances, the Company considers that its main sources of revenues, depending on the stage of advancement of its products, could consist of the initial upfront payments, advances on royalties, reimbursements of research and development costs, royalty payments from the sale of drugs that have obtained marketing authorisation. For some products in the field of rare cancers and severe and orphan diseases, BioAlliance Pharma could decide to do its own marketing in Europe, as the high profitability of such products would justify the establishment of a limited and very focused sales force.

These various parameters allow the Group to look forward to high profitability generating positive cash flow sufficient to cover the costs of new product development, from the company's portfolio or acquired from other companies.

Although sales of Loramyc® in France exceeded €2 million for the second full year of marketing, most of the Company's receipts in 2010, as in previous years, consisted of revenues resulting from licensing agreements signed for Loramyc® since 2007 (€5.1 million). This revenue helped to cover research and development costs which are the Group's main item of expenditure, an essential condition to build up the portfolio of products which could generate future revenues.

3.2.1.1 Research and development costs

Changes in spending on research and development over the past five years, presented in the table below, reflects the progress of clinical programmes (including several Phase III trials between 2007 and 2009) and the development of new projects:

R&D costs	(€ thousands)
2006	7,012
2007	11,865
2008	13,073
2009	9,007
2010	**8,563**

The main research and development costs related to clinical trials and industrial-scale development of medicines.

The cost of a clinical trial varies but generally remains proportional to the number of subjects involved in the trial. When the development strategy for a new product is defined, trials are initially carried out on a small number of patients before being enlarged to a wider patient population if there are no contra-indications. The development of the Company's products requires ever broader trials which therefore become ever more costly as they progress. Accordingly, any product evolving in the various stages of its clinical development and moving ever closer to the marketing stage will require increasingly significant resources. The clinical trials conducted to date, in Europe and the United States in particular, were conducted using internal resources, through partnerships with public research institutes and also, to a great extent, through subcontracting.

The industrial development phase enables the large-scale reproduction, in anticipation of marketing the product, of production processes developed during the preclinical and clinical trials. This phase is generally initiated only when the products have proved their effectiveness. The Company relies on qualified subcontractors to make these changes of scale and, depending on agreements with such subcontractors, is likely to support specific investments.

3.2.1.2 Working capital

Given the initiation of sales of Loramyc®/Oravig® at international level, the weight of receivables in working capital is still modest. Since 2007, the Company has spread the recognition in income of upfront payments received on the licensing agreements for Loramyc®. The amount not taken to income at 31 December 2010 was €314,000, against €1,295,000 at the previous year end. Under the effect of these deferred revenues and current liabilities representing the Group's operating expenses, consolidated working capital was stable and amounted to a negative €2,382,000 at 31 December 2010, against a negative €2,422,000 a year earlier.

New licensing agreements that the Company will sign on its products over the coming years will influence the development of working capital, with the spread over time of sums received upfront, as well as with the increase in trade receivables commensurate with the growth of partners' sales.

3.2.1.3 Investment

The Company has made the strategic choice of working with external partners for all its basic research activities, for some of its development activities (clinical studies) and also for the production, storage and distribution of its products. Accordingly, BioAlliance Pharma's activity is not highly capital-intensive, the only fixed assets being various fixtures and fittings, as well as office and laboratory equipment, IT equipment and office furniture. At 31 December 2010, total fixed assets represented a net value of €1,632,000.

In order to prevent its financial resources being too heavily tied up, the Company gives priority to rental, in particular for the premises of its registered office and laboratory. Accordingly, no heavy capital expenditure is currently planned that would give rise to fixed assets being booked.

3.2.2 Financing

Since its creation, BioAlliance Pharma's growth has been funded by rounds of financing subscribed by financial investors and individuals. From 2006, the Company has benefited from the exercise of previously issued share purchase warrants and special founders' share purchase warrants. Given the magnitude and growth of research and development costs, the research tax credit is also an important source of funding; the Company also receives public grants and advances.

3.2.2.1 Funds raised – Equity contributions

The table below summarises the history of the capital increases carried out by the Company for a total amount of €107.6 million at end December 2010. Three private rounds of financing took place in 1999, 2000 and 2003-2004, bringing in €27 million for the Company. The Company carried out an IPO in December 2005 on compartment C of Euronext Paris, raising €30 million on this occasion. In August 2007, via a private placement reserved for qualified investors, the Company received an additional €40 million. Finally, the Therabel Group acquired capital in BioAlliance Pharma in the amount of €3 million at end April 2010, under the strategic partnership put in place for marketing Loramyc® and Setofilm® in Europe. The capital increases from which the Company benefits through the conversion of the warrants issued are added to this amount.

Funds raised **(€ millions)**	
30 June 1998	0.1
30 June 1999	1.1
30 June 2000	7.4
30 June 2001	0.2
30 June 2002	0.0
30 June 2003	2.7
30 June 2004	5.2
31 December 2004 (six months)	4.0
31 December 2005	37.3
31 December 2006	1.4
31 December 2007	44.1
31 December 2008	1.1
31 December 2009	0.0
31 December 2010	3.0
Cumulative amount	**107.6**

Cash contributions by existing or new shareholders have until now been the Company's preferred method of financing; however, the Company does not rule out the possibility in future of using other types of financing, particularly borrowings, depending on specific needs and provided they offer an optimised, competitive advantage.

3.2.2.2 Research tax credit

In light of the amount of research and development costs incurred, the research tax credit (*crédit d'impôt-recherche*, or CIR) is an important mechanism for the Company in terms of financing, even if its effect is deferred during a loss-making period (the amount that has not been offset against tax is refunded at the end of a three-year period.

Between 1999 and 2010, the total amount declared under the research tax credit was €9,825,000, broken down as follows:

(€ thousands)	Before 2006	2006	2007	2008	2009	2010	TOTAL
Research tax credit declared	2,841	337	1,108	2,254	1,829	1,456	9,825

The reform of the research tax credit introduced in the Finance Law for 2008, abolishing the fraction of the amount of the increase in expenditure and increasing the fraction in terms of volume from 10 to 30% of the eligible expenditure base, has enabled the Company to derive greater benefit from this tax credit mechanism.

Moreover, as in 2009 and 2010, BioAlliance Pharma will benefit from specific provisions of the Amending Finance Act for 2010 allowing companies to seek immediate reimbursement of their research tax credit receivable. The Company should thus receive a refund of €1,456,000 euros in the first half of 2011.

3.2.2.3 Grants

In order to optimise and diversify its sources of funding, the Company has also had recourse to grants since 1999. These are either outrights grants received from various French or European organisations or reimbursable advances mostly granted by OSEO. In general, the grants obtained by the Company are paid on the basis of the state of progress of the research and development projects, based on expenditure actually incurred. In this respect, the Company regularly submits to the organisations concerned financial assessments on the basis of which the various tranches of funding are paid. In the case of refundable advances, a reimbursement timetable is drawn up based on achievement of the milestones defined in the research and development programmes being financed. In the event of a total or partial failure, the sums do not usually have to be reimbursed by the Company.

Between 1999 and 2010, the amount of grants and reimbursable advances obtained by the Company broke down as follows:

(€ thousands)	Total obtained	Total paid	Total refunded
Grants	2,651	1,357	-
Refundable Advances	6,740	1,479	413

In order to finance the development of its projects that entail the most risks (BA015 AMEP™ and BA016 Zyxin), the Company has set up a collaborative programme with two other innovation companies (Oroxcell and Xentech) and centres of academic excellence (Ecole Normale Supérieure de Cachan and Institut Gustave Roussy de Cancérologie). In March 2009, this consortium received a grant of €9.9 million from OSEO, €6.4 million of which was for BioAlliance Pharma. These funds will be awarded over a five-year period in the form of grants and reimbursable advances. In addition, another consortium established by the Company to develop biological applications of the Lauriad™ technology (mucosal vaccine against influenza) received funding in March 2011 from the *Fond Unique Interministériel* [a French program supporting collaborative research projects] in the amount of €2 million, of which €0.7 million was for BioAlliance Pharma.

CHAPTER 4. FINANCIAL STATEMENTS

Historical financial information

In accordance with Article 28 of EU Commission regulation no. 809/2004, the following information is incorporated by reference in this reference document:

- The consolidated financial statements, the parent company financial statements and the corresponding reports included on pages 71 to 125 of the reference document for 2009 filed with the AMF (French Financial Markets Authority) on 29 June 2010 under number D.10-0572;

- The consolidated financial statements, the parent company financial statements and the corresponding reports included on pages 67 to 121 of the reference document for 2008 filed with the AMF (French Financial Markets Authority) on 7 April 2009 under number D.09-0204.

Pro forma financial information

Not applicable.

4.1 2010 BIOALLIANCE PHARMA GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS €	31/12/2010	31/12/2009	Note
Non-current assets			
Intangible assets	116,886	129,901	3
Tangible assets	1,632,131	1,919,070	4
Financial assets	333,953	269,683	
Other non-current assets	0	0	
Total non-current assets	2,082,970	2,318,654	
Current assets			
Inventories and work in-progress	37,725	21,152	
Trade receivables	242,916	956,748	5
Other receivables	3,023,423	3,328,410	5
Marketable securities	20,170,142	13,898,788	5
Cash	777,193	811,547	
Total current assets	24,251,400	19,016,645	
TOTAL ASSETS	**26,334,371**	**21,335,300**	

LIABILITIES €	31/12/2010	31/12/2009	Note
Shareholders' equity			
Share capital	3,384,018	3,224,584	6
Less: treasury shares	(165,209)	(174,023)	6
Additional paid-in capital	100,811,181	97,948,490	
Reserves	(87,986,809)	(72,854,951)	
Minority interests	0	0	
Net income/(loss) for the year	2,809,301	(15,382,885)	
Total shareholders' equity	18,852,482	12,761,216	
Non-current liabilities			
Provisions	614,428	713,669	7
Other payables	1,130,507	1,066,789	7
Total non-current liabilities	1,744,935	1,780,458	
Current liabilities			
Short-term debt	57,061	74,520	
Trade payables	3,241,849	2,920,996	8
Other liabilities	2,438,045	3,798,110	8
Total current liabilities	5,736,954	6,793,626	
TOTAL LIABILITIES AND EQUITY	**26,334,371**	**21,335,300**	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

€	31/12/2010	Year ended 31/12/2009	Note
Net sales	22,531,840	7,536,312	9
Other income	36,547	198,503	9
Purchases	(859,072)	(398,754)	
Personnel costs	(7,391,637)	(8,891,703)	9
External expenses	(9,180,774)	(12,703,524)	9
Taxes other than on income	(848,449)	(451,158)	
Depreciation and amortisation, net	(472,283)	(454,261)	
Allowances to provisions, net	184,091	(172,274)	
Other operating income	0	0	
Other operating expenses	(1,407,752)	(141,386)	9
Operating income/(loss)	**2,592,511**	**(15,478,244)**	
Income from cash and cash equivalents	438,819	246,926	10
Other financial income	6,866	15,332	
Financial expenses	(228,789)	(166,899)	
Income/(loss) before taxation	**2,809,406**	**(15,382,885)**	
Income tax expense	(105)	0	11
Net income/(loss)	**2,809,301**	**(15,382,885)**	
Shareholders' equity	2,809,301	(15,382,885)	
Minority interests			
Earnings per share	0.21	(1.19)	12
Diluted earnings per share	0.20	(1.19)	12

€	31/12/2010	31/12/2009	Note
Income/(loss) for the period	2,809,301	(15,382,885)	
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	2,809,301	(15,382,885)	
Total comprehensive income attributable to			
Owners of the parent company	2,809,301	(15,382,885)	
Minority interests	0	0	
	2,809,301	(15,382,885)	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In €	Share capital	Additional paid-in capital	Treasury shares	Translation adjustment	Reserves & retained earnings	Total shareholders' equity	Minority interests	TOTAL
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**
Income/(loss) for the period					(15,382,885)	(15,382,885)		(15,382,885)
Capital increase	375	4,050				4,425		4,425
Capital reduction						0		
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**
Income/(loss) for the period					2,809,301	2,809,301		2,809,301
Capital increase	159,434	2,862,690				3,022,124		3,022,124
Capital reduction						0		
Share-based payment					202,104	202,104		202,104
Treasury shares			8,814		48,771	57,585		57,585
Translation adjustment				9,833	(9,681)	152		152
Dividends						0		0
Shareholder's equity at 31/12/2010	**3,384,018**	**100,811,181**	**(165,209)**	**11,367**	**(85,188,875)**	**18,852,482**	**0**	**18,852,482**

CONSOLIDATED CASH FLOW STATEMENT

	31/12/2010	31/12/2009
Résultat net consolidé	**2 809 301**	**(15 382 885)**
+/- Dotations nettes aux amortissements et provisions (à l'exclusion de celles liées à l'actif circulant)	374 666	656 342
-/+ Gains et pertes latents liés aux variations de juste valeur	(4 887)	(3 146)
+/- Charges et produits calculés liés aux stock-options et assimilés	202 104	842 987
-/+ Autres produits et charges calculés	24 241	(107 127)
-/+ Plus et moins-values de cession	150 877	6 252
-/+ Profits et pertes de dilution		
+/- Quote-part de résultat liée aux sociétés mises en équivalence		
- Dividendes (titres non consolidés)		
Capacité d'autofinancement après coût de l'endettement financier net et impôt	**3 556 302**	**(13 987 577)**
+ Coût de l'endettement financier net	(64 118)	(103 778)
+/- Charge d'impôt (y compris impôts différés)		
Capacité d'autofinancement avant coût de l'endettement financier net et impôt	**3 492 184**	**(14 091 355)**
- Impôts versé		
+/- Variation du B.F.R. lié à l'activité (y compris dette liée aux avantages au personnel) (1)	(63 837)	(3 438 107)
FLUX NET DE TRESORERIE GENERE PAR L'ACTIVITE	**3 428 347**	**(17 529 462)**
- Décaissements liés aux acquisitions d'immobilisations corporelles et incorporelles	(324 829)	(387 459)
+ Encaissements liés aux cessions d'immobilisations corporelles et incorporelles	0	
- Décaissements liés aux acquisitions d'immobilisations financières (titres non consolidés)	(1 948)	(2 151)
+ Encaissements liés aux cessions d'immobilisations financières (titres non consolidés)	150	48 309
+/- Incidence des variations de périmètre		
+ Dividendes reçus (sociétés mises en équivalence, titres non consolidés)		
+/- Variation des prêts et avances consentis		
+ Subventions d'investissement reçues		
+/- Autres flux liés aux opérations d'investissement		
FLUX NET DE TRESORERIE LIE AUX OPERATIONS D'INVESTISSEMENT	**(326 627)**	**(341 301)**
+ Sommes reçues des actionnaires lors d'augmentations de capital		
. Versées par les actionnaires de la société mère	3 022 124	4 425
. Versées par les minoritaires des sociétés intégrées		
+ Sommes reçues lors de l'exercice des stock-options		
-/+ Rachats et reventes d'actions propres	57 585	77 341
- Dividendes mis en paiement au cours de l'exercice		
. Dividendes versés aux actionnaires de la société mère		
. Dividendes versés aux minoritaires de sociétés intégrées		
+ Encaissements liés aux nouveaux emprunts		74 130
- Remboursements d'emprunts (y compris contrats de location financement)	(14 826)	(8 649)
- Intérêts financiers nets versés (y compris contrats de location financement)	64 118	103 778
+/- Autres flux liés aux opérations de financement	6 133	639 448
FLUX NET DE TRESORERIE LIE AUX OPERATIONS DE FINANCEMENT	**3 135 134**	**890 473**
+/- Incidence des variations des cours des devises	152	-386
VARIATION DE LA TRESORERIE NETTE	**6 237 006**	**(16 980 675)**
Trésorerie initiale	**14 710 329**	**31 691 004**
TRESORERIE FINALE	**20 947 335**	**14 710 329**

(1) dont dotation IDR de 15677 euros

BFR	31/12/2010	31/12/2009	Variation
Stocks	37 725	21 152	16 573
Clients	242 916	956 748	(713 832)
Autres créances	3 023 423	3 328 410	(304 987)
	3 304 064	4 306 310	(1 002 246)
Dettes financières	6 406	9 039	(2 633)
Fournisseurs	3 241 849	2 920 996	320 853
Autres dettes	2 438 045	3 798 110	(1 360 065)
	5 686 300	6 728 145	(1 041 845)
Besoin en fond de roulement	**(2 382 236)**	**(2 421 834)**	**39 598**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

NOTE 1: SIGNIFICANT EVENTS AND TRANSACTIONS

BioAlliance is a company that designs, develops and markets innovative products for the treatment and supportive care of cancer. Its targeted approaches help to combat drug resistance and to improve the health and quality of life of patients.

1.1. INFORMATION CONCERNING BUSINESS ACTIVITIES IN 2010

- **Market authorisation and launch of Oravig® in the United States**

On 16 April 2010, BioAlliance Pharma obtained marketing authorisation for Oravig® (the US trademark for Loramyc®) in the United States for the treatment of oropharyngeal candidiasis in adults. In consideration, the Company received US$20 million (€14.8million) from its partner Strativa Pharmaceuticals, in accordance with the license agreement signed in July 2007. This payment was recognised in full as net sales for the first half of 2010. In addition to royalties based on net sales, the agreement also provides for the payment of other amounts based on sales of Oravig®.

The product was launched by the Strativa Pharmaceuticals teams in late August 2010, allowing BioAlliance Pharma to receive royalties on the first sales.

- **Major license agreement and new marketing authorisations in Europe**

On 6 April 2010, the Company announced the signature of an exclusive partnership agreement with the Therabel Group for marketing Loramyc® and Setofilm® in Europe, including France, and the transfer of the French sales organisation to a new entity, Therabel Hôpital Pharma.

In consideration for this license, BioAlliance Pharma will receive from Therabel a total of up to €48.5 million, including €6.5 million in unconditional payments (€4.5 million paid upon signature and recognised as net sales in the first half of 2010 and two successive payments of €1 million each at the end of 2011 and 2012). Of the total, €3 million will be linked to obtaining reimbursement agreements for Loramyc® in three European countries and €33 million will be linked to milestones in combined sales of both products. The agreement includes significant royalties based on net sales and linked to the products' state of progress. Inasmuch as Setofilm® and Loramyc® are both registered in Europe, the €4.5 million upfront payment received by BioAlliance Pharma was recognised immediately as net sales in the first half of 2010.

The agreement also provides for Therabel, as a strategic partner, to subscribe to the capital of BioAlliance. An initial capital increase of €3 million was approved by the shareholders at the annual meeting of 22 April 2010. The new shares were issued at a price of €5.89, a 15% premium over the average of the last 20 trading days preceding the signing of the agreement. A second capital subscription of €3 million, also including a 15% premium on the share price, will take place subject to the approval of the annual shareholders' meeting in 2011.

In total, BioAlliance Pharma received €7.5 million in 2010 under the Therabel agreement, significantly strengthening the Company's cash position.

In addition, as a result of the regulatory approval of Setofilm®, the Group made a contractual milestone payment €1.25 million to the company APR, owner of the product rights. This amount was expensed in the financial year.

1.2. POST BALANCE SHEET EVENTS

There are no events subsequent to 31 December 2010 that have an impact on the financial statements as presented.

NOTE 2: ACCOUNTING PRINCIPLES, RULES AND METHODS

2.1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of BioAlliance Pharma as at 31 December 2010 have been prepared under the responsibility of the Company's Chief Executive Officer and were approved by its Board of Directors on 3 March 2011.

The financial statements were prepared on a going concern basis.

The consolidated financial statements at 31 December 2010 were prepared in accordance with international accounting standards issued by the IASB (International Accounting Standards Board), as published by the IASB on 31 December 2010, and with international standards as adopted by the European Union at 31 December 2010.

The standards adopted by the European Commission may be consulted on the following website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The accounting principles and methods applied for the consolidated financial statements at 31 December 2010 are identical to those used in the consolidated financial statements at 31 December 2009, with the exception of international financial reporting standards, amendments and interpretations as adopted by the European Union and the IASB, which are compulsory for financial years beginning on or after 1 January 2010 (and which had not been applied early by the Group), to wit:

Standard	**Name**
Amended IAS 27	Consolidated and Separate Financial Statements
Amendments to IAS 39	Eligible Hedged Items
Revised IFRS 1	First-time Adoption of IFRS
Amendments to IFRS 1	Additional Exemptions for First-time Adopters
Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions
Revised IFRS 3	Business Combinations
Annual improvements to IFRS (published in May 2008) - amendments to IFRS 1 and IFRS 5	
Annual improvements to IFRS (published in April 2009)	
IFRIC 12	Service Concession Agreements
IFRIC 15	Agreement 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

Applying these standards, amendments and interpretations had no significant effect on the consolidated financial statements of the Group.

Moreover, the impact of other standards, amendments and interpretations issued by the IASB and IFRIC (International Financial Reporting Interpretations Committee), and not made mandatory for financial years beginning on or after 1 January 2010 and not applied early by the Group, is under analysis, to wit:

Revised IFRS 24	Related Party Disclosures	Adopted to apply from the first financial year beginning after 31 December, 2010
Amendments to IAS 32	Classification of Rights Issue	Adopted to apply from the first financial year beginning after 31 January 2010
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	Adopted to apply from the first financial year beginning after 30 June 2010
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets	Not adopted by the EU as of 31 December 2010
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	Adopted to apply from the first financial year beginning after 31 December, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted to apply from the first financial year beginning after 30 June 2010
Annual improvements to IFRS (published in May 2010)		Adopted to apply from the first financial year beginning after 30 June 2011 or 31 December 2011

The preparation of consolidated financial statements in conformity with IFRS requires the Group's management to use estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of preparation of the financial statements as well as the reported revenues and expenses in the profit and loss account. Management uses estimates and assumptions on the basis of past experience and taking into account various factors considered reasonable for the valuation of assets and liabilities. The use of different assumptions could have a material impact on these valuations. Significant estimates made by management in preparing the financial statements include the assumptions used to calculate depreciation and impairment losses, pension obligations, deferred taxes and provisions. The information provided in respect of assets and liabilities existing at the date of preparation of consolidated financial statements also uses estimates.

The financial statements are prepared in accordance with the historical cost convention, with the exception of certain financial assets and liabilities measured at fair value.

2.2. SCOPE OF CONSOLIDATION

The scope of consolidation includes the following companies:

- **Laboratoires BioAlliance Pharm,** a simplified limited company, wholly owned by BioAlliance Pharma, fully consolidated.
- **SpeBio BV**, a Dutch company established in Amsterdam, Netherlands, a 50-50 joint venture with SpePharm BV, consolidated using proportionate consolidation.
- **BioAlliance Switzerland**, a Swiss company established in Geneva, Switzerland, wholly-owned by BioAlliance Pharma, 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 any 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 having a functional currency other than the euro and not operating in a hyperinflationary economy 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, under 'Translation adjustments' for the Group share and under '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 expensed 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 Pharma 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 always expensed.

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 an upfront payment at the date of signature, 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. Upfront payments represent a participation in funding research and development costs and are thus fully expensed in the year in which the contract is signed. Earn-out payments are in the form of royalties for marketing rights and, as such, they are expensed over the period in which they are due.

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 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 long term investments, which include:

- 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).

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 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 account include financial instruments designated as being measured at fair value through profit or loss account 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 and subsequently measured at amortised cost. They are discounted when their due date for settlement is more than one year. 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 decreases 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 goods 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. 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 using the Black & Scholes model. If the instruments are subject to performance conditions, the binomial model is used. Implementation of these two methods notably requires making certain assumptions regarding the underlying BioAlliance Pharma share price as well as regarding volatility.

Full vesting of BCEs, stock options and free shares granted to group employees is subject to a condition under which the individuals must be employed by the Group at the vesting date. If an employee leaves before this date, this condition is not satisfied and the employee forfeits his rights. In this situation, the Group applies the so-called 'forfeiture' method under which all previously-recognised expenses are credited in profit and loss.

2.9. NON-CURRENT LIABILITIES

2.9.1. Employee benefit obligations (IAS 19)

- **POST-EMPLOYMENT BENEFITS**

Post-employment 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. Subsequent to 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 under net sales at the date of transfer to the client of the risks and rewards inherent in ownership. 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 an upfront payment at the date of signature, various other additional payments which are subject to the achievement of regulatory and sales objectives and royalties on sales.

In accordance with IAS 18:

- upfront payments due upon signature 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 fulfilment of a condition are immediately recognised in other income during the period in which the condition is met.

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 carry forwards 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 costs and development costs incurred in 2010 were expensed in the amount of €8,563,160.

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 €	01/01/2010	Increase	Decrease	31/12/2010
Amount	243,979		56,801	187,178
Exceptional	(236,119)	(1,612)	(56,801)	(180,930)
Net value of patents	**7,860**	**(1,612)**	**-**	**6,248**

3.3. SOFTWARE

In €	01/01/2010	Increase	Decrease	31/12/2010
Amount	344,657	217,325	149,857	412,125
Exceptional	(222,616)	(103,407)	(24,537)	(301,486)
Net value of software	**122,041**	**113,918**	**125,320**	**110,639**

3.4. IMPAIRMENT

No intangible asset shows any indication of impairment and no impairment loss was thus recognised in 2010.

NOTE 4: TANGIBLE ASSETS

4.1. MOVEMENTS IN THE YEAR

In €	01/01/2010	Increase	Decrease	31/12/2010
Amount	3,413,257	107,504	94,184	3,426,577
Exceptional	(1,259,952)	(390,760)	(68,628)	(1,582,084)
Capital grants	(299,717)		(36,699)	(263,018)
Original value of lease	74,130			74,130
Accumulated amortisation of lease	(8,649)	(14,826)		(23,475)
Net value of tangible assets	**1,919,070**	**(298,082)**	**(11,143)**	**1,632,131**

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

4.2. IMPAIRMENT

No tangible asset shows any indication of impairment and no impairment loss was thus recognised in 2010.

NOTE 5: OTHER ASSETS

5.1. FINANCIAL ASSETS

In €	01/01/2010	Increase	Decrease	Fair value adjustment	Discounting	31/12/2010
Receivable from investments	2,001					2,001
Deposits and guarantees	122,385	1,948	(150)		4,887	129,070
Liquidity Contract	0					0
- Treasury shares	0					0
- Cash	145,297	289,397	(231,812)			202,882
Net value of financial assets	**269,683**	**291,345**	**(231,962)**	**0**	**4,887**	**333,953**

5.2. INVENTORIES

At 31 December 2010, the total value of inventories stood at €37,725 and largely consisted of stocks of goods (Loramyc® finished goods), as at 31 December 2009.

5.3. TRADE RECEIVABLES

In €	31/12/2010	< 1 year	> 1 year	31/12/2009
Trade receivables, net	242,916	134,928	107,988	956,748

Trade receivables consist mainly of royalties on sales of Loramyc®/Oravig® paid by international partners Therabel and Par/Strativa as well as billing of services provided to Eurofins-VirAlliance Inc.

