BioAlliance Pharma

Limited company (*société anonyme*) with capital of €4,414,928.75
Registered office: 49 Boulevard du Général Martial Valin, 75015 Paris
410 910 095 RCS Paris

2011 REFERENCE DOCUMENT

INCLUDING THE

ANNUAL REPORT

AMF AUTORITÉ DES MARCHÉS FINANCIERS

The French version of the Reference Document (*Document de Référence*) was filed with the Autorité des Marchés Financiers on 24 April 2012 in accordance with Article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction only if it is accompanied by a memorandum (*Note d'opération*) duly approved by the AMF. This document has been prepared by the issuer and is under the responsibility of its signatories.

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 on the website of the Autorité des Marchés Financiers: www.amf-france.org.

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This reference document includes the annual financial report for the 2011 financial year, the components of which are indicated on page 218 hereof.

1. OVERVIEW OF BIOALLIANCE PHARMA

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1.1 Profile

1.1.1 A unique business model

Cancer and associated pathologies

BioAlliance Pharma conceives, develops and brings to market innovative drugs in the treatment of cancer and its associated pathologies, specifically on severe or rare diseases, in selected markets, as well as in supportive care.

Founded in 1997 and listed on Euronext Paris in 2005, the Company's ambition is to become a leading player in the field of orphan diseases in oncology by linking innovation with patients' needs.

It employs sixty specialists and brings together key expertise in preclinical and clinical development, regulatory affairs, patents, strategy and business development.

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 breakthrough technologies, whether for mucosal delivery, nanoparticulate formulation or for targeted therapies, that allow local and precise action and reduce drug resistance and intolerance.

Growth strategy

The Company's growth strategy is primarily driven by the development of its advanced products for orphan diseases in oncology – products with very high sales potential, which benefit from more favourable price and reimbursement policies, and which meet an established and unaddressed therapeutic need for a relatively limited population of patients.

BioAlliance Pharma already has three drugs at an advanced development stage (Phase I to Phase III) which represent major therapeutic advances in their field.

The Company has also developed so-called "specialty drugs" based on the Lauriad™ technology, which allow it to access the market through agreements with commercial partners. It has already developed and registered a first drug – Loramyc®/Oravig® – and is in the process of registering a second drug, indicated for the treatment of recurrent orofacial herpes. These agreements provide revenue, mainly in the short term, in the form of upfront and milestone payments that ensure funding for the development of more ambitious products targeting orphan diseases.

All of these factors, along with eventual acquisitions, will help to ensure the business's future growth.

In the medium to long-term, the Company may decide to market high value-added products with a strong profitability profile directly in Europe for the treatment of rare cancers and orphan diseases, in order to benefit from the full profit margin generated.

1.1.2 Competitive advantage

Today, the Company enjoys strong competitive advantages:

- Two synergistic product portfolios that enable the independent and simultaneous management of the Company's advanced projects, the progressive growth of the Company, and a balancing of risks;
- True in-house know-how evidenced by the registration of drugs in Europe and the US and by the conclusion of licensing agreements in the major regions of the world (Europe, Asia, Japan);
- A portfolio of 230 patents and trademarks, establishing long-term protection for all products developed by the Company;
- Continuous access to cutting-edge innovation, reflecting its reputation in the research community;
- Established international commercial partnerships that are sources of revenue;
- Unique technological know-how in targeting and fighting drug resistance;
- A firm focus on orphan diseases in oncology.

Two synergistic product portfolios enabling the independent and simultaneous management of the Company's advanced projects, the progressive growth of the Company, and a balancing of risks

Product Portfolio

Product/Indication/Technology	Preclinical	Phase I/II	Phase II/III	Registration	Market
ORPHAN ONCOLOGY PRODUCTS	→	→	→		
BA-003/ Livatag®/(Doxorubicin Transdrug™) Primary liver cancer			Launch Phase III in 2012		
BA-041/ BA-028/ Clonidine Lauriad™ Post-chemotherapy and radiotherapy mucositis (cancer of the head and neck)	→	→ Ongoing			
BA-015/AMEP® Metastatic melanoma	→	→ Ongoing			
BA-018/ Irinotecan Transdrug™ Oral cancer	Ongoing				
BA-016/ Zyxin Invasive cancers	Ongoing				
SPECIALTY PRODUCTS				→	
BA-001/ Loramyc®/Oravig® /(Miconazole Lauriad™) Oropharyngeal candidiasis					Launched in Europe and the United States
BA-021/Sitavir® (Acyclovir Lauriad™) Recurrent orofacial herpes	→			→ Ongoing	
BA-022/Fentanyl Lauriad™ Chronic cancer pain	→	→ Ongoing			
BA-026/ Lauriad™ corticosteroid Severe inflammation of the mouth	Ongoing				
BA-032/Biologics Lauriad Peptides (POC) H1N1	Discovery				

The orphan oncology products portfolio includes three advanced drugs: Livatag® (Doxorubicin Transdrug™), developed for primary liver cancer (Phase III); Clonidine Lauriad™ (Phase II), for the treatment of post-chemotherapy and radiotherapy mucositis in patients with head and neck cancers; and (AMEP®) (Phase I), an anti-invasive biotherapy for

the treatment of metastatic or advanced melanoma. Lastly, the Company's portfolio also includes several products in preclinical development, that rely on breakthrough technologies and nanoparticle know-how, and whose development may be accelerated on the basis of the progress of products further upstream and of financial aspects.

BioAlliance Pharma's specialty products portfolio includes two advanced products: a drug registered in Europe and the United States, Loramyc®/Oravig®, and a product now being registered, Sitavir®/Sitavig® (European registration application filed in October 2011; US registration application expected to be filed in the first half of 2012).

Both drugs have generated substantial revenues, but also reflect the Company's expertise in preclinical and clinical development and its know-how in registering drugs with the European and US authorities.

Detailed information on these two portfolios can be found in Section 4.2 of this reference document.

Based on its key assets, the growth strategy of BioAlliance Pharma relies mainly on its portfolio of orphan drugs in oncology. Potential blockbusters, they represent strong drivers of organic growth for the company. Progress and the investments necessary for their development are funded at least in part by current or future revenues generated by specialty drugs under licensing agreements (upfront payments, milestone payments).

BioAlliance has structured its portfolio to bring these drugs to market on a gradual basis, through controlled, gradual investment. It mainly targets markets where accelerated development strategies apply (orphan products). The independence of its products in clinical development allows the Company to choose its priorities for acceleration in light of the risks inherent to pharmaceutical research, which helps to limit the consequences of any programme failure.

All innovative developments are covered by specific industrial property protections.

True in-house know-how evidenced by the registration of drugs in Europe and the US and by the conclusion of licensing agreements in major regions of the world (Europe, Asia, Japan)

BioAlliance Pharma's growth strategy relies on its human capital. Indeed, the expertise and know-how acquired by the teams at BioAlliance Pharma have carried it through every stage of drug development and registration, as with its product Loramyc®/Oravig®, making it truly unique in the field of French biotechnology

The Company continues to capitalise on the experience of its teams, as it has again recently demonstrated with the filing of the European registration application for Sitavir®/Sitavig®.

Continuous access to cutting-edge innovation, reflecting its reputation in the research community

The Company has established long-term relationships with high-level French human health research institutes such as the French National Scientific Research Centre (CNRS), the French National Institute of Health and Medical Research (INSERM), the Ecole Normale Supérieure de Cachan (ENS Cachan), as well as several university research centres, including those at the University of Paris XI, the Institut Gustave Roussy (IGR) and the Pasteur Institute. 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.

A portfolio of 230 patents and trademarks, establishing long-term protection for all products developed by the Company

Dedicated to developing innovative products, BioAlliance Pharma makes intellectual property a core focus of its operations. It has created a proactive strategy in this area, directly related to its research and development activities. As at 31 December 2011, BioAlliance Pharma's patent portfolio included 26 families of published patents and licences, including 313 patent applications and patents on innovative technologies and products. Over 70% of the portfolio consists of issued patents (230 in all).

Established international commercial partnerships that are sources of revenue

In regions across the world, BioAlliance Pharma has chosen to rely on strategic commercial partners established in the hospital sector, whose expertise complements its own. Its current partners are:

- Therabel Pharma Group in Europe;
- In Asia, Handok in Korea, Taiwan, Singapore, Malaysia and the Philippines; NovaMed in China; and Sosei in Japan;
- In the US, after reacquiring its marketing rights from Par/Strativa in October 2011, the Company is actively seeking a new partner.

These partnership agreements have generated more than €53 million for BioAlliance Pharma since 2007. Remaining sums will be received on the achievement of milestones and sales targets in the coming years. These agreements also provide for significant royalties on product sales.

Additional details are provided on page 54 of this reference document.

Unique technological know-how in targeting and in fighting drug resistance

BioAlliance Pharma has developed exclusive expertise in mucosal targeting with Lauriad™: the Lauriad™ mucoadhesive tablet adheres to the oral mucosa, allowing the rapid and sustained delivery of high concentrations of the active ingredient. Capitalising on this patented technology, validated by Loramyc® and Sitavir® with chemical molecules, BioAlliance Pharma is developing three other Lauriad™ products. Meanwhile, the Company is exploring new avenues of development for the mucosal delivery of complex biological products (small-interfering RNA in prostate cancer and the Fluriad™ vaccine project).

In addition, BioAlliance Pharma is one of the pioneers of intracellular targeting using nanoparticles. Its Transdrug™ nanoparticulate technology, developed with doxorubicin in the treatment of advanced liver cancer, bypasses the mechanisms of multidrug resistance by a protective masking of the anticancer drug, which allows it to reach its target.

The Company is also developing an innovative oral formulation of sustained release nanoparticles (SRN), which allows an optimal concentration of the product and prolonged exposure to cancer cells, thereby improving the product's efficacy and safety. This technology is currently under study with Irinotecan.

1.2 Management and supervisory bodies

1.2.1 Board of Directors

Board of Directors at 17 April 2012

Patrick Langlois
Chairman of the Board of Directors

Judith Greciet
Chief Executive Officer

Directors:

Michel Arié

Catherine Dunand

David H. Solomon

Financière de la Montagne, represented by Nicolas Trebouta

ING Belgium, represented by Luc Van de Steen

Kurma Life Sciences Partners, represented by Rémi Droller

1.2.2 Internal governance

The following operational decision-making bodies were established on 1 January 2012:

Strategy Committee

The Strategy Committee sets the Company's strategy, its major policies and growth scenarios and oversees their implementation. It meets monthly to ensure a collegial and cross-functional steering of the business.

Operations Committee

Composed of the Executive Management, department heads and R&D operational departments, the Operations Committee sets the operating strategy, systematically reviews and validates progress on projects, and coordinates the teams. It meets bimonthly.

Risk Management Committee

This committee updates the Company's risk mapping and monitors action plans with the departments concerned.

1.2.3 Statutory Auditors

Grant Thornton
French member of Grant Thornton International
100, Rue de Courcelles, 75017 Paris
Represented by Olivier Bochet, member of the Paris Institute of Statutory Auditors.

Ernst & Young Audit
Tour Ernst & Young, Faubourg de l'Arche
11, Allée de l'Arche, 92037 Paris-La Défense Cedex
Represented by Franck Sebag, member of the Versailles Institute of Statutory Auditors.

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 2011 and 31 December 2010.

	31 December 2011	31 December 2010
Net sales	**3,231**	**22,532**
of which non-recurring sales related to licensing agreements	*1,451*	*20,257*
Operating expenses	-18,169	-19,977
of which recurring cash operating expenses (1)	*-17,262*	*-18,237*
of which non-recurring cash operating expenses (1)	*0*	*-1,250*
of which non-cash operating expenses (1)	*-907*	*-490*
Operating income/(loss)	**-14,938**	**2,592**
Net financial income	316	217
Net income/(loss)	**-14,622**	**2,809**
Earnings per share	-0.83	0.21
Balance Sheet		
Cash	**28,666**	**20,947**
Other current assets	3,621	3,304
Non-current assets	1,793	2,083
Shareholders' equity	22,902	18,852
Payables	11,178	7,482
Cash		
Cash flow	-13,807	3,492
Changes in working capital	-2,227	-64
Net cash generated from operating activities	-11,684	3,428
Net cash used in investing activities	-161	-327
Net cash used in financing activities	19,564	3,135
Change in cash and cash equivalents	**7,718**	**6,237**

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

Notes on the key figures are found in Chapter 3 of this reference document.

2. GROUP ACTIVITY IN 2011

2. GROUP ACTIVITY IN 2011

2.1 Significant events in 2011

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 2011;
- BioAlliance Pharma Switzerland AG, a wholly-owned Swiss subsidiary, which had no commercial activity in 2010.

Under a new Chief Executive Officer and a new Chairman, and with a reorganised Board of Directors, 2011 was marked by critical advances for the future growth of BioAlliance Pharma and the value of its assets, including:

- A new Chief Executive Officer, a new Chairman and a reorganised Board of Directors, able to a bring a strong growth dynamic to BioAlliance Pharma;
- Strong progress of the orphan oncology products portfolio with:
    - Acceptance of Phase III by the French drug agency for Livatag® (doxorubicin Transdrug™) following the very significant survival results obtained in Phase II for liver cancer;
    - International expansion of the clonidine Lauriad™ Phase II trial;
    - Positive results of an initial Phase I trial of the AMEP® biotherapy.
- Filing of the European MA application for Sitavir®/Sitavig® and finalisation of the US MA application.
- Developments in international commercial partnerships, including:
    - Signing of an exclusive partnership agreement with Sosei Co. Ltd in Japan to market Loramyc®, the miconazole Lauriad™ mucoadhesive tablet;
    - Launch of Loramyc® in Germany by European partner Therabel;
    - Reacquisition of Oravig® marketing rights in the US

A. Governance: Changes in management bodies

Under the succession plan for Dominique Costantini, co-founder and CEO, Judith Greciet joined the company in early March 2011 as Chief Operations Officer, Operations and R&D. She was named Chief Executive Officer, replacing Dominique Costantini, on 29 June 2011 following the combined ordinary and extraordinary general meeting.

The annual general meeting of 29 June 2011 also approved the appointments of Judith Greciet, David H. Solomon and the company Financière de la Montagne, represented by Nicolas Trebouta as directors, and ratified the co-optation of Patrick Langlois who was named Chairman of the Board of Directors. It also recorded the resignations of André Ulmann and Gilles Marrache.

In addition, Dominique Costantini, in accordance with the Board of Directors, resigned from her directorship on 31 December 2011.

As at 31 December 2011, the Board of Directors is composed of eight members: Judith Greciet, Chief Executive Officer; four independent directors, Patrick Langlois, Chairman of the Board, Michel Arié, David H. Solomon and Catherine Dunand; and three shareholders, representatives, ING Belgium, represented by Luc Van de Steen, Financière de la Montagne, represented by Nicolas Trebouta, and Kurma Life Sciences Partners, represented by Rémi Droller.

The Audit Committee is chaired by Michel Arié and its members are Catherine Dunand and the company Financière de la Montagne.

The Remuneration and Appointments Committee is chaired by Patrick Langlois and its members are David Solomon and the company Kurma Life Sciences Partners.

Additional information on the Board of Directors is provided in Section 5 of this reference document.

The combined ordinary and extraordinary general meeting of 29 June 2011 also voted to reduce the length of the directors' terms of office from four to three years.

B. Filing of European MA application for Sitavir®/Sitavig®

Sitavir®/Sitavig® (acyclovir Lauriad™), a second product on the way to being registered

Sitavir®/Sitavig®, the Company's second product using the Lauriad™ technology, is aimed at treating recurrent orofacial herpes.

In line with the announced timetable, in October 2011 BioAlliance Pharma filed the European registration application for Sitavir®/Sitavig® under a decentralised European procedure. In preliminary talks, US regulators 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 MA application for Sitavir®/Sitavig® in the US and approval by the FDA are expected in the first half of 2012.

C. Strong progress of the orphan oncology products portfolio

Acceleration of the development of Livatag® (doxorubicin Transdrug™) following the green light given by the French drug agency (Afssaps) for the Phase III trial.

Livatag® (doxorubicin Transdrug™) is a treatment formulated using nanoparticles currently being evaluated in patients suffering from advanced hepatocellular carcinoma, or liver cancer.

The monitoring of the Phase II trial, suspended in 2008 due to severe adverse events, showed median survival increased by 32 months for the Livatag® (doxorubicin Transdrug™) group, compared with 15 months for patients who received standard treatment (transarterial chemoembolisation with a cytotoxic product). Meanwhile, BioAlliance Pharma has developed a patented intravenous administration model. This new dosing regimen, proven in animals, can significantly reduce the severe adverse pulmonary events that had led to the trial's suspension.

On this basis, BioAlliance Pharma announced on 7 September 2011 that the French drug agency had authorised its Phase III clinical trial of Livatag® (doxorubicin Transdrug™), which represents a key stage in the development of this flagship drug in its "orphan oncology products" portfolio. Thus, in line with its announced timetable, BioAlliance will begin the international multicentre Phase III trial in 2012, including 400 patients suffering from hepatocellular carcinoma following the failure of or intolerance to Sorafenib.

International expansion of the Phase II trial of Clonidine Lauriad™

The Company has extended to Germany and Spain its Phase II clinical trial of Clonidine Lauriad™ for the prevention and treatment of oral mucositis, an inflammation of the oral mucosa very common in patients with cancer of the head and neck being treated with radiotherapy

Opening this trial to two new countries, in addition to France, brings the number of investigator centres to 40, and helps to accelerate patient enrolment. Oral mucositis is an especially debilitating disease affecting patients for which there is a significant unmet medical need.

In addition, the Company has obtained orphan status for Clonidine Lauriad™ in Europe, which will help to optimise the product's development plan in terms of cost and duration as well as strengthen its protection (market exclusivity).

Positive preliminary clinical results in Phase I of AMEP®

The Company has announced positive preliminary clinical results of Phase I of AMEP®, an anti-invasive biotherapy for the treatment of metastatic or invasive melanoma, which showed good tolerance and the first signs of efficacy in Man. These results validate the clinical concept and the value of AMEP®, and pave the way for the next stage in which AMEP® will be injected via intramuscular route to confirm tolerance and obtain a systemic effect in

patients with metastatic melanoma. Thus, in December 2011 the Company submitted a file to the French drug agency (*Agence française du médicament*) for a Phase I/II clinical trial which is expected to start in 2012.

D. Developments in international partnerships

Licensing agreement in Japan with Sosei

On 11 May 2011, the Company signed an exclusive partnership agreement with Sosei Co. Ltd to market Loramyc® for a total amount of up to $18.5 million: It received $3 million upfront, and payment of the remaining sum will be contingent on obtaining marketing authorisation for Loramyc® in Japan, and on sales milestones. The agreement also provides for significant royalties on sales in connection with the product's progress. The upfront payment is recorded in net sales, spread out over 56 months.

New advances in collaboration with European partner Therabel

On 16 May 2011 the Company announced Therabel's launch of Loramyc® in Germany, and the conclusion in late December 2011 of talks with the Italian authorities (Agenzia Italiana del Farmaco) on Loramyc®'s pricing and reimbursement schedule. In this context, BioAlliance will receive an additional payment from its partner indexed to sales of Loramyc® in Italy, which could reach a maximum of €500,000. Launch of the product in this new territory is planned for 2012.

Lastly, under its contractual commitments, at the end of 2011 Therabel subscribed for the maximum amount of the reserved capital increase authorised by the combined ordinary and extraordinary general meeting of 29 Jun 2011, i.e. 680,000 new shares, with a 15% premium on the average price during the last 20 trading days preceding the completion of the transaction (i.e., €3.65 per share). This €2.5 million capital increase was in addition to an unconditional contractual payment of €1 million.

Since signing the partnership agreement with Therabel, BioAlliance has received from its partner a total of €11 million (excluding royalties), including €3.5 million in 2011.

Reacquisition of Oravig® marketing rights in the US

Following the organisational and strategy changes at Par/Strativa, marked by a renewed focus on its generic products business, BioAlliance Pharma negotiated the reacquisition of all of its marketing rights for Oravig® in the US.

This reacquisition, which has no material financial impact of BioAlliance Pharma in the short to medium term, took effect in October 2011. The Company is actively seeking a suitable partner for its assets registered by the US Food and Drug Administration (FDA) in April 2010.

E. Funding of the Company and new collaborative projects

Success of the capital increase in July 2011

BioAlliance Pharma successfully completed a capital increase with preferential subscription rights maintained. The transaction, finalised on 1 August 2011, was widely supported by shareholders and oversubscribed at 115%, enabling the Company to raise gross proceeds of €16.64 million. These funds will, among other things, support the development programme for Livatag® with a pivotal Phase III clinical trial planned for 2012.

Grants

As part of its "Fluriad" (Biologics Lauriad™) project, a public-private consortium established by the Company received funding in March 2011 from the *Fond Unique Interministériel* [a French program supporting collaborative research projects] of €2 million over 30 months, including a direct grant of €0.7 million for BioAlliance Pharma. This project aims to establish proof of the concept of mucosal delivery of biological products through the Lauriad™ mucosal technology. The Company recorded a grant payment of €188,000 on 31 December 2011.

In addition, in the context of OSEO ISI's funding of the AMEP® project, in 2011 the company recorded a grant payment of €1 million corresponding to the start of clinical development of the AMEP® project.

2.2 Outlook

The Company will pursue its strategy of value creation by developing its innovative therapies for severe, rare and/or orphan diseases, mainly in oncology, which it could, in the medium term, launch directly on the European market, or distribute through licensed industry partners.

BioAlliance Pharma will also pursue its strategy of commercial partnership agreements on its most advanced products to generate cash flow for its R&D investments in its products.

Accordingly, the Company expects the main catalysts for growth in 2012 to be the following:

- Continued clinical development of three promising orphan products:
    - Livatag® (doxorubicin Transdrug™) on which a Phase III trial will begin in 2012;
    - Clonidine Lauriad™, continuation of Phase II;
    - AMEP® biotherapy for the treatment of metastatic melanoma, launch of Phase I in mid-year.
- Finalisation of the MA application for Sitavir®/Sitavig® in the US and follow-up on the MA application filed in Europe in late 2011;
- Signing of new international licensing agreements with suitable partners, mainly for the Company's most advanced products.

It the same time, the Company has begun an active search for acquisitions in its target field in order to strengthen its pipeline, increase synergies between projects and promote its expertise and know-how in development and registration while spreading the risks linked to drug development.

BioAlliance Pharma considers that in light of its current activities, it has no specific comments to make on trends that could affect recurring revenues or its general operating conditions between the date of the past financial year-end on 31 December 2011 and the date of filing of the 2011 reference document.

The Company also considers that in light of its current activities, it has no specific comments to make on trends that could affect its production, sales, inventories, costs and sales prices between the date of the past financial year-end on 31 December 2011 and the date of filing of the 2011 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 the end of 2011, and taking into account the scheduled milestone payments expected under partnership agreements, the Company will be able to fund its development and eventually turn to the capital market to finance its growth.

Significant post balance sheet events

N/A

2.3 Social and environmental information

In accordance with the provisions of Articles L 225-102-1, R 225-104 and R 225-105 of the French Commercial Code, we hereby inform you about the way in which the Company and the Group take into account the social and environmental impacts of its activity.

2.3.1 Employee information (Article R 225-104)

The Company complies with statutory requirements governing the information and consultation of social partners and maintains ongoing consultation and dialogue with them.

Employee data is set out below:

Total headcount at 31 December 2011:

Of the Company: the total headcount in terms of full-time equivalents is 54.6 employees (49.6 indefinite-term contracts, five fixed-term contracts and no apprentices). It includes 44 managers and 10.6 non-managerial staff.

Personnel changes in 2011:

at Company level:

- New recruits: 15 employees: seven indefinite-term contracts, eight fixed-term contracts.
- Departures: 20 employees: nine resignations (including two during the probationary period at the employee's initiative), five expirations of fixed-term contracts (including two ahead of schedule), four contractual separations, and two dismissals (two during the probationary period at the employee's initiative).

Organisation of working time and absenteeism

Under the agreement on the adjustment and reduction of working time of 11 July 2007, (an agreement cancelling and replacing the similar agreement of 2 February 2002), working time in the Company is calculated annually, 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.

Absences during the period were mainly due to:

1. Illness (5 employees for, respectively, 4½ months, 5½ months, 2 months, 1 month and 5 months including 2 months worked part-time while in therapy).
2. Maternity leave, in some cases followed by illness (4 persons for 3 months, 1 person for 4 months, 4 persons for 5 months and 1 person for 10 months).
3. Parental leave (1 person for 3 months).
4. Training (2 persons at the Fongecif centre: 1 for 6½ months and the other for 8½ months).

Remuneration, changes, professional gender parity

The Company's payroll rose slightly (up 8.25%) during the period. The payroll of subsidiary Laboratoires BioAlliance Pharma is now zero.

The gender breakdown between employees is as follows: 75% women and 25% men.

Business status report

Each year the Company submits a business status report to the works council. This report concerns the Company's activity and financial position, the summary of part-time work in the Company, changes in employment, qualifications, training and salaries, the comparative status of general employment conditions and training of men and women and action promoting the employment of disabled workers in the Company.

In accordance with Article L.225-37-1 of the French Commercial Code, the Board of Directors recorded this report on 17 April 2012.

Allocation of securities granting rights to capital

In 2011, 47,700 rights to AGA 2008(1) Free Shares were fully vested on 1 April and converted into free shares. On 13 May 2011, 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 23 employees.

In addition, the ordinary and extraordinary general meeting of 29 June 2011, in its sixteenth and seventeenth 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 300,000 options, and an 'Executives' plan, for a maximum of 210,000 options.

In 2011, the Board of Directors made two such awards, one for employees, totalling 218,500 options granted to 49 beneficiaries, and one for executives, totalling 210,000 options for two beneficiaries (of which 100,000 options were awarded to Judith Greciet as her 'welcome grant' and may be exercised immediately). Both awards are accompanied by a four-year exercise period, subject to the achievement of performance conditions which will be evaluated one year after the award.

Employee relations and description of collective bargaining agreements

Labour dialogue is conducted by the Executive Management with the employee representatives. Monthly meetings of the employee representatives and the Works Council were held during the year ended 31 December 2011.

Employee representatives

During the 2011 financial year, the Staff Delegation comprised two members in the management category and one member in the non-managerial staff category. On 1 December 2011, a term extension agreement was signed in order to carry out elections to this body in early 2012.

Health and safety

The Company has set up a Health and Safety department to manage the prevention of occupational hazards and to implement actions ensuring the health and safety of its employees. The main health and safety actions carried out during the period concerned:

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 the premises (fire, electrical installations).

3. Annual risk assessment via the master risk assessment form ("*Document Unique*").

The Health, Safety and Working Conditions Committee was set up on 18 December 2008 and includes three staff representatives. During 2011, this committee met quarterly. The current term of the committee's staff representatives will expire on 28 December 2012.

Main agreements

The main collective bargaining agreements in force in the Economic and Social Unit formed by BioAlliance Pharma and Laboratoires BioAlliance Pharma are as follows:

- an agreement for the Adjustment and Reduction of Working Time dated 11 July 2007 (cancelling and replacing the agreement of 2 February 2002;
- a company code of conduct with regard to the system for employee inventors, entered into on 17 March 2006 in order 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 applied 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 2011, 1,024 hours were devoted to technical training (23 employees trained) and 79 hours were devoted to the statutory individual training entitlement (*droit individuel à la formation* or 'DIF').

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 outsources some scientific activities as well as production and various support services including IT, reception, and cleaning and maintenance.

2.3.2 Environmental information (Article R. 225-105)

Since it outsources the manufacture of its products, the Group does not have an 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 taken to reduce its environmental impact concern laboratory activities:

- The R&D activity in the laboratories generates no gaseous discharges. 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) to prevent the release of contaminants outside the buildings.
- 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 REACH regulation (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.

3. RESULTS AND FUNDING

3 RESULTS AND FUNDING

Financial background

Information describing changes in the financial position and the results of transactions carried out during the financial years corresponding to the historical financial data is incorporated by reference in this document:

- Chapter 3, 'Management Report and Financial Position', on pages 44 to 74 of the 2010 *Document de Référence* filed with the AMF on 7 April 2011 under number D.11- 0251;

- 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.

3.1 Financial results

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

Review of the financial statements and results

For the financial year ended 31 December 2011, the Company achieved net sales of €1,183,000, against €1,653,000 for the year ended 31 December 2010. Net sales mainly reflected sales of Loramyc® finished goods to licensed partners Par/Strativa and Therabel and royalties based on sales of Loramyc® made by these partners as well as intra-group services.

Other income totalled €2,024,000, against €21,037,000 for 2010. This significant change was mainly due to non-recurring payments received from licensed partners and recognised immediately as income on the year:

- In 2010, the Company had received an upfront payment of €4.5 million for the European agreement with Therabel, and had received US$20 million (€14.8 million) from its US partner Par Pharmaceutical upon registration of its product, Oravig®.
- In 2011, it received an unconditional payment of €1 million from the Therabel group.

In addition, as in 2010, the Company continued to recognise in "other income" a share of the upfront payments on other partnership agreements (agreements in Asia with Sosei, Handok and NovaMed). The impact on the 2011 results was income of €451 million.

Expense transfers amounted to €932,462, mainly reflecting costs of the capital increase of July 2011, charged against additional paid-in capital, i.e. €857,526.

Operating expenses for 2011 amounted to €19,432,000, against €20,965,000 for 2010. This change was due to non-recurring operating expenses recognised in 2010, particularly the milestone payment of €1,250,000 to APR for obtaining regulatory approval of Setofilm®.

In 2011, BioAlliance Pharma maintained strict control over its operating expenses and optimised several overhead line items. The increase in payroll of €445,000 was related to the departure of Dominique Costantini and staff changes.

Operating expenses recognised in 2011 mainly reflected the following items:

- R&D expenses reflecting preclinical, clinical and industrial development programmes for products in the portfolio: €7,899,000;
- Other external expenses including various fees and overhead and administrative expenses: €5,599,000.

Operating income/(loss) showed a loss of €15,233,000, against a profit in 2010 of €2,170,000 (due to exceptional non-recurring income recognised in 2010).

Net financial income shows a profit of €261,000, mainly from foreign exchange gains, against a profit of €160,000 in 2010.

Income/(loss) before exceptional items and tax showed a loss of €14,972,000, against a profit of €2,330,000 in 2010.

With exceptional income of €87,000 and exceptional expenses of €761,000 (including payment of a claim in respect of a dispute – see Note 3.10 of the parent company financial statements), exceptional items showed a loss of €673,000.

After recognition of a tax credit of €1,033,000 (research tax credit), net income/(loss) for the financial year showed a loss of €14,613,000, against a profit of €3,831,000 in 2010.

Appropriation of net income

We propose that you appropriate the entire loss for the year of €14,613,225 to the 'Retained earnings deficit', which will thus increase from €84,849,710 to €99,462,935.

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.

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.

Schedule of results and other key items

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

Investments and controlling interests at year-end

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

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.

	31/12/2011		**31/12/2010**	
Trade payables balance	3,643,243		2,943,230	
of which provisions for invoices not received	1,599,488		1,284,893	
of which trade payables	2,043,755	100%	1,658,338	100%
- Invoices due	**990,871**	**48%**	**987,875**	**60%**
of which intra-group	*23,956*	*1%*	*23,956*	*1%*
of which disputes	*282,328*	*14%*	*404,320*	*24%*
- Invoices payable within 15 days	**409,995**	**20%**	**528,640**	**32%**
- Invoices payable between 15 and 30 days	**642,889**	**31%**	**141,823**	**9%**
of which intra-group	*-*	*0%*	*4,617*	*0%*

3.1.2 Presentation of the Group's consolidated financial statements

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

The Group's consolidated financial statements show net sales of €3,231,000 in 2011, against €22,532,000 in 2010. This change is due to the exceptional non-recurrent payments received under the licensing agreements for the product Loramyc®/Oravig®, as detailed in the BioAlliance Pharma parent company financial statements. Operating expenses came to €18,169,000, down 3% from 2010 (€18,713,000) (excluding an exceptional payment of

€1,250,000 to APR in 2010). This change was mainly due to cost reductions related to the subsidiary Laboratoires BioAlliance Pharma and a policy of rationalising expenses. The net result is a loss of €14,622,000 against a profit of €2,809,000 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 non-Group net sales of €3,112,000, consisting mainly of the recognition in income of sums received under international licensing agreements for the product Loramyc®/Oravig®. As the Company bears the cost of all research and development investments and overheads expenses, it thus generated a consolidated loss of €14,455,000.

- Laboratoires BioAlliance Pharma generated non-group net sales of €6,000. As a reminder, in April 2010, the French sales operation was transferred to the Therabel Group as part of the partnership agreement for marketing Loramyc® in Europe. This company's consolidated loss came to €10,000. The net income/(loss) for 2011 shows a loss of €118,116.

- With no activity since March 2009, SpeBio contributed only marginally to consolidated results with a consolidated loss of €31,000.

- BioAlliance Pharma Switzerland had not begun operating as at 31 December 2011.

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 €376,000 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 €91,000.

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

3.2 Cash flow and financing

This section should be read in conjunction with the figures set out in Chapter 6 of this reference document, and in particular the Consolidated Cash Flow Statement and the Consolidated Statement of Shareholders' Equity.

The Group's financial profile

BioAlliance Pharma is developing a diversified portfolio of drugs and is required to fund clinical trials over the long term, which sometimes proves long and costly.

The Company's growth model is based on the complementary nature of its two product portfolios. The "specialty products" portfolio should allow it to sign marketing licence agreements with partners, as was done with the first product, Loramyc®/Oravig®. Agreements on this product have allowed BioAlliance Pharma to receive more than €53 million since 2007, providing cash flow for a portion of its R&D investments, and notably the most significant developments of the "orphan oncology products portfolio". Other agreements should, in the short to medium term, allow the Company to strengthen its cash position periodically through milestone payments, as well as royalties on sales of the licensed products.

Regarding the products in its "orphan oncology drugs" portfolio, the Company expects high profitability that could allow it to market these drugs itself in some areas with a small and highly-focused sales force, thus maximising its revenues. This does not exclude specific licensing agreements for marketing these products, or at earlier stages.

Financial position in view of the business volume and complexity

In 2011, as in previous years, BioAlliance Pharma's income consisted mainly of revenues from licensing agreements on Loramyc®. The Group had cash of €28,666,000 at year-end and did not contract any financial debt, except for reimbursable OSEO grants amounting to €2,237,000. As provided under the 2010 licensing agreement with Therabel, the Group will receive an unconditional payment of €1 million in 2012.

Research and development costs

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

R&D costs	(€ thousands)
2007	11,865
2008	13,073
2009	9,007
2010	8,563
2011	**7,899**

The main research and development costs were related to clinical trials and industrial-scale development of drugs.
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 expanded to a wider patient population if there are no contraindications. The development of the Company's products requires ever broader trials, which therefore become ever more costly as they progress. Accordingly, any product moving through the various stages of its clinical development and 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 done 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 proven their effectiveness. The Company relies on qualified subcontractors to make these changes in scale and, depending on agreements with such subcontractors, is likely to support specific investments.

Working capital

Since 2007, the Company has spread out the recognition in income of upfront payments received on the licensing agreements for Loramyc®. The amount not taken to income at 31 December 2011 was €609,000, against €314,000 the previous year end. Under the impact of these deferred revenues and current liabilities representing the Group's operating expenses, consolidated working capital fell to a negative €4,609,000 at 31 December 2011, against a negative €2,382,000 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.

Investments

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 2011, total fixed assets represented a net value of €1,401,000.

In order to prevent its financial resources from 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.

Financing

Since its creation, BioAlliance Pharma's growth has been funded by rounds of financing subscribed by financial investors and individuals. Since 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.

Funds raised – Equity contributions

The table below summarises the history of the capital increases carried out by the Company for a total amount of €125.9 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. The Company has twice raised additional funds through, respectively, a private placement reserved for qualified investors, and a capital increase with preferential subscription rights maintained, for a total of €56 million. Finally, the Therabel Group has on two occasions acquired capital in BioAlliance Pharma, totalling €5.5 million, as part of the strategic partnership established for marketing Loramyc® in Europe. The capital increases from which the Company benefits through the conversion of the warrants issued are added to this amount.

Funds raised (in € millions)

From 30 June 1998 to 13 December 2008	104.6
31 Dec 09	0
31 Dec 10	3
31 Dec 11	18.3
Total	**125.9**

In addition to the sums received under the aforementioned licensing agreements, 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.

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.

Between 1999 and 2011, the total amount declared under the research tax credit was €10,946,000, breaking down as follows:

(€ thousands)	Before 2007	2007	2008	2009	2010	2011	**TOTAL**
Research tax credit declared	3,178	1,108	2,254	1,829	1,456	1,121	**10,946**

In accordance with provisions of the Finance Act, the Company expects to receive the 2011 CIR reimbursement of €1,121,000 in the first half of 2012.

Grants

In order to optimise and diversify its funding sources, the Company also uses public grants. These are either outright grants received from various French or European organisations or reimbursable advances mostly granted by OSEO. In general, grants obtained by the Company are paid based on the progress of research and development projects, based on actual expenses. As such, the Company regularly submits financial reports to the organisations concerned, based on which the various tranches of funding are paid. In the case of reimbursable advances, a payment schedule 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 repaid by the Company.

Between 1999 and 2011, the amount of grants and reimbursable advances obtained by the Company breaks down as follows:

(€ thousands)	Total obtained	Total paid	Total refunded
Grants	3,055	1,822	-
Refundable Advances	6,740	2,547	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 of 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.

4. FROM RESEARCH TO DEVELOPMENT

4. FROM RESEARCH TO DEVELOPMENT

4.1 R&D

4.1.1 - Principles and Organisation

General overview

Research and development are at the core of BioAlliance Pharma's activity. For preclinical, clinical, regulatory and production activities, the Company uses internal resources, partnerships with public research institutes and specialised sub-contractors.

Today, the Company has sixty salaried collaborators with a high level of expertise, responsible for running various activities linked to the registration, industrial protection as well as strategic marketing, market research and support services issues (Finance, HR).

BioAlliance Pharma has laboratories on several sites in Paris (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 region (Ecole Normale Supérieure in Cachan, Institut Gustave Roussy, Châtenay-Malabry and 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 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 operation 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 4.1.4 of this reference document.

4.1.2 - 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 the various facilities, and for 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).

Health products cannot be marketed in a jurisdiction without having obtained technical and administrative authorisation from the authorities of the country in question, and without having at least obtained a prior MA. In order to obtain the MA for a product, the Company must submit proof of its efficacy and safety, as well as detailed information on its composition and manufacturing process. This forms the framework for conducting pharmaceutical development, 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 (*discovery*); (2) pharmaceutical development, preclinical studies and manufacture; (3) clinical trials on humans; (4) application for MA; 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 (pharmacovigilance). 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 operation of patented products or technologies.

Clinical trials

Clinical trials in Man 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 and ensure that the product is used under optimal safety conditions.

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 of use 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 AMEP®.

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.

Clinical trials must obey strict legislation and comply with the norms of Good Clinical Practice (GCP) defined by EMEA, FDA and ICH, as well as ethical norms defined in the Helsinki Declaration[1] of June 1964.