5.4. OTHER RECEIVABLES

In €	31/12/2010	< 1 year	> 1 year	31/12/2009
Personnel	500	500		(22)
Research tax credit	1,456,276	1,456,276		1,829,394
Other tax receivables	529,007	529,007		792,318
Other receivables	461,606	461,606		379,893
Prepaid expenses	576,034	576,034		326,826
Net amount of other receivables	**3,023,423**	**3,023,423**	**0**	**3,328,410**

The research tax credit receivable of €1,456,276 related to the 2010 financial year is reimbursable early in accordance with the provisions of the amended French Finance Act for 2010 and is therefore classified in full at less than one year.

The 2009 research tax credit of €1,829,394 was reimbursed early and in full in the first half of the year in accordance with the amended French Finance Act for 2009.

Other tax receivables relate to VAT recoverable as well as a VAT repayment requested for an amount of €253,164. Prepaid expenses correspond mainly to subcontracting scientific and marketing services and to rent.

In accordance with IAS 1, the 2010 research tax credit of €1,456,276 was presented as a deduction from the corresponding income and expense accounts according to their nature, as follows:

In €	31/12/2010
Reduction in personnel costs	426,909
Reduction in external expenses	965,819
Reduction in depreciation and amortisation	63,548
Total Research tax credit	**1,456,276**

5.5. CASH AND CASH EQUIVALENTS

In €	Net at 31/12/2010	Net at 31/12/2009	Change in cash and cash equivalents
Bank current accounts	777,193	811,547	(34,354)
Marketable securities available for sale	20,170,142	13,898,782	6,271,360
Total cash and cash equivalents	**20,947,335**	**14,710,329**	**6,237,006**

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

Marketable securities available for sale consist primarily of mutual fund units purchased from Neuflize-OBC and Crédit du Nord, available at any time and with low volatility and very low risk of changes in value in case of interest rate changes. The impact of the change in fair value of BioAlliance Pharma's marketable securities is an increase in profits of €40,826.

The change in cash and cash equivalents mainly reflects exceptional payments received from commercial partners: Strativa Pharmaceuticals for US$20 million (€15 million) and Therabel for €7.5 million.

NOTE 6: SHAREHOLDERS' EQUITY

6.1. SHARE CAPITAL

6.1.1. Composition of share capital

Nominal value of shares	€0.25
Pledges and liens encumbering the shares	None
Treasury shares	30,038
Shares reserved for stock option grants	None

6.1.2. Capital management policy

Since its creation in 1997, the Group has financed its growth mainly through raising funds from private investors and public markets. The Group raised €30 million during its IPO on Euronext Paris in December 2005 and €40 million through a private placement completed in August 2007. Although BioAlliance pursues an active policy of agreements and licensing allowing for early and significant cash inflows (€47.7 million received from partners since 2007), equity injections represent an important source of financing for the Group and this lever must allow it to dispose of adequate levels of cash to fund its growth, particularly in the short term during the years when it will not yet generate sufficient revenues to cover its development costs.

The Group also wishes to retain shareholders and/or long-term partners who will accompany the Group in its international development by offering an attractive business model. Under this model, the Therabel Group acquired a 3.8% stake in BioAlliance during the second quarter of 2010. In order to reduce its share's volatility, the Group has 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. Changes in composition of the share capital

		Nominal	Number of shares	€
Shares fully paid at 31/12/2009		0.25	12,898,334	3,224,584
Combined Shareholders' Meeting of 22/04/2010	(1)	0.25	509,338	127,335
Board of Directors meeting of 25/08/2010	(2)	0.25	120,900	30,225
Board of Directors meeting of 10/02/2011	(3)	0.25	7,500	1,875
Shares fully paid at 31/12/2010		**0.25**	**13,536,072**	**3,384,018**

(1) the shareholders' meeting of 22 April 2010 recognised a capital increase in the nominal amount of €127,334.50 by the issue of 509,338 new shares in the Company with a nominal value of €0.25 each, fully paid up in cash. This capital increase was restricted to the Therabel Group which thus

became a shareholder with a 3.8% ownership. This increased the share capital from €3,224,583.50 to €3,351,918.

(2) the Board of Directors meeting of 25 August 2010 recorded a capital increase in the nominal amount of €30,225 through the issue of 120,900 new shares in the Company with a nominal value of €0.25 each, fully paid up by the capitalisation of additional paid-in capital totalling €30,225. This capital increase, from €3,351,918 to €3,382,143 is the result of the vesting of free shares granted to employees in August 2008.

(3) the Board of Directors meeting of 10 February 2011 recorded a capital increase in the nominal amount of €1,875 at 31 December 2010, corresponding to the issue of 7,500 shares with a nominal value of €0.25 euro each, resulting from the exercise of 7,500 share purchase warrants during the second half of 2010. This increased the share capital from €3,382,143 to €3,384,018 as of 31 December 2010.

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 €165,209. Gains on buying such shares, amounting to €48,771 at 31 December 2010, were also recognised in equity under the standard.

6.1.5. Reserves

Reserves, amounting to (€87,987,000), are made up mainly of a retained earnings deficit of (€88,757,000).

6.2. SHARE-BASED PAYMENTS

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 Board of Directors meeting of 22 July 2010 recorded the automatic cancellation in April 2010 of 10,500 BSA-K2 warrants not exercised by the lapse date, 1500 BSA-L1 warrants not exercised by the lapse date, and 22,500 BSA-L1 not exercisable because of the expiration of the terms of office of the Supervisory Board members (shareholders' meeting of 22 April 2010).

The Board of Directors meeting of 10 February 2011 recorded the automatic cancellation as of 31 December 2010 of 26,000 BSA-K1 unexercised warrants at 22 October 2010 (six months past the shareholders' meeting of 22 April 2010).

The Board of Directors meeting of 10 February 2011 recorded the automatic cancellation as of 31 December 2010 of 15,000 BCE-J3 warrants, 900 BCE-J4 warrants, and 5,000 BSA-J5 warrants, due to the departure of employees and board members, and then the cancellation of all of the BCE and BSA-J warrants still outstanding (45,900), which lapsed on 7 November 2010 when their five-year term expired.

The corresponding impact of these cancellations is a €31,875 decrease in the expense.

6.2.2. Stock options

The ordinary and extraordinary shareholders' meeting of 22 April 2010 authorised the Board of Directors to grant stock options, each conveying a right to one share, through two separate plans: a maximum of 150,500 options to BioAlliance Pharma employees, and a maximum of 25,000 options to BioAlliance Pharma executives.

On 25 August 2010, the Board of Directors granted 120,800 SO Employees 2010(1) options 25,000 SO Executives 2010 options. On 16 December 2010, the Board of Directors granted 16,200 SO Employees 2010(2) options. No options were exercised or cancelled during the period.

The valuation of the options granted in 2010 is summarised below:

	Valuation using the Black Scholes model	
Stock options	**SO EMPLOYEES 2010-1**	**SO EMPLOYEES 2010-2**
Date of grant	25/08/2010	16/12/2010
Number of options	120,800	16,200
Estimated date of exercise	25/08/2020	16/12/2020
Exercise price (euros)	5.7	5.64
Volatility	59.38%	42%
Dividend rate	0%	0%
Risk-free rate	2.54%	3.40%
Total expense (euros)	506,711	53,920
Unit price (euros)	4.19	3.33
Expense for the financial year (euros)	91,636	1,092

The SO Executives 2010 plan, being subject to performance conditions that are qualitative (progress of company projects) as well as quantitative (increase in the share price), was valued using the binomial model with the following parameters:
Date of grant: 25/08/2010
Exercise period: between 25/08/2014 and 25/08/2020
Exercise price: €5.70
Volatility: 36.4%
Risk-free rate: 2.87%
Dilution taken into account linked to the creation of new shares through the exercise of options and other previously-awarded dilutive instruments.
Discount related to qualitative performance conditions: 25%
The valuation of the SO Executives 2010 plan comes to €13,500, fully expensed in the 2010 financial year.

The Management Board meeting of 2 April 2010, following the transfer to the Therabel Pharma Group of former employees of the subsidiary Laboratoires BioAlliance Pharma, recorded the automatic cancellation of 2,500 SO 2006(3) options and 15,000 in 2006 SO(4) options.

The Board of Directors meeting of 22 July 2010 recorded the automatic cancellation in January 2010 of 2,000 SO 2006(1) options, 5,000 SO 2006(2) options and 10,000 SO 2006(4) options, due to the departure of employees from the Company.

The Board of Directors meeting of 10 February 2011 recorded the automatic cancellation as of 31 December 2010 of 62,000 SO 2006(1) options, 7,000 SO 2006(2) options, 20,500 SO 2006(3) options, 15,000 SO 2006(4) and 4,400 SO Employees 2010(1) options, due to the departure of employees from the Company.

The corresponding impact of these cancellations is a €283,168 decrease in the expense.

6.2.3. Free shares

The Management Board meeting of 2 April 2010, following the transfer to the Therabel Pharma Group of former employees of the subsidiary Laboratoires BioAlliance Pharma, recorded the automatic cancellation of 4,800 rights to Free Shares (AGA 2008(1)) and 16,800 rights to Free Shares (AGA 2008(2)).

The Board of Directors meeting of 22 July 2010 recorded the automatic cancellation in January 2010 of 2,400 rights to Free Shares (AGA 2008(1)) and 3,500 rights to Free Shares (AGA 2008(2)), due to the departure of their beneficiaries from the Company.

The Board of Directors meeting of 10 February 2011 recorded the automatic cancellation as of 31 December 2010 of 3,600 rights to Free Shares (AGA 2008(2)), due to the departure of their beneficiaries from the Company.

The corresponding impact of these cancellations is a €77,195 decrease in the expense .

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

The table below summarises the total expense and the 2010 expense related to BCEs, BSAs, stock options and free shares granted by the Group:

	Total expense	Expense in 2010
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	0
Grant of BSAs on 13/12/2006	66,991	-14,878
Grant of stock options on 30/10/2006	1,954,651	-38,243
Grant of stock options on 5/04/2007	579,071	19,081
Grant of stock options on 10/10/2007	206,031	-35,904
Grant of BSAs on 10/10/2007	191,657	18,960
Grant of stock options on 25/04/2008	210,019	-21,822
Grant of free shares on 01/08/2008	544,050	133,314
Grant of BSAs on 17/12/2008	31,926	-3,826
Grant of free shares on 01/04/2009	102,173	31,889
Grant of BSAs on 06/04/2009	10,200	3,052
Grant of BSAs on 22/10/2009	15,377	7,591
Grant of stock options on 25/08/2010	488,254	88,298
Grant of stock options on 25/08/2010	13,500	13,500
Grant of stock options on 16/12/2010	53,920	1,092
TOTAL	5,740,063	202,104

NOTE 7: NON-CURRENT LIABILITIES

7.1. PROVISIONS

In €	01/01/2010	Allowances	Reversals		31/12/2010
			Used	Unused	
Post-employment benefit obligations	400,669			24,241	376,428
Provision for litigation and claims	313,000			75,000	238,000
Total non-current provisions	**713,669**	**-**	**-**	**99,241**	**614,428**

7.1.1. Post-employment benefit obligations (IAS 19)

The provision for post-employment benefit obligations amounted to €376,428, against €400,669 in 2009, representing an improvement in earnings of €24,241. The impact of taking into account the gradual increase in the age of retirement, pursuant to the provisions of the French Pension Reform Act of 10 November 2010, was a decrease in the total obligation of €28,489.

The actuarial assumptions applied were as follows:

Collective bargaining agreement	Medical industry
Retirement age	Between 65 and 67 years, under the Pension Reform Act of 10 November 2010
Calculation date	31/12/2010
Mortality table	INSEE 2009
Discount rate	4.68%
Rate of salary increase	4%
Employee turnover rate	By age category: - 0.47% from 16 to 24 years - 3.77% from 25 to 34 years - 1.42% from 35 to 44 years - 0.47% from 45 to 54 years - 0.94% above 55 years
Social charges	46% for BioAlliance Pharma

7.1.2. Provisions for litigation

Provisions for litigation and claims relates to ex-employees and suppliers.

As at 31 December 2009, the risks in the litigation underway with Eurofins and SpePharm could not be reliably measured, so no provision was made at 31 December 2010.

- **Litigation with Eurofins over a diagnostic technology for HIV drug resistance**

In October 2008, BioAlliance Pharma was informed of a civil action filed by companies in the Eurofins group against BioAlliance Pharma and one of its senior executives, in the State of Delaware (USA). 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 optimising its 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. As such, Eurofins sought to have the agreement related to the transfer rescinded, along with the award of damages. BioAlliance Pharma contests the merit of these allegations and immediately submitted an application for withdrawal of the case from the US courts. In September 2009, the federal judge approved the application for withdrawal submitted by BioAlliance Pharma. Eurofins lodged an appeal against this decision. In October 2010, a Court of Appeals upheld the dismissal, with no substantive examination by the federal judge.

In addition, 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. The proceedings are underway.

- **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 commercial partners before the arbitral court and to withdraw from its earlier summons.

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

The proceedings continued in 2010 on questions of form and jurisdiction.

7.2. OTHER NON-CURRENT LIABILITIES

This item is exclusively for OSEO (*) advances for certain products developed by the Group are repayable under certain conditions.

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 €	31/12/2010	31/12/2009
Trade payables	**3 241 311**	**2 920 996**

8.2. OTHER LIABILITIES

In €	31/12/2010	31/12/2009
Social security and similar liabilities	1 634 116	2 130 302
Tax liabilities	345 151	225 002
Other payables	458 779	1 442 806
Other liabilities	**2 438 045**	**3 798 110**

Other liabilities at 31 December 2010 include mainly deferred licence revenues totalling €314,000. These license revenues are recognised as follows:

- over a fixed period of 51 months as from 1 April 2008, for the Handok agreement. This period, previously set at 30 months, was extended as from 1 January 2010 to reflect regulatory delays;
- over a fixed period of 63 months, as from 1 July 2008, for the NovaMed agreement. This period, previously set at 30 month, was extended as from 1 January 2010 to reflect regulatory delays;

(*) innovation agency

The amount of deferred license revenues in the 2010 profit and loss account and recognised as net sales is detailed below:

In €	Balance at 31/12/2009	Increase	Reversal through profit and loss	Balance at 31/12/2010	Less than 1 year	From 1 to 5 years	More than 5 years
Par Pharmaceutical	827,936		827,936	-	-	-	-
SpeBio	-		-	-			
Handok	210,810		84,324	126,486	84,324	42,162	-
NovaMed	256,156		68,242	187,914	68,332	119,582	
Total	**1,294,902**	**-**	**980,502**	**314,400**	**152,656**	**161,744**	**-**

NOTE 9: OPERATING INCOME AND EXPENSES

9.1. NET SALES

In €	31/12/2010	31/12/2009
Net sales	22,531,840	7,536,312

Net sales mainly include the following:

- €14.8 million (US$20 million) received from US commercial partner Strativa Pharmaceuticals in consideration for obtaining marketing authorisation for Oravig® in the United States;
- €4.5 million corresponding to the upfront payment for the licensing agreement with the Therabel Group to market Loramyc® and Setofilm® in Europe;
- €2.5 million in other revenues related to licensing agreements signed by the Company and comprised of product sales and sales-based royalties, as well as a share of upfront payments spread over time in accordance with IAS 18 (see above section 8.2);
- €0.7 million in net sales invoiced directly by BioAlliance Pharma in France and some European countries before transfer of operations to Therabel.

9.2. PERSONNEL COSTS

Personnel costs are broken down as follows:

In €	31/12/2010	31/12/2009
Payroll	5,337,117	5,885,102
Expenses	2,348,445	2,714,438
Employee benefits (IFRS 2)	202,104	842,987
Deduction of research tax credit	(426,909)	(508,840)
Deduction of government grants	(69,119)	(41,984)
Total personnel costs	**7,391,637**	**8,891,703**
Headcount	**58**	**67**

9.3. EXTERNAL EXPENSES

External expenses include mainly the following items:

In €	31/12/2010	31/12/2009
Selling and administrative expenses	6,181,323	9,164,381
Scientific sub-contracting	3,965,270	5,054,292
Deduction of research tax credit	(965,819)	(1,515,149)
Total	**9,180,774**	**12,703,524**

The 28% decrease in external costs is related mainly to the reduction of scientific subcontracting with the end of clinical trials underway in 2009, and to lower promotional costs related to the transfer of the sales force to Therabel in late March 2010.

The 2010 rental expense in respect of the lease of the registered office at 49 Boulevard du Général Martial Valin, Paris 75015 came to €632,519.

9.4. TAXES OTHER THAN ON INCOME

The 88% increase in taxes other than on income, which totalled €848,449 at 31 December 2010, is related to the imposition of US annual regulatory fees by the FDA owing to the marketing authorisation obtained for Oravig® and the sale of this product in the United States. These fees totalled €295,926 in fiscal 2010.

9.5. OTHER OPERATING EXPENSES

Other operating expenses are broken down as follows:

In €	31/12/2010	31/12/2009
APR Agreement - Milestone payment	1,250,000	0
Other	157,752	141,386
Total	1,407,752	141,386

NOTE 10: FINANCIAL INCOME

Income from cash corresponds mainly to foreign exchange gains and gains on the sale of marketable securities by the Company and reflects the impact of the change in fair value of cash and financial assets of BioAlliance Pharma amounting to €45.713. Financial expenses are mainly related to negative foreign exchange differences amounting to €218,503.

NOTE 11: DEFERRED TAX

The BioAlliance Group had accumulated tax losses amounting to €106 million at 31 December 2010. Although the Group showed a profit of €2,809,406 at 31 December 2010, it does not project a profit in the short term and therefore no deferred tax asset was recognised.

NOTE 12: EARNINGS PER SHARE

12.1. EARNINGS PER SHARE

In €	31/12/2010	31/12/2009
Net income/(loss) attributable to BioAlliance Pharma ordinary shareholders	2,809,406	(15,382,885)
Number of ordinary shares	13,536,072	12,898,334
Number of treasury shares	30,038	35,881
Earnings per share	**0.21**	**(1.19)**

12.2. DILUTED EARNINGS PER SHARE

In €	31/12/2010	31/12/2009
Net income/(loss) attributable to BioAlliance Pharma ordinary shareholders	2,809,406	- 15,382,885
Number of ordinary shares	13,536,072	12,898,334
Effect of dilution (1)	565,300	N/A
Number of shares adjusted for diluted earnings	14,101,372	
Diluted earnings	**0.20**	**N/A**

NOTE 13: OFF-BALANCE-SHEET COMMITMENTS

13.1. 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:

< 1 year	Between 1 and 5 years	> 5 years
787,766	3,059,434	667,955

13.2. STATUTORY INDIVIDUAL TRAINING ENTITLEMENT (DIF)

The Act 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.

At 31 December 2010, the individual training entitlement represented 3,930 hours valued at €81,618.

13.3. COMMITMENT UNDER A CONTRACT 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 2010.

NOTE 14: SUMMARY OF BSAS (SHARE PURCHASE WARRANTS), BCES (SPECIAL FOUNDERS' SHARE PURCHASE WARRANTS) AND STOCKS OPTIONS AT 31 DECEMBER 2010

Type	Date of authorisation	BSAs and BSPCEs authorised	BSAs or BSPCEs granted	Beneficiaries	BSAs or BSPCEs outstanding at 31/12/2009	BSAs or BSPCEs exercised between 01/01/2010 and 31/12/2010	BSAs or BSPCEs outstanding at 31/12/2010	Shares that may be subscribed, taking account of cancellations and vesting	Subscription price per share (€)	Expiry date
BCE & BSA-J	7 November 2005 Resolution 10	161,000	137,394 (1)	Officers Employees Members of the Supervisory Board	66 800 (2) all vested	0	0	0	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	66,500 of which 51,500 vested	0	30,000 (4) of which 22,500 vested	0 0 22,500	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	57,500 of which 14,000 vested	7,500	26,000 (6) of which 11,500 vested	6,000 4,000 1,500	2.95 2.41 5.34	17/12/2013 05/04/2014 21/10/2014
TOTAL WARRANTS					190,800 of which 66,800 + 65,500 vested (7)	7,500	56,000 of which 34,000 vested			
TOTAL SHARES						7,500 shares issued		34,000		

(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) After deduction of cancellations for 2010: 24,000 BSA-L1 (Management Board of July 22, 2010)

(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 2010**

Plan designation	Number of options authorised	Grant date (Management Board or Board of Directors)	Number of options granted	Beneficiaries	Vested or exercisable by 25% increment as from	Number of options cancelled (1) (1)	Options outstanding at 31/12/10	Options exercisable at 31/12/10	Subscription price per share in euro	Expiry date
SO 2006(1)		30/10/2006	352,000	Executives and Employees	30/10/2007	161,000	191,000	191,000	12.74	30/10/2011
SO 2006(2)		05/04/2007	114,000	Employees	05/04/2008	47,000	67,000	50,250	12.55	05/04/2012
SO 2006(2)		10/10/2007	55,000	Employees	10/10/2008	38,000	17,000	12,750	11.18	10/10/2012
SO 2006(4)		25/04/2008	74,000	Employees	25/04/2009	45,000	29,000	14,500	7.06	25/04/2013
TOTAL SO 2006	**630,000**	(2)	**595,000**			**291,000**	**304,000**	**268,500**		
SO Employees 2010 (1)	150,500	25/08/2010	120,800	Employees	25/08/2011	4,400	116,400	0	5.70	25/08/2020
SO Employees 2010 (2)		16/12/2010	16,200	Employees	16/12/2011	0	16,200	0	5.64	16/12/2020
SO Executives 2010	25,000	25/08/2010	25,000	Executives	25/08/2014	0	25,000	0	5.70	25/08/2020
TOTAL SO 2010	**175,500**		**162,000**			**4,400**	**157,600**	**0**		
TOTAL SO	**805,500**		**757,000**			**295,400**	**461,600**	**268,500**		

(1) Summary of cancellations due to departure of employees as recorded in the minutes of Board of Directors meeting of 10 February 2011 (2) The Management Board meeting of 25 April 2008 cancelled 35,000 unallocated options

- **Schedule of free share grants at 31 December 2010**

Plan designation	Number of free shares authorised	Date of grant (Management Board)	Number of free shares granted	Beneficiaries	Vesting date (continuous service + performance conditions)	Number of rights to free shares cancelled (1)	Rights to free shares outstanding at 31/12/10	Number of free shares fully vested
AGA (2008) 1		01/08/2008	148,500	Executives and employees	01/08/2010	27,600	0	120,900
AGA (2008) 2		01/04/2009	94,000	Executives and employees	01/04/2011	46,300	47,700	0
TOTAL	**260 000 (2)**		**242,500**			**73,900**	**47,700**	**120,900**

(1) Summary of cancellations due to departure of employees as recorded in the minutes of Board of Directors meeting of 10 February 2011

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

NOTE 15: REMUNERATION OF CORPORATE OFFICERS

The following table summarises the remuneration recognised at 31 December 2010 for the corporate officers, including the two members of the Management Board and the members of the Supervisory Board until the change of the Company's mode of administration approved by the annual shareholders meeting of 22 April 2010, and subsequently that of members of the Board of Directors.

REMUNERATION OF CORPORATE OFFICERS IN 2010

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 Free share grants	Other / Benefits in kind (in €)	Total (€)
	Fixed	Variable	Exceptional			
TOTAL	**579,158**	**125,449**	**0**		**514,444**	**1,219,051**

Executives remunerations include the remuneration of Dominique Costantini (CEO), the remuneration of Gilles Avenard (COO) until 4 August 2010, the date of his departure from the Company, and the remuneration of Pierre Attali (COO) since his appointment on 22 July 2010. Gilles Avenard received €500,000 in severance pay under the terms of his departure, included under "Other" above.

BioAlliance Pharma has established a method of remuneration of its directors through fees. The shareholders' meeting of 22 April 2010 set the amount of such directors' fees, to be divided among the members of the Supervisory Board, and subsequently the Board of Directors, for the year at €132,000.

Post-employment benefits for corporate officers totalled €114,476 for the period.

NOTE 16: RELATED PARTIES

Transactions with other companies related to the Group as defined in paragraph 9 of IAS 24 concern only those companies included in the scope of consolidation. These essentially involve sales of finished goods and services, billings of marketing license fees, and intercompany loans and borrowings as part of cash management agreements.

In €	**31/12/2010**	**31/12/2009**
Assets	**2,391,213**	**1,668,198**
Liabilities	**39,418**	**652,484**
Income	**711,520**	**1,469,107**
Expenses	**314,841**	**1,190**

4.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Year ended 31 December 2010

To the Shareholders,

In carrying out the mission entrusted to us by your annual shareholders' meetings, we hereby present our report for the year ended 31 December 2010, on:

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

The consolidated financial statements were approved by the Board of Directors. 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; these standards require that we plan and perform the audit to obtain reasonable assurance as to 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 financial statements. We believe that the 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 31 December 2010 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 above, we draw your attention to the matter discussed in Note 7.1.2 to the consolidated financial statements, 'Provisions for litigation', concerning pending litigation with Spepharm and SpeBio, and with Eurofins.

II. Justification of 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:

• In accordance with IFRS 2, your company carried out a valuation, as of the grant date, of share warrants and free shares granted to employees in order to recognise an expense in the profit and loss account, as described in note 6.2 to the consolidated financial statements, 'Share-based payments'. We assessed the assumptions used and the reasonableness of the resulting valuations.

The assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our opinions expressed in the first part of this report.

III. Specific verification

As required by law, and in accordance with professional standards applicable in France, we have also performed specific verification of 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, 5 April 2011

The Statutory Auditors

GRANT THORNTON
French Member of Grant Thornton International

OLIVIER BOCHET

ERNST & YOUNG Audit

FRANCK SEBAG

4.3 BIOALLIANCE PHARMA SA 2010 PARENT COMPANY FINANCIAL STATEMENTS

ASSETS	2010			2009
	Gross	Depr. & amort	Net	Net
Subscribed, uncalled share capital				
Intangible assets				
Incorporation expenses				
Development costs				
Concessions, patents and similar rights	187,178	180,930	6,248	7,861
Goodwill				
Other intangible assets	412,124	301,486	110,638	122,040
Advances and prepayments on intangible assets				
Tangible assets				
Land				
Buildings				
Plant & equipment	733,736	475,981	257,755	268,034
Other tangible assets	2,686,109	1,101,648	1,584,460	1,852,662
Tangible assets in progress				
Advances and prepayments				
Financial assets				
Holdings valued by the equity method				
Other equity holdings	14,651,918	14,651,918		31,918
Receivables from investments				
Other long-term securities	165,209		165,209	174,023
Loans				
Other financial assets	359,925		359,925	300,542
NON-CURRENT ASSETS	**19,196,199**	**16,711,964**	**2,484,235**	**2,757,080**
Inventories				
Raw materials and supplies	824		824	824
Work in progress - goods				
Work in progress - services				
Semi-finished and finished goods				
Goods held for resale	34,450	330	34,120	
Prepayments to suppliers				
Receivables				
Trade receivables	269,850	25,368	244,482	263,009
Other receivables	5,017,413	2,310,652	2,706,761	3,075,111
Subscribed, called, unpaid share capital				
Miscellaneous				
Securities including treasury shares	19,583,361		19 583 361	13 352 833
Cash	723,082		723,082	793,321
CURRENT ASSETS	25,628,980	2,336,350	23,292,630	17,485,097
Accruals				
Prepaid expenses	573,116		573,116	272,575
TOTAL III	**26,202,096**	**2,336,350**	**23,865,746**	**17,757,672**
Issuing costs to be spread over several years				
Loan redemption premiums				
Translation adjustment - assets	473		473	6,070
GRAND TOTAL	**45,398,768**	**19,048,314**	**26,350,454**	**20,520,822**

LIABILITIES AND EQUITY

Category			2010	2009
Share capital	of which paid:	3,384,018	3,384,018	3,224,583
Issue, merger and acquisition premiums			100,811,181	97,948,490
Excess of restated assets over historical cost				
Legal reserve				
Reserves required by the articles of incorporation or by contract				
Regulated reserves				
Other reserves				
Retained earnings			(88,681,159)	(66,282,749)
Net income/(loss) for the year			**3,831,450**	**(22,398,410)**
Capital grants			263,018	299,717
Regulated provisions				
SHAREHOLDERS' EQUITY			**19,608,507**	**12,791,631**
Proceeds from issue of preference shares				
Advances with specific conditions attached			1,130,507	1,066,789
OTHER SHAREHOLDERS' EQUITY			**1,130,507**	**1,066,789**
Contingency provisions			473	6,070
Loss provisions			238,000	238,000
PROVISIONS FOR CONTINGENCIES AND LOSSES			**238,473**	**244,070**
Financial liabilities				
Convertible bonds				
Other bonds				
Bank debts			14,560	21,773
Other debt				612,083
Operating liabilities				
Client prepayments				
Trade payables			2,927,061	2,500,819
Accrued taxes and personnel costs			1,955,098	1,840,852
Other payables				
Payables related to fixed assets			16,169	
Other liabilities				3,431
Accruals				
Deferred revenue			458,778	1,439,374
LIABILITIES			**5,371,667**	**6,418,332**
Translation adjustment - liabilities			1,300	
GRAND TOTAL			**26,350,454**	**20,520,822**
Short-term borrowings			5,185,239	6,418,332
Bank credit balances			8,154	15,581

PROFIT AND LOSS ACCOUNT

	2010			2009
	France	Export	Total	
Sale of goods held for resale	414,022	768,528	1,182,550	232,296
Production sold - goods				(67,553)
Production sold - services	461,806	9,000	470 806	748,258
NET SALES	**875,828**	**777,528**	**1,653,357**	**913,000**
Production left in stock				58,107
Capitalised production				
Operating grants			309,251	410,877
Excess depreciation and recovery on provisions charged in prior years			136,062	203 653
Other income			21,036,610	6,807,090
TOTAL OPERATING INCOME			**23,135,279**	**8,392,727**
Purchases of goods for resale (including customs duties)			924,888	31,500
Change in inventories			30,718	(7,397)
Purchases of raw materials and supplies			118,539	315,807
Change in inventories				
Other purchases and external expenses			9,534,660	11,003,423
Taxes other than on income			832,288	347,425
Wages and salaries			4,695,184	4,308,010
Payroll charges			2,085,017	2,063,429
Amortisation, depreciation and provisions				
on fixed assets: amortisation			491,005	512,811
on fixed assets: depreciation				
on current assets: depreciation			845,952	330,572
for contingencies and losses: provisions				
Other expenses			1,406,810	135,773
TOTAL OPERATING EXPENSES			**20,965,061**	**19,041,353**
OPERATING INCOME/(LOSS)			**2,170,218**	**(10,648,626)**
Operations with third parties				
Allocated gain or transferred loss				
Sustained loss or transferred gain				
Financial income				
Financial income from investments			19,436	150,076
Financial income from other securities and from fixed asset securities				
Other interest and similar income			0	3,107
Provision reversals and expense transfers				401
Foreign exchange gains			371,449	106,923
Net gains on sales of marketable securities			19,754	907,517
TOTAL FINANCIAL INCOME			**410,639**	**1,168,025**
Financial expenses				
Amortisation, depreciation and provisions			32,392	14,606,070
Interest and similar expenses			975	167
Foreign exchange losses			217,259	150,878
Net losses on sales of marketable securities				
TOTAL FINANCIAL EXPENSE			**250,626**	**14,757,116**
NET FINANCIAL INCOME/ (EXPENSE)			**160,013**	**(13,589,091)**
INCOME/(LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX			**2,330,231**	**(24,237,716)**

PROFIT AND LOSS ACCOUNT (continued)

	2010	2009
Exceptional income		
Exceptional income on operating transactions		5,982
Exceptional income on capital transactions	117,349	148,441
Provision reversals and expense transfers		
Exceptional income	**117,349**	**154,423**
Exceptional expenses		
Exceptional expenses on operating transactions	3,828	7,988
Exceptional expenses on capital transactions	68,578	59,051
Exceptional provisions and expense transfers		78,000
Exceptional expenses	**72,407**	**145,039**
EXCEPTIONAL ITEMS	**44,943**	**9,384**
Employee profit sharing		
Corporate income tax	(1,456,276)	(1,829,922)
TOTAL INCOME	**23,663,267**	**9,715,175**
TOTAL EXPENSES	**19,831,817**	**32,113,585**
PROFIT/(LOSS) FOR THE YEAR	**3,831,450**	**(22,398,410)**

BioAlliance is a company that designs, develops and markets innovative products for the treatment and supportive care of cancer. Its targeted approaches help to combat drug resistance and to improve the health and quality of life of patients.

1. ACCOUNTING POLICIES

The financial statements for the year ended 31 December 2010 have been 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.

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. 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 expensed.

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.

1.2. 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

1.3. 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.

1.4. 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.

1.5. RECEIVABLES AND PAYABLES

Receivables and payables are measured at their face value. 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.

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.

1.6. MARKETABLE SECURITIES

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

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

1.7. CASH

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

1.8. PROVISIONS FOR CONTINGENCIES AND LOSSES

Provisions correspond to obligations resulting from various disputes 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 company 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.

1.9. LICENSING AGREEMENTS

Licences granted to third parties

Agreements under which the Company licences rights to third parties for marketing one or more products in its portfolio generally involve an upfront payment at the date of signature, as well as future milestone payments and the payment of royalties on net 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).

Upfront payments due on signature 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 company's involvement and the specific conditions of the agreement;

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 an upfront payment at the date of signature, various other additional payments subject to the achievement of regulatory and sales objectives, and payment of royalties on net sales.

These licensing agreements generally relate to products undergoing clinical development. Upfront payments upon signature represent a participation in funding research and development costs and are thus fully expensed in the year in which the agreement is signed.

Earn-out payments are in the form of royalties for marketing rights and, as such, they are expensed over the period in which they are due.

1.10. GRANTS

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

2. SIGNIFICANT EVENTS IN THE YEAR

2.1. INFORMATION CONCERNING BUSINESS ACTIVITIES IN 2010

- **Market authorisation and launch of Oravig® in the United States**

On 16 April 2010, BioAlliance Pharma obtained marketing authorisation for Oravig® (the US trademark for Loramyc®) in the United States for the treatment of oropharyngeal candidiasis in adults. In consideration, the Company received US$20 million (€14.8million) from its partner Strativa Pharmaceuticals, in accordance with the license agreement signed in July 2007. This payment was recognised in full as net sales for the first half of 2010. In addition to royalties based on net sales, the agreement also provides for the payment of other amounts based on sales of Oravig®.

The product was launched by the Strativa Pharmaceuticals teams in late August 2010, allowing BioAlliance Pharma to receive royalties on the first sales.

- **Major license agreement and new marketing authorisations in Europe**

On 6 April 2010 the Company announced the signature of an exclusive partnership agreement with the Therabel Group for marketing Loramyc® and Setofilm® in Europe, including France, and the transfer of the French sales organisation to a new entity, Therabel Hôpital Pharma.

In consideration for this license, BioAlliance Pharma will receive from Therabel a total of up to €48.5 million, including €6.5 million in unconditional payments (€4.5 million upfront payment recognised as net sales in the first half of 2010 and two successive payments of €1 million each at the end of 2011 and 2012). Of the total, €3 million will be linked to obtaining reimbursement agreements for Loramyc® in three European countries and €33 million will be linked to milestones in combined sales of both products. The agreement includes significant royalties based on net sales and linked to the products' state of progress. Inasmuch as Setofilm® and Loramyc® are both registered in Europe, the €4.5 million upfront payment received by BioAlliance Pharma was recognised immediately as net sales in the first half of 2010.

The agreement also provides for Therabel, as a strategic partner, to subscribe to the capital of BioAlliance. An initial capital increase of €3 million was approved by the shareholders at the annual meeting of 22 April 2010. The new shares were issued at a price of €5.89, a 15% premium over the average of the last 20 trading days preceding the signing of the agreement. A second capital subscription of €3 million, also including a 15% premium on the share price, will take place subject to the approval of the annual shareholders' meeting in 2011.

In total, BioAlliance Pharma received €7.5 million in 2010 under the Therabel agreement, significantly strengthening the Company's cash position.

In addition, as a result of the regulatory approval of Setofilm®, the Group made a contractual milestone payment €1.25 million to APR, owner of the product rights.

2.2. POST BALANCE SHEET EVENTS

There are no events subsequent to 31 December 2010 that have an impact on the financial statements as presented.

3. NOTES TO THE BALANCE SHEET

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 2010.

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.

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.

The shares held in subsidiary BioAlliance Pharma Switzerland have been written down by €31,918.29.

In the context of the liquidity contract with CM-CIC Securities, the amount of treasury shares held was €165,209.00 corresponding to 30,038 shares. Non-invested cash amounted to €202,881.91.

In 2010, 770,692 treasury shares were purchased and 776,535 were sold; the result for the year was a gain of €48,771.

3.4. INVENTORIES

At 31 December 2010, inventories of goods held for resale had a net value of €34,120. These were mainly stocks of Loramyc® to be resold to the European partner, Therabel.

3.5. TRADE RECEIVABLES

Trade receivables represented a net amount of €244,482 at 31 December 2010, and consisted primarily of receivables due from partners Par Strativa and Therabel amounting to €116,115.

3.6. OTHER RECEIVABLES

Other receivables represented a net amount of €2,706,761 at 31 December 2010, broken down as follows:

- Research Tax Credit, 2010: €1,456,276
- VAT refund requested: €253,164
- Cash advances granted to BioAlliance Pharma Switzerland: €37,341
- VAT deductible and on outstanding invoices: €247,677
- Income receivable (OSEO grant): €214,605
- Other: €497,698

In 2010, a provision for impairment of the Laboratoires BioAlliance Pharma current account was booked at 100% of the current account balance of €813,652. The current account of subsidiary BioAlliance Pharma Switzerland was also impaired in the amount of €22,000, bringing the provision for doubtful accounts to €2,310,652.

Finally, because of the subsidiary's lack of activity, the SpeBio current account was impaired at 100%.

3.7. PREPAID EXPENSES

Prepaid expenses at 31 December 2010 came to €573,116 and correspond mainly to subcontracting services and rent expenses.

3.8. MARKETABLE SECURITIES

Marketable securities are made up of cash mutual funds purchased for €19,583,361 and valued at 31 December 2010 at €20,170,100.

3.9. SHAREHOLDERS' EQUITY

Between 31 December 2009 and 31 December 2010, the share capital rose from €3,224,583.50 to €3,384,018.00 euros and additional paid-in capital increased from €97,948,490.17 to €100,811,181.49. This was the result of three capital increases carried out successively in the following manner:

- an increase marking Therabel's acquisition of an equity interest for €3,000,000.82, including €127,334.50 in nominal and €2,872,666.32 in additional paid-in capital. This capital increase was recorded by the shareholders' meeting of 22 April 2010 by the issuance of 509,338 new shares at €0.25 each;
- a capital increase through capitalisation of reserves on 25 August 2010, following the vesting of free shares granted to employees on 1 August 2008, for a total of €30,225, via the issue of 120,900 shares with a nominal value of €0.25 each;
- a last capital increase resulting from the exercise of 7,500 share warrants for a total of €22,125, including €1,875 in nominal and €20,250 in additional paid-in capital. 7,500 new shares with a nominal value of € 0.25 each were created.

At 31 December 2010, the share capital amounted to €3,384,018, divided into 13,536,072 common shares with a nominal value of €0.25 each, all of the same class and fully paid up.

3.10. CAPITAL GRANTS

The capital grant of €367,000 corresponds to the landlord's contribution to some of the work on the new registered office which started in 2008. The amount of depreciation at 31 December 2010 came to 103,982 euros.

3.11. PROVISIONS FOR CONTINGENCIES AND LOSSES

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

As at 31 December 2009 the risks in the litigation underway with Eurofins and SpePharm could not be reliably measured, so no provision was made at 31 December 2010.

Litigation with Eurofins

In October 2008, BioAlliance Pharma was informed of a civil action filed by companies in the Eurofins group against BioAlliance Pharma and one of its senior executives, in the State of Delaware (USA). 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 optimising its 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. As such, Eurofins sought to have the agreement related to the transfer rescinded, along with the award of damages.

BioAlliance Pharma contests the merit of these allegations and immediately submitted an application for withdrawal of the case from the US courts. In September 2009, the federal judge approved the application for withdrawal submitted by BioAlliance Pharma. Eurofins lodged an appeal against this decision. In October 2010, a Court of Appeals upheld the dismissal, with no substantive examination by the federal judge.

In addition, 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. The proceedings are underway.

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 commercial partners before the arbitral court and to withdraw from its earlier summons.

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

The proceedings continued in 2010 on questions of form and jurisdiction.

3.12. OTHER SHAREHOLDERS' EQUITY

Advances with specific conditions attached correspond to public funding obtained for several products in development:

- the Company received a grant from OSEO which is repayable, in the event of technical or commercial success, in several instalments until 30 September 2015. The balance at 31 December 2010 amounted to €350,000 corresponding to a grant awarded in 2004 in respect of the clinical programme for doxorubicin Transdrug™. The last payment was received in December 2006;
- the Company also received an OSEO grant for the Clonidine programme, repayable in several instalments through 2014. The balance at 31 December 2010 stood at 150,000 euros.
- a grant from OSEO-ISI for the development of the anti-invasive cancer programmes AMEP™ and Zyxine. The balance at 31 December 2010 amounted to €630,507.

3.13. PAYABLES

Trade payables increased from €2,500,819 at 31 December 2009 to €2,927,061 at 31 December 2010. The change in trade payables stems mainly from the seasonality of Research and Development expenses and certain overhead costs.

3.14. DEFERRED REVENUE

Deferred revenue is made up mainly of upfront payments on the Loramyc® licensing agreements which are being recognised in profit and loss over a number of years. The balance at 31 December 2010 amounts to €458,778, broken down as follows:

- Handok agreement: €126,486
- NovaMed agreement: €187,914
- other: €144,379

4. NOTES ON THE PROFIT AND LOSS ACCOUNT

4.1. NET SALES

Net sales for the 2009 financial year came to €1,653,357 and are broken down as follows:

- sale of goods held for resale to subsidiary Laboratoires BioAlliance Pharma and commercial partners: €1,182,550
- intercompany services: €321,468
- other: €149,339

4.2. OPERATING GRANTS

Operating grants amounted to €309,251 and correspond to a share of expenditures on several company products in development.

4.3. OTHER INCOME

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

- milestone payment received upon obtaining marketing authorisation for Oravig® (PAR/Strativa): €14,776,505
- upfront payment under the Therabel agreement: €4,500,000
- share of the upfront payments of other licensing agreements: €980,595
- royalties on sales from commercial partners: €674,089
- other: €105,421.

4.4. OPERATING EXPENSES

Operating expenses increased from €19,041,353 at 31 December 2009 to €20,965,061 at 31 December 2010, reflecting the following changes:

- a decrease in 'Other purchases and external expenses' related to a reduction in scientific and clinical subcontracting expenditure;
- an increase in 'Purchases of goods for resale' as a result of supplying commercial partner PAR Strativa for the launch of Oravig® in the US;
- an increase in the 'Other expenses' which includes the amount of €1,250,000 paid to APR.

4.5. OPERATING INCOME/(LOSS)

Operating income/(loss) shows a profit of €2,170,218, compared to a loss of €10,648,626 at 31 December 2009.

This rise was due mainly to the increase in 'Other income', and more particularly to the increase of more than €16.9 million in royalties from commercial partnerships.

4.6. NET FINANCIAL INCOME

Net financial income corresponds mainly to net gains on the sale of marketable securities in the amount of €19,754, foreign exchange gains totalling €371,449, and proceeds on short-term advances to subsidiaries amounting to €19,436.

Financial expenses correspond mainly to foreign exchange losses recognised during the year, or €217,259.

4.7. EXCEPTIONAL ITEMS

Exceptional items showed a profit of €44,943 and correspond mainly to profits under the liquidity contract of €48,771.

4.8. CORPORATE INCOME TAX

The tax receivable of €1,456,276 corresponds to the amount of the research tax credit.

Under the tax group formed by BioAlliance Pharma, group head, and its subsidiary Laboratoires BioAlliance, tax loss carry forwards at 31 December 2010 amounted to €105,940,979, broken down as follows:

- €90,700,742 for BioAlliance Pharma
- €15,240,237 for Laboratoires BioAlliance Pharma.

4.9. NET INCOME/(LOSS)

Net income/(loss) for 2010 reflects a profit of €3,831,450.

5. OFF-BALANCE-SHEET COMMITMENTS

5.1. BSAS, BCES AND STOCK OPTIONS

- **Summary of BSAs (share purchase warrants), BCEs (special founders' share purchase warrants) and stocks options at 31 December 2010**

Type	Date of authorisation	BSAs and BSPCEs authorised	BSAs or BSPCEs granted	Beneficiaries	BSAs or BSPCEs outstanding at 31/12/2009	BSAs or BSPCEs exercised between 01/01/2010 and 31/12/2010	BSAs or BSPCEs outstanding at 31/12/2010	Shares that may be subscribed, taking account of cancellations and vesting	Subscription price per share (€)	Expiry date
BCE & BSA-J	7 November 2005 Resolution 10	161,000	137,394 (1)	Officers Employees Members of the Supervisory Board	66 800 (2) all vested	0	0	0	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	66,500 of which 51,500 vested	0	30,000 (4) of which 22,500 vested	0 0 22,500	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	57,500 of which 14,000 vested	7,500	26,000 (6) of which 11,500 vested	6,000 4,000 1,500	2.95 2.41 5.34	17/12/2013 05/04/2014 21/10/2014
TOTAL WARRANTS					190,800 of which 66,800 + 65,500 vested (7)	7,500	56,000 of which 34,000 vested			
TOTAL SHARES						7,500 shares issued		34,000		

(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) After deduction of cancellations for 2010: 24,000 BSA-L1 (Management Board of July 22, 2010)

(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 2010**

Plan designation	Number of options authorised	Grant date (Management Board or Board of Directors)	Number of options granted	Beneficiaries	Vested or exercisable by 25% increment as from	Number of options cancelled (1) (1)	Options outstanding at 31/12/10	Options exercisable at 31/12/10	Subscription price per share in euro	Expiry date
SO 2006(1)		30/10/2006	352,000	Executives and Employees	30/10/2007	161,000	191,000	191,000	12.74	30/10/2011
SO 2006(2)		05/04/2007	114,000	Employees	05/04/2008	47,000	67,000	50,250	12.55	05/04/2012
SO 2006(2)		10/10/2007	55,000	Employees	10/10/2008	38,000	17,000	12,750	11.18	10/10/2012
SO 2006(4)		25/04/2008	74,000	Employees	25/04/2009	45,000	29,000	14,500	7.06	25/04/2013
TOTAL SO 2006	**630,000**	(2)	**595,000**			**291,000**	**304,000**	**268,500**		
SO Employees 2010 (1)	150,500	25/08/2010	120,800	Employees	25/08/2011	4,400	116,400	0	5.70	25/08/2020
SO Employees 2010 (2)		16/12/2010	16,200	Employees	16/12/2011	0	16,200	0	5.64	16/12/2020
SO Executives 2010	25,000	25/08/2010	25,000	Executives	25/08/2014	0	25,000	0	5.70	25/08/2020
TOTAL SO 2010	**175,500**		**162,000**			**4,400**	**157,600**	**0**		
TOTAL SO	**805,500**		**757,000**			**295,400**	**461,600**	**268,500**		

(1) Summary of cancellations due to departure of employees as recorded in the minutes of Board of Directors meeting of 10 February 2011 (2) The Management Board meeting of 25 April 2008 cancelled 35,000 unallocated options

- **Schedule of free share grants at 31 December 2010**

Plan designation	Number of free shares authorised	Date of grant (Management Board)	Number of free shares granted	Beneficiaries	Vesting date (continuous service + performance conditions)	Number of rights to free shares cancelled (1)	Rights to free shares outstanding at 31/12/10	Number of free shares fully vested
AGA (2008) 1		01/08/2008	148,500	Executives and employees	01/08/2010	27,600	0	120 900
AGA (2008) 2		01/04/2009	94,000	Executives and employees	01/04/2011	46,300	47,700	0
TOTAL	**260,000 (2)**		**242,500**			**73,900**	**47,700**	**120,900**

(1) Summary of cancellations due to departure of employees as per the minutes of the 10 February 2011 Board of Directors meeting. (2) Cancellation of 17,500 rights to free shares by Management Board meeting of 6 April 2009

5.2. POST-EMPLOYMENT BENEFITS

The actuarial valuation method used is the retrospective valuation method. 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.

The actuarial assumptions applied are as follows:

Collective bargaining agreement: Medical industry

Retirement age:

Non-managerial staff: according to the age table, at the employee's initiative

Managers: age 64, at the employee's initiative

Calculation date: 31 December 2010

Mortality table: INSEE 2009

Discount rate: 4.68 %

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

Employee turnover rate: By age category:

- for employees aged 16 to 24 years: 0.47 %
- for employees aged 25 to 34 years: 3.77 %
- for employees aged 35 to 44 years: 1.42 %
- for employees aged 45 to 54 years: 0.47 %
- for employees aged 55 years and over: 0.94 %

Social charges 46 %

At 31 December 2010, post-employment benefits obligations totalled €376,428. The impact of the pension reform act is a reduction in the obligation of €28,489.

5.3. BIOALLIANCE PHARMA STOCK OPTIONS GRANTED TO EMPLOYEES

The ordinary and extraordinary shareholders' 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 SO 2006 options were allocated out of the 630,000 initially authorised. At 31 December 2009, 443,000 options remained outstanding, including 403,000 solely for employees of BioAlliance Pharma.

No options were exercised in 2010 and 139,000 options were automatically cancelled due to the departure of employees. As a result, at 31 December 2009, 443,000 options remained outstanding, all for employees of BioAlliance Pharma.

The ordinary and extraordinary shareholders' meeting of 22 April 2010 authorised the Board of Directors to grant stock options, each conveying a right to one share, through two separate plans: a maximum of 150,500 options to BioAlliance Pharma employees, and a maximum of 25,000 options to BioAlliance Pharma executives.

In the 2010 financial year:

- the Board of Directors granted 120,800 SO Employees 2010(1) options on 25 August, and 16,200 SO Employees 2010(2) options on 16 December. No options were exercised and 4,400 options were automatically cancelled due to the departure of employees.
- the Board of Directors granted 25,000 SO Executives 2010 options on 25 August. No options were exercised or cancelled.

In total, at 31 December 2010, 116,400 SO Employees 2010 options remained outstanding for employees of BioAlliance Pharma and 25,000 SO Executives 2010 options remained outstanding for the Company's executive management.

5.4. FREE SHARE GRANT

The ordinary and extraordinary shareholders' 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.

Rights to 242,500 free shares were awarded under two grants, on 1 August 2008 (AGA 2008(1)) and on 1 April 2009 (AGA 2008(2)). At 31 December 2009, because of cancellations due to the departure of employees, 199,700 remained outstanding, including 173,400 solely for employees of BioAlliance Pharma.

In the 2010 financial year:

- Rights to 31,100 free shares were automatically cancelled due to the departure of employees, of which 4,800 concerned BioAlliance Pharma employees;
- Rights to 120,900 free shares (AGA 2008 (1)) were fully vested by their beneficiaries on 1 August 2010 and converted into free shares, exclusively for the benefit of BioAlliance Pharma employees.

In all, at 31 December 2010, 47,700 rights to free shares (AGA 2008(2)) remained outstanding, all for employees of BioAlliance Pharma.

5.5. GRANT OF BCES AND BSAS

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

In the 2010 financial year:

- the BCE-J and BSA-J warrants lapsed without being exercised, because the cost of exercise exceeded the share's value;
- no BSA-K warrants, authorised by the shareholders' meeting of 16 May 2006, were exercised. A total of 26,000 BSA-K1 warrants and 10,500 BSA-K2 warrants were cancelled due to the departure of their beneficiaries, bringing the number of BSA-K warrants outstanding at 31 December to 30,000, each conveying the right to one share;
- as regards the BSA-L warrants authorised by the shareholders' meeting of 29 April 2008:
- 7,500 BSA-L1 warrants were exercised during the second half (4,500 in September and 3,000 in October). The corresponding capital increase was recorded by the Board of Directors meeting of 10 February 2011;

- 24,000 BSA-L1 warrants were cancelled due to the departure of their beneficiaries, reducing the number of BSA-L warrants outstanding at 31 December 2010 to 26,000, each conveying a right to one share.

At 31 December 2010, total share purchase warrants (BSAs) outstanding stood at 56,000 warrants, representing 56,000 shares that could be purchased, assuming total vesting.

5.6. FINANCIAL COMMITMENTS IN FAVOUR OF A THIRD PARTY

At 31 December 2010, the commitment for leasing company vehicles for employees amounted to €30,313.

5.7. STATUTORY INDIVIDUAL TRAINING ENTITLEMENT

A total of 3,930 hours of individual training entitlement have been accrued by employees. This commitment is valued at €81,617.

5.8. OPERATING LEASES

This commitment is in respect of company leases. It is valued at:

- < 1 yr: €763,377.56
- from 1-5 yrs: €3,053,510.24
- > 5 yrs: €667,955.37

5.9. REMUNERATION OF CORPORATE OFFICERS

Remuneration of corporate officers came to €1,219,051.

The amount of their post-employment benefits was €114,476.