In Europe, undertaking a Phase I, Phase II, or Phase III clinical trial requires a prior authorisation to be obtained from the competent authority in the country or countries, in which research is carried out, as well as an opinion of an ethics committee, such as the Comité de Protection des Personnes dans la recherche (CPP) (Human Research Subjects Protection Committee) in France, in accordance with European Directive 2001/20/EC. 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 at least one 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 they can be initiated. Provided the FDA issues no objection, the authorisation to launch the IND clinical studies is valid for 30 days after receipt. Validation by an Ethics Committee, the *Institutional Review Board* (IRB), is also required. 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.

Marketing authorisations

In Europe, the United States and Japan, as in many other countries, a national or supranational 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 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

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

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 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.

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 are negotiated with the Comité Economique des Produits de Santé (Economic Committee for Healthcare Products) after the Commission de transparence (Transparency commission) has given its opinion.

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.

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.

Environmental, health and safety regulations

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 very significant 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.

4.1.3 - Research & Development Projects

BioAlliance Pharma develops a diversified and balanced product portfolio in the field of orphan pathologies in oncology and associated pathologies. The Company is building up a range of hospital products for supportive care (candidiasis, 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 main products:

Registered products

a) Loramyc®/Oravig®, for the treatment of oropharyngeal candidiasis, marketed in France, England, Germany (launch in Italy under preparation), and registered in twenty-six European countries, in Korea and in the United States;

Product currently undergoing registration

b) Acyclovir Lauriad™, for the treatment of recurrent herpes labialis (MA application filed for Europe in 2011, file for the United States under finalisation and application scheduled for: 1st semester of 2012).

Products in clinical phase I II or III

c) Livatag® (Doxorubicin Transdrug™) for the treatment of advanced primary liver cancer: phase-III trial scheduled in 2012;

d) Clonidine Lauriad™, ongoing Phase-II clinical trial for the prevention and treatment of mucositis induced by radiotherapy associated or not to chemotherapy in patients with head and neck cancer;

e) AMEP® innovative biotherapy for the treatment of invasive melanoma, phase-I/II trial scheduled in 2012.

f) Fentanyl Lauriad™, phase-I trial for the treatment of chronic pain in cancer patients.

Preclinical phase products

g) Irinotecan Transdrug™, an oral anticancer drug using Transdrug™ nanoparticle know-how;

h) Corticosteroid Lauriad™ in the treatment of severe chronic mouth inflammation;

i) Zyxine, a New Clinical Entity for the treatment of invasive cancer by reversion of cancer cell phenotype;

j) Fluriad (Biologics Lauriad™).

Each of these products is presented in detail in section 4.2 of this reference document.

4.1.4 - Intellectual Property, Patents and Licences

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 2011, BioAlliance Pharma's patent portfolio consists of 26 families of published patents concerning innovative products or technologies. The 26 patent families cover 313 patents and patent applications, including 230 delivered patents - i.e. nearly 70% of the portfolio - which provide international and long-term protection for BioAlliance Pharma assets.

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) continuous monitoring in order to take action 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.

Finally, in the specific case of orphan medicines, the authorities have scheduled additional protection in the form of commercial exclusivity for ten years in Europe and seven years in the United States in order to encourage laboratories even more to invest and develop in these areas where the number of patients concerned is after all rather limited.

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 rights 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®, described in Section 4.2.2 of this reference document.

"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 patent families by BioAlliance pharma** ***("In-licensing")***
Lauriad™ technology: mucosal targeting technology, oral mucoadhesive tablets				
Loramyc®/ Oravig®	Oropharyngeal candidiasis	2022	BioAlliance Pharma 5 patent families Patents delivered in numerous territories	
Sitavir®	Prevention and treatment of oral herpes.	2027		
Clonidine Lauriad™	Treatment of mucositis	2029 (if delivered)		
Transdrug ™ Technology: nanoparticle technology for intracellular targeting				
Doxorubicin Transdrug™ (Livatag®)	Treatment of primary liver cancer	2019 (or 2032 if delivered)	BioAlliance Pharma 1 patent family delivered	Not applicable
AMEP® biotherapy: molecular targeting technology				
AMEP®	Treatment of invasive melanoma	2022 (or 2028 if delivered)	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.

BioAlliance Pharma and APR Applied Pharma Research SA decided in June 2011 to give back to APR the marketing rights for the speciality Setofilm® in Europe

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 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	**Products**	**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
Sitavir®/Sitavig®	Acyclovir 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.

4.2 PRODUCTS AND MARKETS

The Company has reorganised its product portfolio into two strategic portfolios targeting speciality markets on the one hand and orphan disease in oncology on the other hand. The Company is seeking to develop innovative medicines, in order to meet unmet medical needs through its technological know-how (Lauriad™, Transdrug™) and innovative R&D programmes (AMEP®, zyxin).

According to IMS Health data, the world market for medicines totalled 865 billion dollars in 2010 with a progression of 4.5%. Anticancer treatment constitutes the main global market since 2007, with a turnover of 56 billion dollars in 2010 and a growth of 6.7% compared to the previous year. In its study entitled "The Global Use of Medicines: Outlook Through 2015", IMS Health foresees that the cancer market will reach 75 billion dollars in 2015. The oncology market therefore represents a particularly dynamic and attractive market.

4.2.1 - Portfolio of Orphan Oncology Products

In Europe, the orphan status is obtained for a medicine used in a pathology affecting less than 5/10,000 people. This status allows favourable measures to be applied in terms of clinical development (optimised development regarding time and cost), additional protection with a commercial exclusivity of 10 years after MA and a favourable price, generally identical or similar in major European countries.
In the United States, the orphan status is obtained for pathologies affecting less than 200,000 people and the commercial exclusivity is for seven years.

4.2.1.1 Livatag® (Doxorubicin Transdrug™) and the hepatocellular carcinoma market

a) 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 when the liver is already abnormal (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;
- 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 in Asian countries;
- Metabolic diseases, and in particular obesity, are a growing cause of cirrhosis and HCC.

Most HCCs are diagnosed at an advanced stage because the tumour progresses without any visible clinical manifestations in the early stages. In addition, the first symptoms or signs are usually not specific to HCC but to the associated cirrhosis and may suggest other pathologies.

b) Epidemiology

According to Globocan 2008 data, liver cancer is the 5th most common cancer in men in terms of incidence (523,000 new cases in the world, 7.9% of the total) and the 7th most common in women (226,000 cases, 6.5% of the total). Over ¾ of patients are diagnosed in Asia, and particularly in China (402,000 new cases) which accounts for half of the new cases. The European Union has a total of 48,000 new cases and the United States 21,000. The concentration of cases in Asia, and particularly in China, is of course explained by demography but also and above all by a high prevalence of viral hepatitis B.

The geographical differences in the prevalence of hepatitis B and C in great part explain the high variations in the incidence rates for liver cancer according to the geographical area: whereas the average global rate is 10.8 / 100,000, it is 14.8 / 100,000 in Asia and 25.7 / 100,000 in China. In Western countries, the incidence is half that of the global average. 4.7 / 100,000 in the European Union and 4.5 / 100,000 in the United States. Within Europe, a gradient north / south gradient is observed since countries in the northern part of the continent have a rate of 2.8 / 100,000 and southern countries a rate of 6.6 / 100,000.

Liver cancer is the 3rd cause of death by cancer, with 695,000 deaths recorded in 2008, after lung cancer and stomach cancer and before colorectal and breast cancer. The death rate (ratio between mortality and incidence) observed is very high (93%), close to that of pancreatic cancer, which reflects the aggressiveness of this cancer.

The survival rates of this cancer are very low. In the United States, the 2011 report of the American Cancer Society states that the survival rate at 5 years is 14%. This rate is slightly higher (26%) when the cancer has been diagnosed at an early stage, but only 37% of patients are diagnosed at that stage. At more advanced stages, the survival at 5 years is extremely low (3% at the metastatic stage). These figures are linked to the rarity of efficient medicines, particularly due to resistance to chemotherapy.

c) Competition

Existing forms of treatment

The first HCC 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 15 to 20 % of patients can undergo such surgical treatment. Liver transplantation is rarely offered because of the rarity of grafts and the very strict attribution rules applied.

For patients who cannot have surgical treatment, there are four alternative therapies:

- Radiofrequency: this involves obtaining thermal destruction of the tumour (using electric current) but this technique is limited to mostly single tumours usually not exceeding 3 cm.

- Intra-arterial chemoembolisation: arterial injection of an obliterating agent in tumour blood vessels whether or not associated with doxorubicin (or cisplatin) allows the survival time to be prolonged in certain categories of patients. This is associated with complications that length hospital stays in over 30% of patients;
- Systemic (intravenous) chemotherapy has limited efficacy due to chemoresistance and systemic toxicity. It is not used very much nowadays;
- 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 prolongs survival compared to the placebo in patients with compensated cirrhosis who cannot receive any other form of treatment.

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 cancer that is resistant to chemotherapy.

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 activation of a family of transmembrane transport proteins. These proteins are activated under the influence of a multi-resistance gene called MDR-1. These proteins actively reduce the concentration of intracellular cytotoxic agents by rejecting them outside the target cell as soon as they enter. These proteins act as bona fide pumps by 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.

<u>Competitors currently being developed</u>

Regarding the fight against 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 developed 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:
    - ThermoDox® (Celsion Corporation) is currently in phase III
- Polymer conjugates: anthracyclins are covalently linked to a polymer to form a new chemical entity, the profile of which remains to be fully demonstrated; and
- Agents blocking the pumps that are active in multi-drug resistance (MDR agents): designed to interfere specifically with active pumps, these agents can generate serious side effects (including cardiac effects related to the physiological role of these pumps).

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 kidney cancer;

- Erlotinib (Tarceva®, Bayer), already indicated for lung and pancreatic cancer;

- Brivanib (BMS) and linifanib (Abbott) and many other kinase inhibitors.

Finally, the company Jennerex has developed the oncolytic virus JX-594 which entered phase IIb in 2011 in patients experiencing failure or intolerance with sorafenib.

Targeted therapies correspond to specific mechanisms of action on tumour cells, different from chemotherapy.

d) Doxorubicin Transdrug™ or Livatag®

Livatag® (Doxorubicin Transdrug™), leader of the orphan product portfolio in oncology, corresponds to a doxorubicin formulation in the form of lyophilised nanoparticles of polyisohexylcyanoacrylate (PIHCA).

This new therapeutic approach, initially derived from Professor Couvreur's research at the Châtenay-Malabry Faculty, allows drug resistance to be avoided by short-circuiting the mechanisms of multi-drug resistance developed by tumour cells, through masking of the anticancer agent. Acting as a Trojan horse, the nanoparticle formulation avoids rejection of doxorubicin outside the cell so that it can exert its cytotoxic action. 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 resistance to doxorubicin, Livatag® (Doxorubicin Transdrug™) represents a significant breakthrough in the treatment of this cancer. The first indication of this product is primary liver cancer; the fifth most widespread cancer in the world and the third cause of cancer-related death.

The efficacy of Livatag® (Doxorubicin Transdrug™) in the form of nanoparticles has been demonstrated in preclinical models of resistant cancers *in vivo* and *in vitro*, 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.

In a phase-II trial, Livatag® (Doxorubicin Transdrug™), administered by hepatic intra-arterial route in the form of repeated treatment in HCC patients has been assessed in comparison with the existing standard of care, essentially consisting in intra-arterial chemoembolisation. The endpoints concerned efficacy and tolerance, with efficacy being judged by the absence of progression at three month and survival.

On 16th July 2008, BioAlliance Pharma announced the suspension of this trial, in accordance with the opinion of 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 therefore recommended the suspension of the trial.

This type of acute pulmonary lesion was observed at the time of the phase I/II trial at 35mg/m2 (the toxic dose limit) but was not observed at 30mg/m2, the dose chosen for repeated administration in subsequent development stages.

The Company has continued follow-up of patients included in this trial during 2009 and 2010, which revealed positive results in terms de survival with a median survival of 32 months in patients who had received Livatag® (Doxorubicin Transdrug™) by the hepatic intra-arterial route versus 15 months in patients having received the standard treatment (arterial chemoembolisation). These results were presented at the ILCA Congress (International Liver Cancer Association) in September 2011 and the AASLD Congress (American Association for the Study of Liver Diseases) in November 2011.

In parallel, BioAlliance Pharma continued studies aiming to control more effectively the respiratory side effects observed in 2008. 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.

In view of this new data, AFSSAPS has given its authorisation for a phase-III clinical trial in patients with advanced stage HCC, after failure with or intolerance to sorafenib. The Company has planned to begin the trial in the course of 2012.

4.2.1.2 Clonidine Lauriad™ and the oral mucositis market

a) 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 usually treated by potent painkillers such as morphine derivatives. Other than being painful, the consequences of mucositis are difficult ingestion of food, which may require setting up parenteral or enteral feeding, infections linked to mucositis which can in turn lead to septicaemia during periods of severe immunosuppression. This complication of cancer treatment leads to hospitalisation in 30% of cases and sometimes to stopping the cancer treatment protocol for periods of varying length, thus reducing its effectiveness.

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).

b) Epidemiology

Because of the location, patients suffering from head and neck cancer are particularly at risk of developing oral mucositis following treatment by radio-chemotherapy.

Recent studies have shown that 29 to 66% of patients treated with radiotherapy for head and neck cancers, 75 to 80% of patients receiving high doses of chemotherapy associated with the transplantation of haematopoietic cells and 51% of patients with solid tumours treated by chemotherapy suffered from severe oral mucositis.

c) Competition

Existing forms of treatment

There is currently no effective treatment for mucositis. Until now, the treatment has essentially been palliative in nature. It consists in trying to relieve pain due to oral mucositis with topical pain-killers containing lidocaine, often together with systemic pain-killers such as morphine and its derivatives. The recommendations are food supplementation, liquid feeding, catheter or intravenous feeding, oral decontamination, and the treatment of xerostomia and haemorrhage. The growth factor palifermin (Kepivance®) is effective in patients suffering from mucositis resulting from high-dose chemotherapy prior to a haematopoietic cell transplant. It is indicated in such patients 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.

Competitors currently being developed

- Saforis® (MGI Pharma / Eisai), oral solution containing L-glutamine (phase III);
- SCV-07 developed by Sciclone, stopped the phase-IIb trial it had started in 2011 due to inefficacy;
- CB-1400 (oltipraz), product for local application developed by Canopus Biopharma for the prevention and treatment of oral mucositis (phase IIa).
- AG013 of the Company ActoGenix which is thinking about starting a phase-II/III trial in the 3rd quarter of 2012.

d) Clonidine Lauriad™

The Company is developing Clonidine Lauriad™ (BA028) for the treatment of oral mucositis after chemotherapy and radiotherapy in patients with head and neck cancer. This is a new therapeutic application of clonidine, which the company has patented, based on the mucoadhesive technology Lauriad™.

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 blood pressure 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 pro-inflammatory genes and the release of cytokines IL6, IL1 β and TNFα as well as the release of TGF β.

In December 2009, the Company received the approval from the French drug agency (AFSSAPS) for its Phase II clinical trial with Clonidine Lauriad™ in post-chemotherapy and radiotherapy mucositis. The recruitment of the first patients began in April 2010 and is ongoing in France, Germany and Spain.

In October 2011, Clonidine Lauriad™ obtained the status of orphan drug from the European agency.

4.1.2.3 AMEP® and the melanoma market

a) Disorder

There are three types of skin cancers: basocellular carcinoma, which is the most common, never gives rise to metastasis and can be healed by removal in the dermatology surgery; spinocellular carcinoma, which can also be cured 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 stage, before it spreads.

Melanoma, linked to sun exposure and other less well-known factors, is one of the tumours the incidence of which has increased most drastically over the last 25 years.

b) Epidemiology

The incidence[2] 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 (Globocan, 2008). 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 should remain approximately stable, with around 20,000 deaths per year,

[2] 2008 Globocan data

thanks to screening and early diagnostic strategies which have allowed a significant increase in global survival.

c) Competition

Existing forms of treatment

In 2011, two new treatment protocols indicated for metastatic melanoma arrived on the market: ipilimumab (Yervoy®) by BMS and vemurafenib (Zelboraf®) by Roche. Both products have been approved and launched in the United States but ipilimumab was the only one to have obtained European MA as of 14/12/2011. They therefore reinforce the therapeutic arsenal which up until then very limited with aldesleukin (Proleukin® Chiron / Novartis / Prometheus) and dacarbazine (DTIC-DOME, Bayer and Deticene®, Sanofi Aventis), approved for this indication, and temozolomide (Temodar®, Schering-Plough) which is not approved for this indication but is also used for melanoma.

Competitors currently being developed

- Abraxane® (nanoparticles of paclitaxel linked to albumin, Abraxis / Celgene)
- Taxoprexin® (Luitpold Pharmaceuticals), a paclitaxel and DHA complex
- 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 that express the antigen MAGE-A3
- OncoVex GM-CSF (BioVex), a herpes simplex virus modified so as to target cancer cells only and induce an immune response.

d) AMEP®

BioAlliance Pharma is developing an innovative biotherapy, AMEP® for the treatment of advanced or metastatic melanoma. AMEP® binds to cellular receptors called integrins, which are present both on the endothelial cells of neovessels and on 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[3] 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.

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

The results presented at the ASGT[4] 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[5] 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.

In December 2009, BioAlliance Pharma initiated a phase-I clinical trial with AMEP® for invasive melanoma in France, Denmark and Slovenia.

This first phase-I study was designed to evaluate the safety of AMEP®, when injected into the tumour by electrotransfer and to look for the first signs of efficacy. The progress of the tumour injected with AMEP® was being compared to that of a distant tumour of identical initial size in the same patient.
Tolerance turned out to be satisfactory for the two doses tested, 0.5 mg and 1 mg. Stabilisation of tumour growth was obtained in 60% of the lesions treated with AMEP® whereas all the untreated control tumours progressed. In addition, an objective tumour regression was observed in 20% of cases.

These first phase-I results validate the clinical concept of AMEP® and allow preparation of the clinical study scheduled in 2012, in which AMEP® will be injected by the intramuscular route to confirm the tolerance and the clinical effect by systemic route in patients with a metastatic melanoma.

This project is co-financed by OSEO through a programme of Industrial Strategic Innovation that supports disruptive technology projects and runs as part of a consortium bringing together academic research, industry and clinicians specialising in melanoma, with parallel research for specific "companion" markers that are useful for the follow-up of patients with severe disease.

4.1.2.4 "Zyxin" programme and the invasive cancer market

a) Disorder

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.

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.

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[4] 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.
[5] Results presented at the Annual ESGCT congress - *European Society of Gene and Cell Therapy*, in Hanover (Germany), 21–25th November 2009.

At this stage of development, the Company is pursuing the evaluation of the most appropriate indications without having totally decided on a specific pathology for the time being.

b) Epidemiology

The incidence of leukaemia in the world was estimated at 362,000 new cases per year in 2010 (Globocan 2008). For the three major global markets (United States, Top 5 in Europe and Japan), this represents 98,000 people. The proportion of acute myeloid leukaemia (AML) is in the order of 30% (US data: SEER, Surveillance, Epidemiology and End Results)), which gives a population (new cases) of about 30,000 individuals.

Sarcomas are rare and represent about 1% of cancers in adults and 15% of cancers in children. Based on the American data provided by SEER, extrapolated to Europe (top 5) and Japan, the Company estimates the number of new cases per year at 15,000 for Europe (5 main countries) and the same, i.e. 15,000 for the United States. About 70% of sarcomas affect soft tissue.

c) Existing therapies and treatment protocols under current development

Competitors currently being developed

For acute myeloid leukaemia (AML), ten products have been identified in phase III:

VIDAZA® (azacitidine, Celgene), DACOGEN® (decitabin, Eisai / J&J), midostaurin (Novartis), vosaroxin (Sunesis), EVOLTRA® (clofarabin, Genzyme), PR1 peptide antigen vaccine (The Vaccine Company), tipifarnib (Janssen), belinostat (Spectrum Pharmaceuticals/ Topotarget), Theralux® (Kiadis), lestaurtinib (Cephalon).