FIXED ASSETS

	Gross value at start of 2010	INCREASES	
		Remeasurements in 2010	Acquisitions in 2010
Formation costs and research and development costs			
Other intangible assets	588,635		217,325
TOTAL INTANGIBLE FIXED ASSETS	**588,635**		**217,325**
Land			
Construction on own land			
Leaseholds			
Facilities, fixtures and fittings			
Plant & equipment	661,440		80,177
Fixtures and fittings	2,128,270		7,941
Transport equipment			
Office and computer equipment, furniture	567,357		19,387
Recoverable packaging and other			
Property, plant and equipment in progress			
Advances			
TOTAL TANGIBLE FIXED ASSETS	**3,357,067**		**107,505**
Holdings valued by the equity method			
Other equity holdings	14,651,918		
Other long-term securities	174,023		(8,814)
Loans and other financial assets	300,542		59,383
TOTAL LONG-TERM INVESTMENTS	**15,126,483**		**50,569**
GRAND TOTAL	**19,072,185**		**375,399**

	DECREASES		Gross value at end 2010	Original value
	Current account deposits 2010	Current account transfers 2010		
Formation costs and research and development costs				
Other intangible assets		206,658	599,302	
TOTAL INTANGIBLE ASSETS		**206,658**	**599,302**	
Land				
Construction on own land				
Leaseholds				
Facilities, fixtures and fittings				
Plant & equipment		7,881	733,736	
Fixtures and fittings			2,136,210	
Transport equipment				
Office and computer equipment, furniture		36,846	549,898	
Recoverable packaging and other				
Property, plant and equipment in progress				
Advances				
TOTAL TANGIBLE ASSETS		**44,727**	**3,419,845**	
Holdings valued by the equity method				
Other equity holdings			14,651,918	
Other long-term securities			165,209	
Loans and other financial assets			359,925	
TOTAL LONG-TERM INVESTMENTS			**15,177,052**	
GRAND TOTAL		**251,384**	**19,196,199**	

DEPRECIATION AND AMORTISATION

Position and movements in the year	Amount at start of 2010	Increases	Decreases	Amount at end 2010
Formation costs and research and Other intangible assets	458,734	105,020	81,338	482,416
TOTAL INTANGIBLE ASSETS	**458,734**	**105,020**	**81,338**	**482,416**
Land				
Construction on own land				
Leaseholds				
Facilities, fixtures and fittings				
Plant & equipment	393,405	90,457	7,881	475,981
Fixtures and fittings	513,932	198,609		712,541
Transport equipment				
Office and computer equipment, furniture	329,033	96,920	36,846	389,108
Recoverable packaging and other				
TOTAL TANGIBLE ASSETS	**1,236,370**	**385,986**	**44,727**	**1,577,630**
GRAND TOTAL	**1,695,104**	**491,006**	**126,065**	**2,060,046**

Depreciable assets	ALLOWANCES			REVERSALS			Net movement in depreciation allowances at year end
	Tax term coefficient	Declining balance method	Special tax depreciation	Tax term coefficient	Declining balance method	Special tax depreciation	
Formation costs and research and development costs							
Other intangible assets							
TOTAL INTANGIBLE FIXED ASSETS							
Land							
Construction on own land							
Leaseholds							
Facilities, fixtures and fittings							
Tech. equipment & machinery							
Gen Inst, fixtures and improvements							
Transport equipment							
Office and computer equipment							
Recoverable packaging & other							
TOTAL TANGIBLE FIXED ASSETS							
Cost of acquisition of equity securities							
GRAND TOTAL							

TOTAL unclassified					
Charges spread over several years	**Amount at start of 2010**	**Increases**	**Depreciation and amortisation**	**Amount at end 2010**	
Issuing costs to be spread over several years					
Loan redemption premiums					

PROVISIONS

Type of provisions	Amount at beginning of 2010	Increases in allowances in the year	Decreases			Amount at end of 2010
			Used during the year	Unused during the year	Reversals during the year	
Regulated provisions						
Provisions for replenishing sources (mines, oil)						
Provisions for investment						
Provisions for price rises						
Additional depreciation for tax purposes						
of which exceptional increases of 30%						
Tax provisions for foreign establ. (av.1.1.92)						
Tax provisions for foreign establ. (ap.1.1.92)						
Provisions for construction and equipment loans						
Other regulated provisions						
TOTAL REGULATED PROVISIONS						
Provisions for contingencies and losses						
Provisions for litigation						
Provisions for customer warranties						
Provisions for losses on futures markets						
Provisions for fines and penalties						
Provisions for foreign exchange losses	6,070	473			6,070	473
Provisions for pensions and similar obligations						
Provisions for taxes						
Provisions for capital renewal						
Provisions for major repairs and major overhauls						
Prov. for tax and soc. chgs on holiday pay						
Other provisions for contingencies and losses	238,000					238,000
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES	**244,070**	**473**			**6,070**	**238,473**
Provisions for impairment						
on intangible fixed assets						
on tangible fixed assets						
on long-term investments in equity securities						
on long-term investments in equity capital	14,620,000	31,918				14,651,918
on other long-term investments						
on inventories and work in progress	65,504				65,174	330
on trade receivables	15,068	10,300				25,368
Other provisions for impairment	1,475,000	835,652				2,310,652
TOTAL PROVISIONS FOR IMPAIRMENT	**16,175,572**	**877,870**			**65,174**	**16,988,268**
GRAND TOTAL	**16,419,642**	**878,344**			**71,244**	**17,226,742**

of which operating allowances and reversals	845,952	71,244
of which financial allowances and reversals	32,392	
of which exceptional allowances and reversals		

Investments in equity: amount of impairment at the end of the year	

MATURITIES OF RECEIVABLES AND PAYABLES

RECEIVABLES	Gross amount	Less than 1 year	More than 1 year
Receivables from investments			
Loans (1) (2)			
Other long-term investments	359,925	202,882	157,043
Doubtful or contentious receivables	25,368	25,368	
Other trade receivables	244,482	244,482	
Receivables representing loaned securities			
Personnel	500	500	
Social security and other employee benefit charges	(1,527)	(1,527)	
Corporate income tax	1,456,276	1,456,276	
Value added tax	500,841	500,841	
Taxes other than on income			
Miscellaneous	63,718	63,718	
Group and shareholders (2)	2,347,993	2,347,993	
Miscellaneous receivables	649,613	649,613	
Prepaid expenses	573,116	573,116	
TOTAL RECEIVABLES	**6,220,304**	**6,063,261**	**157,043**

(1) Amount of loans granted during the year

(1) Amount of repayments received during the year

(2) Loans and advances to shareholders (individuals)

PAYABLES	Gross amount	Less than 1 year	More than 1 year Less than 5 years	More than 5 years
Convertible bonds (1)				
Other bonds (1)				
Bank debts < 1 year	14,560	14,560		
Bank debts > 1 year				
Other debt (1) (2)				
Trade payables	2,927,061	2,927,061		
Personnel	916,997	916,997		
Social security and other employee benefit charges	705,105	705,105		
Corporate income tax				
Value added tax	1,016	1,016		
Secured obligations				
Taxes other than on income	331,980	331,980		
Payables related to fixed assets	16,169	16,169		
Group and shareholders (2)				
Other liabilities				
Debt representing borrowed securities				
Deferred revenue	458,778	458,778		
PAYABLES	**5,371,667**	**5,371,667**		

(1) Loans contracted during the year

(1) Loans repaid during the year

(2) Amount of loans and debts payable to shareholders

BREAKDOWN OF SHARE CAPITAL

Classes of securities	Number of securities			Nominal value
	At year end	issued during the year	Redeemed during the year	
Common shares	13,536,072	637,738		0.25
Shares redeemed				
Priority dividend shares				
Preference shares				
Shares				
Investment certificates				

ACCRUED INCOME

Nature of income (receivables)	Amount
Financial assets	
- Receivables related to investments	
- Other financial assets	
Receivables	
- Trade receivables	116,115
- Other receivables	471,002
Marketable securities	
Cash	
Other	
Rebates receivable	
Grants receivable	
Other (daily Social Security payments receivable)	
TOTAL	**587,117**

ACCRUED EXPENSES

Nature of expenses	Amount
Convertible bonds	
Other bonds	
Bank debts	6,406
Other debt	
Customer prepayments	
Trade payables	1,278,913
Accrued taxes and personnel costs	1,665,050
Payables related to fixed assets	16,169
Other payables	
Other	
TOTAL	**2,966,538**

DEFERRED REVENUE AND PREPAID EXPENSES

Nature of expenses	2010	2009
Operating expenses		
Prepaid expenses on operating items	573,116	272,575
Expenses, financial:		
Expenses, exceptional:		
TOTAL PREPAID EXPENSES	**573,116**	**272,575**
Comparative BALANCE (Balance Sheet Assets: 2050 heading CH)	**573,116**	**272,575**

Nature of income	2010	2009
Income from operations:		
Deferred revenue on operating items	458,778	1,439,374
Income, financial:		
Income, exceptional,:		
TOTAL DEFERRED INCOME	**458,778**	**1,439,374**
Comparative BALANCE SHEET (Liabilities: 2051 section EB)	**458,778**	**1,439,374**

TOTAL DEFERRED REVENUE AND PREPAID EXPENSES	**114,337**	**(1,166,799)**

BREAKDOWN OF NET SALES

Breakdown of net sales	2010			2009		
	France	Export	Total	France	Export	Total
Sale of finished products					(67,553)	(67,553)
Sales of goods held for resale	414,022	768,528	1,182,550	232,296		232,296
Income from ancillary activities	461,806	9,000	470,806	748,258		748,258
TOTAL	**875,828**	**777,528**	**1,653,356**	**980,554**	**(67,553)**	**913,001**

LEASES

CAPITAL LEASING	Initial cost	Amortisation, depreciation and provisions		Net value
		For the year	Cumulative	
Land				
Buildings				
Plant & equipment	74,130	14,826	23,475	50,655
Other tangible assets				
Tangible assets in progress				
TOTAL	**74,130**	**14,826**	**23,475**	**50,655**

LEASE COMMITMENTS	Amounts paid		Amounts outstanding				Residual purchase price
	For the year	Cumulative	< 1 year	From 1 to 5 years	> 5 years	Total	
Land							
Buildings							
Technical installations	17,307	27,428	17,307	29,395		46,702	741
Other tangible assets							
Tangible assets in progress							
TOTAL	**17,307**	**27,428**	**17,307**	**29,395**		**46,702**	**741**

AVERAGE HEADCOUNT

Category	Average headcount		Average headcount seconded		Total	
	2010	2009	2010	2009	2010	2009
Managers	51	54			51	54
Supervisors						
Staff and Technicians	10	11			10	11
Other						
Total	**61**	**65**			**61**	**65**

LIST OF SUBSIDIARIES AND INVESTMENTS

Company	Capital	Reserves and retained earnings before appropriation of income	% share of capital held (as %)	Book value of securities held		Loans and advances made by the Company and not yet repaid	Amount of security and guarantees given by the company	Net sales excl. VAT from last year	Result (profit or loss for the last financial year)	Dividends received by the company during the year
				Gross	Net					
LABORATOIRES BIOALLIANCE PHARMA	100,000	488,105	100	14,600,000		813,652		1,288,325	(1,419,061)	
BIOALLIANCE PHARMA SWITZERLAND	79,974	(82,253)	100	31,918		59,341			(51,768)	
SPEBIO	40,000	(3,340,027)	50	20,000		1,475,000			(509,268)	

RELATED COMPANIES AND AFFILIATES

	Amount concerning	
	related companies	**invested companies**
Financial assets		
Advances and prepayments on intangible assets		
Investments		
Receivables from investments		
Loans		
Receivables		
Prepayments to suppliers		
Trade receivables	17,572	25,368
Other receivables	37,341	
Subscribed, called, unpaid share capital		
Liabilities		
Convertible bonds		
Other bonds		
Bank debts		
Other debt		
Customer prepayments		
Trade payables	4,617	23,956
Other liabilities		
Financial income		
Income from investments		
Other financial income	5,705	13,731
Financial expenses	975	
Other		
TOTAL	**66,210**	**63,055**

FIVE-YEAR SUMMARY OF RESULTS

Type of indicator	2006	2007	2008	2009	2010
Share capital at year end					
Share capital	2,169,086	3,115,473	3,224,208	3,224,583	3,384,018
Number of common shares outstanding	8,676,343	12,461,894	12,896,832	12,898,334	13,536,072
Number of preference shares outstanding					
Maximum no. of future shares to be issued:					
By conversion of bonds					
By exercise of subscription rights					
Operations and results					
Net sales, excluding VAT	826,676	1,153,066	1,084,062	913,000	1,653,357
Income/(loss) before tax, employee profit sharing,					
Depreciation, amortisation and provisions	(11,108,911)	(16,385,584)	(15,217,550)	(8,847,030)	3,636,579
Corporate income tax	359,968	1,085,083	(2,253,575)	(1,829,922)	(1,456,276)
Employee profit sharing					
Net income/(loss) after tax, employee profit sharing,					
Depreciation, amortisation and provisions	(11,022,461)	(15,721,589)	(14,560,997)	(22,398,410)	3,831,450
Distributions					
Earnings per share					
Net income/(loss) after tax, employee profit sharing,					
but before depreciation, amortisation and provisions	-1.24	-1.23	-1.01	-0.54	0.38
Net income/(loss) after tax, employee profit sharing,					
Depreciation, amortisation and provisions	-1.27	-1.26	-1.13	-1.74	0.28
Dividend per share					
Personnel					
Average headcount	47	53	75	65	61
Gross payroll	2,978,149	3,275,570	4,788,434	4,308,010	4,695,184
Amounts paid for employee benefits	1,362,762	1,492,593	2,384,799	2,063,429	2,085,017

4.4 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

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

Year ended 31 December 2010

To the Shareholders,

In carrying out the mission entrusted to us by your annual shareholders' meetings, we hereby present our report for the year ended 31 December 2010, on:

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

The parent company financial statements were approved by the Board of Directors. Our assignment is to give an opinion on those financial statements on the basis of our audit.

I. Opinion on the parent company financial statements

We conducted our audit in accordance with professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance as to whether the parent company 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 consider that the evidence that we obtained is sufficient and appropriate on which to base our 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 31 December 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion above, we draw your attention to the matter discussed in note 3.11 to the financial statements, 'Provisions for risks and losses', concerning pending litigation with Spepharm and SpeBio, and with Eurofins.

II. Justification of 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 1.9.1 to the financial statements, to be read in conjunction with note 4.3, describes the accounting treatment of upfront payments for licensing agreements. We have ensured the appropriateness of the accounting policy and verified its proper implementation. Our work included assessing the reasonableness of estimates and assumptions that underlie the recognition of revenues related to these agreements.

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 required by law

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 Board of Directors' management report and in the documents addressed to the shareholders with respect to the financial position and the parent company 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 the remuneration and benefits received by the directors and any other commitments made in their favour, we have checked 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 owners of shares and voting rights has been properly disclosed in the management report.

Paris and Paris-La Défense, 5 April 2011

The Statutory Auditors

GRANT THORNTON French member of Grant Thornton International Olivier Bochet	ERNST & YOUNG Audit Franck Sebag

4.5 OTHER FINANCIAL INFORMATION

Date of latest financial data

Publication of press release on the 2010 parent company financial statements audited and approved by the Board of Directors on 3 March 2011; press release dated 3 March 2011 distributed in accordance with legislation concerning the publication of regulated financial information.

Interim and other financial data

Not applicable.

Dividend distribution policy

Because of its losses, BioAlliance Pharma has never distributed any dividends.

In its shareholders' interests, the Company intends dedicating all of its financial resources to increasing its enterprise value. Any distributable profits as may be earned during the business development phase will be kept by the Company and used in developing its activities.

Subsequently, depending on the level of distributable reserves, the Company intends to adopt a dividend distribution policy reflecting increases in profits and cash generated by the business. The Company does not, however, project any dividend distributions in the near future.

4.6 2010 ANNUAL REPORT

The annual financial report for the 2010 financial year, prepared in accordance with Articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulations, consists of sections of the reference document identified in the table below:

Sections of the reference document	Section no.
BioAlliance Pharma SA 2010 parent company financial statements	4.3.
Group consolidated financial statements	4.1.
Board of Directors' management report including the report on the Group	3.1.
Certification by the persons responsible for annual report	6.5.
Statutory auditors' report on the parent company financial statements	4.4.
Statutory auditors' report on the consolidated financial statements	4.2.

CHAPTER 5. CORPORATE GOVERNANCE

5.1 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

5.1.1 Change in the Company's mode of administration in April 2010

Founded in 1997 in the form of a French-law limited company with a board of directors, BioAlliance Pharma had changed its method of administration and adopted the form of a limited company with a Management Board and Supervisory Board in April 2003, this system being better suited to the representation of the investment funds then involved in the Company.

In a new shareholder context and following the withdrawal of the Supervisory Board's main historical funds, the Company wished to assist in the development of its business and strategic model by simplifying its method of governance. With the objective of strengthening the consistency of decisions within a single collegial body, the shareholders' meeting of 22 April 2010 decided to change the Company's method of administration and to revert to the form of limited company with a Board of Directors.

The shareholders' meeting therefore adopted new articles of incorporation, identical to the preceding ones, subject to provisions related to the method of administration and the Company's management. Two other points were changed: terms of office were raised from three to four years and the requirement that members of the Board of Directors hold shares in the Company was abolished in accordance with the regulations in force.

The Board of Directors, in session at the end of the shareholders' meeting, opted for the separation of the duties of the Chairman of the Board of Directors (non-executive) and CEO (executive powers), thereby protecting the quality of the governance.

In view of the change in the Company's method of administration on 22 April 2010, two types of governance applied successively during the 2010 financial year:

- Until 22 April 2010, BioAlliance Pharma, a limited company with a Management Board and Supervisory Board, was run by its two co-founders, Dominique Costantini and Gilles Avenard, respectively Chairwoman of the Management Board and member of the Management Board. The seven-member Supervisory Board was chaired by Jean-Marie Zacharie;
- Since 22 April 2010, the terms of members of the Management and Supervisory Boards ended as of right. BioAlliance Pharma SA is henceforth administered by a seven-member Board of Directors, chaired by André Ulmann. Dominique Costantini was named Chief Executive Officer.

5.1.2 Composition of Management bodies

At the date of publication of this document, the Executive Management of the Company is composed of three persons:

- Dominique Costantini, CEO;
- Judith Greciet, Chief Operating Officer, Operations and R&D;
- Pierre Attali, Chief Operating Officer, Strategy and Medical Affairs.

Dominique Costantini, co-founder of BioAlliance Pharma with Gilles Avenard, has served as Chief Executive Officer since the Company's changeover to a Board of Directors (in April 2010), after previously serving as Chairwoman of the Management Board. As head of the company since its founding, Dominique Costantini has overseen its development and growth, particularly the implementation of strategic alliances and the creation of a portfolio of patents.

Previously, she worked for sixteen years in increasingly responsible positions at the Hoechst Marion Roussel Group (now Sanofi-Aventis). From 1992 to 1996 she was Head of Development, first in the Cassenne division of Hoechst Roussel, then from 1995 in the Marion-Cassenne division of Hoechst Marion Roussel. As head of a team of 130 people, she oversaw research, pharmaceutical development and medico-marketing and was responsible for the European registration of several antibiotics and hormones, as well as the successful launch of several strategic products. In this position, she was also responsible for product communications. Dominique Costantini also contributed to the development of several R&D and marketing contracts in Europe, Japan and the United States. From 1988 to 1992 she was Medical Director at Cassenne, where she led several successful product registrations. From 1980 to 1988, she worked in the medico-marketing department at Cassenne, becoming head of this department in 1985.

Dominique Costantini is an MD, and a specialist in immunology.

Judith Greciet joined BioAlliance Pharma on 3 March 2011 as Chief Operating Officer, Operations and R&D. She brings to the Company her leadership experience accumulated during a distinguished career in international companies in the pharmaceutical industry.

Judith Greciet was previously Chairwoman of Eisai France, a pharmaceutical laboratory that she led for three years. With net sales of €120 million, the company develops high value-added products in the treatment of Alzheimer's disease. She joined Eisai France in June 2007 after successful stints at Wyeth Pharmaceuticals France (now Pfizer), LFB (French Laboratory of Fractionation and Biotechnology), Zeneca and Pharmacia in increasingly responsible managerial roles in operations and strategy. In these roles, she gave high priority to optimising close relations with all healthcare actors (researchers, hospitals, physicians, patient associations, public authorities, etc.), and exercised her talent in the fields of oncology and immunology with product innovations such as Enbrel (Rheumatology). At Wyeth, as Head of Oncology, then Head of the Hospital division, with a special focus on in-hospital antibiotic therapies.

Judith Greciet is a Doctor of Pharmacy, with a specialised master's degree in pharmaceutical management and marketing.

Pierre Attali, Chief Medical Officer at BioAlliance Pharma since 2008, was appointed Chief Operating Officer, Strategy and Medical Affairs in July 2010.

Doctor Pierre Attali, a specialist in diseases of the liver and the digestive system, began his career as a hospital doctor for 11 years. In 1987, he joined Synthélabo as Project Manager in the Clinical Research department. He quickly progressed, attaining the position of Head of Clinical Research in 1992, which put him in charge of clinical strategy and international clinical operations, overseeing 400 employees. During this period, he put three new drugs and several new formulas on the market, and oversaw the launch of many others. In 2000, after Synthélabo's merger with Sanofi, Pierre Attali co-founded and managed OSMO, a clinical research organisation specialising in oncology. He was subsequently Chairman of the Management Board of Molecular Engines Laboratories, a French biotechnology company dedicated to cancer treatment, and then of Urogène, before joining BioAlliance Pharma in 2008.

Pierre Attali is also a *praticien attaché* [part-time hospital doctor] at the Bicêtre and Paul Brousse (AP-HP) hospitals and as such is a principal investigator of several clinical trials in liver disease. He is co-founder and member of the board of directors of several pharmaceutical and biotechnology companies.

The directorships and executive roles he has held in other companies in the past five years are included in the management report, in section 3.1.9 of this registration document. The business address of the executive management is that of the Company's registered office.

5.1.3 Composition of the administrative and supervisory bodies

The composition of the Supervisory Board and the Board of Directors in 2010, along with their members' titles and terms of office, are included in the Chairman's report on corporate governance, internal control and risk management, in section 5.5 of this registration document.

The business address of the directors is that of the Company's registered office.

5.1.4 Clean background and no conflicts of interest

To the best of the Company's knowledge and belief, none of the members of the Board of Directors or of the Company's Executive Management has been associated with any bankruptcy, been subject to attachment or liquidation, or been subject to any criminal conviction or penalty of any kind whatsoever during the past five years.

There are no family links between the members of the administrative, management and supervisory bodies.

To the best of the Company's knowledge and belief, no arrangement has been made and no agreement has been concluded with shareholders, customers, suppliers or others by virtue of which one of the members of the Board of Directors or of the Executive Management has been appointed in this capacity.

There is no restriction on the sale of shares held by the members of the Board of Directors or of the Executive Management.

To the best of the Company's knowledge and belief, no service contract has been concluded between the Company or any of its subsidiaries and any member of the Board of Directors or of the Executive Management other than the regulated agreements entered into with the companies Promontoire and Cemag, described below.

The Board of Directors on 23 June 2010 authorised the Company to enter into two agreements relating to specific strategic consulting services with Cemag SARL (services provided by André Ulmann, Chairman of the Board of Directors), and with Promontoires SAS (services provided by Catherine Dunand, Director) for a maximum of five (5) half-days of consulting, to be completed before 31 December 2010 at a cost of €1,250 before tax per half-day.

5.2 REMUNERATION AND BENEFITS

5.2.1 Remuneration and benefits in kind attributed to corporate officers

We set out below the total remuneration and benefits of all kinds paid in 2010 to each corporate officer, in accordance with the presentation stipulated by the AMF Recommendation of 22 December 2008 (gross pre-tax remuneration).

In addition, in accordance with the provisions of Article L 225-37 of the French 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 Chairman's report on corporate governance and internal control, in section 5.6.1.7. of this registration document.

Table 1

Summary table of remuneration, options and shares allocated to corporate officer (in €)		
Dominique Costantini - Chairwoman of the Management Board, then CEO	2009	2010
Remuneration payable for the financial year (broken down in Table 2)	233,798	318,517
Value of options awarded during the year	N/A	8,100
Value of performance shares awarded during the year	N/A	N/A
TOTAL	233,798	326,617
Gilles Avenard - Board member, then COO End of service on 4 August 2010		
Remuneration payable for the financial year (broken down in Table 2)	230,708	687,191
Value of options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
TOTAL	230,708	687,191
Pierre Attali - Remuneration prorated to date of appointment as COO on 22 July 2010		
Remuneration payable for the financial year (broken down in Table 2)	N/A	92,823
Value of options awarded during the year	N/A	5,400
Value of performance shares awarded during the year	N/A	N/A
TOTAL:	N/A	98,223

Table 2

Summary of remuneration paid to each executive officer (in €)				
Dominique Costantini - Chairwoman of the Management Board, subsequently CEO	Amounts in 2009		Amounts in 2010	
	owed	paid	owed	paid
- fixed remuneration	226,929	226,929	222,952	222,952
- variable remuneration	0	24,000	88,000	0
- exceptional remuneration	0	0	0	0
- directors' fees	N/A	N/A	N/A	N/A
- benefits in kind:	6,869	6,869	7,565	7,565
TOTAL	**233,798**	**257,799**	**318,517**	**230,517**
Gilles Avenard - Member of the Management Board, subsequently COO End of term on 4 August 2010				
- fixed remuneration	221,085	221,085	180,312	180,312
- variable remuneration	0	22,801	0	0
- exceptional remuneration	0	0	0	0
- directors' fees	N/A	N/A	N/A	N/A
- other (1) / benefits in kind:	9,623	9,623	506,879	506,879
TOTAL	**230,708**	**253,509**	**687,191**	**687,191**
Pierre Attali - Remuneration prorated at date of appointment as COO on 22 July 2010				
- fixed remuneration	N/A	N/A	77,394	77,394
- variable remuneration	N/A	N/A	15,429	0
- exceptional remuneration	N/A	N/A	0	0
- directors' fees	N/A	N/A	N/A	N/A
- benefits in kind:	N/A	N/A	0	0
TOTAL	N/A	N/A	**92,823**	**77,394**

The amount for 2010 includes a severance payment of €500,000 related to the termination of his employment contract.

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

Members of the Executive Management are not remunerated for their duties as corporate officers. Their remuneration includes a fixed portion and a variable portion (bonus), for which the Supervisory Board, upon recommendation of the Remuneration Committee, has set a target of 40% of their gross annual salary, dependent on the achievement of their objectives.

For 2010, the objectives of the CEO were broken down as follows: strategic objectives related to the identification and conclusion of commercial partnership agreements, objectives related to regulatory procedures for accessing the market of the Company's products, objectives related to research and development, and objectives related to the organisation of the Company. The Board of Directors assessed the achievement of these objectives at its meeting on 10 February 2011 and decided, upon recommendation of the Remuneration Committee, to pay the Chief Executive Officer a bonus corresponding to 40% of her gross annual salary.