For sarcomas, some of the most advanced products are:

- Palifosfamide by Ziopharm Oncology: a phase-III trial in combination with doxorubicin for soft tissue sarcomas has been initiated;
- Ombrabulin (Sanofi): it is currently in phase II / III for soft tissue sarcomas;
- Ridaforolimus (previously known as deforolimus by ARIAD / Merck): in 2011, it gave positive results (PFS) for sarcomas in a phase III trial. The trial is being continued to obtain survival data and the group is planning to apply for MA in the course of 2012.

d) Zyxine

With the "Zyxin" programme, the Company is looking for 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 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 Zyxin 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.

4.1.2.5 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 through oral route 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 AAPS6 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 irinotecan 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.

At this stage, the Company is continuing preclinical studies and will only accelerate this programme after obtaining the results for Livatag® (Doxorubicin Transdrug™).

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

4.2.2 - Portfolio of Pharmaceutical Specialities

4.2.2.1 Loramyc® / Oravig® and oropharyngeal candidiasis

a) Pathology

Oropharyngeal candidiasis (OPC) is a mycosis of the oropharynx induced by yeast-type fungi: Candida albicans and non-albicans. The most common species is Candida albicans. The pattern of strains involved has been changing over the last few years with the emergence of resistant isolates and C. non-albicans species. OPC is an opportunistic disease that takes advantage of a deficiency in the immune system and/or a local imbalance in order to infect patients. The conditions associated with its 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 corticosteroids promote the development of severe fungal infections.
These diseases alter the quality of life of patients who are in pain and have problems feeding themselves. In case of severe immunosuppression, the disease can spread in the body, which can be fatal (death rate of about 40% for candidemia). Local therapies are the most appropriate for treating OPC. Unfortunately, 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, must be reserved for severe or refractory infections due to the risk of systemic toxicity and drug-resistance induction.
The mucoadhesive miconazole Lauriad™ (Loramyc® / Oravig®) tablet is designed to be applied once a day and maintains sufficient levels of miconazole in the saliva for the treatment of oropharyngeal candidiasis.

b) Epidemiology

- ***For cancer patients***

Anticancer treatment protocols (chemotherapy, radiotherapy) often induce oral mucositis (inflammation and ulceration of the mucosa) and xerostomia (dryness of the mouth), which create favourable local conditions for OPC in 60 to 90% of cases.

In oncology, the incidence of OPC varies according to the tumour site, the nature of the medication and the therapeutic protocol used: a recent meta-analysis has evaluated the median incidence of candidiasis in oncology to be between 30 and 70% and reaches almost 100% in patients with ENT cancers.

Candida albicans is the predominant organism but C. non-albicans strains represent 25% of cases and are associated with C albicans in about 20% of the cases.

- ***Other patients concerned***

Other populations of patients that are weakened or immunosuppressed can suffer from OPC, especially elderly, hospitalised and polymedicated subjects, and patients presenting co-morbidities. The prevalence of oropharyngeal candidiasis in elderly patients is estimated at 30-70%.

c) ***Competition***

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 in polymedicated patients 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 due to the constraints involved in administering a topical treatment. There was therefore a real need for forms of local treatment administered once a day and targeting the affected mucous membrane, with a broad spectrum of activity covering all Candida, thus avoiding drug resistance and clearly reducing the risk of drug interactions.

Existing forms of treatment

The pharmaceutical specialities currently marketed for the treatment of OPC can be administered locally (mouth washes) or systemically (drinkable suspension or tablets) to produce their effect via the general route.

The active antifungal ingredients used for the treatment of OPC essentially belong to three specific chemical classes:

- Antibiotics of the polyene class: amphotericin B (Fungizone® and generics) and nystatin (Mycostatin®)
- Azoles, divided into two sub-groups:
    - Imidazoles: miconazole (Daktarin® mouth gel and Loramyc®); clotrimazole (Mycelex®)
    - Triazoles: fluconazole (Triflucan® and generics); itraconazole (Sporanox® suspension, reserved for hospital use) and posaconazole (Noxafil®, indicated for systemic candidiasis and oropharyngeal candidiasis when a low response to local treatment is expected). Voriconazole (Vfend®) is reserved for severe or refractory systemic mycosis in the hospital.

Products currently being developed

The Company has identified a product currently under development for oropharyngeal candidiasis:

- PAC-113 by Pacgen Biopharmaceuticals, which has gone through a phase-IIb trial (results published in June 2008).

d) Loramyc® / Oravig®

Loramyc® (or Sitamic® in some European countries, Oravig® in the US), initially derived from Professor Aiache's research, is an original mucoadhesive gingival miconazole tablet. It provides early and prolonged release of an efficient concentration of miconazole that impregnates the oral mucosa with little or no systemic transfer. Loramyc® is the first antifungal pharmaceutical speciality to use this mucoadhesive gingival technology.

Loramyc® sticks to the gum and disintegrates progressively while releasing miconazole for more than 12h on average.

Loramyc® is indicated in Europe for the treatment of OPC in immunosuppressed patients. In the United States, Oravig® is indicated for the treatment of OPC in adults.

Loramyc® offers the advantage of having a wide 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® has been marketed in France since the end of 2007 and is approved in twenty-six 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 16th 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". But due to the fact that Par Pharmaceutical has refocused its historical activity (generics), the Company has decided to recover the marketing license for Oravig® and looks for a partner that is totally committed to the oncology support care market in the United States.

The table below gives a summary of the marketing agreements signed by the Company for the marketing of Loramyc®. These agreements total over 120 million euros, including nearly 48 millions 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**
Sosei Group	Exclusive marketing license for Japan		3 million dollars (to be converted)	18.5 million dollars
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 Rights recovered in September 2011	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

4.2.2.2 Acyclovir Lauriad™ and the labial herpes market

a) Pathology

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, become ulcerated and eventually form scabs. Healing takes place without consequences within 7 to 14 days on average.

Herpes lesions can also occur on the face, inside the mouth and even on the eyes.

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

b) Epidemiology

More than 80% of the adult population in the world carried HSV-1, the main herpes labialis virus[7]. Each year, about 14% of the adult population has at least one episode of herpes labialis. Acyclovir Lauriad™ targets patients with at least four outbreaks per year, which represents roughly 35% of patients suffering from recurrent labial herpes according to a study of patients conducted by Nielsen for BioAlliance Pharma[8].

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

c) Competition

Labial herpes is a pathology that is managed either directly by patients (self-medication, asking for advice from the pharmacist), or after consultation and medical prescription. With its innovative treatment, particularly appropriate for patients suffering from frequent relapses, the Company mainly aims to target the prescription market, i.e. that of antiherpetic antivirals.

Existing forms of treatment

Medications prescribed for the curative treatment of herpes target each episode of the disease and are designed to make the lesion disappear faster. When prescribed preventively, the medications must be taken every day continuously for several months in order to reduce the frequency of recurrent episodes.

Three types of nucleoside analogues are currently available by the general route for the curative or preventive treatment of recurrent labial herpes (the indications vary between countries): acyclovir (Zovirax®), valacyclovir (Valtrex®, Zelitrex®) and famciclovir (Famvir®, Oravir®). They are approved for the curative or preventive treatment of recurrent labial herpes (the indications may differ from one country to the next).

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

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

In parallel to systemic forms of treatment, the topical agents currently available in the form of a cream shorten the duration of symptoms although none are truly effective in eliminating outbreaks. They are essentially:

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

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 entered phase III in April 2011. A marketing agreement has been signed with GSK for marketing in the United States.

Clavis Pharma has developed a different formulation of acyclovir (an elaidic acid ester) but the project no longer appears in the portfolio of the company which has specialised in cancer.

d) Acyclovir Lauriad™ or Sitavir®/Sitavig®

BioAlliance Pharma is developing Acyclovir Lauriad™ (BA021), the second product of the Lauriad™ range, for the treatment of recurrent herpes labialis. Acyclovir Lauriad™ is an original gingival mucoadhesive tablet.

In March 2005, BioAlliance Pharma carried out a clinical pharmacokinetic and pharmacodynamic study comparing two doses of Acyclovir Lauriad™ (50 mg and 100 mg) to a standard treatment (200 mg, Zovirax tablet). A high, early and durable concentration (above the MIC, i.e. an efficient clinical concentration) was obtained for 24 hours in the saliva and the labial mucosa, with the continuous presence of the active ingredient.

A multicentre international phase-III, randomised, double-blind study against placebo, compared the efficacy and tolerance of a single dose of Acyclovir Lauriad™ 50 mg gingival mucoadhesive tablet to that of a placebo, in 775 patients with recurrent labial herpes.

The results show that this trial was a success since both the primary and secondary endpoints were met, with marked efficacy and good tolerance. A single dose of Acyclovir Lauriad™ 50 mg significantly reduces the time to healing of the primary vesicular lesion, the main criterion, and the duration of the herpes episode from the time of the first prodromes to healing is significantly reduced ($p = 0.003$) and increases the percentage of patients with abortive episodes (absence of progression to the vesicular lesion stage).

Furthermore, this trial has shown that Acyclovir Lauriad™ can delay the recurrence of herpes outbreaks.

BioAlliance Pharma has filed for the European registration of Sitavir® in October 2011 and the application will be subject to a decentralised European procedure. The application is due to be submitted in the United States during the first semester of 2012.

In addition, in September 2010, BioAlliance Pharma announced it was granted the patent for Acyclovir Lauriad™ in Europe, which specifically protects the mucoadhesive tablet containing acyclovir, its manufacturing process and its clinical application. This approval for all European countries represents an important step, and is being pursued in the other major regions of the world, America and Asia.

Sitavir® allows treatment of recurrent oral herpes 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. Filing applications for registration as well as obtaining patents are key elements in this process.

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

a) Disorder

An analysis of unmet medical needs for weakened patients, and chronic 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 cause overdosage problems. The variability observed with skin patches may be related in part to the condition of the underlying skin and does not cover all the needs of patients. Fentanyl Lauriad™ is designed to treat chronic pain in variable ways.

b) Epidemiology

Cancer and pain are often associated. Pain has several causes: tumour invasion, therapeutic or diagnostic act and toxicity of medications. 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.

Among patients experiencing moderate or intense pain, about 50% are sufficiently relieved. Only 10% of patients experience uncontrollable pain that needs to be treated in specialised facilities. The other patients can be given painkillers that are easy to manage.

c) Competition

<u>Existing forms of treatment</u>

Most of the existing drugs to treat acute or chronic cancer pain are opiates. They can be administered by the oral, rectal, nasal, transdermal or intravenous route or by transmucosal absorption.

Fentanyl, which is well-known in patch form (Durogesic®) to treat chronic cancer pain, also exists in various other forms for immediate release for the treatment of peaks of pain: Actiq® and Fentora® act via the oral mucosa and Instanyl® is a nasal spray.

The market targeted by fentanyl Lauriad™ is that of chronic pain. This positioning distinguishes it from other products that use the transmucosal route in order to treat paroxystic pain only.

Competitors currently being developed

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

d) Fentanyl Lauriad™

The skin patch, the only pharmaceutical form of fentanyl available for chronic pain, presents two disadvantages: variability and delayed action, which limit its manageability and create a risk of overdosage.

As part of its strategy to deploy its Lauriad™ mucoadhesive know-how, BioAlliance Pharma has selected fentanyl Lauriad™ 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 a hundred times more powerful than morphine. A form of sustained-release fentanyl that is easy to administer is 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 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. 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 tested. These mucoadhesive gingival formulations were well tolerated locally.

4.2.2.4 Fluriad® and the vaccine market

Fluriad® is a project supported by the Médicen and Atlanpole Biothérapies competitive clusters which aims to develop a mucoadhesive tablet that is suitable for vaccination with a first proof of concept on the flu virus. BioAlliance Pharma is the coordinator of this project, as part of a consortium also involving the Laboratoires Sogeval (Laval), the Human Virology and Pathology Laboratory (Lyon), associated team "401" Materials and Health Products (School of Pharmacy, Châtenay Malabry), the company Gredeco (Paris) and the Nice University Hospital.

In the field of vaccination, the pharmaceutical industry is seeking to free itself from constraints linked to the cold chain and the need for sterility, currently associated with vaccines inoculated by injection. The oral and nasal routes have numerous advantages but the problems linked to these routes of administration have yet to be resolved.

The Fluriad® project aims to develop an efficient vaccination protocol without injection using the innovative mucoadhesive Lauriad™ technology. Vaccination is currently being developed with the flu virus for practical reasons. Eventually, this vaccination route could be used for different vaccination applications.

4.2.2.5 Corticosteroid Lauriad™ and the market of severe inflammation of the mouth

a) Disorder

Severe chronic inflammation of the mouth is particularly invalidating for fragile or immunosuppressed 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.

b) The BioAlliance Pharma product

The Company is planning to develop a formulation to be applied locally once a day for two months, using the same logic of mucosal know-how deployed for Lauriad™.

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

5. CORPORATE GOVERNANCE

5. CORPORATE GOVERNANCE

Sections 5.1, 5.2 and 7.2.2. of this reference document comprise the Chairman's report to the shareholders as provided by Article L. 225-37 of the French Commercial Code. This report was approved by the Board of Directors on 17 April 2012 and was filed with the Autorité des Marché Financiers (AMF) together with this reference document. It is available on the BioAlliance Pharma website: http://www.bioalliancepharma.com.

The Chairman's report was prepared and drafted in application of Act No. 2008-649 of 3 July 2008 containing various provisions aligning French company law with European Community law and the Code of Corporate Governance for listed companies issued by MiddleNext, the code chosen by the Board of Directors as a reference and available on the MiddleNext website: http://www.middlenext.com/IMG/pdf/Code_de_gouvernance_site.pdf The Board states that it has reviewed the items presented in the "*Points de Vigilance*" (Points of Concern) section of this Code.

5.1 Board of Directors

5.1.1 Board composition and activities

5.1.1.1 Composition and mission of the Board of Directors

A. Board composition

Under the terms of current legislation, regulations and the Company's bylaws, the Board of Directors must be composed of at least three (3) and no more than eighteen (18) members, appointed by the annual general meeting for a term of three years.

BioAlliance Pharma's Board of Directors was reorganised in 2011. The annual general meeting of 29 June 2011 recorded the resignation of André Ulmann, Chairman of the Board, and Gilles Marrache, Director, and appointed Judith Greciet, David Solomon and the company Financière de la Montagne, the Company's leading shareholder, as directors of BioAlliance Pharma. It also ratified the co-optation of Patrick Langlois. Following the AGM, the Board of Directors, at its meeting on 29 June 2011, recorded the resignation of Dominique Costantini as Chief Executive Officer and appointed Judith Greciet as Chief Executive Officer and Patrick Langlois as Chairman of the Board of Directors. Dominique Costantini resigned her position as director of the Company on 31 December 2011.

This reorganisation has strengthened the expertise of the Board of Directors and given it new impetus, positioning it to fully guide the Company's growth.

Since the changes made at the AGM and Board meetings of 29 June 2011, at the date of this report the Board of Directors was composed of eight (8) members;

Patrick Langlois	Independent Director, Chairman
Judith Greciet	Director, Chief Executive Officer
Michel Arié	Independent Director
Catherine Dunand	Independent Director
David Solomon	Independent Director
Nicolas Trebouta	Permanent Representative of Financière de la Montagne Director and shareholder
Rémi Droller	Permanent Representative of Kurma Life Sciences Partners Director and shareholder
Luc Van de Steen	Permanent Representative of ING Belgium Director and shareholder

In accordance with the Act of 27 January 2011 on the balanced representation of men and women on corporate boards, which provides that the proportion of members of either sex on such boards may not be less than 20% as at 1 January 2014 and 40% as at 1 January 2017, the Board of Directors included two women, or 25% of its membership, on the date of publication of the reference document.

With directors representing the three main shareholders, the Board considers that its membership adequately takes into account its shareholders' equity interest in the Company.

The members of the Board bring together leading expertise and enrich the work and deliberations of the Board and its specialised committees with the wealth of experience they have acquired in their fields of expertise, both in health care and in other economic sectors than those of BioAlliance Pharma. They are concerned with the interests of all shareholders and are fully involved in deliberations in order to effectively take part in the Board's decisions and validly support them.

In accordance with regulatory provisions and the Company's bylaws, the directors' term of office is currently set at three years. In order to align its practices with those most commonly accepted among listed companies, the combined ordinary and extraordinary general meeting of 29 June 2011 voted to reduce the length of directors' terms from four to three years.

Detailed information about each of the members of BioAlliance Pharma's Board of Directors and the offices they hold may be found in Section 5.1.4 of the reference document.

B. Board mission

The Board of Directors sets the business policies of the Company and the BioAlliance Pharma Group in strategic, economic and financial domains and oversees their implementation.
Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, the Board may address any matters regarding the smooth running of the

Company and through its proceedings settle the issues concerning it, including all strategic decisions for the Company and the Group, at the initiative of its Chief Executive Officer.
The Board of Directors' internal regulations, available to the shareholders at the Company's registered office and on the website www.bioalliancepharma.com, defines the Board's mission and that of its committees, and organises its work.

The regulations detail the Board's mode of operation and the procedures for implementing statutory requirements and the provisions of the Company's bylaws concerning its role in managing the Company and the Group. It also sets out the rights and duties of the Board members, particularly with regard to preventing conflicts of interest, the holding of concurrent directorships, the strict confidentiality of its deliberations and the diligence required to participate in the Board's work. Lastly, they set the rules for transactions in BioAlliance Pharma securities, as recommended by the Autorité des Marchés Financiers.

To enable it to fulfil its mission properly, the Board of Directors has specified in its internal regulations that:
(i) It is the Chief Executive Officer's responsibility, assisted by the Board secretary, to send all useful information to the other members of the Board;
(ii) The meetings of the Board and its committees are to be preceded by the timely dispatch of a memorandum on the agenda items requiring careful study and analysis, together with supporting documentation, where applicable.
(iii) The Board must be regularly informed of any significant event occurring in the course of the Company's business;
(iv) To add flexibility to Board consultations and, in some cases, facilitate its decision-making, and in accordance with the law, the Board's internal regulations authorise the use of video- and tele-conferencing.
Lastly, the Board of Directors freely determines the procedures for carrying out the Company's executive management. The Company may be managed directly by Chairman of the Board of Directors, under his responsibility, or by another natural person appointed by the Board and having the title of Chief Executive Officer. The Board of Directors of BioAlliance Pharma currently separates the roles of Chairman and Chief Executive Officer.

5.1.1.2 Organisation and report on the Board's activities in 2011

The Board of Directors meets when convened by its Chairman, who sets the agenda for each session. To optimise the conditions of preparing its decisions in accordance with its mission, the BioAlliance Pharma Board of Directors has set up two committees:

- the Audit Committee;
- the Remuneration and Appointments Committee.

A. Report on the Board's activity

The Board of Directors held 10 sessions in 2011; the attendance rate was 89.04%.

At each meeting, the Board of Directors reviewed progress on projects and/or products and forecasts for the business and its results and carefully examined the Company funding and strategy.

On 10 February 2011, the Board approved the annual net sales, set the fixed and variable compensation of the Chief Executive Officer and the Chief Operating Officer and the 2011 objectives of the Chief Executive Officer.

On 3 March 2011, the Board approved the 2010 parent company and consolidated financial statements and the management report. It also approved the Chairman's report on internal control.

On 13 May 2011, the Board approved the net sales of the first quarter of 2011, developed the policy for awarding stock options to employees and directors and share purchase warrants to the independent members of the Board of Directors. It also convened an ordinary and extraordinary general meeting and approved the draft resolutions.