Exceptional remuneration of members of the Board of Directors corresponds, where applicable, to the remuneration of employee inventors established within the Company for the benefit of all employees concerned. Their benefits in kind consist of insurance for loss of employment for Dominique Costantini and Gilles Avenard and the use of a Company car for Gilles Avenard.

Note to Table 3 – Directors' fees and other remuneration received by non-executive corporate officers

The Company's mode of administration was amended by the shareholders meeting of 22 April 2010: BioAlliance Pharma changed from a mode of governance featuring a Management Board and a Supervisory Board to that of a limited company (*société anonyme*) with a Board of Directors.

The annual shareholders' meeting of 22 April 2010 set the overall amount of directors' fees to be paid for the year ended 31 December 2010 at €132,500, versus €148,500 for 2009. The distribution of directors' fees between its members was decided by the Board of Directors, on recommendation of the Remuneration Committee, based on an inclusive amount per actual attendance at meetings of the Board and the Committees. This resulted in total fees paid of €120,500 for 2010 for eleven Board meetings (Supervisory Board, subsequently the Board of Directors) and eight Committee meetings. The total number of meetings (19), which is significantly higher than in 2009 (14), explains the increase in total fees, despite a decrease of 11% in the overall budget decided by the Board of Directors as a contribution to the company's cost management.

Table 3

Directors' attendance fees and other remuneration received by members of non-executive corporate officers				
Non-executive corporate officers	Total in 2009 6 Board meetings and 8 Committee Meetings		Total in 2010 11 Board meetings and 8 Committee meetings	
	Directors' attendance fees in €	Other remuneration	Directors' attendance fees in €	Other remuneration
André Ulmann appointed to Supervisory Board in Sept. 2009 Chairman of the Board of Directors since April 2010	6,250	6,000 BSAs	33,000	N/A
Michel Arié Member of Supervisory Board, subsequently Board of Directors	18,500	N/A	23,500	N/A
Catherine Dunand appointment to Board of Directors in April 2010	N/A	N/A	12,000	N/A
Gilles Marrache Member of Supervisory Board, subsequently Board of Directors	8,750	N/A	11,500	N/A
Jean-Marie Zacharie Chairman of the Supervisor Board Term expired in April 2010	43,500	N/A	28,500	N/A
François Sarkozy Vice-Chairman of the Supervisory Board Term expired in April 2010	19,500	N/A	12,000	N/A
George Hibon Member of the Supervisory Board Resigned in August 2009	7,000	N/A	N/A	N/A
Philippe Taranto Member of the Supervisory Board Resigned in September 2009	8,250	N/A	N/A	N/A
AGF Private Equity now IDInvest Represented by T. Laugel, subsequently 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	111,750	6,000 BSAs	120,500	N/A

Table 4

Stock options to purchase or subscribe for shares granted during the financial year to each corporate officer						
Name of corporate officer	No. and date of plan	Type of options (purchase or subscription)	Value of options according to method adopted for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Dominique Costantini CEO	SO Executives 2010 Board meeting of 25/08/10	subscription	62,919	15,000	€5.70	10 years
Pierre Attali COO	SO Executives 2010 Board meeting of 25/08/10	subscription	41,947	10,000	€5.70	10 years

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

The combined ordinary and extraordinary shareholders' meeting of 22 April 2010, in its twenty-first resolution, authorised the Board of Directors to award the Company's executive officers a maximum of 25,000 stock options, each conveying a right to one share, representing a maximum dilution of 0.2% of the Company's share capital at the close of the 2009 financial year, for two beneficiaries.

The executives' stock options are only exercisable after a period of four years, subject to the achievement of three performance conditions related to (i) the achievement of the company's 5-year business plan, (ii) research and development activity, and (iii) attainment of a minimum share price.

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

Not applicable. No option to purchase or subscribe for shares was exercised by the corporate officers in 2010.

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

Not applicable. No performance shares were awarded to corporate officers in 2010.

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

The Company's executive officers received free shares under a plan adopted in 2008 for all employees of the Company and its wholly-owned subsidiaries. The Management Board set the performance conditions which determined the vesting of rights to free shares at the end of the vesting period. These conditions were linked to (i) the company's cash flow, (ii) the advancement of research projects, and (iii) the implementation of strategy.
The Board of Directors noted the achievement of the performance conditions and, accordingly, the vesting of for employees and officers of the Company who fulfilled the condition of continuous service within the Company at 1 August 2010.

Table 7

Performance shares that became available during the financial year for each corporate officer			
Performance shares that became available during the financial year for each executive officer	No. and date of plan	Number of shares that became available in the financial year	Vesting conditions
Dominique Costantini	AGA 2008 (1) Management Board 31/7/2008	20,000	related to (i) the company's cash flow, ii) the advancement of R&D projects, (iii) the implementation of strategy
Gilles Avenard	AGA 2008 (1) Management Board 31/7/2008	20,000	related to (i) the company's cash flow, ii) the advancement of R&D projects, (iii) the implementation of strategy

Table 8 – History of the awards of stock warrants and options

As part of its policy of remunerating and motivating its executives and employees, from 2003 to 2005 BioAlliance Pharma established plans for awarding special founders' share purchase warrants (BSPCEs). This scheme was succeeded in 2006 by the award of stock options, in 2008 by the granting of free shares, and in 2010 by two new stock options plans: an "Executives" plan, and an "Employees" plan. In each of these cases, the plans benefited the executives and all employees of the Group.

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

In 2010 the beneficiaries who had not exercised their warrants from the 2005 plans (category J) since they were awarded had to waive their exercise when they expired, due to the share price.

Whether for stock options or warrants to purchase shares, the exercise price is determined as the average over the last twenty trading days preceding the grant date.

The conditions for the exercise of stock options for the 2010 plan are described in the commentary to Table 4 above.

Table 8

History of the awards of financial instruments granting rights to the share capital Information on the BSPCEs and stock options (SOs) awarded to executive officers				
Date of Shareholders' Meeting	BCE-J3 GM 07/11/05	BSA-K3 GM 16/05/06	SO 2006(1) GM 16/05/06	SO Exec. 2010(1) GM 22/04/10
Date of Management Board/Board of Directors meeting	30/01/2006	10/10/2007	30/10/2006	25/08/2010
Shares that may be subscribed by:	1 warrant/4 shares	1 warrant/1 share	1 SO/1 share	1 SO/1 share
Executive directors	120,000	11,000	120,000	25,000
Dominique Costantini	60,000	N/A	60,000	15,000
Gilles Avenard	60,000	N/A	60,000	N/A
Pierre Attali	N/A	11,000	N/A	10,000
Starting date for exercise	30/01/06	10/04/2008	30/10/07	25/08/2014
Expiry date	07/11/10	09/10/2012	30/10/11	25/08/2020
Subscription price (€)	10.64	11.18	12.74	5.70
Exercise terms	Vesting/4 years	Vesting/4 years	Vesting/4 years	4 years after award, subject to performance conditions
Shares subscribed at 31/12/2010	0	0	0	0
BCE/options cancelled or lapsed	30,000	0	60,000	0
BCE/options outstanding at end 2010	0	11,000	60,000	25,000

Table 8

History of the awards of financial instruments granting rights to the share capital Information on BSAs awarded to members of the Supervisory Board			
Date of Shareholders' Meeting	BSA-J1 and J5 GM 7/11/05	BSA-K1 GM 16/05/06	BSA-L GM 29/04/08
Date of Management Board	30/01/06	09/06/06	17/12/08 (1) 22/10/09 (2)
Shares that may be subscribed by:	1 warrant/4 shares	1 warrant /1 share	1 warrant /1 share
Corporate officers	20,000	20,000	48,000
Jean-Marie Zacharie			18,000 (1)
François Sarkozy	20,000	20,000	12,000 (1)
Gilles Marrache			6,000 (1)
Michel Arié			6,000 (1)
André Ulmann			6,000 (2)
Starting date for exercise of BSAs	30/01/06,	09/12/06	17/06/09 (1) 22/04/10 (2)
Expiry date	07/11/10	08/06/11	16/12/13 (1) 21/10/14 (2)
Subscription price (€)	10.64	12.51 (1)	2.95 (1) 5.34 (2)
Exercise terms	N/A	Vesting/4 years	Vesting/4 years
Shares subscribed at 31/12/2010	0	0	7,500
Total BSAs cancelled or lapsed	5,000	20,000	22,500
BSAs outstanding at end 2009	0	0	18,000

Table 9 – Stock options to purchase or subscribe for shares granted during the financial year to the 10 employees other than corporate officers receiving the largest number of shares or exercised thereby

No stock options were exercised in 2010.

The ordinary and extraordinary shareholders' meeting of 22 April 2010, in its twentieth resolution, authorised the Board of Directors to award 150,500 stock options to employees other than officers of the Company, with each option conveying the right to one share.

In 2010, 137,000 options were awarded to employees other than corporate officers.

Table 9

Options to subscribe for or purchase shares granted to the ten employees other than corporate officers receiving the largest number of options, and the options exercised thereby	**Number of options granted**	**Weighted average price**	**Plan No. 1**	**Plan No. 2**
Options granted during the year to the ten employees other than corporate officers receiving the largest number of options granted (overall data)	67,800	5.69	SO 2010(1)	SO 2010(2)

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

As mentioned above, the Company's compliance with the MiddleNext Code of Corporate Governance for small and mid-cap companies is disclosed in the Chairman's report on corporate governance, internal control and risk management, in section 5.5.1.7 of this registration document: The Company applies all the recommendations of the MiddleNext Code concerning executive officers.

The Chief Executive Officer of BioAlliance, a co-founder of the company, combines her corporate office with an employment contract. The circumstances that led to this decision mainly stem from the critical importance of her expertise and, correspondingly, her role in technical management.

Table 10

Executive Officers	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 Chief Executive Officer First appointed: 19/12/1997 End of term: GM to approve the 2013 financial statements	Yes			No		No		No
Gilles Avenard Chief Operating Officer First appointed: 19/12/1997 End of term: 04/08/2010	Yes			No		No		No
Pierre Attali Chief Operating Officer Start of term: 22/07/2010 End of term: GM to approve the 2013 financial statements	Yes			No		No		No
Judith Greciet Chief Operating Officer Start of term: 03/03/2011 End of term: GM to approve the 2013 financial statements	Yes			No		No		No

Commitments of all kinds corresponding to elements of remuneration, 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 the executive officers 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 French Commercial Code.

In 2010 the Company did not award any equity securities or debt securities to the executive officers. They were granted the stock options described in Table 4 above.

In accordance with the provisions of articles L 225-197-1 and L 225-185 of the French 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 officers of BioAlliance Pharma 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 granting rights to the share 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.

In addition, the BioAlliance Pharma Group's post-employment benefits obligations at 31 December 2010 amounted to €114,476 (IFRS consolidated financial statements).

5.2.2 Interests held by directors and officers in the Company's share capital

Interests held by directors and officers in the Company's share capital at 31 December 2010:

Interests held by directors and officers in the Company's share capital at 31/12/2010	Number of shares	% of share capital	No. of shares resulting from the potential exercise of BSAs	No. of shares resulting from the potential exercise of options	Number of free shares	% Total after potential exercise of warrants and options
Dominique Costantini	404,555	2.99	-	75,000	-	3.54
Pierre Attali	2,380		11,000	10,000	8,000	0.17
André Ulmann	-		6,000			
Michel Arié	100		6,000			
Gilles Marrache	500		6,000			
Catherine Dunand	-		-			

5.3 STATUTORY AUDITORS' REPORT ON REGULATED 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 readers. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Year ended 31 December 2010

To the Shareholders,

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

It is our responsibility to inform you, on the basis of information provided to us, of the essential characteristics and terms of agreements and commitments about which we have been advised or that we have discovered during our audit, without commenting on their usefulness or merit or ascertaining the existence of other such agreements or commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

It is also our responsibility, where applicable, to provide you the information stipulated in Article R. 225-31 of the Commercial Code relating to the implementation, during the past year, of agreements and commitments already approved by the shareholders' meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. Those tests and investigations consisted in verifying the consistency of the information given to us with the documents on which it is based.

1. Agreements and commitments subject to the approval of the shareholders

Agreements and commitments authorised during the past year

Pursuant to Article L. 225-40 of the Commercial Code, we have been advised of the following agreements and commitments that have been authorised by your Board of Directors.

1.1 With Cemag SARL

Person concerned: Dr André Ulmann, Chairman of the Board of Directors of BioAlliance Pharma and employee of Cemag SARL.

1.1.1 Nature and purpose

Services agreement between your company and Cemag SARL, authorised by your Board of Directors on 23 June 2010, and concluded on 1 July 2010 between your company and Dr André Ulmann.

1.1.2 Terms

This agreement relates to specific strategic consulting services provided by André Ulmann.

Under this agreement, your company recognised as an expense an amount of €3,750 on 31 December 2010.

1.2 With Promontory SAS

Person concerned: Catherine Dunand, Director and of BioAlliance Pharma and Chairwoman of Promontory SAS.

1.2.1 Nature and purpose

Services agreement between your company and Promontoire SAS, authorised by your Board of Directors on 23 June 2010, and concluded on 6 July 2010 between your company and Catherine Dunand.

1.2.2 Terms

This agreement relates to specific strategic consulting services provided by Catherine Dunand.

Under this agreement, your company recognised as an expense an amount of €3,750 on 31 December 2010.

2. Agreements and commitments already approved by the shareholders' meeting

Agreements and commitments authorised in prior years and which remained current during the year

In accordance with Article L. 225-40 of the Commercial Code, we have been advised that the agreements and commitments approved in prior years remained current during the year.

2.1 With Laboratoires BioAlliance Pharma

2.1.1 Nature and purpose

Cash management agreement between your company and its subsidiary, Laboratoires BioAlliance Pharma, authorised by the Supervisory Board on 4 September 2007 and concluded on 17 September 2007 between your company and Laboratoires BioAlliance Pharma.

2.1.2 Terms

This agreement enables implementation of a centralised cash management system in accordance with the provisions of Article 511-7 of the French Monetary and Financial Code. It aims to optimise the management of cash needs and surpluses in order to minimise the interest paid on overdrafts and to facilitate the short-term investment of surplus funds.

2.2 With Gilles Avenard

2.2.1 Nature and purpose

Agreement to cover the legal defence costs of Gilles Avenard, former member of the Management Board, in the context of the litigation between your Company and Eurofins Pharma US Holding Inc., and Viralliance Inc. or EVI (hereafter, "the US lawsuit"), authorised by the Board of Directors on 29 October 2008 and concluded on 31 October 2008 between your Company and Gilles Avenard.

2.2.2 Terms

Gilles Avenard was summoned in the US lawsuit in his capacity as a Director of EVI. He holds this position pursuant to an agreement that provides for a representative of BioAlliance Pharma to be appointed to EVI's board of directors. The facts alleged against him originate in his functions at BioAlliance Pharma.

The defence costs for Gilles Avenard alone are not separated from the overall costs of the proceedings, therefore, this amount cannot be communicated to you.

Paris and Paris-La Défense, 5 April 2011

The Statutory Auditors

ERNST & YOUNG Audit	GRANT THORNTON
	French member of Grant Thornton International
Franck Sebag	Olivier Bochet

5.4 RISK FACTORS AND RISK MANAGEMENT

Beginning in 2008, the BioAlliance Pharma group has formalised a risk management process that aims to identify all risks and risk factors that might affect the Company's business activities and processes and to define the resources that make it possible to manage such risks, particularly by implementing internal control processes and preventive measures. This approach is intended to encompass all types of risk and apply to all activities of the Group; it is described in the Chairman's report on corporate governance, internal control and risk management, in section 5.5. of this registration document.

The BioAlliance Pharma group is exposed to risks characteristic of the pharmaceutical sector. Under these rules, its activities are governed by a regulatory framework and by standards of good practices specific to this industry (see section 2.2.2. of this document). Regarding risks, because of the specificities of the company and its strategic policies, a number of risks typical to the pharmaceutical industry are currently insignificant to BioAlliance Pharma. These include environmental risks, such as the clean-up of sites and the costs of compliance, which do not affect the Group insofar as it subcontracts its production activity.

Within this context, BioAlliance Pharma has updated its risk mapping at 31 December 2010. This involved reassessing the risks in light of the Company's strategic objectives for 2011 and taking account of developments in the business: changes in the R&D portfolio and the transfer of certain key processes to commercial partners. The desire to improve the Group's overall readability also led to the grouping of certain to improve coherence.

This resulted in a total of 70 risks (versus 199 at end 2009), listed in categories that cover all business processes: Research and Development, Regulatory Affairs, Commercial Production, Commercial Partnership Management, Product Acquisition and/or Licensing, Pharmacovigilance of Marketed Products, Legal Matters and Industrial Property, Finance, Human Resources, and Information Technology.

The risks identified as major or significant are presented below.

Other than the risks presented, BioAlliance Pharma sees no other risks that could have a material adverse effect on its business, financial condition or its ability to achieve its objectives.

5.4.1 Risks related to the Company's business activities

5.4.1.1 Risks related to drug research and development

The risk of serious side effects in a clinical trial or negative results of a clinical trial could affect the growth of BioAlliance Pharma

To obtain marketing authorisation for a product, the Company must conduct preclinical trials on animals and complete clinical trials on humans in order to demonstrate the product's safety and efficacy.

If patients are or were to be exposed to unexpected and serious risks, the Company could choose, or the regulatory authorities could ask the Company, to suspend or end clinical trials (as was the case with the suspension of the doxorubicine Transdrug™ trial in July 2008). Deaths and other undesirable events could occur during a clinical trial because of medical problems, which may or may not be related to the treatment being tested and require the Company to delay or interrupt the trial.

In addition, the Company may decide, in view of negative results, to abandon development projects that it considered initially promising.

The inability of the Company to complete clinical trials successfully could have a material adverse effect on its ability to generate future revenues, its financial condition, and its development.

To minimise this risk, the Company has built its product portfolio in part on innovative medicines designed from ingredients already on the market, whose efficacy and tolerance profiles are well-

established. Furthermore, the Company conducts its trials by taking maximum precautions, particularly in defining protocols, using associated experts and studying competing products.

The risk of significant delays in the conduct of its clinical trials could affect the growth of BioAlliance Pharma.

Clinical trials are generally carried out over several years and are very costly. Their completion depends on a number of important parameters such as the indication, the size of the population affected, the nature of the clinical protocol, the proximity of the patients and the clinical sites, the criteria for eligibility for the trials, competition for patient enrolment, the availability of sufficient quantities of products, assistance from third parties and compliance with regulatory standards.

In 2010, BioAlliance continued the clinical trials initiated in late 2009 on three new products. If, for reasons associated with one or more of the aforementioned parameters, a significant delay occurred in a trial and development times significantly deviated from estimates, this could have an adverse impact on the Company's ability to generate future revenues, its financial condition, and its development.

This risk becomes less critical as development of the Company's products advances. With several products already being marketed or approaching this stage, a significant delay in the conduct of one product's trial will have less of an impact on the balance overall.

5.4.1.2 Risks related to outsourcing the Company's R&D and production capabilities

The Company is in a situation of dependency on the providers involved in clinical trials that it initiates.

The Company uses various providers in France and abroad to carry out its clinical trials. The quality of test results depends mainly on the quality of carrying out the desired services and their compliance with the original specifications and applicable standards.

The failure of a subcontractor involved in a clinical trial, the loss of data, delays or errors in data processing could have an adverse effect on the validity of tests and the compilation of regulatory filings for products under development by the Company.

To address this risk, BioAlliance Pharma audits the processes of its subcontractors and rigorously monitors all stages of clinical trials.

The Company is in a situation of dependency on third parties to manufacture its products, which could affect its ability to develop and market its products in a timely and competitive manner.

As part of its strategy, BioAlliance Pharma subcontracts the manufacture of its products under development. Although the Company believes that the number of subcontractors who can offer manufacturing capacity is significant, their inability to complete a project or their failure could have an adverse effect on the development of its products, the timing of their release on the market or their compliance, thereby affecting the conduct of its trials or related processes.

In addition, the Company entrusts production of its marketed products to third parties. At the date of filing of this document, this relates to Loramyc® in Europe/Oravig® in the United States. In the event of failure of their respective producers, interruption or quality problems in the provision of products, the Company could be temporarily unable to supply its commercial partners, which would undermine its reputation, affecting both its sales and profitability.

The Company has undertaken the process of selecting an alternative source of manufacturing for Loramyc®, which involves the revalidation of this product's manufacturing procedures. This process was on-going at the date of filing of this registration document.

5.4.1.3 Risks related to drug pricing and reimbursement policies

Risk associated with a delay in obtaining pricing and reimbursement rates or lower-than-expected rates

Decided by public commissions and agencies, the price of drugs is largely beyond the control of the Company and is set in relation to a flat rate deemed acceptable to the Community. Governments and other third parties that reimburse drug prices actively endeavour to curb healthcare costs by limiting both the coverage and the reimbursement rate applicable to new therapies.

BioAlliance Pharma's ability to generate sufficient profits on the sale of its products will partly depend on the level at which they are made available and the level of their reimbursement by the public health authorities, private health insurance companies and healthcare management organisations in the various countries where they are marketed. Should the timing of the procedure for price negotiation result in a significant delay in marketing a product or should the Company be unable to obtain an appropriate level of reimbursement, its profitability would be diminished.

Risk that a marketed product will cease to be reimbursed

The Company anticipates constant and increasing changes in proposed legislation to strengthen government controls over drug prices. In the western world, pressure on prices and reimbursement of drugs is generally on the increase and there is a growing tendency for certain products not to be reimbursed.

The Company cannot therefore guarantee that it will succeed in maintaining over time the price level of its drugs or the reimbursement rate accepted. Under these conditions, its sales and profitability could be significantly altered.

The Company works in a network with specialised consultants and international medico-economic experts to anticipate the information needed, to provide effective support to its pricing files in the various countries concerned and to maintain a level of publications that makes it possible to regularly confirm the medical service rendered.

5.4.1.4 Risks related to commercial partnership agreements

The risk of insufficient sales performance of a partner under licence may limit sales of the Company's products and significantly affect its growth

As part of its strategy, the Company has to find partners for marketing its products.

BioAlliance Pharma has selected the Therabel Group to market Loramyc® and Setofilm® in Europe, including France. In the United States, Strativa Pharmaceuticals (specialised division of Par Pharmaceutical Group) has marketed Oravig® since September 2010, following the registration of the product in the US in April 2010.

The company could be affected by the inadequate performance of its commercial partners, due to the non-coverage of certain areas or more generally a lack of resources deployed. This led BioAlliance Pharma to recover the marketing rights to Loramyc® in Europe In February 2009 and to entrust them to a new partner, the Therabel Group, in March 2010.

In addition, in 2008 BioAlliance Pharma signed agreements for marketing miconazole Lauriad® (Loramyc®) in the United States and Southeast Asia. The Company cannot guarantee that the registration of miconazole Lauriad® will be obtained in the Asian countries, including China, within the time estimated, or that its partners will obtain a satisfactory price that allows the product to be launched.

To avoid these risks, the Company has provided clauses guaranteeing its interests in its various licensing agreements. It also monitors its partners and retains the in-house expertise needed to coordinate them and monitor their marketing and sales deployment.

5.4.1.5 Risks related to the safety of marketed products

Product liability traditionally represents a significant risk for the pharmaceutical industry. Indeed, all possible side effects of a product cannot be detected during testing prior to receiving its marketing authorisation. A systematic review and regular analysis of data collected through clinical trials and post-marketing surveillance provide additional information (e.g., on the occurrence of rare adverse effects or those affecting a given population), which may lead to changes in the products' composition, limits on its therapeutic indications or even the suspension or withdrawal of the product.

BioAlliance Pharma has contracted a specific product liability insurance to cover the safety risk associated with marketing Loramyc®/Oravig® in Europe and the United States. However, this risk factor is greatly reduced because the drug is designed from ingredients already on the market, whose efficacy and tolerance profiles are very well established.

In addition, the Company has a pharmacovigilance system that complies with international regulations and has been inspected by the health authorities.

5.4.2 Legal risks

5.4.2.1 Challenges and constraints related to the regulatory environment

One of the Company's major challenges consists in successfully developing products until their marketing phase, in an ever more restrictive regulatory environment.

Legislative and regulatory provisions defined by AFSSAPS [French health product safety agency], the European Commission, the EMA, 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 (see section 2.2.2 of this registration document). Throughout the world, the pharmaceutical industry is confronted with a tightening of this regulatory environment. The health authorities – notably the FDA and the EMA – have imposed ever more stringent requirements in terms of volumes of data required to demonstrate a product's efficacy and safety.

Consequently, the regulatory process for approval of new therapeutic products is long and complex and its outcome is unpredictable. Moreover, regulatory requirements and procedures vary greatly from one country to another.

For a growth company like BioAlliance Pharma, most of whose product portfolio is still in development, the uncertainties associated with both the creation of a file to apply for marketing authorisation and its phase of examination by the regulatory authorities carry major risks whose financial impacts may be significant.

Authorities in the United States, Europe and other countries may:

- require additional testing to validate the product's registration;
- restrict the indications for which the Company would be authorised to market its products;
- significantly delay the issuance of the market authorisation to the Company.

To address these risks which could increase costs and reduce its future revenues, the Company has acquired strong expertise in the clinical and regulatory fields. It also closely coordinates its pharmaceutical and clinical subcontractors to ensure the quality and availability of test data, and maintains active relations with regulatory agencies through the registration procedure.

5.4.2.2 Limitations on protection provided by patents and other intellectual property rights

Risk that patents issued or granted to the Company under licence are contested by third parties or invalidated

BioAlliance Pharma regularly files patent applications in order to protect its technologies, products, preparation processes and pharmaceutical compositions. Through its patents and other intellectual property rights, BioAlliance Pharma has exclusive rights on the products resulting from its research or acquired under licence: it has the rights to 318 published patents or patent applications, including 220 patents that have been granted in several major countries or jurisdictions, including the US, Europe and Japan.

The Company's capacity to market its products successfully will therefore depend chiefly on its ability to obtain, maintain and protect its intellectual property rights.

In the pharmaceutical sector, patent law is still evolving and presents uncertainties. In particular, no uniform global policy has so far emerged on the content of patents issued in the fields of biotechnology and the scope of allowed claims. Uncertainties also result from the possible emergence of new-found prior art.

As regards the extent of protections claimed, some of the Company's patents may cover products derived from compounds protected by patents held by third parties.

Regarding the possible emergence of new-found prior art, patent applications are never published before a period of eighteen months after their first filing and, in the United States, some applications are not published before the award of the patent. Thus, at the time a patent application is filed, other as-yet unpublished patent applications belonging to third parties may constitute unidentified prior art. The filing of a patent application or issuance of a patent does not therefore guarantee its validity nor its applicability, both of which may be challenged by third parties.

If third parties claim a proprietary right over the Company's patents or other intellectual property rights, the Company may have to obtain suitable licences for those patents, interrupt or modify certain activities or procedures, or even develop or obtain alternative technologies, and this is liable to have adverse effects on the development of its products and the generation of future revenues.

It may be necessary to take legal action to enforce intellectual property rights, protect trade secrets and establish the validity and scope of the Company's intellectual property rights. Litigation could involve considerable expense, reduce the Company's potential profits and not provide the protection sought.

Faced with these risks, the Company has a proactive 'Industrial Property' strategy, directly linked to its research and development projects, both as regards the detection of inventions in order to increase their number and as regards monitoring third-party publications and patent procedures.

Risks associated with exploited patents falling into the public domain, or with the expiration of marketing licenses, or with the eventual emergence of generic drugs for marketed products

At the end of their protection by property or commercialisation rights, the products marketed by the Company could be subject to competition by the introduction on the market of comparable drugs, or by the development of generic drugs, which would lead to a reduction in sales prices and/or volumes and could have a negative effect on the Company's business and financial condition.

These risks are currently not significant to BioAlliance Pharma because, firstly, the Company develops most of its portfolio of products for niche markets that are not prime targets for generics and, secondly, under its 'Industrial Property' strategy, the Company regularly files new patent applications within existing patent families.

Regarding the Lauriad™ technology, BioAlliance Pharma holds the intellectual property rights to the products it is developing. These drugs are mainly protected by two families of patents issued or in the issuing phase, which gives them an extended period of protection: until 2022 for the first and 2027 for the second. In addition, new patent applications have been filed to extend the protection period for new products based on the Lauriad™ technology.

5.4.3 Financial risks

5.4.3.1 Risk of insufficient financial resources

The Company has posted net operating losses since it began operating in 1997. At 31 December 2010, its accumulated losses came to €84.9 million under French GAAP and €85.2 million for the Group as a whole (IFRS consolidated financial statements). These operating losses are primarily the result of investments in research and development for the completion of preclinical studies and clinical trials.

The Group expects further operating losses for the next few years as it continues its research and development activities. Nonetheless, its two most advanced products, Loramyc®/Oravig® and Setofilm®, are already generating revenues through the partnership agreements signed since 2007. At the date of filing of this registration document, these products represent milestone payments expected from partners (including €5 million in unconditional payments expected from Therabel in 2011-2012) as well as royalties on sales of Loramyc®/Oravig® in the US and France. This revenue stream should intensify in the coming years with sales growth in both countries, as well as new launches in Europe.

The Group's profitability will depend on its ability to market its products successfully with its partners, as well as its ability to conclude new partnership agreements on the various products in its portfolio. In the event of a significant delay in identifying and negotiating new partnerships, or a delay in achieving sales growth or market share gains, the Group may not break even for several years.

Furthermore, the Company's financing requirements will continue to increase as the Company invests to develop existing and new products. The Company has carried out a specific review of its liquidity risk and considers that it can meet its future payments. However, the Company may need to raise additional funds ahead of time for reasons such as:

- opportunities to develop promising new products or to acquire products, technologies or other activities;

- higher costs and slower progress than the Company anticipates in developing new products and obtaining crucial marketing authorisations.

5.4.3.2 Foreign exchange risk

In 2007 BioAlliance Pharma signed an exclusive licensing agreement with Par Pharmaceutical in the United States, for a total amount of $65 million. When this registration document was filed, US$35 million had been received by the Company and converted into euros for an overall equivalent value of €26 million. The remaining balance of US$30 million will be paid as various sales thresholds are achieved. In 2008 the Company also signed two licensing agreements in Southeast Asia for Loramyc® with Handok and NovaMed for a total amount of $16.5 million, of which $2.5 million was received on signing; for these two agreements, payments will also be received by BioAlliance Pharma depending on the market authorisations obtained or the product launches, as well as on reaching sales milestones.

Given the uncertainty concerning these triggering elements and the likely dates of payments, the Company has not put in place any currency risk hedges. It is therefore possible that the €/$ exchange rate moves adversely for the Company and that the total amount converted into euros may be significantly less than initially anticipated. As soon as payment assumptions are confirmed, the Company intends to secure these flows in US dollars.

With regard to the Company's day-to-day operations, most revenues and payments are in euros and there is no currency risk.

5.4.3.3 Interest rate risk

Since the Company has not incurred debt, this point does not apply.

5.4.3.4.Equity risk

The Company's available cash is exclusively invested in money market funds, which involves no equity risk. These investments are immediately available and of very low volatility, so they do not present any liquidity risk. Information on the market value of the investment securities portfolio is included in the notes to the consolidated financial statements in section 4.1 of this registration document.

5.4.4 Insurance and risk coverage

To implement its insurance programme, the Company works with a broker specialised in the field of biotechnologies, with an associated firm in the United States and, where applicable, local correspondents in various countries. The Company has insurance cover that is appropriate to its business activities on a worldwide basis, and in particular for its clinical trials in France, the United States and all countries concerned.

The Company has taken out a number of insurance policies, the main ones being:

- A civil liability insurance policy, covering:
  - 'business liability', which insures the Company against the financial consequences of civil liability that could be incurred because of injury, damage and loss caused to third parties and attributable to the activities of the Company;
  - civil product liability, which covers the Company against the financial consequences of civil liability that could be incurred as a result of physical injury, property damage and consequential damage caused to third parties as a result of the Company's products, both before and after delivery, and including Catalent, the Company to which it subcontracts production, as an additional insured party, for products manufactured by Catalent on the Company's behalf;
  - civil liability for the defence of criminal proceedings and third-party claims.
- A 'directors and officers liability' insurance policy, insuring them against the possibility of incurring liability in the performance of their duties.

- A 'property damage' insurance policy, which covers, in particular, the risks of fire, water damage, theft, equipment breakdown and breakage of glass, and tenants' risks, at the Company's premises in Paris and Châtenay-Malabry.
- Specific insurance policies for each clinical trial sponsored by the Company. Policy prices and cover amounts depend on the local regulations and legislation applicable to the clinical research centre concerned. In France, the Public Health Code specifies that sponsors of clinical trials must carry insurance. In countries where there is no requirement to take out such a policy, the Company nonetheless maintains an insurance policy covering its liability in undertaking clinical trials. The overall amount of the premiums depends on the number of patients included in the trials and their geographic location. The Company considers that it is adequately insured for each of the trials currently in progress.
- Key personnel insurance policy covering the risks of physical accidents that could occur to members of management.
- A 'stock and transit' insurance policy, covering storage and transport of the Company's products.

In 2010, the insurance contracts were reviewed and renegotiated, resulting in equal or improved guarantees.

The insurance programme has been defined with a concern for efficiency in both negotiating and managing policies. The risk management policy should be continued in light of the development and internationalisation of the Company's business activities and in close coordination with the development of our business activities.

5.5 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

Ladies and Gentlemen,

Pursuant to Article L. 225-37 of the French Commercial Code, I hereby report to you, in my capacity as Chairman of the Board of Directors, on the Board's composition and the methods of preparation and organisation of its work in 2010, as well as the internal control and risk management procedures implemented by the Company.

This report, prepared by the Company's Finance and Administration department, was reviewed by the Audit Committee and then approved by the Board of Directors at its meeting of 3 March 2011.

5.5.1 Corporate governance

BioAlliance Pharma is a limited company incorporated under French law (*société anonyme*). It was headed by a Management Board and a Supervisory Board until the shareholders' meeting of 22 April 2010, which adopted the proposal to change the Company's mode of administration. The shareholders have appointed an eight-member Board of Directors, five of which previously sat on the Supervisory Board.

This Board of Directors, like the Supervisory Board that preceded it, has adopted internal regulations that (i) specify the rules of the Board's composition and the criteria for independence of its members, (ii) determine the powers of the Board of Directors and those of its Committees as well as the limits on the powers of the Chief Executive Officer, (iii) specify the nature of the Directors' duties and the rules of conduct to which they are subject, (iv) describe the modes of operation of the Board of Directors and its Committees, and (v) clarify the rules determining the remuneration of their members. The Board of Directors' internal regulations are available on the Company's website (www.bioalliancepharma.com).

The Company affirms that it is in compliance with current French and European corporate governance rules and regulations. In early 2010, the Supervisory Board reviewed the code of corporate governance for small and medium capitalisation companies issued in December 2009 by MiddleNext[26] [the "MiddleNext Code"] and decided at its meeting on 9 February 2010 to adopt this code as a reference for corporate governance, believing it to be best suited to the Company's size and its challenges.

At that same meeting, the Supervisory Board took note of the items presented as 'points of concern' in the MiddleNext Code.

The Company complies with the recommendations of the MiddleNext Code. The Board of Directors appointed by the shareholders' meeting of 22 April 2010 pledged to further implement the principles and recommendations of this code, included in the internal regulations adopted at its meeting on 2 June 2010.

5.5.1.1 Composition of the Supervisory Board and Board of Directors

Under the terms of current legislation and the Company's article of incorporation, the Board of Directors is composed no less than three and no more than eighteen Directors, appointed by the annual shareholders' meeting for a term of four years, which may be renewed upon expiration. In case of vacancy, Directors may be co-opted as provided by law and regulations.

In accordance with its internal regulations, the Board of Directors undertakes to use its best efforts to include at least two independent directors among its members. To qualify its members' independence, characterised by the lack of financial, contractual or family relations that may significantly affect the impartiality of its decisions, the Board of Directors, in its internal regulations, has adopted the following independence criteria:

- not an employee or executive officer of the Company or its affiliates and has not been in the past three years;
- not a customer, supplier or major banker of the Company or its affiliates or one for which the Company or its group represents a significant part of the business;
- not a shareholder of the Company;
- no close family ties with a corporate officer or a reference shareholder;
- not been an auditor of the company over the past three years.

The table below describes the composition of the Supervisory Board, and subsequently the Board of Directors, in 2010. With a view to the continuity and balance of corporate governance, the shareholders' meeting of 22 April 2010 appointed five members of the Supervisory Board to the new Board of Directors along with the two members of the Executive Management and a new independent director.

Their terms of office will expire at the end of the shareholders' meeting deciding on the financial statements for the year ending on 31 December 2013.

Name or corporate name	Supervisory Board from 1 January to 22 April 2010	Board of Directors appointed on 22 April 2010
Jean-Marie Zacharie	Chairman, Independent Member	-
François Sarkozy	Vice-Chairman, Independent Member	-
André Ulmann	Independent Member	Chairman of the Board of Directors, Independent Director

[26] Code of Corporate Governance for small and medium capitalisation companies published in December 2009, available on the website www.middlenext.com.

Name or corporate name	Supervisory Board from 1 January to 22 April 2010	Board of Directors appointed on 22 April 2010
Michel Arié	Independent Member	Independent Director
Gilles Marrache	Independent Member	Independent Director
Catherine Dunand	-	Independent Director
ING Belgium, represented by Denis Biju-Duval	Member	Director
AGF Private Equity, now IDInvest represented by Rémi Droller	Member	Director
Dominique Costantini	*(Chairwoman of the Management Board)*	Director and CEO
Gilles Avenard	*(Chief Executive Officer and Member of the Management Board)*	Director and COO Resigned 4 August 2010

In 2010, Gilles Avenard resigned his positions as Director and Chief Executive Officer, as at 4 August 2010. He was not replaced on the Board of Directors.

In addition, at the end of 2010, IDInvest Partners (formerly AGF Private Equity) handed the management of its stake in BioAlliance Pharma to the company Kurma Life Science Partners and relinquished its seat on the Board in its favour.

On 16 December 2010, the Board of Directors co-opted Kurma Life Science Partners, still represented by Rémi Droller.

At 31 December 2010, the Company's Board of Directors consisted of seven members, chosen for their expertise in the pharmaceutical industry or their experience in management. Other than the CEO, the Board comprises four independent directors and two legal entities representing the shareholders:

- André Ulmann, Chairman of the Board of Directors, Independent Director;
- Dominique Costantini, CEO and Director;
- Michel Arié, Independent Director, also Chairman of the Audit Committee;
- Catherine Dunand, Independent Director;
- Gilles Marrache, Independent Director.
- ING Belgium, represented by Denis Biju-Duval;
- Kurma Life Sciences Partners, represented by Rémi Droller.

André Ulmann, Chairman of the Board of Directors, Independent Director

62 years of age – André Ulmann is founder and Chairman of the Supervisory Board of HRA Pharma, established in 1996, a European pharmaceutical company that develops and markets therapeutics in the fields of reproductive health and endocrinology. He began his career as a hospital doctor and later joined the pharmaceutical industry where he served as International Project Manager, Medical Director and Head of R&D in endocrinology with the Hoechst Roussell Group. Andre Ulmann is an MD, PhD, and specialist in internal medicine and nephrology.

Current offices: André Ulmann is also Chairman of the Supervisory Board of HRA Pharma (since 2009) after having served as Chairman and CEO from 1996 to 2009; Chairman of the Management Board of Celogos since 1996; Chairman of the Supervisory Board of Advicenne Pharma since January 2009; Director of Biofront since January 2010; General Manager of AmmTek SARL, Majority Manager of Cemag SARL and Co-Manager of Linepharma SARL.

Dominique Costantini, CEO and Director

56 years of age – As the head of the Company, Dominique Costantini oversees its development and growth, including the establishment of strategic alliances and the creation of a portfolio of patents. Previously, she held managerial positions within Hoechst Marion Roussel (now Sanofi Aventis) in research, preclinical and clinical development and marketing. She has collaborated on many product registrations and launches for specialists, including in oncology, endocrinology, immunology and infectious diseases (antibiotics - antifungal). Dominique Costantini received her M.D. degree, specialising in Immunology, from the University of Paris V.

Concurrently held offices: Dominique Costantini is Chairwoman of subsidiaries Laboratoires BioAlliance Pharma and BioAlliance Switzerland.

Michel Arié, Independent Director

63 years of age – **Independent Consultant**, Michel Arié acquired his expertise in industry mainly with the CNIM Group (*Constructions Industrielles de la Méditerranée*) where he served for 27 years in administration and finance functions, including as CFO in charge of development, diversification and mergers and acquisitions. He previously held positions in internal audit, business analysis and control, export financing and project financing. Michel Arié is a Supelec Engineer, and a graduate of IAE Dauphine.

Past directorships held in the previous five years: Director of various subsidiaries of the CNIM Group and member of the Management Board of CNIM SA.

Catherine Dunand, Independent Director

49 years of age – Catherine Dunand is a director of the Altavia Group (communications and marketing) and has held executive positions in marketing in France and abroad and as head of a profit centre for large pharmaceutical groups (Servier, Hoechst Roussel). She has led SMEs for a decade, particularly alongside of investment funds involved in LBOs. Catherine Dunand has led numerous projects in the areas of health and communications. She graduated from the Ecole Centrale de Lyon and holds an MBA from Insead.

Concurrently held offices: Chair of the Board of Directors of Kalibox, Chair of the Supervisory Committee of Gemology, President of Promontoires SAS and Director of Yxene SAS.

Past directorships held in the previous five years: President of Thermes de Bagnoles de l'Orne, Thalia Spa, Managing Director of France Thermes and Financière de Millepertuis, and Director of CNETh, the hydrotherapy business federation.

Gilles Marrache, Independent Director

42 years of age – Gilles Marrache is Vice President, Marketing and Business Operations at Amgen International since 1 January 2011. He was previously CEO of Amgen France and Vice President of Amgen Inc.* after leading the Belgium/Luxembourg subsidiary. He previously held various positions at Novartis, in the Oncology BU where he launched launch Glivec and Zometa, and served as Head of Marketing. He began his career with the distributor CERP. Gilles Marrache holds a Doctorate in Pharmacy from University of Paris XI and an MBA from ISC Paris.

Concurrently held offices in 2010: Officer and member of the Board of Directors of LEEM; President of AIGPHARM (Association of International Groups for Pharmaceutical Research).

Denis Biju-Duval, Permanent Representative of ING Belgium

56 years of age – Denis Biju-Duval managed the Private Equity team of ING Belgium since 2001. He began his career with the Boston Consulting Group. He was subsequently Director of the Institute of Industrial Development, Head of Business Development at Chargeurs, Director at Marceau Investments, Managing Director of Investop SA and Managing Director at ING Investment Management France. Denis Biju-Duval is an engineer by training, and holds an MBA from HEC/ISA - Paris.

ING Belgium acquired an equity interest in BioAlliance Pharma in 2003 and is one of the main shareholders of the Company. ING was a member of the Supervisory Board from 2003 to 2008 and then from October 2009, still represented by Denis Biju-Duval.

Concurrently held offices: Denis Biju-Duval also represents ING Belgium at the companies Environnement SA (France), MDXHealth SA (Belgium), Numeca SA (Belgium), Roller Grill SA (France) and Surf SA (France). He is also director of the Belgian company Sogam SA (a subsidiary of ING Belgium) and permanent representative at Bienca SA (Belgium), BNLFood Investment SARL (Luxembourg), Elysées GNI Finance SA (France), Marnix Invest SAS (France) and Sodirdeux SA (France).

Rémi Droller, Permanent Representative of Kurma Life Sciences Partners

35 years of age – Rémi Droller joined Kurma as Partner in September 2010 after more than 10 years' experience the field of healthcare investment. Starting out with CDC Innovation from 2000 to 2003, he later joined AGF Private Equity (now IDInvest Partners) where he developed the life sciences investment business. Rémi Droller holds a Master's Degree in Molecular Biology (University of Paris VI) and a Master's in Innovation Finance and Management (Masternova – AgroPariTech).

On 16 December 2010 the Board of Directors co-opted Kurma Life Science Partners, to which IDInvest Partners (formerly AGF Private Equity), a major shareholder of BioAlliance Pharma, has entrusted the management of its shareholding in the Company.

Concurrently held offices: Remi Droller is also a director of Novagali Pharma and Prosensa. Kurma Life Sciences Partners is a director of the companies Adocia, BMD, Domain Therapeutics, Erytech, Genticel, Indigix, Integragen, Key Neurosciences, Meiogenics, Novagali Pharma and Sterispine.

5.5.1.2 Role of the Board of Directors

The Board of Directors determines the Company's business orientations, validates the strategy and oversees its implementation. Subject to the powers expressly granted to the shareholders' meetings and within the limits of the corporate purpose, it can deliberate on all matters related to the efficient operation of the Company.

The Board of Directors' internal regulations specify the scope of its powers of control and in matters of appointing and determining of the remuneration of the Chief Executive Officer and the two Chief Operating Officers.

Furthermore, certain decisions of the Executive Management may only be adopted and certain acts or commitments may only be made by the Chief Executive Officer or the Chief Operating Officers if they have been submitted for prior approval to the Board of Directors. In addition to the transactions stipulated by law, the Board of Directors' prior approval is required for:

- finalisation of the annual budget;

- any decision to acquire or dispose of company or business assets, or any decision to invest in a company, by any means whatsoever;
- any decision of acquisition or disposal of assets or investments or any contract that commits the Company for an amount exceeding €400,000 per year for any decision other than those approved in the Company's annual budget;
- any decision to make available or grant rights to important intellectual or industrial property or tangible assets owned by the Company.

5.5.1.3 Conditions for preparation and organisation of the work of the Board

In order to enable it to fully perform its supervisory role, the Board of Directors 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, prior to Board meetings, directors are provided all relevant documents for their information. This information is the responsibility of the Chairman of the Board and the Chief Executive Officer. Outside the meetings, the directors may, at their request, obtain any information they consider useful from the same individuals. In addition, directors are regularly briefed by the Chief Executive Officer on matters considered important as well as on press releases issued by the Company.

Directors are notified of meetings by the Chairman of the Board, by email, according to a predetermined schedule. The agenda is prepared by the Chief Executive Officer in consultation with the Chairman of the Board and communicated to the other directors at least one week before the meeting, along with the relevant preparatory documents. A file detailing the contents of the subjects on the agenda, prepared by the Executive Management, is given to each director at the meeting.

The proceedings of each meeting are recorded in minutes, a draft of which is forwarded to the directors for their comments. The final minutes are approved at the next meeting and signed by the Chairman and another director of the Board who attended that meeting.

Also in attendance at meetings to approve the interim 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, the Audit Committee and the Remuneration Committee, whose duties and mode of operation are set out in the internal regulations. The internal regulations also provide for the appointment of other specialised committees, which operate under the responsibility of the Board of Directors.

In accordance with recommendation 15 of the MiddleNext Code, the Board of Directors should review its operations annually. The new Board of Directors, appointed in April 2010, set the terms for this review in its internal regulations adopted in June 2010. In the expectation that it will be done annually, the review of the Board of Directors' operations has been placed on the agenda of its meeting in May 2011.

5.5.1.4 Report on the Board of Directors' activities in 2010

During the past year, the Board – the Supervisory Board and subsequently the Board of Directors – met eleven times, including once by telephone, in accordance with the provisions for this case by the internal regulations. The Chairman of the Board led all the meetings and the attendance rate of all members was 81%.

At each meeting, a detailed analysis of major developments, an update on the progress of research and development and a financial report were presented to the Board by the Management Board and the Finance Director until April 2010 and, following the appointment of the Board of Directors, by the Chief Executive Officer and the Chief Financial Officer. Matters of strategic orientation, management of existing partnerships and the seeking of new partnerships were also discussed.

The Supervisory Board examined the consolidated financial statements for the 2009 financial year at its meeting on 3 March 2010, in the presence of the auditors. In February and April 2010, it also reviewed the consolidated annual and quarterly net sales and the quarterly business report presented by the Management Board.

The Board of Directors approved the consolidated financial statements for the first half of 2010 at its meeting on 25 August 2010, in the presence of the auditors. In July and October 2010, it also approved the quarterly net sales.

The Board regularly noted the elements of financial disclosure on which it expressed an opinion.

5.5.1.5 Audit Committee

In 2009 the Company had incorporated in the Board of Directors' internal regulations the expanded responsibilities of the Audit Committee resulting from the provisions of the French Order of December 2008, transposing the 8th EU Directive. The Company has since taken note of the AMF's recommendations relating to the Poupart-Lafarge Working Group's report on audit committees, on which it has based its report on the work of the Audit Committee, presented in this document.

The Company applies the recommendations relating to the four statutory duties of the Audit Committee, mentioned in the Board of Directors' internal regulations. To wit, the Audit Committee's responsibilities include monitoring:

- the process of preparing the financial reports;
- the effectiveness of internal control and risk management systems;
- the statutory audits of the parent company financial statements and, where appropriate, consolidated financial statements by the auditors;
- the independence of the statutory auditors.

Regarding the composition of the Audit Committee, the Board decided to appoint two independent members, under the same criteria as applied to members of the Board, and having particular expertise in finance and accounting. In particular, the Chairman of the Committee, Michel Arié, appointed previously to the same office by the Supervisory Board, has during his career held positions in internal audit, business analysis and control, and administration and finance management. The second member is Catherine Dunand. Two members were considered sufficient given the total number of directors of the Company (seven for much of the year).

The Board of Directors' internal regulations describe the statutory duties of the Audit Committee and its mode of organisation, including the minimum number of meetings per year. They also specify that 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. They may also call on outside experts, subject to prior approval by the Board of the budget for such studies.

The Audit Committee met four times in 2010, 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 2009 financial statements and 2010 interim financial statements and reviewing related accounting issues, the schedule of the statutory auditors' work, and review of the Chairman's draft report on internal control.

The statutory auditors were present at both meetings to review the financial statements (annual and interim) and the Committee took the opportunity to converse with them in the absence of representatives of the Company.

Following each of its meetings, the Chairman of the Audit Committee submitted a report on the Committee's work to the Board of Directors. The minutes of the meetings of the Audit Committee on the annual and interim financial statements were included in the minutes of the Board's meetings.

5.5.1.6 Remuneration and Appointments Committee

The Remuneration and Appointments Committee makes recommendations to the Board of Directors regarding the initial level and any increase in the remuneration of members of the Executive Management, the allocation of directors' fees and the determination of any exceptional remuneration of the members of the Board, as well as all matters concerning changes in the composition of the Board of Directors or the Executive Management. In accordance with the principle of comprehensiveness, it also gives an opinion on plans to award stock options and free shares to executives and on the performance conditions attached to them.

The composition of the Remuneration Committee was modified in 2010. In the first part of the year, the Remuneration Committee consisted of two independent members of the Supervisory Board, the Chairman, Jean-Marie Zacharie, and the Vice-Chairman François Sarkozy, and an expert who chaired the Committee, Dominique Jolivet.

As of 22 April 2010, the Board of Directors established a Remuneration and Appointments Committee consisting of two members, the Chairman, André Ulmann, and a representative of the shareholders, Rémi Droller.

The Remuneration and Appointments Committee met three times in 2010. Among other things, in February 2010 it issued recommendations on the achievement of 2009 objectives by the members of the Management Board and the determination of the variable portion of their remuneration as well as on the proposed distribution of directors' fees for 2010.

All recommendations of the Remuneration and Appointments Committee were approved by the Supervisory Board and subsequently by the Board of Directors.

5.5.1.7 Principles and rules determining the remuneration of corporate officers

The Company applies all the recommendations of the MiddleNext Code on the remuneration of executive officers and one non-executive director.

In accordance with the AMF's recommendation of 22 December 2008, detailed information on this remuneration is presented in the ten tables found in section 5.2.1. of this registration document.

Dominique Costantini, CEO of BioAlliance Pharma and formerly Chairwoman of the Management Board, co-founder of the company, combines her corporate office with an employment contract. The circumstances that led to this decision mainly stem from the critical importance of her expertise and, correspondingly, her role in technical management.

For 2010, the objectives of the CEO were broken down as follows: strategic objectives related to the identification and conclusion of commercial partnership agreements, objectives related to regulatory procedures for accessing the market of the Company's products, objectives related to research and development, and objectives related to the organisation of the Company. The Board of Directors assessed the achievement of these objectives at its meeting on 10 February 2011 and decided, upon recommendation of the Remuneration Committee, to pay the Chief Executive Officer a bonus corresponding to 40% of her gross annual salary.

Exceptional remuneration of members of the Board of Directors corresponds, where applicable, to the remuneration of employee inventors established within the Company for the benefit of all employees concerned. Their benefits in kind consist of insurance for loss of employment for Dominique Costantini and Gilles Avenard and the use of a Company car for Gilles Avenard.

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

As part of its policy of remunerating and motivating its executives and employees, from 2003 to 2005 BioAlliance Pharma established plans for awarding special founders' share purchase warrants (BSPCEs). This scheme was succeeded in 2006 by the award of stock options, in 2008 by the granting of free shares, and in 2010 by two new stock options plans: an "Executives" plan, and an "Employees" plan. In each of these cases, the plans benefited the executives and all employees of the Group.