On 29 June 2011, the Board recorded the resignation of its Chief Executive Officer and named a new one, reorganised its two committees and discussed the remuneration of directors. It also approved the plan for a capital increase with shareholders' preferential subscription rights maintained.

On 28 July 2011, the Board approved the net sales of the second quarter of 2011 and set the objectives of the Chief Executive Officer for the 2011 financial year. It also set the directors' remuneration and reviewed the success of the €16 million capital increase carried out in July.

On 6 September 2011, the Board reviewed changes in the share price following the capital increase.

On 21 September 2011, the Board approved the consolidated financial statements of BioAlliance Pharma at 30 June 2011 as well as the interim management report. It also approved a stock option plan for employees and directors and a share purchase warrant plan for independent directors.

On 14 November 2011, the Board approved the net sales of the third quarter of 2011.

On 14 December 2011, the Board approved the strategy and adopted the budget for 2012 and the funding plan for 2012-2014. It also carried out the capital increase reserved for Therabel, with the shareholders' preferential subscription rights waived, as provided in the agreement concluded between BioAlliance Pharma and Therabel Pharma NV on 31 March 2010. On 21 December 2011, it amended the terms for implementing this agreement.

B. Audit Committee

Composition

The Audit Committee is governed by the internal regulations of the Board of Directors which provide that the members of the committee are to be chosen from among the directors and may not be represented. The term of office of committee members coincides with that of their directorship.
This committee may be comprised only of members of the Company's Board of Directors, excluding those with managerial duties.
It has two to three members, one of which must have a specific background in finance or accounting and must be independent.
The Audit Committee currently has three members: Michel Arié, Catherine Dunand and Nicolas Trebouta, permanent representative of Financière de la Montagne.
It is chaired by Michel Arié.
At the date of this report, the committee had two independent directors, including its Chairman.

Mission

The overall mission of the Audit Committee is to assist the Board of Directors in monitoring issues related to the preparation and verification of the half-year and annual accounts and financial statements, as well as the information needed to evaluate the risks incurred by the Group.
It reviews the financial statements before they are submitted to the Board and gives its opinion on the appointment and remuneration of the statutory auditors as well as information relating to their independence.
As part of the review of the parent company and consolidated financial statements, the Audit Committee ensures that the accounting policies having a material impact on the presentation of the company's financial statements have been formally approved by the executive management and the statutory auditors and that they are reported to the Board of Directors. It also ensures that the main accounting options and decisions have been explained and justified by the executive management to the Board and reviewed by the statutory auditors. Lastly, it ensures that the statutory auditors have had access to all information necessary to carry out their responsibilities and that they have been able to make any significant comments.
With regard to internal control, the Audit Committee monitors the efficacy of the internal control systems.
The Company has reviewed the final report of the AMF on the audit committee dated 22 July 2010 and refers to it in the performance of this Committee’s tasks.

Organisation and activity report

The Audit Committee meets at least twice a year, before the approval of the annual and interim financial reports by the Board of Directors. In 2011 it met three times, with an 88.88% attendance rate. The Committee meeting of 4 February 2011 was mainly concerned with approving the Company’s risk management and internal control processes and risk mapping, as well as reviewing the Chairman’s report on internal control and risk factors.

The Committee meeting of 28 February 2011 was devoted to preparing and analysing the 2010 parent company and consolidated financial reports and the reappointment of Ernst & Young as statutory auditors.
On 19 September 2011, the Committee analysed the presentation of the interim financial statements and the presentation of the cost accounting by project.
At its various meetings the Audit Committee heard presentations by the Group's Chief Financial Officer and the statutory auditors who presented their comments.
The Chairman of the committee presented or delegated the presentation of a report on the Committee's works to the Board of Directors on 10 February 2011, 3 March 2011 and 21 September 2011.

C. Remuneration and Appointments Committee

Composition

The members of the Remuneration and Appointments Committee are chosen from among the directors of BioAlliance Pharma or other experts. They are named on a personal basis and may not be represented. The director-members of the Remuneration and Appointments Committee are appointed for the length of the term of their directorship.

The Remuneration and Appointments Committee has three members: Patrick Langlois, Chairman, David Solomon and Rémi Droller, permanent representative of Kurma Life Science Partners. It has two independent directors, including its Chairman.

Mission

The mission of the Remuneration and Appointments Committee is to prepare the decisions of the Board of Directors mainly relating to (i) the selection and appointment of future directors; (ii) the remuneration of the corporate officers; (iii) the establishment of a framework and performance conditions for the allocation of stock options or free shares to corporate officers; and (iv) the periodic evaluation of directors' remuneration.

Organisation of the Committee's work

The Remuneration and Appointments Committee meets at least once a year. In 2011 it met five times, with a 91.66% attendance rate.

On 25 January 2011, the Committee reviewed the remuneration of the Chief Executive Officer and the Chief Operating Officers and the factors taken into account in determining the variable portion of their remuneration. The Committee also set the overall amount of the directors' fees to propose to the next annual general meeting.

On 20 April 2011, the Committee prepared recommendations on the Company's governance, particularly as regards the makeup of the Board of Directors.

The Remuneration and Appointments Committee meeting of 28 July 2011 concerned the technical readjustment of securities granting rights to the capital following the capital increase of July 2011 and the setting of the Chief Executive Officer's objectives for 2011.

On 19 September 2011, the Remuneration and Appointments Committee reviewed a new stock option plan for directors and employees and a share purchase warrant plan for independent directors.

Lastly, at its meeting on 2 December 2011, the Remuneration and Appointments Committee defined prospective corporate objectives for 2012.

5.1.1.3 Evaluating the Board of Directors

The work of the Board of Directors of BioAlliance Pharma is subject to self-assessment through a questionnaire filled out by each director. On 26 January 2012, the Board of Directors validated the methodology for evaluating the Board based on a questionnaire and an interview of each Board member by a director. The Board meeting of 17 April 2012 reviewed the results of the evaluation process which has confirmed a positive assessment of the work done by the board and of the quality of the debates during the meetings.

5.1.2 Directors of BioAlliance Pharma

5.1.2.1 Information about the directors

There are no directors elected by staff and no non-voting directors.

With the exception of the Chief Executive Officer, no member of the Board of Directors has a role in the general management or is a salaried employee of BioAlliance Pharma or a company controlled directly or indirectly by BioAlliance Pharma.

The members of the Board of Directors are not related in any way.

No director has been convicted of fraud, none has been involved as a manager in a bankruptcy, receivership or liquidation over the past five years and none has been the subject of an accusation and/or official public sanction definitively judged by a statutory or regulatory authority. None of them has been disqualified by a court from acting as a member of an administrative, managerial or supervisory body of an issuer or from participating in the management or the conduct of business of an issuer in the last five years.

Directors:	Directorships / Positions held
Patrick Langlois Patrick Langlois has been Chairman of BioAlliance Pharma since 29 June 2011. His term will expire during the annual general meeting of 2013. Aged 66, Patrick Langlois has been a director of BioAlliance Pharma since 13 May 2011. He began his career at the Banque Louis Dreyfus then spent much of his career at Rhône-Poulenc, subsequently Aventis SA, where he was Vice-Chairman of the Executive Board and Chief Financial Officer. Today, he is General Partner at PJL Conseils and member of the boards of directors and non-executive director of biotech organisations in Europe and the US, including Innate Pharma and Exonhit Therapeutics. At 31 December 2011, Patrick Langlois held no shares in BioAlliance Pharma. Business address: PJL CONSEILS EURL 16, Place Vendôme 75001 Paris	In the Company: Chairman of the Board of Directors of BioAlliance Pharma Outside the Company: At 31 December 2011, Patrick Langlois was also: - Member of the Supervisory Board of Innate Pharma (France); - Vice-Chairman of the Supervisory Board of Exonhit (France); - Director at Newron Pharmaceuticals Italy; - Director at Cyclopharma (France); - Director at Scynexis Inc (USA); - Director at Stallergènes (France). In the past five years Patrick Langlois has also held the following directorships and positions outside of the Company, which he no longer holds: - Director at Shire Limited (UK); - Chairman of the Supervisory Board of Nanobiotix SA (France).

Directors:	Directorships / Positions held
Judith Greciet Judith Greciet joined BioAlliance Pharma on 1 March 2011 as Chief Operating Officer, Operations and R&D. She has been Chief Executive Officer and a director of BioAlliance Pharma since 29 June 2011. Her term will expire during the annual general meeting of 2014. Aged 43, Judith Greciet has spent her career at various international laboratories (including Eisai, Zeneca and Wyeth) in increasingly responsible management positions in the fields of oncology and immunology, working with innovative products. She is a Doctor of Pharmacy, with a specialised master's degree in pharmaceutical management and marketing. At 31 December 2011, Judith Greciet held no shares in BioAlliance Pharma. Business address: BioAlliance Pharma 49, Boulevard Valin 75015 – Paris	In the Company: • Director and Chief Executive Officer of BioAlliance Pharma Outside the Company: At 31 December 2011, Judith Greciet was also: • Chairwoman of Laboratoires BioAlliance Pharma; • Director of Theravectys. In the past five years Judith Greciet has also held the following directorships and positions, which she no longer holds: - Chairwoman of Eisai France

Directors:	Directorships / Positions held
Michel Arié Michel Arié has been a director of BioAlliance Pharma since 17 December 2008. Aged 64, Michel Arié acquired his industrial expertise 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. His term will expire during the annual general meeting of 2013. At 31 December 2011, Michel Arié held 100 shares in BioAlliance Pharma. Business address: 58 Avenue du Mesnil 94210 La Varenne Saint Hilaire	In the Company: • Director of BioAlliance Pharma Outside the Company: In the past five years Michel Arié has also held the following directorships and positions, which he no longer holds: • Chief Financial Officer of the CNIM Group; • Member of the Management Board of CNIM SA (from September 2009) and corporate officer of CNIM Group subsidiaries; • Director of various subsidiaries of the CNIM Group.

Directors:	Directorships / Positions held
Catherine Dunand Catherine Dunand has been a director of BioAlliance Pharma since 22 April 2010. Her term will expire during the annual general meeting of 2013. Aged 50, Catherine Dunand, heads Promontoires, a company that supports SMEs in key stages of their development in the areas of strategy and governance. Previously, she has held marketing management positions in France and abroad and headed a profit centre for major pharmaceutical groups (e.g., Servier, Hoechst Roussel). She has led SMEs for a decade, particularly alongside 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. At 31 December 2011, Catherine Dunand held no shares in BioAlliance Pharma. Business address: Promontoires 212 Boulevard Bineau 92200 – Neuilly sur Seine	In the Company: • Director of BioAlliance Pharma Outside the Company: At 31 December 2011, Catherine Dunand was also: • Director at the Altavia Group (marketing communication); • Chairwoman of the Board of Directors of Kalibox (logistics); • Chairwoman of Promontoires SAS; • Director at Yxene SAS (MOA); • Director at HRA Pharma In the last five years Catherine Dunand has also held the following directorships and positions, which she no longer holds: • Chairwoman of Thermes de Bagnoles de l'Orne; • Chairwoman of Thalie Spa; • Chief Executive Officer of France Thermes; • Chief Executive Officer of Financière de Millepertuis, Director of CNETh, a balneology trade association; • Chairwoman of the Supervisory Committee of Gemology.

Directors:	Directorships / Positions held
David H. Solomon David Solomon has been a director of BioAlliance Pharma since 29 December 2011. His term will expire during the annual general meeting of 2014. Aged 51, David H. Solomon is currently CEO of Zealand Pharma (Denmark). A physician pharmacologist, he practiced several years at Columbia University before joining Carrot Capital Healthcare Venture, an investment company. Since 2006 he has held a variety of executive management positions at biotech companies. At 31 December 2011, David Solomon held no shares in BioAlliance Pharma. Business address: Zealand Pharma A/S Smedeland 36 2600 Copenhagen Denmark	In the Company: • Director of BioAlliance Pharma Outside the Company: At 31 December 2011, David Solomon was also: • CEO of Zealand Pharma; • Member of the Board of Directors of the US Chamber of Commerce in Denmark. In the past five years David Solomon has also held the following directorships and positions, which he no longer holds: • 2006-2008: COO Vital Sensor, Hanover, Germany and Richmond, Virginia.

Directors:	Directorships / Positions held
ING Belgium, represented by Luc Van de Steen ING Belgium has been a director of BioAlliance Pharma since 2003. Its term will expire during the annual general meeting of 2013. Aged 50, Luc Van de Steen heads the Corporate Investments team of ING in Belgium and has over 15 years of experience in private equity. He has been an active member of the team since 2001 and is a director of several companies in the portfolio. Previously, he spent more than 15 years in banking, first at KBC-Almanij, including 12 years in corporate finance, private equity (Investco) and five years in credit structuring. He has led consulting assignments and numerous M&A transactions, in Belgium and internationally. He has also advised the Belgian government on privatisations. 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 since October 2009, represented by Denis Biju-Duval. At 31 December 2011, ING Belgium held 1,076,175 shares in BioAlliance Pharma. Business address: ING Belgium Avenue Marnix 24 1000 Brussels, Belgium	**In the Company:** • Director of BioAlliance Pharma **Outside the Company:** At 31 December 2011, ING Belgium, as a private equity investor, was also a director of the following companies: • ACB (Belgium); • AED Rent (Belgium); • Sodir SA (France); • Marnix Invest SA (France); • Elysées GNI Finance (France); • Bienca SA (Belgium); • BNL Food Investments (Luxembourg); • Inaxi NV (Belgium); • GDW Holding (Belgium); • CMOSIS NV (Belgium); • Euresys SA (Belgium); • Möbius NV (Belgium); • Vitalo Holding NV (Belgium); • Numeca SA (Belgium). Luc Van de Steen also represents ING Belgium in the following companies: • Sodir SA (France); • Bienca SA (Belgium); • BNL Food Investments (Luxembourg); • Inaxi NV (Belgium); • GDW Holding (Belgium); • Vitalo Holding NV (Belgium); • Sogam SA (Belgium). In the past five years Luc Van de Steen has also held the following directorships and positions, which he no longer holds: • Groep Bruyninx (Belgium); • VC Drilling NV (Belgium); • Tigenix NV (Belgium); • Greetham NV (Belgium).

Directors:	Directorships / Positions held
Financière de la Montagne, represented by Nicolas Trebouta Financière de la Montagne has been a director since 29 June 2011. Its term will expire during the annual general meeting of 2014. Aged 48, Nicolas Trebouta, through his company Financière de la Montagne, has invested directly or through funds in biotechnology companies since 2004. Co-founder of Chevrillon et Associés in 2000, he took part with this organisation in several LBO transactions, including Picard (frozen foods), CPI (printing) and Albingia (insurance). He is a physician and has been a shareholder in BioAlliance since 2008. At 31 December 2011, Financière de la Montagne held 1,680,128 shares in BioAlliance Pharma. Business address: Financière de la Montagne 4-6, Rond-Point des Champs Elysées 75008 Paris	In the Company: • Director of BioAlliance Pharma Outside the Company : At 31 December 2011, Nicolas Trebouta was also: • General Manager of SARL Financière de la Montagne; • General Manager of SCI Fleurus Immobilier; • General Manager of SCI 5 Rue de la Liberté; • Chairman of SAS Dragon 8; • General Manager of SC Financière des Associés; • Chairman and CEO of the SICAV Mercure Epargne Longue; • Director of GIE IO (economic interest group); • Chairman of the Supervisory Board of SCA Chevrillon & Associés; • General Manager of EARL Ferme de Bissy; • General Manager of SC Valois; • General Manager of SCI du Trillon. In the past five years Nicolas Trebouta has also held the following directorships and positions, which he no longer holds: • General Manager of Bissy Investissements (SC); • Chairman of the Supervisory Board of Arromanche (SCA); • Director of Bagtech Inc.

Directors:	Directorships / Positions held
Kurma Life Sciences Partners, represented by Rémi Droller Rémi Droller has been a director of BioAlliance Pharma since 16 December 2010. His term will expire during the annual general meeting of 2013. Aged 36, Rémi Droller joined Kurma as Partner in September 2010 after more than 10 years of experience the field of healthcare investment. Starting out with CDC Innovation in 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). At 31 December 2011, Kurma Life Sciences Partners held 835,749 shares in BioAlliance Pharma. Business address: Kurma Life Sciences Partners 5-7 Rue de Monttessuy 75007 Paris	In the Company: • Director of BioAlliance Pharma Outside the Company: At 31 December 2011, Rémi Droller was also: • Director of Prosensa; • Director of AM Pharma. At 31 December 2011, Kurma Life Sciences Partners was also: • Director at Adocia; • Director at AM Pharma; • Director at BMD; • Director at Domain Therapeutics; • Director at Erytech; • Director at Genticel; • Director at Indigix; • Director at Integragen; • Director at Key Neurosciences; • Director at Meiogenics; • Director at Novagali Pharma; • Director at Sterispine. In the past five years Rémi Droller has also held the following directorships and positions, which he no longer holds: • Director at Adocia; • Director at BMD; • Director at Domain Therapeutics; • Director at Integragen; • Director at Novagali Pharma.

Conflicts of interest

As provided by the internal regulations of the Board of Directors, each director must inform the Board of any conflict of interest that arises – even potentially – in relation to items on the agenda and must abstain from voting in deliberation regarding these items. There was no cause to apply this provision in 2011.
To the best of the Company's knowledge, no service contract exists binding any member of the Board of Directors of BioAlliance Pharma or any of its subsidiaries, other than the regulated agreements listed below:

- The services agreement authorised by the Board of Directors on 13 May 2011 and signed on 5 September 2011 between BioAlliance Pharma and the company Chrysabio covering the supervision by Dominique Costantini of the Sitavir®/ Sitavig® application process in Europe and the US, assistance with licensing agreements and business development, and assistance with acquisition opportunities. This contract was signed for a maximum duration of six (6) months and provides for a maximum of 60 days worked from 13 July 2011, for a lump sum per diem fee of €2,500.

- The services agreement authorised by the Board of Directors on 29 June 2011 between BioAlliance Pharma SA and the company Promontoires, for the preparation by Catherine Dunand, Director, of a report to be used as a basis for evaluating the work of the Board of Directors, for a sum of €12,500, excluding VAT.

Independence

Four directors are independent within the meaning of the MiddleNext Code of Corporate Governance for small and medium sized companies. They are Catherine Dunand, Michel Arié, Patrick Langlois and David Solomon.

Remuneration of directors

Directors' are remunerated in the form of directors' fees paid only to independent directors. The maximum annual sum of directors' fees for 2011 was set by the AGM of 29 June 2011 at €150,000. This sum is distributed at the Board of Directors' discretion.

On 28 July 2011, Board decided that, as from 29 June 2011:

- The directors shall receive a fixed, prorated remuneration of €4,000 for their position, and variable remuneration of €2,500 per Board meeting;

- The Chairman of the Board shall receive fixed, prorated remuneration of €15,000 for his position and variable remuneration of €5,000 for each Board meeting;
- Committee members who are independent directors shall receive additional variable remuneration of €1,000 per meeting of the committee to which they belong;
- Committee chairpersons shall receive additional variable remuneration of €2,000 per meeting of the committees they chair;
- Directors who exercise a management role or who represent a company that is a Company shareholder shall not receive directors' fee.

Directors in office at 31 December 2011 received directors' fees from the Company in the gross amounts detailed in Table 3 below.