The vesting of free shares granted in 2008, like the exercise of options granted to executives in 2010, is subject to the achievement of performance conditions validated by the Board.

Furthermore, the Supervisory Board, in its decision of 30 January 2008, set at 50% the percentage of each award of securities granting rights to the share capital that executives are required 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 directors receive directors' fees which are allocated by the shareholders' meeting and distributed by the Board of Directors on the recommendation of the Remuneration Committee, based on an inclusive amount per actual attendance at meetings of the Board and its Committees. From 2003 to 2008, the independent members of the Supervisory Board also benefited from successive plans awarding share purchase warrants (BSAs).

5.5.1.8 Other corporate governance issues

Provisions relating to participation in shareholders' 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 French Commercial Code that may have an impact in the event of a public tender offer, are detailed in the Management Report, in section 3.1 of this registration document.

5.5.2 Risk management and internal control procedures implemented by the Company

In drafting this section of its report, the Company relied on the implementation guide for the internal control framework adapted for small and medium capitalisation companies, updated and published by the AMF on 22 July 2010.

5.5.2.1 General principles of risk management

A) Definition

Since 2008 BioAlliance has continued to formalise its approach to risk management. It aims to identify all the risks and risk factors that could affect its activities and business processes and to define ways to manage these risks and to keep or reduce them to levels acceptable for the Company. This approach is intended to encompass all types of risk and apply to all activities of the Company and the Group.

B) The objectives of risk management

BioAlliance adopts the definition of risk management proposed by the Autorité des Marchés Financiers[27] whereby risk management is a management tool implemented by the Company which contributes to:

- creating and preserving the value, assets and reputation of the Company;
- securing the decision-making and processes of the Company to facilitate the achievement of objectives;
- promoting consistency of actions with the values of the Company;
- involving employees based on a shared view of the main risks of the Company.

C) Components of the risk management system

Organisational framework

Risk management is steered by the Risk Management Committee It is responsible for establishing and updating the annual risk map, and then for monitoring the application of the risk management plans along with the line managers tasked with implementing the risk management process in the company.

It is the Executive Committee's role to validate the risk map submitted to it by the Risk Management Committee and, in particular, to approved the list of "major" business risks.

The yearly risk management and risk mapping processes are presented annually to the Audit Committee, in the context of its role in monitoring the effectiveness of internal control and risk management systems.

The Group has adopted a procedure that is intended to frame all the risk management methods and tools implemented and which specifies the terminology adopted in the Group (criteria of likelihood and severity, types of risks, etc.).

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

Risk management process: identification and analysis of key risks

The Risk Management Committee annually updates the risk map in order to redefine the strategic objectives of the company and take into account the changes in its business, financial condition and environment.

Working from the list of all of the Group's activities and key processes, it updates all risks that may affect these and classifies them in the following categories: Research and Development, Regulatory Affairs, Commercial Production, Commercial Partnership Management, Product Acquisition and/or Licensing, Pharmacovigilance of Marketed Products, Legal and Industrial Property, Finance, Human Resources, and Information Technology.

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 business and reputation. It then and assigns probability and criticality indicators to the risk whereby it determines a coefficient combining these two criteria.

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.

All risks classified as high or major are addressed by a risk management plan specifying responsibilities and the actions to be taken.

[27] Guide to implementation of the reference framework on internal control adapted for small and medium capitalisation companies, updated on 22 July 2010.

The description of the risk factors set out in chapter 5 of BioAlliance Pharma's 2010 Registration Document is organised in a manner consistent with this risk map.

Steering the risk management system

The Risk Management Committee validates the action plans with the line managers and monitors their implementation.

5.5.2.2 Link between risk management and internal control

Risk management aims to identify and analyse major risks and risk factors which could affect the Company's business, processes and objectives and to define ways to keep those risks to an acceptable level, particularly by implementing prevention and control measures that fall within the scope of internal control.

At the same time, the internal control system relies, among other things, on risk management to identify the key risks to be controlled.

Historically, BioAlliance has established and developed an internal control system from the Company's founding, while formalising the risk management approach has been more recent. The Company is now engaged in a process of linking these two systems, seeking to define the control methods to be applied to the Company's key processes which may be affected by risks that have been classified as "major".

5.5.2.3 General principles of internal control

A) Definition

BioAlliance Pharma adopts the definition of internal control proposed by the Autorité des Marchés Financiers[28], 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, BioAlliance Pharma continued to implement an internal control process intended to 'guarantee internally the relevance and reliability of the information used and circulated in the Company's activities'.

B) Components of internal control

Organisation

The internal control system based on a clear organisation of responsibilities, standards, resources and procedures implemented.

Since the Company's founding, BioAlliance Pharma has developed a system of quality assurance. Processes of all fields of activity are described by procedures (Standard Operating Procedures or SOP), operating methods, information notices and forms. These documents describe the conduct of activities, define the resources 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 stakeholders of the Company are involved in the internal control system. Their respective responsibilities are described in Section 5.5.2.5 below.

[28] Guide to implementation of the reference framework on internal control adapted for small and medium capitalisation companies, updated on 22 July 2010.

Reference framework and standards

The BioAlliance group, established in the pharmaceutical sector, is subject to very strict and specific rules that govern its activities, compliance with which is also the subject of internal control. 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.

Risk management system

The BioAlliance Group has implemented the process described above in Section 5.5.2.1. that allows it to identify, analyse and manage its key risks.

Control activities and information system

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 on-going basis to any changes in activities (management of the life cycle of the documents). The aim is to improve the quality and processes of the Company and the Group on a continuous basis, whether operational, management or 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;
- regulatory activities liaising with drug agencies;
- research and pharmaceutical, preclinical and clinical development;
- pharmacovigilance;
- services performed for third parties.

Clinical research follows the rules of Good Clinical Practice (GCP) with an ethics committee.

With regard to the very specific activity of animal testing, since June 2002, BioAlliance Pharma has had an animal testing ethics committee, 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.

Monitoring of internal control, monthly reviews

The Company's executive management 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:

- information about projects involving research and development (preclinical, clinical, pharmaceutical)
- financial reporting and transactions involving the share capital;
- the Company's legal aspects, regulatory aspects and intellectual property;
- communication of accounting, financial, scientific and institutional information;
- quality and the information system;
- human resources and payroll.

During the monthly reviews, the Executive Committee members review the data with the employees who have prepared them and 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 that document them, must then be a reviewed by the Company's executive management, which approves any action to be taken. 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 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 the approval of 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 Executive Management 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 for the following year by the Finance Director, approved by the Executive Management and adopted by the Board of Directors. 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 Executive Management and the directors. This reporting is presented and discussed regularly at meetings of the Board of Directors.

5.5.2.4 Scope of risk management and internal control

The risk management and internal control procedures are intended to apply to the entire BioAlliance Pharma Group, i.e., BioAlliance Pharma SA and its wholly owned subsidiaries, Laboratoires BioAlliance Pharma SAS and BioAlliance Pharma Switzerland SA.

5.5.2.5 Persons involved in risk management and internal control

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

Since the Company's founding, the Executive Management has taken a leading role in defining and promoting the internal control and risk management system. The change of mode of corporate governance was followed in late 2010 by a reorganisation of company management and the creation of a limited Executive Committee. This committee has already begun the work of monitoring and validating the risk management system. Its responsibility for the maintenance and development of the internal control process is delegated to all department heads, members of the management committee.

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 also ensures regulatory monitoring, jointly with the department of Regulatory Affairs and the chief pharmacist of Laboratoires BioAlliance Pharma SAS.

Risk management is steered by the Risk Management Committee, which includes two members of the Executive Committee representing the Finance and Quality departments, in conjunction with the Audit Committee. It is deployed Group-wide by the line managers.

Lastly, 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. To this end, they have use of the resources of the document system validated by the Quality Assurance department (200 procedures and operating methods) – a system on which suitable training is regularly carried out and which employees are constantly asked to update and improve – and their activities are governed by the system of monthly internal control reviews described above.

5.5.2.6 Limits of risk management and internal control and possible improvements

In 2011, the Company intends to bolster the risk management system and improve the monitoring of defined action plans. In parallel, the Company will work to update its internal control system, incorporating the changes in its internal organisation and its business and improving links with the risk management process.

The Board of Directors approves the terms of this report, which will be presented to the shareholders' meeting held to approve the 2010 financial statements.

The Chairman of the Board

5.6 STATUTORY AUDITORS' REPORT, PREPARED PURSUANT TO ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

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, we hereby report on the report prepared by the Chairman of your Company pursuant to Article L. 225-68 of the French Commercial Code for the year ended 31 December 2010.

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 relating to matters including 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, and
- confirm that the report also includes the other information required by Article L. 225-68 of the French Commercial Code. 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.

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.

Paris and Paris-La Défense, 5 April 2011

The Statutory Auditors

Ernst & Young Audit	Grant Thornton French Member of Grant Thornton International
Franck Sebag	Olivier Bochet

CHAPTER 6. LEGAL INFORMATION ON THE COMPANY

Registered and trade name of the Company

The Company's registered name and trade name is 'BioAlliance Pharma'.

Registration of the Company and APE (business activity) code

BioAlliance Pharma is registered in the Paris commercial and companies register under number 410 910 095 (Siren number).

Its APE/NAF code is 7219 Z. This is the code for research and development in physical and natural sciences.

Date of incorporation and term of the Company

The Company was formed on 24 February 1997. It was registered in the Paris Commercial and Companies Register on 5 March 1997 for a term of 99 years, which expires on 5 March 2096, unless the Company is dissolved early or its term is extended.

Registered office and legal form of the Company

The Company's registered office is located at 49 Boulevard du Général Martial Valin, 75015 Paris. The Company's telephone number is: + 33 (0) 1 45 58 76 00.

BioAlliance Pharma is a French limited company (*société anonyme*) governed by the provisions of Book II of the French Commercial Code [*Code de Commerce*].

The legislation governing the Company's business is described in section 2.2.2 of this registration document.

Financial year

The Company's financial year begins on 1 January and ends on 31 December of each calendar year.

6.1 INFORMATION RELATING TO OWNERSHIP

The Company has requested a study of identifiable bearer shares in December 2010, which allowed it to summarise the composition of the share capital in late December 2010.

The Company's shareholders do not have different voting rights and therefore the number of voting rights is equal to the number of shares.

The table below shows the changes in the distribution of the share capital over the past three years.

	31/12/2010		31/12/2009		31/12/2008	
	Number of shares	% of share capital	Number of shares	% of share capital	Number of shares	% of share capital
Founders	**404,555**	**2.99**	**524,002**	**4.06**	**721,859**	**5.60**
Main shareholders	**4,262,974**	**31.49**	**3,393,568**	**26.31**	**4,542,567**	**35.22**
Groupe Financière de la Montagne	1,249,185	9.23	1,000,000	7.75	783,193	6.07
ING Belgium Group	1,128,550	8.34	1,129,553	8.76	1,127,559	8.74
IDInvest Partners (AGF PE)	742,889	5.49	742,889	5.76	742,889	5.76
Therabel Group	505,705	3.74	-		-	
CDC Group	351,122	2.59	351,122	2.72	848,099	6.58
Auriga	-		-		601,945	4.67
Xange PE Group	285,523	2.11	170,004	1.32	438,882	3.40
Other	**8,868,543**	**65.52**	**8,980,764**	**69.63**	**7,632,408**	**59.18**
of which treasury shares	30,038	0.22	35,881	0.28	62,289	0.48
Total	**13,536,072**	**100**	**12,898,334**	**100**	**12,896,834**	**100**

While there were significant changes in the share capital between 2007 and 2009, with a substantial increase in the number of individual shareholders (whose ownership percentage rose from 28% at end 2008 to more than 40% at end 2009), ownership remained relatively stable in 2010. The top ten shareholders continue to represent 37% of the capital, the number of shareholders remains above 8,000, and shareholding by individuals at about 40% (including founders).

Holders of bearer shares remained stable, at 78% of the Company's capital. Notifications regarding the crossing of thresholds received by the Company are mentioned in section 6.3.7 of this registration document.

Control of the issuer

To the best of the Company's knowledge and belief, on the date of registration of this registration document, there are no shareholders other than those mentioned above who hold, directly or indirectly, an interest representing over 5% of the Company's share capital or voting rights. Furthermore, to the best of the Company's knowledge and belief, none of its shareholders act in concert.

Shareholders' agreements

To the best of the Company's knowledge and belief, on the date of registration of this registration document, no shareholders' agreements exist with regard to the Company.

6.2 INFORMATION RELATING TO THE SHARE CAPITAL

6.2.1 Amount of share capital

At 31 December 2010, the share capital was €3,384,018 divided into 13,536,072 shares each with a nominal value of €0.25. At the beginning of the financial year, the number of outstanding shares was 12,898,334.

The shares comprising the Company's capital are subscribed in full and fully paid up. They are freely negotiable, subject to the provisions of the laws and regulations. The registered share accounts are held by Société Générale, the authorised representative appointed by the Company.

6.2.2 Shares held by the Company

The share buyback programme authorised by its shareholders and implemented by the Company is described in the management report, in section 3.1.6.3 of this registration document. At 31 December 2009, the Company held 30,038 treasury shares with a nominal value of €7,509.50 and a book value of €166,225.95.

6.2.3 Securities granting rights to capital

The Company has issued two categories of securities granting rights to capital: Firstly, in 2005, 2006 and 2008, share warrants (BSAs and BCEs) and, secondly, in 2006 and 2010, stock options. Furthermore, in 2008 and 2009 it granted free shares to its employees and management. The capital increase resulting from the exercise of each of these categories of securities was authorised by a combined ordinary and extraordinary meeting or an extraordinary meeting of the Company's shareholders. These plans are summarised in the management report in Section 3.1.7 of this document, with distinction between the employee and executive plans.

2.3.11.5.1.1 Share purchase warrants and special founders' share purchase warrants

The following table shows all the BSAs and BCEs issued by the Company but still not exercised by their holders at 31 December 2010. At that date, they represented a total of 156,300 warrants granting rights to subscribe for 356,700 shares. The overall dilution corresponding to all these plans (calculated as being the percentage of shares that would result from the exercise of all these BSAs and BCEs) came to 2.66% in relation to the capital at 31 December 2010 (13,407,672 shares).

(1)(2)(3)	**BCE & BSA J (i)**	**BSA K (ii)**	**BSA L(iii)**
Shareholders' meeting date	7/11/2005	16/05/2006	29/04/08
Number of warrants authorised	161,000	90,000	150,000
Total number of shares that may be subscribed.....	644,000	90,000	150,000
Number of warrants granted.....	137,394	90,000	68,000
Number of holders	23	7	8
Number of lapsed warrants (4).....	121,756	60,000	115,000
Starting date for exercise.....	7//11/2005	09/12/2006	17/06/2009
Final date of exercise	7/11/2010	5 years after grant	5 years after grant
Exercise price per share	120,097 at €10.64 17,297 at €6.14	30,000 at €11.18	54,000 at €2.95 8,000 at €2.41 6,000 at €5.34
Number of warrants exercised at 31 December 2010	39,244	0	9,000
Balance of warrants exercisable at 31 December 2010 (5).....	0	30,000	26,000
Balance of shares that could be subscribed at 31 December 2010	0	30,000	26,000
Dilution (%) (6).....	0	0.22%	0.19%

(1) For J warrants, one warrant conveys the right to four shares; for K and L warrants, one warrant conveys the right to one share.

(2) The beneficiaries of the warrants were (J) executives, independent members of the Supervisory Board and employees; (K) and (L) independent members of the Supervisory Board and members of the Scientific Advisory Board.

(3) J, K and L warrants are subject to vesting over several years, with J warrants all now fully vested.

(4) The number of lapsed or cancelled warrants reflects (i) 23,606 BSAs/BCEs not granted or cancelled by the Management Board of 24 March 2006 plus the warrants cancelled due to departure of Company employees (J) and due to their expiration; (ii) 60,000 warrants lapsed due to the end of the term of office of their beneficiaries (K); and (iii) 82,000 BSAs not granted and cancelled by the Management Board of 22 October 2009, plus 33,000 BSAs lapsed due to the end of the term of office of their beneficiaries (L).

(5) Without taking account of vesting rules, i.e. assuming all warrants granted are fully vested and exercisable.

(6) Calculation of the percentage on the amount of capital at 31 December 2010 (13.536.072 shares).

(b) Stock options

The table below shows the stock option plans implemented by the Company. At 31 December 2010, unexercised options represented 461,600 shares. The resulting dilution is 3.41% as compared to the share capital at 31 December 2010 (13,536,072 shares).

Plan designation	Number of options authorised	Grant date (Management Board or Board of Directors)	Number of options granted	Beneficiaries	Vested or exercisable by 25% increment as from	Number of options cancelled (1)	Options outstanding at 31/12/10	Options exercisable at 31/12/10	Subscription price per share in euro	Expiry date
SO 2006(1)		30/10/2006	352,000	Executives and Employees	30/10/2007	161,000	191,000	191,000	12.74	30/10/2011
SO 2006(2)		05/04/2007	114,000	Employees	05/04/2008	47,000	67,000	50,250	12.55	05/04/2012
SO 2006(2)		10/10/2007	55,000	Employees	10/10/2008	38,000	17,000	12,750	11.18	10/10/2012
SO 2006(4)		25/04/2008	74,000	Employees	25/04/2009	45,000	29,000	14,500	7.06	25/04/2013
TOTAL SO 2006	**630,000**		**595,000**			**291,000**	**304,000**	**268,500**		
SO Employees 2010 (1)	150,500	25/08/2010	120,800	Employees	25/08/2011	4,400	116,400	0	5.70	25/08/2020
SO Employees 2010 (2)		16/12/2010	16,200	Employees	16/12/2011	0	16,200	0	5.64	16/12/2020
SO Executives 2010	25,000	25/08/2010	25,000	Executives	25/08/2014	0	25,000	0	5.70	25/08/2020
TOTAL SO 2010	**175,500**		**162,000**			**4,400**	**157,600**	**0**		
TOTAL SO	**805,500**		**757,000**			**295,400**	**461,600**	**268,500**		

(c) Free shares

The table below presents all free shares granted by the Company. At 31 December 2010, rights granted amounted to 47,700 shares. The resulting dilution is 0.35% as compared to the share capital at 31 December 2010 (13,536,072 shares).

Plan designation	Number of free shares authorised	Date of grant (Management Board)	Number of free shares granted	Beneficiaries	Vesting date (continuous service + performance conditions)	Number of rights to free shares cancelled	Rights to free shares outstanding at 31/12/10	Number of free shares vested
AGA (2008) 1		01/08/2008	148,500	Executives and employees	01/08/2010	27,600	0	120,900
AGA (2008) 2		01/04/2009	94,000	Executives and employees	01/04/2011	46,300	47,700	0
TOTAL	**260,000**		**242,500**			**73,900**	**47,700**	**120,900**

(d) Potential share capital

Under IAS 33, the potential capital is calculated by taking into account all of the warrants, options and free shares granted, regardless of their vesting date. At 31 December 2010, this represented 14,101,372 shares. This total was calculated by adding together the capital at 31 December 2010 (13,536,072), shares that may be subscribed under warrants (34,000), stock options (461,600) and rights to free shares (47,700).

6.2.4 Authorised and unissued capital

The Company has authorised the capital increases, not effected at the date of filing of this registration document, which could result from the warrants, stock options and free shares described, respectively, in paragraphs (a), (b) and (c) of this section.

In addition, the extraordinary shareholders' meeting of 22 April 2010 authorised:

- the Board of Directors, in accordance with the provisions of Article L 225-209 of the Commercial Code for a period of 18 months, to cancel on one or more occasions, the Company's shares held by the Company under a share buyback program decided on by the Company, within a limit of 10% of share capital per 24-month period and to reduce the capital accordingly by charging the difference between the purchase value of the cancelled shares and their nominal value to available premiums and reserves [resolution 17 of the extraordinary shareholders' meeting of 22 April 2010];
- the Board of Directors, in accordance with Articles L. 225-129 to L. 225-129-4, L. 225-134 and L. 228-91 et seq. of the French Commercial Code to increase, on one or more occasions, the Company's capital, by issuing ordinary shares and/or securities granting rights to the Company's capital and/or transferable securities giving entitlement to the allocation of debt securities - with preferential subscription rights maintained – this for a period of 26 months and within the limit of a maximum ceiling of €500,000, which represents 2 million shares, i.e. 15% of the share capital at 31 December 2009 [resolution 18 of the extraordinary shareholders' meeting of 22 April 2010];
- the Board of Directors, in accordance with the provisions of Articles L. 225-129 to L. 225-129-4, L. 225-135, L. 225-136-3 et L. 228-91 et seq. of the French Commercial Code and Article L. 411-2, paragraph II of the French Monetary and Financial Code, to increase, on one or more occasions, the Company's capital, by issuing ordinary shares and/or securities granting rights immediately or in due course to the capital, by an offer referred to in paragraph II of Article L 411-2 of the Monetary and Financial Code, in favour of qualified investors or a restricted circle of investors; this for a period of 26 months and within the limit of a maximum ceiling of €325,000, which represents 1.3 million shares, i.e. 10% of the share capital at 31 December 2009, on the stipulation that this amount will be deducted from the ceiling referred to in resolution 18 above. The sum to be returned to the Company for each of the ordinary shares issued will be determined by the Board of Directors in accordance with the provisions of Article L 225-136-1 of the French Commercial Code and will thus be equal to the weighted average of the prices on the last three trading days (on the Paris stock market) preceding its determination, less, as the case may be, the maximum discount of 5% stipulated in Article R 225-119 of the French Commercial Code [resolution 19 of the extraordinary shareholders' meeting of 22 April 2010];
- the Board of Directors, in accordance with Articles L. 225-177 to L. 225-184 of the French Commercial Code, to grant a maximum number of 150,500 options for one share each, granting rights to subscribe for new shares to be issued by the Company by way of increase in its capital or to buy existing shares in the Company. The options would be granted to all the Company's employees and to at least 90% of its subsidiaries' employees, excluding the Company's executive officers, and the total number of options thus granted represents a nominal maximum amount of €37,625, i.e. a maximum percentage of dilution of 1.2% in relation to the Company's share capital at the end of the 2009 financial year [resolution 20 of the extraordinary shareholders' meeting of 22 April 2010];

- the Board of Directors, in accordance with articles L. 225-177 to L. 225-184 of the French Commercial Code, to grant a maximum number of 150,500 options for one share each, granting rights to subscribe for new shares to be issued by the Company by way of increase in its capital or to buy existing shares in the Company. The options would be granted to the Company's executive officers and the total number of options thus granted represents a nominal maximum amount of €6,250, i.e. a maximum percentage of dilution of 0.2% in relation to the Company's share capital at the end of the 2009 financial year [resolution 21 of the extraordinary shareholders' meeting of 22 April 2010].

The entire text of the resolutions proposed to or voted by the shareholders' meetings may be consulted on the Company's website: http://www.bioalliancepharma.com.

6.2.5 Share capital of the Company subject to option or agreed conditionally or unconditionally to be put under option

To the best of the Company's knowledge and belief, when this registration document was filed, the Company's shares were not subject to any option or conditional or unconditional agreement placing them under option.

6.2.6 Changes in share capital during the last three financial years

The information table below shows the changes in the share capital over the past three financial years.

Changes in share capital since 1 January 2008

Final completion date of the transaction or of recognition	Capital increase	Number of shares issued	Nominal amount of the capital increase/ reduction (€)	Additional paid-in capital (€)	Successive capital amounts (€)	Cumulative number of shares	Nominal value of shares
31/12/2007	Exercise of BSAs and BCEs	39,800	9,950	235,089	3,115,473.50	12,461,894	€0.25
30/06/2008	Exercise of BSAs and BCEs	434,940	108,735	959,042.70	3,224,208.50	12,896,834	€0.25
31/12/2009	Exercise of BSAs	1,500	375	4,050	3,224,583.50	12,898,334	€0.25
27/04/2010	Reserved capital increase	509,338	127,334.50	2,872,666.32	3,351,918	13,407,672	€0.25
25/08/2010	Vesting of free shares	120,900	30,225	-	3,382,143	13,528,572	€0.25
10/02/2011	Exercise of BSAs	7,500	1,875	20,250	3,384,018	13,536,072	€0.25

6.3 MEMORANDUM AND ARTICLES OF INCORPORATION

The main provisions of the articles of incorporation and the provisions arising from applicable laws and regulations are described below.

6.3.1 Corporate purpose (Article 2 of the articles of incorporation)

The Company's purpose is:

- the design, research and development of healthcare products from creation until marketing authorisations are obtained, and all operations related thereto;
- the acquisition, filing, award, assignment and licensing of all patents, trademarks, licences and utilisation processes;
- the acquisition of shareholdings or interests in all companies or enterprises created or to be created, both French and foreign, with or without a purpose similar to the Company's;
- the provision of services, advice, research, development and marketing in the health sector;
- and, more generally, all industrial, commercial, financial, civil, securities or property operations, which may be related directly or indirectly to one of the aforementioned objects or any similar and related purposes, and which may be useful for the performance and development of the Company's business.

6.3.2 Management and supervisory bodies (Articles 14, 15, 16 and 17 of the articles of incorporation)

Since 22 April 2010, the date on which the shareholders' meeting voted to change the Company's method of administration, BioAlliance Pharma has been run by a Board of Directors (see section 5.1 of this registration document).

6.3.3 Rights and obligations attached to shares - share classes (Articles 7 and 12 of the articles of incorporation)

There is only one class of shares, which conveys to all shareholders the same rights.Each share conveys rights to the profits and corporate assets in a share proportional to the amount of capital it represents and conveys the right to one vote.

6.3.4 Actions necessary to modify shareholders' rights

Shareholders' rights may be modified by an extraordinary shareholders' meeting voting in accordance with the applicable laws and regulations. However, shareholders' commitments may be increased only by a unanimous vote.

6.3.5 Notices and participation in meetings (Articles 20 and 22 of the articles of incorporation)

Shareholders' meetings are convened and meet under the conditions set by law. Meetings take place at the registered office or at any other location stated in the notice of meeting.

All shareholders have the right to attend shareholders' meetings and to participate in their deliberations either personally or by proxy, regardless of the number of shares that they hold, if an entry is made in respect of the shares held, under the conditions provided for by law, either in the shareholder's own name or in the name of the intermediary registered on such shareholder's behalf, on the third business day before the date of the shareholders' meeting at zero hours, Paris time, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the duly authorised intermediary.

Shareholders who participate in the meeting via video conferencing or via telecommunications methods that allow identification as required by the regulations then in force, are also deemed to be present for determination of a quorum and majority, if the Board of Directors so decides when the meeting is convened.

6.3.6 Clauses liable to have an impact on the change of control

None of the provisions of the articles of incorporation, by-laws or any shareholders' agreement could, to the best of the Company's knowledge and belief, have the effect of delaying, deferring or preventing any change in control of the Company.

6.3.7 Notification obligations regarding crossing of thresholds (Article 8 of the articles of incorporation)

In accordance with the provisions of the French Commercial Code, any natural person or legal entity, acting alone or in concert with any other person, who holds bearer shares entered in an account with an authorised intermediary and who comes to own a number of company shares representing more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the capital or voting rights must inform the Company and the AMF, within four trading days of the date when the ownership threshold is crossed, of the total number of shares or voting rights which said person owns. This information must also be transmitted, within the same periods and under the same conditions, when the interest in the capital or voting rights drops below the aforementioned thresholds.

The Company's articles of incorporation no longer provide for any additional thresholds (abolished at the shareholders' meeting of 29 April 2008).

In 2010, the Company received no notifications regarding the crossing of thresholds.

6.3.1 Changes in share capital (Article 9 of the articles of incorporation)

The share capital may be increased, reduced or redeemed under the conditions provided for by law.

6.4 OTHER INFORMATION

6.4.1 Property, plant and equipment

Due to the large-scale use of subcontracting for the manufacture of its products, the Group's activities do not justify the ownership of plant or industrial equipment or facilities.

The Company leases its offices and laboratories, with a total area of 2,500 square metres, in the building housing its registered in Paris. The French operating subsidiary, Laboratoires BioAlliance Pharma, occupies part of these premises.

In addition, in accordance with a temporary agreement to occupy public State-owned land entered into with the Châtenay-Malabry Faculty of Pharmacy and Paris XI University renewed in 2006 up to 12 July 2011, the Company has a research and development laboratory located on the premises of the Châtenay-Malabry Faculty of Pharmacy. This laboratory, which occupies an area of approximately 60 sq. m. has a clean room (a vacuum chamber enabling work with genotoxics) that the Company uses to conduct certain experiments on its products.

6.4.2 Significant contracts and transactions with related parties

The Group has not entered into any contracts other than those entered into in the normal course of business.

With regard to related-party transactions, they are described firstly in the management report, in section 5.2 of this registration document, regarding the compensation of executives and secondly, in

note 16 to the consolidated financial statements in section 4.1 of this registration document, with regard to transactions carried out with other related companies within the Group.

6.4.3 Third party information, statements by experts and declarations of interest

The Company certifies that the information received from third parties contained in this registration document has, to its knowledge, been accurately reproduced and that, in light of the data set out in this registration document, no fact that is liable to be significant has been omitted which would lead to the information reproduced being inaccurate or misleading.

6.4.4 Publicly available documents

The following corporate documents may be consulted at the Company's registered office (where a copy can be obtained):

- The memorandum and articles of incorporation, the minutes of shareholders' meetings and other corporate documents of the Company;
- All reports, letters and other documents, historical financial information, valuations and declarations prepared by an expert at the Company's request, some of which are included or referred to in this registration document; and
- The historical financial information on the Company and its subsidiary Laboratoires BioAlliance Pharma for each of the two financial years prior to the publication of this registration document.

The 'regulated' financial information is available on BioAlliance Pharma's website at the following address: http://www.bioalliancepharma.com. and on the website www.info-financier.fr of the official journals or may be obtained by request from Nicolas Fellmann, Chief Financial Officer, e-mail: contact@bioalliancepharma.com.

6.4.5 Index of information published or made public in the past 12 months about the Company

This paragraph is in lieu of an annual disclosure document as required by Article 222-7 of the AMF General Regulation.

Date (in reverse chronological order)	**Type of information**	**Media used**
31 March 2011	Update of results for Livatag® (doxorubicin Transdrug™) Significantly increased survival time for patients with advanced hepatocellular carcinoma	Company website, full, effective distribution
16 March 2011	Publication of the appointment of Judith Greciet as Chief Operating Officer, Operations and R&D	Legal journal *Petites Affiches* no. 53
3 March 2011	BioAlliance obtains €2 million in funding for new peptide applications with the patented mucoadhesive Lauriad™ technology	Company website, full, effective distribution
3 March 2011	Annual financial statements for 2010 - Positive results related to non-recurring net sales - Dynamic growth potential for the company	Company website, full, effective distribution
2 March 2011	BioAlliance Pharma Appoints Judith Greciet to the post of Chief Operating Officer, Operations and R&D	Company website, full, effective distribution
18 February 2011	Publication of capital increase at 31 December 2010 following exercise of warrants in 2010	Legal journal *Petites Affiches* no. 35

Date (in reverse chronological order)	**Type of information**	**Media used**
10 February 2011	2010 Net sales - An exceptional performance linked to international partnerships	Company website, full, effective distribution
7 February 2011	BioAlliance presents the results of an international survey conducted by Nielsen in patients with herpes labialis	Company website, full, effective distribution
24 December 2010	Publication of the resignation from the Board of IDInvest Partners and the co-optation of Kurma Life Science Partners, represented by R. Droller	Legal journal *Petites Affiches* no. 256
15 December 2010	BioAlliance Pharma announces new opportunities for its patented mucoadhesive Lauriad™ technology	Company website, full, effective distribution
23 November 2010	BioAlliance presents preclinical and clinical results of Phase I of its AMEP® biotherapy in the treatment of metastatic melanoma to the "Electrochemotherapy 1st International Users' Meeting"	Company website, full, effective distribution
17 November 2010	BioAlliance presents the results of the pharmacokinetic study of Sitavir® (acyclovir Lauriad®) to the 2010 FIP/AAPS Annual Pharmaceutical Sciences Conference	Company website, full, effective distribution
21 October 2010	Structure of sales in Q3 2010 reflects the momentum of US and European partnerships	Company website, full, effective distribution
19 October 2010	Dismissal of civil action by Eurofins against BioAlliance in the United States confirmed on appeal	Company website, full, effective distribution
5 October 2010	Presentation at the BioPartnering Europe™ conference (London, 10 to 12 October 2010)	Company website, full, effective distribution
29 September 2010	BioAlliance mobilises for the fight against breast cancer	Company website, full, effective distribution
9 September 2010	BioAlliance Pharma announces its participation in the MidCap Event on 20 and 21 September 2010	Company website, full, effective distribution
7 September 2010	BioAlliance Pharma announces the award of its patent for acyclovir Lauriad™ in Europe	Company website, full, effective distribution
1 September 2010	Publication of the resignation of G. Avenard, the appointment of P. Attali and the capital increase resulting from the vesting of free shares	Legal journal *Petites Affiches* no. 173 and 174
26 August 2010	US registration file for acyclovir Lauriad® planned for late 2011	Company website, full, effective distribution
25 August 2010	Results of the first half of 2010 - Substantial net sales - A half-year profit reflecting the value of licensing agreements in place - Significantly strengthened cash flow	Company website, full, effective distribution
24 August 2010	BioAlliance Pharma announces the launch of Oravig® in the US market by its sales partner, Strativa/Par Pharmaceutical	Company website, full, effective distribution
4 August 2010	Changes in Executive Management of BioAlliance Pharma	Company website, full, effective distribution
22 July 2010	Record net sales in the second quarter of 2010 reflecting the success achieved with the MA in the US	Company website, full, effective distribution
5 July 2010	Publication of liquidity contract statements at 30 June 2010	Company website, full, effective distribution
2 July 2010	Publication of the approval of the annual financial statements by the Shareholders' Meeting	BALO no. 79
1er July 2010	US registration file for acyclovir Lauriad® planned for mid-2011	Company website, full, effective distribution
30 June 2010	Publication of 2009 Registration Document	Company website, full, effective distribution

Date (in reverse chronological order)	**Type of information**	**Media used**
28 June 2010	BioAlliance presents results of Phase III with Loramyc® (miconazole Lauriad®) and its Phase II trial with clonidine Lauriad®	Company website, full, effective distribution
7 June 2010	Publication of the appointment of GIEC as alternate auditor for Grant Thornton by the AGM of 22 April 2010	Legal journal *Petites Affiches* no. 112
25 May 2010	BioAlliance Pharma presents preclinical results of its AMEP™ project, validating the entry into Phase I of this biotherapy for metastatic melanoma	Company website, full, effective distribution
4 May 2010	Publication of changes agreed by the AGM of 22 April 2010: capital increase reserved for Therabel, change in the Company's mode of governance, and appointment of each director	Legal journal *Petites Affiches* no. 88
30 April 2010	BioAlliance Pharma announces participation in three major international conferences in May 2010	Company website, full, effective distribution
26 April 2010	BioAlliance Pharma announces equity investment by Therabel and the transition to a Board of Directors following its combined shareholders' meeting	Company website, full, effective distribution
23 April 2010	Publication of description of the share buyback programme authorised by the AGM of April 22, 2010	Company website, full, effective distribution
22 April 2010	Net sales for Q1 2010 reflect the new European partnership agreement with Therabel Recurring revenues expected	Company website, full, effective distribution
16 April 2010	BioAlliance Pharma receives US marketing authorisation for Oravig® (Loramyc® in Europe)	Company website, full, effective distribution
7 April 2010	Publication of notice of the Combined Ordinary and Extraordinary Shareholders' Meeting of 22 April 2010	BALO no. 42 *Petites Affiches* no. 69
6 April 2010	Press release on the publication of the 2009 Annual Report	Company website, full, effective distribution
6 April 2010	BioAlliance establishes its growth strategy on partnerships and licenses all European rights to market Loramyc® and Setofilm® to the Therabel Group for a total of €48.5 million	Company website, full, effective distribution
25 March 2010	BioAlliance Pharma announces approval of Loramyc® in 13 new countries	Company website, full, effective distribution
23 March 2010	BioAlliance Pharma announces European approval for its second innovative product, Setofilm®	Company website, full, effective distribution
17 March 2010	Notice of the Combined Ordinary and Extraordinary Shareholders' Meeting of 22 April 2010	BALO no. 33
17 March 2010	Combined Ordinary and Extraordinary Shareholders' Meeting of 22 April 2010 - Procedures for obtaining preparatory documents	Company website, full, effective distribution
10 March 2010	Positive preliminary clinical results for initial trial of Phase I of fentanyl Lauriad®	Company website, full, effective distribution
3 March 2010	BioAlliance Pharma publishes its annual results for 2009	Company website, full, effective distribution
9 February 2010	2009 Consolidated net sales - Doubling of recurring revenues	Company website, full, effective distribution
13 January 2010	Publication of the capital increase of 1 December 2009 in a legal journal	Legal journal *Petites Affiches* no. 9
12 January 2010	Publication of liquidity contract statements at 31 December 2009	Company website, full, effective distribution

In addition, in accordance with the provisions of Article L. 233-8 II of the French Commercial Code and of Article 223-16 of the *Autorité des Marchés Financiers* General Regulation, the Company discloses every month the total number of shares and voting rights comprising its capital.

6.5 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Persons responsible for the Registration Document Dominique Costantini, Chief Executive Officer of BioAlliance Pharma as from the shareholders' meeting of 22 April 2010, previously President of the Management Board

Certification by the person(s) responsible for the registration document

I hereby certify, having taken all reasonable measures to that effect, that the information contained in this document is, to my knowledge, truthful and contains no omission likely to affect its import.

I certify that, to my knowledge, the financial statements are prepared in accordance with applicable accounting standards (IFRS as adopted by the EU for the consolidated financial statements and French GAAP for the parent company financial statements) and give a true and fair picture of the assets and liabilities, the financial position and the results of the Company and the undertakings included in consolidation, and that the management report (in Section 3.1. of this document) presents a true picture of the changes in the business, the results and the financial position of the Company and the undertakings included in the consolidation, along with a description of principal risks and uncertainties they face.

We have received a letter from the statutory auditors prepared at the conclusion of their work, in which they state that they have audited the information about the financial position and financial statements provided in this reference document, and have read the entire reference document.

The historical financial information presented in this document is the subject of reports by the statutory auditors, in sections 4.2. and 4.4 of this registration document, which contain comments on the disputes with Eurofins and Spepharm (pages 105 and 134). I also point out that the statutory auditors' reports on the 2009 consolidated and parent company financial statements contain two comments, one on the going concern and the other on the disputes with Eurofins and Spepharm (see 2009 Registration Document - Annual Report filed on 29 June 2010, pages 123 and 125) and that the statutory auditors' reports on the 2008 consolidated and parent company financial statements contain one comment on the disputes with Eurofins and Spepharm (see 2008 Registration Document - Annual Report filed on 7 April 2009, pages 120 and 121).

Dominique Costantini
Chief Executive Officer

6.6 PERSONS RESPONSIBLE FOR THE STATUTORY AUDIT

Statutory Auditors

Grant Thornton

French member of Grant Thornton International
100 rue de Courcelles
75017 Paris
Represented by Mr Olivier Bochet, member of the Paris Institute of Statutory Auditors.

Grant Thornton was appointed, when the Company was formed, for a term of six financial years. It was re-appointed at the shareholders' meeting of 17 November 2004 deciding on the financial statements for the year ending 30 June 2004, then again at the shareholders' meeting of 22 April 2010 deciding on the financial statements for the year ending 31 December 2009. This appointment expires after the annual shareholders' meeting deciding on the financial statements for the year ending 31 December 2015.

Ernst & Young Audit

Tour Ernst & Young, Faubourg de l'Arche
11 Allée de l'Arche
92037 Paris-La Défense Cedex
Represented by Mr Franck Sebag, member of the Versailles Institute of Statutory Auditors.

Ernst & Young was appointed by the shareholders' meeting of 7 November 2005 for a term of six financial years. This appointment expires at the close of the shareholders' meeting deciding on the financial statements for the period ending 31 December 2010.

Alternate auditors

IGEC, Institut de Gestion et d'Expertise Comptable
3 Rue Léon Jost
75017 Paris

IGEC was appointed by the shareholders' meeting of 22 April 2010 for a term of six financial years. This appointment expires at the close of the shareholders' meeting to approve the financial statements for the year ending 31 December 2015.

Société Auditex SA
Tour Ernst & Young,
11 Allée de l'Arche,
92037 Paris La Défense Cedex

Auditex SA was appointed by the shareholders' meeting of 7 November 2005 for a term of six financial years. This appointment expires at the close of the shareholders' meeting deciding on the financial statements for the year ending 31 December 2010.

The statutory auditors have not resigned and their appointments have not terminated.

6.7 FEES PAID TO AUDITORS AND MEMBERS OF THEIR NETWORKS

The following table presents the fees paid to the auditors and members of their network and expensed by the Company between 1 January and 31 December 2010:

(euros)	**Grant Thornton**				**Ernst & Young**			
	Amount		**%**		**Amount**		**%**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Audit, statutory audit, certification, review of financial statements under French GAAP and IFRS								
Issuer	77,250	91,250	96%	82%	83,038	97,287	89%	94%
Fully consolidated subsidiary	2,500	12,544	3%	11%	0	0	0%	0%
Other procedures and services directly related to the statutory auditor assignment	1,000	8,000	1%	7%	10,500	6,180	11%	6%
Sub-total	**80,750**	**90,444**	**100%**	**100%**	**93,538**	**103,467**	**100%**	**100%**
Other services rendered by the networks to the fully consolidated subsidiary								
Sub-total								
Total	**80,750**	**111,794**	**100%**	**100%**	**93,538**	**103,467**	**100%**	**100%**

6.8 CROSS-REFERENCE TABLE

This cross-reference table shows, as regards each of the headings provided by annex I of European Commission Regulation (EC) No 809/2004 of 29 April 2004, the numbers of the paragraphs(s) of this registration document in which is mentioned information related to each of the regulation's headings.

Annex I of EC Regulation no. 809/2004		**Registration Document**	
		Chapter(s)/Section(s)	**Page(s)**
I.	**Persons responsible**	**6.5.**	
II.	**Statutory Auditors**	**6.6.**	
III.	**Selected financial data**		
1.	Selected historical financial data	1.3	
2.	Selected financial data for interim periods and comparative data covering the same periods of the preceding financial year	N/A	
IV.	**Risk factors**	**5.4.**	
V.	**Details of issuer**		
1.	Corporate history and development	2.1.1.	
	1.1. Registered and trade name	6.	
	1.2. Issuer location and company registration number	6.	
	1.3. Date of incorporation and term of the issuer	6.	
	1.4. Registered office and legal form of the issuer, legislation governing its activities, country of origin, address and telephone number		
	1.5. Significant events in the development of the issuer's activity	2.1.1. and 3.1.1.	
2.	Investments	3.2.1.	
VI.	**Business overview**		
1.	Main activities	2.1.	
	1.1. Type of operations carried out by the issuer and its main activities	2.1.	
	1.2. Important new product or service launched on the market	2.3.	
2.	Main markets	2.3.	
3.	Events that have influenced the information supplied in accordance with points VI and VI.2	N/A	
4.	Issuer's degree of independence as regards patents or licences, industrial, commercial or financial contracts or new manufacturing processes	2.2.4.1. and 2.3.1.5.	
5.	Basis of any declaration by the issuer concerning its competitive position	6.4.3.	
VII.	**Organisation chart**	**3.1.1.1.**	
VIII.	**Property, plant and equipment**	**6.4.1.**	
IX.	**Examination of the financial situation and operating income**	**3.**	

X.	**Cash and capital**	**3.2.2.**	
XI.	**Research and development, patents and licences**	**2.2. and 4.1.**	
XII.	**Information on trends**	**Notes 2.5.1.1. and 3.1.5.**	
XIII.	**Profit forecasts or estimate**	**N/A**	
XIV.	**Administrative, management and supervisory bodies and general management**		
1.	Information on activities, absence of any conviction and terms of office	3.1.9. and 5.1.	
2.	Information on conflicts of interest, arrangement or agreement concluded with third parties and restriction on the sale of shares by the persons referred to in point XIV.1	5.1.4.	
XV.	**Remuneration and benefits of the persons referred to in point XIV.1**	**5.2.1.**	
XVI.	**Functioning of the administrative and management bodies**		
1.	Expiry date of the current term of office of members of the administrative, management and supervisory bodies	3.1.9 and 5.1	
2.	Information on service contracts involving members of the administrative, management and supervisory bodies of the issuer or of any of its subsidiaries	5.1.4.	
3.	Information on the issuer's audit committee and remuneration committee	5.1.3., 5.5.1.5. and 5.5.1.6.	
4.	Compliance with the corporate governance regime in force	5.5.1.	
XVII.	**Employees**		
1.	Number of employees at the end of the period covered by the historical financial data or average number during each financial year of this period and distribution of employees	3.1.10.	
2.	Shareholdings and stock options: for each of the persons referred to in point XIV.1, information on the participations that he or she holds in the issuer's share capital and any option existing over its shares	5.2.2.	
3.	Agreement providing for employee participation in the issuer's capital	3.1.7.	
XVIII	**Main shareholders**	**6.1.**	
XIX	**Transactions with related companies**	**6.4.2.**	
XX.	**Financial data on the issuer's assets and liabilities, financial situation and operating income**		
1.	Historical financial information	4.	
2.	Pro forma financial data and description of the effect of the restructuring	N/A	
3.	Annual financial statements (parent company and consolidated financial statements)	4.1. and 4.3.	
4.	Verification of historical financial data 4.1. Declaration certifying that the historical financial data has	4.2. and 4.5.	

	been verified 4.2. Other information contained in the registration document and verified by the statutory auditors 4.3. When financial data appearing in the registration document is not derived from financial statements verified by the issuer, state its source and stipulate that it is not verified	 5.3. and 5.6. N/A	
5.	Date of latest financial data verified	4.4.	
6.	Interim and other financial data	4.4.	
7.	Dividend distribution policy	4.4.	
8.	Legal and arbitration proceedings	3.1.4.3.	
9.	Significant change in the financial or commercial situation since the end of the last financial year	3.1.5.	
XXI.	**Additional information**		
1.	Share capital 1.1. Amount of capital subscribed, number of shares issued, nominal value per share and reconciliation of the number of shares outstanding at the beginning and end of the financial year 1.2. Shares not evidencing capital 1.3. Number, book value and nominal value of shares held by the issuer or its subsidiaries 1.4. Securities that are convertible or exchangeable or come with subscription warrants 1.5. Information on the conditions governing any right of acquisition and obligation attached to capital subscribed but not paid up, or on any undertaking aimed at increasing capital 1.6. Information on the capital of any member of the Group that is the subject of an option or agreement providing for it to be placed under option 1.7. History of the share capital for the period covered by the historical financial data	6.2. 6.2.1. N/A 6.2.2. 6.2.3. 6.2.4. 6.2.5. 6.2.6.	
2.	Memorandum and articles of incorporation	6.3.	
XXII.	**Sizeable contracts**	**6.4.2.**	
XXIII	**Information provided by third parties, valuers'/experts' declarations and declarations of interest**	**6.4.3.**	
XXIV	**Publicly available documents**	**6.4.4.**	
XXV.	**Information on holdings**	**3.1.1.1.**	

GLOSSARY

Terms in English	Definitions
AFSSAPS	French Agency for the Safety of Healthcare Products.
AMEP	Peptide from the human Disintegrin domain of ADAM-15.
ANVAR	*Agence Nationale de Valorisation de la Recherche* (French innovation agency).
ASC	Annual sliding cumulation.
Batch	A defined quantity (of a raw material, an item used in packaging, or a product manufactured in a process or a series of processes) that may be deemed a consistent unit.
BDPME	French Development Bank for Small and Medium-sized Companies.
Benefit/risk ratio	The ratio between a drug's expected benefits and its possible risks.
Biomedical research	Trial or experiment conceived for and conducted on human subjects with a view to developing biological or medical knowledge.
BSA	BSA: French share purchase warrants.
Clinical trial	The systematic study of a drug on human subjects (either healthy or sick volunteers), in order to discover or verify drug effects, adverse reactions, and to study the absorption, distribution, metabolism, and extraction of the drug in question, for the purpose of establishing its safety and efficacy.
CNRS	*Centre National de la Recherche Scientifique* (French National Scientific Research Centre).
Compliance	The patient's adherence to treatment (good therapeutic follow-up).
CRO	Contract Research Organisation.
Drug	Substance or combination of substances presented as possessing curative or preventive properties regarding human disease, and any product that can be administered to humans in order to establish a medical diagnosis or to restore, mitigate or modify their biological functions.
Drug Adverse Effect	Any harmful and undesirable effect experienced by a participant in a clinical trial, regardless of the effect's connection to the drug(s) under study and regardless of what caused the effect.
ECB	Special founders' share purchase warrants – share purchase warrants offered to employees and executives of French innovation companies established for less than 15 years.
EMEA	European Agency for the Evaluation of Medicinal Products – today, the European Medicines Agency.
FDA	Food and Drug Administration - the US Agency for drug registration.
GCP (Good Clinical Practices)	The group of measures ensuring the quality standard of clinical trials.
GMP (Good Manufacturing Practices)	An aspect of pharmaceutical quality assurance that ensures drugs are manufactured and controlled in a consistent manner according to quality standards suitable for the drug's intended use and in accordance with the drug's specifications.
HCC	Hepatocellular Carcinoma - in French, HCC or *Carcinome HépatoCellulaire* – liver cancer.
HIV	Human immunodeficiency virus.
HSV	Herpes simplex virus.
ICH	International Conference of Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use.
IFRS	International Financial Reporting Standards – International accounting standards as adopted by the European community.
IGR	Institut Gustave Roussy.

Terms in English	Definitions
Immune response monitoring	All the techniques that enable us to monitor the immune system's induction and kinetic response. The monitoring of T responses (mediated by T-cells) is especially relevant to immunotherapy.
IND	Investigational New Drug – Request to start a clinical trial with the FDA for innovative new medicines.
INSERM	The National Institute of Health and Medical Research, a French institution.
Investigator(s)	Natural person(s) who conduct(s) and monitor(s) the clinical trial and is (are) responsible for the protection, health and well-being of trial participants; The investigator is a qualified physician with relevant experience. When a trial is assigned to several investigators, a coordinating investigator is appointed by the sponsor.
In vivo	Manipulation taking place in the body of a human or animal.
ISO 9000 (9001, 9002, 9003)	Quality system: A system designed to ensure quality in design, development, production, installation, and related services.
Lysat	Type of cellular extract (product of lysis).
MA	Marketing Authorisation.
MDR	Multi Drug Resistance gene – encoding transmembrane proteins rejecting products or drugs outside the cells.
MIC	Minimum Inhibitory Concentration.
NE	New Entities – New chemical and biological entities.
ORA	French equity note (a bond redeemable in shares).
PCT (Patent Cooperation Treaty)	Patent Cooperation Treaty – The PCT is an international treaty providing for standardised filing procedures for obtaining foreign patents in the signatory countries.
Pharmacodynamic study	The study of a drug's effective dosage and length of therapeutic efficacy.
Pharmacokinetic study	The study of a drug's kinetic parameters (uptake and clearance) in various compartments (the bloodstream, tissues).
Phase I	This phase corresponds to the initial clinical trials. It must evaluate drug tolerance in a small number of (usually healthy) volunteer subjects and enable initial studies on the administration of the drug in the human body.
Phase II	This phase is divided into two sub-phases. Phase II-A, which has as its objective to study the effects of the drug on a small number of volunteers (mostly healthy) and complete the pharmacokinetic studies. Phase II-B should evaluate the tolerance (side effects) and efficacy of the drug on a limited number of patients and determine the dosage.
Phase III	This phase aims to confirm and complement the results on efficacy and tolerance of the drug on a sufficient number of patients. It should also allow for the study of side effects and the assessment of the efficacy/safety report, as compared to a reference treatment.
Phase IV	This phase corresponds to the tests performed after the MA involving a very large number of patients. Its purpose is to refine knowledge of the drug and its side effects, dosage adjustments for special situations, and to evaluate the treatment strategy.
Pivotal trial	The clinical trial used to register a drug.
Protocol	Document describing the trial's rationale, goals, methodology and statistical methods and which specifies the terms and conditions under which the trial must be conducted and managed.
Quality Assurance	Quality assurance is a concept that covers everything that may individually or collectively influence the quality of a product. It represents all the measures taken to ensure that the products available are of the quality required for their intended use. Good practises in sampling, transport, manufacturing and conservation are all elements of quality assurance.
Randomised trial	A trial in which selected patients are randomly distributed among various groups under study.

Terms in English	Definitions
Serious Adverse Effects	A serious adverse effect is an adverse effect that contributed to death or is likely to endanger life, causes disability or incapacity, or leads to or prolongs hospitalisation.
SICAV	SICAV: a French open-ended investment or mutual fund (*société d'investissement à capital variable*).
SO	Stock Option – Options to subscribe for share or stock option share.
Sponsor	Natural person or legal entity that assumes leadership of a clinical trial and is responsible for its launch and management.
Toxic Dose Limit (TDL)	Dose of a given drug at which toxicity first appears. This dose makes it possible to define the therapeutic dose that will necessarily be lower.
Traceability	All the information and measures taken to monitor and rapidly retrace each stage of a process.
Validation	The establishment of proof that the implementation or use of any process, procedure, equipment, raw material, activity, or system actually enables the realisation of planned outcomes and set specifications.