In addition, On 21 September 2011 the Board decided to allocate to the independent directors share purchase warrants with a 6-year exercise term at an issue price of €0.38 and a subscription price of €3.80 (see table below):

Table 3 (*)

Directors' fees and other remuneration received by non-executive corporate officers				
Non-executive corporate officers	**Total in 2010 11 Board meetings and 8 Committee meetings**		**Total in 2011 10 Board meetings and 8 Committee Meetings**	
	Directors' fees in €	**Other remuneration**	**Directors' fees in €**	**Other remuneration**
Patrick Langlois **Appointed to the Board of Directors on 29 June 2011** **Chairman of the Board of Directors since 29 June 2011**	**N/A**	**N/A**	**45,500**	**25,000 warrants**
André Ulmann **Chairman of the Board of Directors until 29 June 2011**	**33,000**	**N/A**	**13,000**	**0**
Michel Arié **Member of the Board of Directors**	**23,500**	**N/A**	**30,834**	**15,000 warrants**
Catherine Dunand **Member of the Board of Directors**	**12,000**	**N/A**	**27,334**	**15,000 warrants**
Gilles Marrache **Member of the Board of Directors until 29 June 2011**	**11,500**	**N/A**	**0**	**0**

David Solomon **Member of the Board of Directors since 29 June 2011**	**N/A**	**N/A**	**12,555**	**15,000 warrants**
François Sarkozy **Vice-Chairman of the Supervisory Board (term ended in April 2010)**	**12,000**	**N/A**	**N/A**	**N/A**
Jean-Marie Zacharie **Chairman of the Supervisory Board (term ended in April 2010)**	**28,500**	**N/A**	**N/A**	**N/A**
Financière de la Montagne **Represented by N. Trebouta**	**N/A**	**N/A**	**N/A**	**N/A**
Kurma Life Sciences Partners (formerly IDInvest), represented by R. Droller	**N/A**	**N/A**	**N/A**	**N/A**
ING Belgium, represented by Luc Van de Steen	**N/A**	**N/A**	**N/A**	**N/A**
Dominique Costantini	**N/A**	**N/A**	**17,334**	**852,585**
TOTAL	**120,500**	**N/A**	**146,557**	**852,585**

(*)Table numbering in accordance with the AMF recommendation of 22 December 2008. AMF tables 1, 2, and 4-10 are found in Section 5.1.4.2 of this reference document.

Directors receive no deferred compensation or remuneration when their term of office ends.

5.1.2.2 Information about the corporate officers

At the date of publication of this document, the Executive Management of the Company is composed of two persons:

- Judith Greciet, Chief Executive Officer, whose detailed presentation is found in Section 5.1.4.1;
- Pierre Attali, Chief Operating Officer, Strategy and Medical Affairs.

Pierre Attali, Chief Medical Officer at BioAlliance Pharma since 2008, was appointed Chief Operating Officer in charge of Strategy and Medical Affairs in July 2010.
Dr Pierre Attali, a specialist in diseases of the liver and the digestive system, began his career as a hospital doctor, where he practised for 11 years. In 1987, he joined Synthélabo as Project Manager in the Clinical Research department. He quickly advanced, attaining the position of Head of Clinical Research in 1992, placing 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.

Limits set by the Board of Directors on the powers of the Chief Executive Officer and the Chief Operating Officers.

The Board of Directors internal regulations, available on the Company's website, specifies the procedures for performing its own duties and those of the Chief Executive Officer.
The Chief Executive Officer and the Chief Operating Officers may not adopt certain decisions or conclude certain acts, undertakings or agreements unless they have first been authorised by the Board of Directors.
Thus, in addition to Company transactions for which the law requires the Board's authorisation (including endorsements, commitments and guarantees and collateral in order to guarantee third-party obligations), the following items require the prior approval of Board of Directors:

- 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 for the 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 significant intellectual or industrial property or tangible assets owned by the Company.

Remuneration of corporate officers

Remuneration policy

The remuneration of corporate officer is generally composed of a fixed salary supplemented by a benefit in kind (usually a company car), and variable remuneration linked to performance indicators.

This remuneration is accompanied by stock options and free shares, which are awarded for retention purposes.

Corporate officers receive no directors' fees for their position.

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

BioAlliance Pharma complies with the MiddleNext Code of Corporate Governance regarding the remuneration of executive officers of companies whose shares are admitted to trading on a regulated market.

Dominique Costantini

Dominique Costantini, co-founder and Chief Executive Officer of BioAlliance Pharma until 29 June 2011, benefited from an employment contract at the same time as she served as a corporate officer. The circumstances that led to this decision mainly stemmed from the critical importance of her expertise and, correspondingly, her role in technical management. Her tenure as CEO ended on 29 June 2011 and her employment contract was terminated on 12 July 2011 by contractual separation, for which she received gross severance compensation of €600,000.

Her term as director ended on 31 December 2011.

In 2011, Dominique Costantini received a fixed salary of €177,338 under her employment contract. This remuneration was set by the Board of Directors on 10 February 2011 at the recommendation of the Remuneration and Appointments Committee formulated on 25 January 2011.

For 2011, the objectives for Dominique Costantini were as follows: objectives related to the orientation of the Chief Operating Officer; strategic objectives related to the identification and conclusion of commercial partnerships; objectives related to the structuring of research and development activities; and objectives related to the formalisation of accounting and operational analysis tools for projects in development.

The Board of Directors assessed the achievement of these objectives at its meeting on 28 July 2011 and decided, at the recommendation of the Remuneration Committee, to pay the Chief Executive Officer a bonus of €50,000.

A temporary work contract, authorised as a related-party agreement by the Board of Directors on 13 May 2011, was signed on 5 September 2011 between the Company and Chrysabio, which is managed by Dominique Costantini, providing for a per-diem remuneration of €2,500 over a maximum of 60 days.

Details of her remuneration are provided in Tables 1, 2 and 3 below of this reference document.

The in-kind benefits received by Dominique Costantini until the end of her tenure as Chief Executive Officer consisted of a company car and insurance against loss of employment.

Judith Greciet

Judith Greciet joined BioAlliance Pharma on 3 March 2011 as Chief Operating Officer in charge of Operations and R&D. She was named Chief Executive Officer on 29 June 2011. She combines her corporate office with an employment contract. The circumstances that led to this decision stemmed mainly from the critical importance of her expertise and, correspondingly, her role as technical head of R&D and Operations.

In 2011, Judith Greciet, Chief Executive Officer of BioAlliance Pharma received a fixed salary of 192,723. This remuneration was set by the Board of Directors on 10 February 2011 at the recommendation of the Remuneration and Appointments Committee formulated on 25 January 2011.
On 10 February 2011, the Board of Directors also decided that the variable remuneration of the CEO would in principle represent up to 40% of the fixed salary and, on 28 July 2011, that for 2011 it would be subject to the achievement of objectives related to research and development activities, the advancement of partnerships, the structuring of the Company, and the quality of corporate governance and investor relations.

On 26 January 2012, at the recommendation of the Remuneration and Appointments Committee, the Board set the variable remuneration of Judith Greciet for 2011 at 40% of her fixed salary, i.e. €77,089.

Judith Greciet received no directors' fees in 2011, in accordance with the rules set out in Section 5.1.4.1 of this reference document.

Judith Greciet received 100,000 stock options as a "welcome grant" upon signing her employment contract. These options are immediately exercisable and have a 10-year exercise period.

On 21 September 2011, the Board of Directors, as part of its review of the proposed allocation of stock options, and on the recommendation of the Remuneration and Appointments Committee formulated on 20 September 2011, decided to award to Judith Greciet 60,000 stock options, exercisable according to a four-year timetable and subject to conditions of continuous service and performance, the achievement of which will be evaluated one year after the award date. The performance conditions are related to meeting the budget and the advancement of key projects and products for the Group. Until the end of her tenure, Judith Greciet is obligated to hold a number of Company shares equal to 10% of the capital gains net of tax and related contributions obtained by exercising these options.

Judith Greciet was not awarded any free shares in 2011.

Judith Greciet did not receive any benefits in kind in 2011.

A summary of all elements the Executive Management's remuneration is presented in the tables below.

Table 1

Summary table of remuneration, options and shares allocated to each executive officer (in €)		
Dominique Costantini - Chief Executive Officer End of term as Chief Executive Officer on 29 June 2011	2010	2011
Remuneration payable for the financial year (broken down in Table 2)	318,517	852,585
Value of options awarded during the year	8,100	N/A
Value of performance shares awarded during the year	N/A	N/A
TOTAL	326,617	852,585
Judith Greciet - Chief Operating Officer from 1 March to 28 June 2011; Chief Executive Officer since 29 June 2011		
Remuneration payable for the financial year (broken down in Table 2)	N/A	269,812
Value of options awarded during the year	N/A	120,580
Value of performance shares awarded during the year	N/A	N/A
TOTAL	N/A	390,392
Pierre Attali - Chief Operating Officer		
Remuneration payable for the financial year (broken down in Table 2)	92,823	246,607
Value of options awarded during the year	5,400	31,900
Value of performance shares awarded during the year	N/A	N/A
TOTAL:	98,223	278,507

Table 2

Summary of remuneration paid to each executive officer (in €)				
Dominique Costantini - Chief Executive Officer until 29/06/11	Amounts in 2010		Amounts in 2011	
	owed	paid	owed	paid
- fixed remuneration	222,952	222,952	177,338	177,338
- variable remuneration	88,000	0	50,000	50,000
- exceptional remuneration	0	0	3,500	3,500
- directors' fees	N/A	N/A	17,334	17,334
- other (1) / benefits in kind:	7,565	7,565	604,413	604,413
TOTAL	**318,517**	**230,517**	**852,585**	**852,585**
Judith Greciet Chief Operating Officer from 1 March to 28 June 2011; Chief Executive Officer since 29 June 2011				
- fixed remuneration	N/A	N/A	192,723	192,723
- variable remuneration	N/A	N/A	77,089	0
- exceptional remuneration	N/A	N/A	N/A	N/A
- directors' fees	N/A	N/A	N/A	N/A
benefits in kind:	N/A	N/A	0	0
TOTAL			**269,812**	**192,723**
Pierre Attali - Chief Operating Officer				
- fixed remuneration	77,394	77,394	197,004	197,004
- variable remuneration	15,429	0	48,103	35,800
- exceptional remuneration	0	0	1500	1500
- directors' fees	N/A	N/A	N/A	N/A
- benefits in kind:	0	0	0	0
TOTAL	**92,823**	**77,394**	**246,607**	**234,304**

(1) The amount for 2011 includes severance compensation of €600,000 related to the termination of her employment contract.

Table 3 – Directors' fees and other remuneration received by non-executive corporate officers

Table 3 is found in Section 5.1.4.1 of this reference document.

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
Judith Greciet CEO since 29/06/11	SO Executives 2011 Board meeting of 21/09/11	Subscription	120,580	160,000 (1)	€3.80	10 years
Dominique Costantini until 29/06/11	N/A	N/A	N/A	N/A	N/A	N/A
Pierre Attali COO	SO Executives 2011 Board meeting of 21/09/11	Subscription	31,900	50,000	€3.80	10 years

(1) of the 160,000 options awarded to Judith Greciet by the Board of Directors on 21 September 2011, only 60,000 are subject to performance conditions.

Table 4 – Stock options to purchase or subscribe for shares exercised during the financial year by each executive officer

The combined ordinary and extraordinary general meeting of 29 June 2011, in its seventeenth resolution, authorised the Board of Directors to award the Company's executive officers a maximum of 210,000 stock options, each conveying a right to one share, representing a maximum dilution of 1.55% of the Company's share capital at the close of the 2010 financial year.

Executives' stock options are only exercisable after a period of four (4) years, subject to the achievement of performance conditions evaluated one year after their award and related to (i) meeting the Company's 2012 budget; (ii) research and development activity; and (iii) the search for new partners.

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

Not applicable. No option to purchase or subscribe for shares was exercised by the corporate officers in 2011.

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

Not applicable. No performance shares were awarded to corporate officers in 2011.

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 rights for employees and officers of the Company who fulfilled the condition of continuous service within the Company at 1 April 2011.

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
Pierre Attali	AGA 2008 (2) Management Board meeting of 01/04/09	8,000	Related to (i) advancement of the R&D project portfolio; (ii) implementation of the marketing strategy.

Table 8 – History of the award of share purchase 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 and 2011 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 Group employees.

From 2003 to 2008, the independent members of the Board of Directors also benefited from successive plans awarding share purchase warrants (BSAs). In 2011, the independent directors benefited from a share purchase warrant plan.

Whether for stock options or share purchase warrants, the exercise price is determined as the average over the last twenty (20) trading days preceding the grant date.

The 2006 (1) stock option plan expired on 30 October 2010.

The conditions for the exercise of stock options for the 2011 plan are described in the commentary to Table 4 above.

Table 8

History of the award of financial instruments granting rights to the share capital **Information on founders' share purchase warrants (BSPCE) and stock options (SOs) awarded to executive officers**				
Date of AGM	BSA-K3 AGM of 16/05/06	SO 2006(1) AGM of 16/05/06	SO Exec. 2010(1) AGM of 22/04/10	SO Exec. 2011 AGM of 29/06/11
Date of Management Board/Board of Directors meeting	10/10/2007	30/10/2006	25/08/2010	21/09/2011
Shares that may be subscribed by:	1 warrant/1 share	1 option/1 share	1 option/1 share	1 option/1 share
Executive officers	11,346 (1)	60,000	25,308	210,000
Dominique Costantini	N/A	60,000	15,000	0
Judith Greciet	N/A	N/A	N/A	160.000 (2)
Pierre Attali	11,346,(1)	N/A	10,308(1)	50,000
Start date for exercise	10/04/2008	30/10/07	25/08/2014	21/09/2015
Expiry date	09/10/2012	30/10/11	25/08/2020	21/09/2021
Subscription price (€)	10.84 (1)	12.35 (1)	5.53(1)	3.80
Exercise terms	Vesting/4 years	Vesting/4 years	4 years after award, subject to performance conditions	4 years after award, subject to performance conditions (2)

Shares subscribed at 31/12/2011	0	0	0	0
Warrants/options cancelled or lapsed	0	60,000	15,000	0
Warrants/options outstanding at end 2011	11,346	0	10,308	210,000

(1) Following the capital increase in July 2011, a technical adjustment of the number of options/warrants and the subscription price was decided by the Board of Directors on 28 July 2011 pursuant to Article L.228-99 and R.228-91 of the French Commercial Code.
(1) Of the 160,000 options awarded to Judith Greciet by the Board of Directors on 21 September 2011, only 60,000 are subject to performance conditions.

Table 8

History of the award of financial instruments granting rights to the share capital **Information on share purchase warrants (BSA) awarded to members of the Board of Directors**		
Date of AGM	BSA-L AGM of 29/04/08	BSA – 2011 AGM of 29/06/11
Date of Board meeting	17/12/08 (1) 22/10/09 (2)	21/09/11
Shares that may be subscribed by:	1 warrant /1 share	1 warrant / 1 share
Corporate officers	18,189	70,000
Patrick Langlois	N/A	25,000
Catherine Dunand	N/A	15,000
Michel Arié	6,189 (1) (*)	15,000
David Solomon	N/A	15,000
Gilles Marrache	6,000 (1) (**)	N/A
André Ulmann	6,000 (2) (**)	N/A
Start date for exercise of warrants	17/06/09 (1) 22/04/10 (2)	21/03/2012
Expiry date	16/12/13 (1) 21/10/14 (2)	21/09/17

Issue price	N/A	€0.38
Subscription price (€)	€2.86 (1) (**) €2.33 (2) (**)	€3.80
Exercise terms	Vesting/4 years	Vesting/18 months
Shares subscribed at 31/12/2011	0	0
Total warrants cancelled or lapsed	12,000	0
Warrants outstanding at end 2011	6,189	70,000

(*) Following the capital increase in July 2011, a technical adjustment of the number of options/warrants and the subscription price was decided by the Board of Directors on 28 July 2011 pursuant to Article L.228-99 and R.228-91 of the French Commercial Code.

(**) Warrants cancelled following their resignations on 29 June 2011.

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 2011.

The ordinary and extraordinary general meeting of 29 June 2011, in its sixteenth resolution, authorised the Board of Directors to award 300,000 stock options to employees other than officers of the Company, with each option conveying the right to one share.

In 2011, 218,500 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 options exercised thereby	**Number of options granted**	**Weighted average price**	**Plan**
Options granted during the year to the ten employees other than corporate officers receiving the largest number of options granted (overall data)	169,000	€3.80	SO 2011 Plan

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 until 29/06/2011	**X** (1)			**X**		**X**		**X**
Judith Greciet Chief Operating Officer, subsequently Chief Executive Officer since 29/06/2011 Start of term: 03/03/2011 Expiry of term: AGM to approve the 2014 financial statements	**X**			**X**		**X**		**X**
Pierre Attali Chief Operating Officer Start of term: 22/07/2010 Expiry of term: AGM to approve the 2013 financial statements	**X**			**X**		**X**		**X**

- *Employment contract expired on 12 July 2011*

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 2011 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 10% of the capital gains net of tax and related contributions obtained by the exercise of options. This provision applies to the options granted and shares awarded after 31 December 2010.

In addition, BioAlliance Pharma Group's post-employment benefits obligations at 31 December 2010 amounted to €272,457 (IFRS consolidated financial statements).

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 2011:

Interests held by directors and officers in the Company's share capital at 31/12/2011	Number of shares	% of share capital	No. of shares resulting from the potential exercise of warrants	No. of shares resulting from the potential exercise of warrants	Number of free shares	% total after potential exercise of warrants and stock options
D. Costantini	404,555	2.29%	0	0	0	2.29%
Judith Greciet	0	0	0	160,000	0	0.91%
Pierre Attali	2,975	0.01	11,346	60,308	8,000	0.34%
Patrick Langlois	0	0	25,000	0	0	0.14%

Transactions 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, we hereby report on the transactions (purchases, sales, subscriptions or exchanges of shares) carried out by senior executives or members of the Company's Board of Directors, or by persons having close personal links with them during the 2011 financial year:

Patrick Langlois, Michel Arié and David Solomon subscribed to all of the share purchase warrants that the Board of Directors awarded to them on 21 September 2011 (see Table 8 on remuneration).

5.1 5.2 Internal control

5.2.1 Components of the risk management system

5.2.1.1 Definition and objectives

Since 2008 BioAlliance 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, to identify ways to control the occurrence of these risks and their consequences, and to contain or minimize their probability of occurrence and their impact on the Company's activity. This approach is intended to encompass all types of risk and to apply to all activities of the Company and the Group.

BioAlliance adopts the definition of risk management proposed by the Autorité des Marchés Financiers[9] whereby risk management is a management tool implemented by the Company that contributes to:

- creating and preserving the Company's value, assets and reputation;
- securing the Company's decision-making and processes to facilitate the achievement of its objectives;
- promoting the consistency of the Company's actions with its values;
- involving employees based on a shared view of the Company's main risks.

The Company has conducted a risk review and considers that there are no significant risks other than those mentioned in Section 5.2.3.1 of this reference document.

5.2.1.2 Organisational framework

The Group also seeks to control its operational risks. Risk management is steered by the Risk Management Committee, a management body established by the Executive Management. It is responsible for proposing and updating the annual risk map, and then for monitoring the application of the risk management plans together with the line managers.

It is role of the Executive Management to validate the risk map submitted to it by the Risk Management Committee and, in particular, to approve 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.

[9] *Guide de mise en œuvre du cadre de référence sur le contrôle interne adapté aux valeurs moyennes,* updated on 22 July 2010

The Group has adopted a procedure intended as a framework for all risk management methods and tools implemented, which specifies the terminology adopted in the Group (probability and severity criteria, categories of risks etc.).

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

5.2.1.3 Management processes for major risks: Identification and analysis of main risks

The Risk Management Committee annually updates the risk map in order to take into account the strategic objectives of the Company and changes in its business, financial condition and environment.

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 ranked in order of decreasing importance in order to categorise them as follows: (i) major risk; (ii) high risk; or (iii) acceptable risk.

All major risks are addressed by a risk management plan specifying actions to be taken, managers and participants in the process, deadlines, and the budget for each action.

The description below of the main risk factors is organised in a manner consistent with this risk map:

5.2.1.4 Risks related to the Company's business

1. Risks related to drug research and development

The risk of a serious adverse event or of negative results in 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 doxorubicin 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 would 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.

Inability of the Company to complete clinical trials successfully could have a material adverse effect on its ability to generate future revenues, its financial position, and its development.

To minimise this risk, the Company has built its product portfolio in part on innovative drugs 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.

In addition, the Company has organised its products into two key portfolios to balance its risks. In effect, the independence of its projects in clinical and preclinical development allows the company to manage the risks inherent in pharmaceutical research. In this way, the Company can determine its priorities for accelerating development at any time based on the results obtained, as part of its ongoing search for growth.

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 2011, BioAlliance Pharma 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 position, and its development.

This risk becomes less critical as development of the Company's products advances.

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 the clinical trials 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 performance in 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. This 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 that 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 risk factor concerns Loramyc® in Europe. In the event of a failure on the part of the manufacturers, or of interruption or quality problems in the supply 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 ongoing at the date of filing this reference document.

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 European 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 a constant and growing evolution in proposed legislation to strengthen government controls over drug prices. In the western world, pressure on prices and the reimbursement of drugs is generally on the increase and there is a growing tendency for certain products not to be reimbursed.

The Company therefore cannot guarantee that over time it will succeed in maintaining 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 efficiently support 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.

4. Risks related to commercial partnership agreements

The risk of insufficient sales performance of a licensed partner may limit sales of the Company's products and significantly affect its growth

As part of its strategy, the Company seeks out partners to market its products.

BioAlliance Pharma has selected the Therabel Group to market Loramyc® and Setofilm® in Europe, including France. In the US, in September 2011 the company reacquired its marketing rights to Oravig® from Strativa Pharmaceuticals (a specialised division of the Par Pharmaceutical group) due to that company's recent focus on generics. The Company immediately began an active search for a new commercial partner in the US for Oravig®, registered with the FDA in 2010.

The Company could be affected by an inability to find a new US partner for Laramyc® or by the inadequate commercial performances of its partners resulting from a lack of coverage in certain areas or, more generally, a lack of resources deployed.

In addition, in 2008 and 2011, BioAlliance Pharma signed agreements for marketing miconazole Lauriad® (Loramyc®) in Southeast Asia and Japan. The Company cannot guarantee that the registration of miconazole Lauriad® will be obtained in the relevant 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. Risks related to the safety of marketed products

Product liability traditionally represents a significant risk for the pharmaceutical industry. In effect, it is impossible to identify all the possible adverse events related to a product during the trials leading up to 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 events or those affecting a given population), which may lead to changes in the product's composition, limits on its therapeutic indications, or even suspension or withdrawal of the product.

BioAlliance Pharma has contracted 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 health authorities.

5.1.2.5 Legal risks

1. Challenges and constraints related to the regulatory environment

One of the Company's major challenges consists in successfully developing products up to their marketing phase in an ever more restrictive regulatory environment.

Legislative and regulatory provisions defined by the French drug agency (Afssaps), 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 4 of this reference 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 marketing authorisation application and its review 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 issuing 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.

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 at the date of this reference document. It has the rights to 313 published patents or patent applications, including 230 patents that have been granted in several major countries or jurisdictions, including the US, Europe and Japan.

The Company's ability 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 or 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 fail to 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 identification of inventions in order to increase the relevant protection, and as regards monitoring third-party publications and patent procedures.

Risks associated with exploited patents falling into the public domain, with the expiration of marketing licenses, or with the eventual emergence of generic drugs for marketed products

On the expiry of their protection by property or commercialisation rights, the products marketed by the Company could face competition due to 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 an adverse impact on the Company's business and financial position.

These risks are currently not significant for BioAlliance Pharma because, firstly, the Company develops most of its product portfolio 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.

3. Disputes

The main ongoing disputes are described in Note 7 to the consolidated financial statements at 31 December 2011.

5.1.2.6 Financial risks

1. Risks of insufficient financial resources

The Company has posted net operating losses since it began operating in 1997. At 31 December 2011, its accumulated losses came to €99.4 million under French GAAP and €99.6 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 most advanced product, Loramyc®/Oravig®, is already generating revenues through partnerships in place since 2007 and Sitavir®/Sitavig®, whose MA application was filed in October 2011, is an upcoming candidate for partnership agreements. At the date of filing this reference document, these revenues correspond to milestone payments from partners and to royalties on sales of Loramyc®/Oravig®. This revenue stream should increase in the coming years with new launches and growth in sales by current and future commercial partners.

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.

2. Foreign exchange risk

In 2008 the Company signed two licensing agreements in southeast Asia for Loramyc®, with Handok and NovaMed for a total of $16.5 million, including $2.5 million in upfront payments. In 2011, the Company signed a licensing agreement for Loramyc® with Sosei in Japan for a total of $18.5 million, including a $3 million upfront payment.

For these three agreements, BioAlliance Pharma will also receive payments based on obtaining marketing authorisations, launching the product, or achieving sales milestones.

Given the uncertainty about these payment triggers and the likely timing of the payments, the Company has not set up any currency risk hedges. It is therefore possible that the EUR/USD exchange rate could move adversely for the Company and that the total amount converted into euros could 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.

3. Interest rate risk

Since the Company has not incurred any debt, this point does not apply.

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 6 of this reference document.

5.1.2.7 Insurance and risk coverage

To implement its insurance programme, the Company works with a broker specialised in the field of biotechnology, 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:

1. 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 outsources 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'.

2. A 'directors and officers liability' insurance policy, insuring them against the possibility of incurring liability in the performance of their duties.
3. 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.
4. 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.
5. A 'key personnel' insurance policy covering the risks of physical accidents that could occur to members of management.
6. A 'stock and transit' insurance policy, covering storage and transport of the Company's products.

The insurance programme has been defined with a concern for efficiency in both negotiating and managing policies. The risk management policy should continue to evolve alongside the development and internationalisation of the Company's business and in close coordination with the development of our activities.

5.1.2.8 Steering the risk management system

The Risk Management Committee validates the action plans with the line managers and monitors their implementation.

5.1.2.9 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.

5.2.2 General principles of internal control

5.2.2.1 Internal control: Definition and objectives

Internal control consists of a set of resources, behaviours, procedures and actions tailored to the specific characteristics of each company, and of the Group as a whole, which:
- contributes to the control of its activities, the effectiveness of its operations and the efficient use of its resources; and
- should enable it to take proper account of the significant risks to which it is exposed, whether operational, financial or regulatory.

The purpose of internal control is to ensure:
- compliance with laws and regulations;
- application of instructions and strategies laid down by the Board of Directors;
- the smooth running of the Group's internal processes, particularly those that serve to safeguard its assets;
- the reliability of financial information.

However, while internal control can help to achieve the Company's objectives, it cannot provide absolute assurance of their achievement. There are, in effect, inherent limitations in any internal control system such as, for example, uncertainties in the outside environment, the exercise of personal judgement, and the cost-benefit analysis of implementing new controls.

5.2.2.2 Reference framework used by BioAlliance Pharma

BioAlliance Pharma continues to develop its internal control system on the basis of the reference framework provided by the Autorité des Marchés Financier (French financial markets authority, or 'AMF') and its application guidelines. This system applies to the processes contributing to the development of published accounting and financial information, as well as to the overall organisation of operating departments and the risk management procedures put in place by the Company.

The Group's internal control is executed in taking into account both the Group's operational functioning and its legal structure.

It covers all subsidiaries of the Group that are fully consolidated.

The summary information on the internal control procedures in place as described in this report focuses on significant items that may have an impact on the financial and accounting information published by the Company.

5.2.2.3 Components of internal control

Organisation

The internal control system is based on the clear organisation of responsibilities, standards, resources and procedures implemented.

Since the Company's founding, BioAlliance Pharma has developed a system of quality assurance. Processes in 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 below.

Reference framework and standards

The BioAlliance Group, established in the healthcare and biotechnology sector, is subject to very strict and specific rules governing its activities, compliance with which is also the subject of internal control. Legislative and regulatory provisions defined by the European Commission and equivalent regulatory authorities in other countries, including the French drug agency (*Agence nationale de sécurité du médicament* – ANSM [formerly Afssaps]), the European Medicines Agency (EMA), the Food and Drug Administration (FDA), govern the 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.

Control activities

The control activities implemented by the Company rely on a variety of tools, including:

- a documentation system;
- reporting;
- specific checks in the preparation and treatment of accounting and financial information.

Documentation system

All documentation concerning the internal control system is saved on a dedicated intranet, which optimises access to documents and allows them to be adapted on an ongoing basis to any changes in activities (management of the life cycle of documents). The aim is continuously to improve the quality and processes of the Company and the Group, whether operational, management or support processes.

The internal control system covers the following areas:

- quality assurance, health and safety, risk management;
- the administrative, legal, employment and financial fields, including internal control, corporate communications and the rules relating to the listing of the Company on Euronext;
- pharmaceutical production and operations;
- regulatory activities liaising with drug agencies;
- pharmaceutical research and preclinical and clinical development including, for the very specific activity of animal testing, an animal testing ethics committee whose objectives include approving all test protocols and monitoring compliance with regulations;
- pharmacovigilance;

- information systems Computerised management of the rules for accessing, protecting and storing information;
- human resources and employment regulations;
- services performed for third parties.

Reporting

The Company's executive management has set up specific internal control procedures which consist in regular 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 activity's actual situation 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.

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

5.2.2.4 Procedures relating to the preparation and processing of accounting and financial information

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 information-gathering processes, 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 intra-group 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 presented to 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.

The Finance department is responsible for creating and distributing, with the approval of the Executive Management, all of the Group's financial communications intended for the financial markets.

This communication is presented in two key ways:

- the annual report and the reference document;
- press releases on business or financial matters.

The creation of the annual report which serves as the reference document is coordinated by the Finance department. It is written by a team of people, experts in their field, which contributes to the wealth and quality of the information provided. The reference document is reviewed and approved by the Board of Directors before it is made public.

Press releases announcing the annual and interim results are also approved by the Board of Directors.

5.2.2.5 Persons involved in risk management and internal control procedures

Internal control is carried out by the management bodies and by all Group employees through their daily actions.
Internal stakeholders in the internal control system include:

- The Board of Directors, which approves the major business orientations and strategy of the Group;

- The Audit Committee, mentioned earlier in the report, whose duties are defined by the Board of Directors and which plays an essential role, particularly in monitoring (i) the process of preparing financial information; (ii) the effectiveness of internal control and risk management systems; and (iii) the statutory audits of the parent company and consolidated financial reports by the auditors;

- The executive management and department managers direct the Group's strategy and human resources through various management committees, allocate the resources needed to achieve them, set objectives and monitor their implementation;

- Operations committee meetings are held twice a month between the Group's executive management, the department managers and R&D management to review the operating strategy and validate tactics, and to follow up on projects in development.

- The Finance, Management Control, Quality and Legal departments, which play a special role in internal control due to their cross-functional expertise;

- The Quality Assurance department, which 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 internal departmental audits and external audits of the Company's service providers and the implementation of actions to make improvements. It also performs regulatory watch and ensures that all documentation issued by the Company concerning preclinical studies and clinical trials is sent to the regulatory authorities.

- Risk management is steered by the Risk Management Committee, in collaboration with the Audit Committee. It is deployed group-wide by the line managers. The Committee meets two to three times a month to update the risk map and study action plans to reduce the impact of major risks. It reports to the Strategy Committee which approves the risk map and the action plans.

- 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.

These mechanisms are supplemented by the work of external actors, including the statutory auditors. The auditors are not, in the context of their statutory duties, involved in the internal control or risk management processes. They review them, use the work of the internal audit to better understand them, and independently form an opinion on their appropriateness. Every year they perform checks on the Group as part of their statutory duty to certify the consolidated financial statements, and audit the separate financial statements of the Group's companies. Lastly, in accordance with French law on commercial companies, two auditors certify the financial statements and accounts of BioAlliance Pharma after conducting a joint review of all the accounts, procedures for their establishment and certain internal control procedures relating to the preparation of accounting and financial information. The auditors present their observations on the Chairman's export, for those internal control procedures that are related to the preparation and processing of accounting and financial information, and attest to the establishment of other information required by law.

5.2.3 Main changes

The Group is pursuing its policy to improve its internal control mechanisms. In 2012, 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.

5.2.4 Statutory Auditors' report on the Chairman's report

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. 225-37 of the French Commercial Code for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 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. 225-37 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 generally accepted accounting principles 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 Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Paris-La-Défense and Paris, 20 April 2012

The Statutory Auditors

ERNST & YOUNG Audit	**Grant Thornton** **French member of Grant Thornton International**
Franck Sebag	Olivier Bochet

6. FINANCIAL STATEMENTS OF BIOALLIANCE PHARMA

Historical financial information

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

- the consolidated financial statements, parent company financial statements and corresponding reports included on pages 77 to 134 of the reference document for 2010 filed with the AMF on 7 April 2011 under number D.11-0251;

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

Pro forma financial information

Not applicable.

6.1 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS €	31/12/2011	31/12/2010	Note
Non-current assets			
Intangible assets	26,640	116,886	3
Tangible assets	1,400,693	1,632,131	4
Financial assets	265,676	333,953	
Other non-current assets	0	0	
Total non-current assets	1,793,009	2,082,970	
Current assets			
Inventories and work in-progress	1,444	37,725	
Trade receivables	456,245	242,916	5
Other receivables	3,164,189	3,023,423	5
Marketable securities	25,800,489	20,170,142	5
Cash	2,865,170	777,193	
Total current assets	32,287,537	24,251,400	
TOTAL ASSETS	**34,080,544**	**26,334,371**	

LIABILITIES €	31/12/2011	31/12/2010	Note
Shareholders' equity			
Share capital	4,414,929	3,384,018	6
Less: treasury shares	(50,000)	(165,209)	6
Additional paid-in capital	118,054,366	100,811,181	
Reserves	(84,895,409)	(87,986,809)	
Minority interests	0	0	
Net income/(loss) for the year	(14,622,175)	2,809,301	
Total shareholders' equity	22,901,711	18,852,482	
Non-current liabilities			
Provisions	547,457	614,428	7
Other payables	3,580,122	1,130,507	7
Total non-current liabilities	4,127,579	1,744,935	
Current liabilities			
Short-term debt	170,016	57,061	
Trade payables	3,863,547	3,241,849	8
Other liabilities	3,017,691	2,438,045	8
Total current liabilities	7,051,254	5,736,954	
TOTAL LIABILITIES AND EQUITY	**34,080,544**	**26,334,371**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€	31/12/2011	1/12/2010	Note
Net sales	3,230,909	22,531,840	9
Other income	11	36,547	9
Purchases	(749,602)	(859,072)	
Personnel costs	(7,182,856)	(7,391,637)	9
External expenses	(8,799,919)	(9,180,774)	9
Taxes other than on income	(831,674)	(848,449)	
Depreciation and amortisation, net	(509,761)	(472,283)	
Allowances to provisions, net	82,684	184,091	
Other operating income	0	0	
Other operating expenses	(178,228)	(1,407,752)	9
Operating income/(loss)	**(14,938,436)**	**2,592,511**	
Income from cash and cash equivalents	608,592	438,819	10
Other financial income	44,488	6,866	
Financial expenses	(336,819)	(228,789)	
Income/(loss) before taxation	**(14,622,175)**	**2,809,406**	
Income tax expense	0	(105)	11
Net income/(loss)	**(14,622,175)**	**2,809,301**	
Shareholders' equity	(14,622,175)	2,809,301	
Minority interests			
Earnings per share	(0.83)	0.21	12
Diluted earnings per share	(0.83)	0.20	12

€	31/12/2011	31/12/2010	Note
Income/(loss) for the period	(14,622,175)	2,809,301	
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	(14,622,175)	2,809,301	
Total comprehensive income attributable to			
Owners of the parent company	(14,622,175)	2,809,301	
Minority interests	0	0	
	(14,622,175)	2,809,301	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In €	Share capital	Additional paid-in capital	Treasury shares	Translation adjustment	Reserves and retained earnings	Total shareholders' equity	Minority interests	TOTAL
Shareholders' equity at 31/12/2009	**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
Shareholders' 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**
Income/(loss) for the period					(14,622,175)	(14,622,175)		(14,622,175)
Capital increase	1,030,911	17,243,184				18,247,095		18,247,095
Capital reduction						0		
Share-based payment					376,352	376,352		375,352
Treasury shares			115,209		(94,032)	21,177		21,177
Translation adjustment				5,222	(5,442)	(220)		(220)
Dividends						0		0
Shareholder's equity at 31/12/2011	**4,414,929**	**118,054,365**	**(50,000)**	**16,589**	**(99,534,172)**	**22,901,711**	**0**	**22,901,711**

CONSOLIDATED STATEMENT OF CASH FLOW

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

NOTE 1: SIGNIFICANT EVENTS AND TRANSACTIONS

BioAlliance Pharma conceives and develops innovative drugs, mainly for hospital use and for the treatment of orphan or rare diseases.
Its targeted approach in areas where medical needs are insufficiently met contributes to the fight against drug resistance and improves patients' health and quality of life.

1.1 FILING OF EUROPEAN MA APPLICATION FOR SITAVIR®

BioAlliance Pharma filed its European Marketing Authorisation (MA) application for Sitavir in October 2011. This treatment for orofacial herpes is the Company's second most-advanced product and should eventually be marketed by a commercial partner with an organisation well-suited for its promotion in primary care channels.
At the same time, BioAlliance Pharma continues to prepare the application for US marketing authorisation which should be filed with the FDA (Food and Drug Administration) in the first half of 2012.

1.2 STRONG PROGRESS OF THE ORPHAN ONCOLOGY PRODUCTS PORTFOLIO

In 2011, the Company made strong progress in developing its portfolio of orphan oncology products, including:

- Continuation and international expansion of patient enrolment in the Phase II trial with Clonidine Lauriad™ in mucositis. The trial will continue in 2012. BioAlliance Pharma also obtained orphan status for its drug in Europe, which will allow it to rationalise the development plan in terms of costs and duration and to obtain commercial exclusivity once it is put on the market.
- Approval of the French drug agency to start a Phase III clinical trial with Livatag, an innovative treatment for primary liver cancer. The trial should start in 2012.
- Positive results of an initial Phase I trial with AMEP, a biotherapy developed for metastatic melanoma, enabling the Company to plan for a new Phase I/II trial in 2012.

1.3 DEVELOPMENTS IN INTERNATIONAL COMMERCIAL PARTNERSHIPS

BioAlliance has pursued its partnership strategy for Loramyc® (mucoadhesive gingival tablet for treating oropharyngeal candidiasis in immunocompromised patients) with, among other things:

- A new marketing licence in Japan through an exclusive partnership with Sosei Co. Ltd for up to $18.5 million, based on obtaining marketing authorisation and sales milestones, and including a $3 million upfront payment. This amount was recognised in deferred revenue and will be gradually taken to net sales, with €298,000 being recognised in 2011.

- The May 2011 launch of Loramyc® in Germany by European partner Therabel, through a joint-promotion agreement with Hikma Pharma GmbH, a leading pharmaceutical group in generic drugs and branded generics in oncology.

In addition, in late September 2011, BioAlliance Pharma reacquired the marketing rights to Oravig from Par Pharmaceuticals, due to that group's refocusing on its core business of generics. The deal was made with no material financial impact in the short to medium term; the Company is actively seeking a new partner with an organisation capable of optimising sales of this specialty product prescribed in hospitals.

1.4 PUBLIC FUNDING

A public-private consortium established by the Company received funding from the *Fond Unique Interministériel* [a French program supporting collaborative research projects] of €2 million over 30 months, including a direct grant of €0.7 million for BioAlliance Pharma. The project aims to establish proof-of-concept for the mucosal delivery of biological products. This programme capitalises on patented Lauriad™ mucosal technology, validated for Loramyc® and Sitavir® with chemical molecules. The Company recorded a grant payment of €188,000 at 31 December 2011.
In addition, on the AMEP project funded by CAP OSEO ISI, a reimbursable advance of €1 million was received for the start of its clinical development.

1.5 CAPITAL INCREASE

BioAlliance Pharma successfully completed a capital increase with preferential subscription rights maintained. The transaction, finalised on 1 August 2011, was widely followed by shareholders and was oversubscribed at 115%, enabling the Company to raise gross proceeds of €16.64 million.

1.6 POST BALANCE SHEET EVENTS

There are no events subsequent to 31 December 2011 that have an impact on the financial statements as presented.

NOTE 2: ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of BioAlliance Pharma at 31 December 2011 were prepared under the responsibility of the Company's Chief Executive Officer and approved by its Board of Directors on 17 April 2012.

The financial statements were prepared on a going concern basis

The consolidated financial statements at 31 December 2011 were prepared in accordance with international accounting standards issued by the IASB (International Accounting Standards Board), as published by the IASB on 31 December 2011, and with international standards as adopted by the European Union at 31 December 2011.
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 policies applied for the consolidated financial statements at 31 December 2011 are identical to those used in the consolidated financial statements at 31 December 2010, 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 2011 (and which were not applied early by the Group), namely:

Standard	**Name**
Revised IFRS 24	"Related Party Disclosures" published by the IASB on 4 November 2009. Amendments to the previous version published in December 2003 focus mainly on simplifications of the provisions regarding disclosure requirements for entities related to a public administration and on clarifying the definition of a related party.
Amendments to IAS 32	"Classification of Rights Issue" This amendment aims to clarify how to account for certain rights when the issued instruments are denominated in a currency other than the functional currency of the issuer.
Amendments to IFRIC 14	"Prepayments of a Minimum Funding Requirement" published by the IASB on 26 November 2009. Amendments to IFRIC 14 provide that where an employee benefits scheme requires minimum contributions, such prepayments must be recognised as an asset, as with any other prepayment.
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments" published by the IASB on 26 November 2009
Annual Improvements to IFRS	Improvements published by the IASB on 6 May 2010 and approved by the European Union on 18 February 2011. The IASB implements this process to make changes deemed necessary, but not urgent, to its standards, when they are not the subject of a major project.

Applying these standards, amendments and interpretations had no material 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 2011 and not applied early by the Group, is under analysis, namely:

Standard	Date of application provided by the IASB (financial years beginning on or after)
Amendments to IFRS 7 – Disclosures – Transfers of Financial Assets	1/07/2015
Amendments to IAS 12 – Recovery of Underlying Assets	1/01/2012
Amendments to IAS 1 – Presentation of Other Comprehensive Income	1/07/2012
IFRS 9 – Financial Instruments	1/01/2015
IFRS 10 – Consolidated Financial Statements	1/01/2013
IFRS 11 – Joint Arrangements	1/01/2013
IFRS 12 – Disclosure of Interests in Other Entities	1/01/2013
IFRS 13 – Fair Value Measurement	1/01/2013
Amendments to IAS 28 – Investments in Associates and Joint Ventures	1/01/2013
Amendments to IAS 19 – Defined Benefit Plans	1/01/2013
IFRIC 20 – Stripping Cost in the Production Phase of a Surface Mine	1/01/2013
Amendments to IAS 27 – Separate Financial Statements	1/01/2013
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1/01/2014

The Company did not opt for early application of IFRS 11 or 12 (see Note 2.2).
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 on which the financial statements are drawn up, as well as the reported revenues and expenses. Management uses estimates and assumptions on the basis of past experience, 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:

- pension obligations (see Note 2.9.1);
- share-based payments (see Note 6.2);
- provisions (see Note 7.1.1).

The information provided on the assets and liabilities existing at the date of preparation of consolidated financial statements also uses estimates (see Note 13).

The financial statements are drawn up 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

BioAlliance Pharma, parent company of the Group, has its registered head office at 49 Boulevard du Général Martial Valin, Paris, France 75015. The Group's companies close their financial year on 31 December.

The scope of consolidation includes the following companies:

- **Laboratoires BioAlliance Pharma**, 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 under the proportionate method. Due to the ongoing dispute, BioAlliance Pharma has not approved the financial statements of Spebio since 2009, mainly because it is contesting the inclusion in the accounts of legal and management fees for a consolidated share of €415,000. Because IFRS 11 no longer provides for the equity accounting of joint-venture investments, the proportionate consolidation method will be discarded. Depending on developments in the dispute and the impact of IFRS 11 and 12, one of the following will be done:
    - accounting by the equity method (IFRS 11). Spebio's share of income will be presented under the item, 'Share of income of associates'; or
    - reclassification of assets and liabilities under the item, 'Assets and liabilities held for sale' (IFRS 5).

In €	Balance sheet date	Balance sheet total	Total current assets	Total share-holders' equity	Total debt	Total current debt	Net sales	Consoli-dated net profit/ (loss)
Spebio 100%	31/12/2011	60,000	60,000	(3,892,849)	3,952,849	1,002,849	0	(83,554)
Impact IFRS 11 equity method		(1,946,425)		(1,946,425)				(41,777)
Impact IFRS 5		30,000	30,000	(1,966,425)	478,610	478,610	0	

- **BioAlliance Switzerland**, a Swiss company established in Geneva, Switzerland, wholly-owned by BioAlliance Pharma, fully consolidated.

Intra-group 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 a 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 by which the Group acquires a licence from a third party to market a product in a given geographical area generally involve an upfront payment, various 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 subject to annual impairment tests.

Tangible assets are subject to impairment tests whenever there is an indication of impairment.

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, such as:
- 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 include financial instruments designated as being measured at fair value through profit or loss as from the date of their initial recognition, in accordance with the conditions of application of the fair value option, which can apply to items that are managed, and whose performance is measured, on the basis of fair value.
This item includes bank current accounts and cash mutual funds that can be converted to cash, or sold in the very short term and which do not present significant risks of loss of value if interest rates were to change.
These assets are classified in the balance sheet under 'Cash and cash equivalents'.

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

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are measured in accordance with the amortised cost method, applying the effective interest rate, net of any impairment.
This category includes deposits and guarantees recognised in non-current assets and operating receivables (trade receivables and other current assets) recognised in current assets.

Trade receivables are initially recognised at fair value 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 may not 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 risk analysis is carried out case by case, taking account of criteria such as the customer'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 case, 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, prorated on service, which is based on financial assumptions (discount rate, inflation rate) and demographic assumptions (rate of increase in salaries, employee turnover rate).

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 Group does not use the Corridor Method.

- **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. As calculated in application of the effective interest rate method, the amortisation expense is recognised under 'Financial income/expense, Cost of debt'.

2.11 OTHER CURRENT LIABILITIES

Other current liabilities are stated at fair value.

2.12 NET SALES

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

Sales of goods are recognised at the date of transfer of the risks and rewards inherent in ownership to the customer. 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, various additional payments which are subject to the achievement of regulatory and sales objectives, and payment of royalties on sales.

In accordance with IAS 18:

- Upfront payments due on licensing agreements, representing the investment of the other party in the research and development undertaken by the Company, 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 OPERATING 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 REIMBURSABLE ADVANCES

Reimbursable advances are recognised in 'Other liabilities'. They are carried at fair value at initial recognition which, in most cases, corresponds to the nominal value, and then the amortised cost.

2.15 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.

2.16 RESEARCH TAX CREDIT

In accordance with IAS 1, the research tax credit is presented as a deduction from the income and expense accounts according to their nature:

NOTE 3: INTANGIBLE ASSETS

3.1 RESEARCH AND DEVELOPMENT COSTS

Research costs and development costs incurred in 2011 were expensed in the amount of €7,898,999.

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

3.2 PATENTS

In €	01/01/2011	Increase	Decrease	31/12/2011
Gross value	187,178			187,178
Amortisation, depreciation and provisions	(180,930)	(1,164)		(182,094)
Net value of patents	**6,248**	**(1,164)**	**-**	**5,084**

3.3 SOFTWARE

In €	01/01/2011	Increase	Decrease	31/12/2011
Gross value	412,125	6,994		419,119
Amortisation, depreciation and provisions	(301,486)	(96,077)		(397,563)
Net value of software	**110,639**	**(89,083)**	**0**	**21,556**

3.4 IMPAIRMENT

No intangible assets show any indication of impairment and therefore no impairment charges were booked in 2011.

NOTE 4: TANGIBLE ASSETS

4.1 CHANGES DURING THE YEAR

In €	01/01/2011	Increase	Decrease	31/12/2011
Gross value	3,426,577	103,933	13,135	3,517,375
Amortisation, depreciation and provisions	(1,582,084)	(399,497)	(13,135)	(1,968,446)
Capital grants	(263,018)		(36,700)	(226,318)
Original value of lease	74,130	44,091		118,221
Accumulated amortisation of lease	(23,475)	(16,663)		(40,138)
Net value of tangible assets	**1,632,130**	**(268,136)**	**(36,700)**	**1,400,693**

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

4.2 IMPAIRMENT

No tangible assets show any indication of impairment and therefore no impairment charge was booked in 2011.

NOTE 5: OTHER ASSETS

5.1 FINANCIAL ASSETS

In €	01/01/2011	Increase	Decrease	Fair value adjustment	Discounting	31/12/2011
Receivable from investments	2,001		(1,629)			372
Deposits and guarantees	129,070	7,793			4,384	141,247
Liquidity Contract	0					0
- Treasury shares	0					0
- Cash	202,882	514,574	(493,398)			224,058
Net value of financial assets	**333,953**	**522,367**	**(495,027)**	**0**	**4,384**	**365,676**

5.2 TRADE RECEIVABLES

In €	31/12/2011	< 1 year	> 1 year	31/12/2010
Trade receivables, net	456,245	348,257	107,988	242,916

Trade receivables consist mainly of royalties on sales of Loramyc®/Oravig® made by international partners Therabel and Par/Strativa as well as billing of services provided to Eurofins-VirAlliance Inc and APR. The amount at more than one year corresponds to services billed to Eurofins which are uncontested but pending resolution of the dispute.

5.3 OTHER RECEIVABLES

In €	31/12/2011	< 1 year	> 1 year	31/12/2010
Personnel	21,897	21,897		500
Research tax credit	1,120,957	1,120,957		1,456,276
Other tax receivables	846,773	846,773		529,007
Other receivables	523,913	523,913		461,606
Prepaid expenses	650,649	650,649		576,034
Net amount of other receivables	**3,164,189**	**3,164,189**	**0**	**3,023,423**

The research tax credit receivable of €1,120,957 for the 2010 financial year is reimbursable in advance, in accordance with the provisions of the amended French Finance Act for 2011 and is therefore classified in full at less than one year.

The 2010 research tax credit of €1,456,276 was reimbursed in advance and in full in the first half of the year in accordance with the amended French Finance Act for 2010.

Other tax receivables relate to recoverable VAT, the CVAE (business added-value contribution), as well as a VAT reimbursement claim amounting to €323,154. Prepaid expenses correspond mainly to sub-contracted scientific services and to rent.

In accordance with IAS 20, the 2011 research tax credit of €1,120,957 was presented as a deduction from the corresponding income and expense accounts according to their nature, as follows:

In €	31/12/2011
Reduction in personnel costs	345,894
Reduction in external expenses	730,628
Reduction in depreciation and amortisation	44,435
Total Research tax credit	**1,120,957**

5.4 CASH AND CASH EQUIVALENTS

In €	Net at 31/12/2011	Net at 31/12/2010	Change in cash and cash equivalents
Bank current accounts	2,865,170	777,193	2,087,977
Marketable securities available for sale	25,800,489	20,170,142	5,630,347
Total cash and cash equivalents	**28,665,659**	**20,947,335**	**7,718,324**

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

Marketable securities held 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 the event of interest rate changes. The impact of the change in fair value of BioAlliance Pharma's marketable securities is an increase in profits of €91,392.

The change in cash and cash equivalents during the year mainly reflects the capital increase finalised in August 2011 for €15.8 million and payments under the partnership agreements on Loramyc (Sosei/Therabel) which helped to offset operating investments and expenses.

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	15.480
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 Pharma pursues an active policy of agreements and licensing allowing for early and significant cash inflows (€53.3 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 stakes in BioAlliance Pharma through two successive capital increases in 2010 and 2011. 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 the composition of the share capital

		Nominal	Number of shares	€
Shares fully paid at 31/12/2010		0.25	13,356,072	3,384,018
Board of Directors meeting of 13/05/2011	(1)	0.25	47,700	11,925
Board of Directors meeting of 29/06/2011	(2)	0.25	3,395,943	848,986
Board of Directors meeting of 14 and 21/12/2011	(3)	0.25	680,000	170,000
Shares fully paid at 31/12/2011		**0.25**	**17,659,715**	**4,414,929**

Three capital increases were carried out in 2011, resulting in part from the vesting of free shares awarded in 2009, and in part from two rounds of financing – the first with preferential subscription rights maintained, and the second reserved for Therabel Pharma NV pursuant to the agreement between BioAlliance Pharma and Therabel Pharma NV signed on 31 March 2010.

(1) The first capital increase resulted from the vesting on 1 April 2011 of free shares awarded on 1 April 2009. Under the powers granted by the extraordinary general meeting of the Company's shareholders on 29 April 2008 in its twentieth resolution, as amended, on 13 May 2011, the Board of Directors recorded the increase in the share capital by a nominal amount of €11,925 by the issuance of 47,700 new shares of the Company with a par value of €0.25 each, fully paid in cash by capitalising share premiums for a total of €11,925, allocated to each beneficiary of the free shares which vested on 1 April 2011. After this first capital increase, the share capital was raised from €3,384,018 to €3,395,943.

(2) The second capital increase resulted from a decision of the Chief Executive Officer acting under the powers delegated thereto by the Board of Directors on 29 June 2011, itself acting on the authority and powers delegated thereto by the AGM of 29 June 2011 and according to which it decided to carry out a capital increase, with shareholders' preferential subscription rights maintained, for a total nominal amount of €16,640,120.70, through the creation of 3,395,943 new shares with a nominal value of €0.25 each. This increased the share capital from €3,395,943 to €4,244,928.75.

(3) The third capital increase resulted from decisions of the Board of Directors on 14 and 21 December 2011, acting under the authority and powers delegated by the combined ordinary and extraordinary shareholders' meeting of 29 June 2011, according to which it was decided to carry out a capital increase with shareholders' preferential subscription rights waived, reserved for Therabel Pharma N.V., by issuing 680,000 new shares with a nominal value of €0.25 each. The Company's share capital stands at €4,414,928.75, divided into 17,659,715 shares with a nominal value of €0.25 each, all of the same class and fully paid.

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 €50,000. Losses on buying such shares, amounting to €94,033 at 31 December 2011, were also recognised in equity under that standard.

6.1.5 Reserves

Reserves, amounting to (€84,895,000), are made up mainly of a retained earnings deficit of (€85,915,000).

6.2 SHARE-BASED PAYMENTS

All disclosures concerning the special founders' share purchase warrants (BCEs), regular share purchase warrants (BSAs) and stock options granted by the Group are set out in Note 14 below.

6.2.1 Warrants

On 28 July 2011, the Board of Directors recorded the automatic cancellation on 30 June 2011 of 6,000 BSA-L1 and 6,000 BSA-L3 warrants due to the departure of two directors from the Board. The corresponding impact of these cancellations is a decrease in the total expense of €9,463.

On 21 September 2011, the Board of Directors awarded 70,000 BSA 2011 (warrants) to the independent directors.

The valuation, using the Black & Scholes model, of share warrants granted in 2011 is summarised below:

Stock options	BSA 2011
Date of grant	21/09/2011
Number of options	70,000
Estimated date of exercise	21/09/2016
Exercise price (euros)	3.8
Volatility	44.60%
Dividend rate	0%
Risk-free rate	1.80%
Total expense (euros)	96,595
Unit price (euros)	1.38
Expense for the financial year (euros)	32,319

6.2.2 Stock options

The combined general meeting of 29 June 2011 authorised the Board of Directors to award stock options, each conveying a right to one share, through two separate plans: one with a maximum of 300,000 options to BioAlliance Pharma employees, and the other with a maximum of 210,000 options to BioAlliance Pharma executives.

On 21 September 2011, the Board of Directors awarded 218,500 SO Employees 2011 options and 210,000 SO Executives 2011 options. No options were exercised during the period.

These awards were accompanied by qualitative performance criteria and conditions (progress of development projects, advancement of licensing agreements) and were valued using the binomial method with the following parameters:
Award date: 21/09/2011
Exercise period: between 21/09/2015 and 21/09/2021
Exercise price: €3.80
Volatility: 40.70%

Risk-free rate: 2.681%
Dilution taken into account linked to the creation of new shares through the exercise of options and other previously-awarded dilutive instruments.

This valuation comes to €158,045 for the SO Employees 2011 plan, and to €152,480 for the SO Executive 2011 plan.

On 28 July 2011, the Board of Directors recorded the automatic cancellation of 70,000 SO 2006(1) options, 5,400 SO Employees 2010(1) options and 15,000 SO Executives 2010(1) options due to the departure of employees from the Company.
On 26 January 2012, the Board of Directors recorded the automatic cancellation of 121,000 SO 2006(1) options after this plan expired on 30 October 2011.
On 26 January 2012, the Board of Directors recorded the automatic cancellation of 5,154 2006(4) options, 17,321 SO Employees 2010(1) options and 5,500 SO Employees 2011(1) options due to the departure of employees from the Company.

The corresponding impact of these cancellations is a decrease in the total expense of €101,237.

6.2.3 Free shares

On 13 May 2011, the Board of Directors recorded the vesting on 1 April 2011 of 47,700 new shares by 23 BioAlliance Pharma employees. These shares had been granted free of consideration by the Management Board on 1 April 2009.

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

The table below summarises the total expense and the 2011 expense related to special founders' share warrants (BCE), share purchase warrants (BSA), stock options (SO) and free shares (AGA) granted by the Group:

	Total expense	Expense in 2011
Grant of SO 2006-2 on 05/04/2007	579,071	7,860
Grant of SO 2006-3 on 10/10/2007	206,031	4,260
Grant of BSA K3 on 10/10/2007	191,657	3,765
Grant of SO 2006-4 on 25/04/2008	202,201	12,495
Grant of BSA L1 on 17/12/2008	30,152	1,362
Grant of AGA 2008-2 on 01/04/2009	102,174	12,772
Grant of BSA L2 on 06/04/2009	10,200	1,510
Grant of BSA L3 on 22/10/20009	7,688	-2,337
Grant of SO 2010-1 EMP on 25/08/2010	407,017	171,479
Grant of SO 2010 EXEC on 25/08/2010	5,400	-11,681
Grant of SO 2010-2 EMP on 16/12/2010	53,920	27,559
Grant of SO EMP 2011 on 21/09/2011	158,045	22,637
Grant of SO EXEC 2011 on 21/09/2011	152,480	92,352
Grant of BSA 2011 on 21/09/2011	96,595	32,319
TOTAL	2,202,631	376,352

NOTE 7: NON-CURRENT LIABILITIES

7.1 PROVISIONS

In €	31/12/2010	Allowances	Reversals		31/12/2011
			Used	Unused	
Post-employment benefit obligations	376,428			103,971	272,457
Provision for litigation and claims	238,000	73,000	36,000		275,000
Total non-current provisions	**614,428**	**73,000**	**36,000**	**103,971**	**547,457**

7.1.1 Post-employment benefit obligations (IAS 19)

The provision for post-employment benefit obligations amounted to €272,457, against €376,428 in 2009, representing an improvement in earnings of €103,971. This reduction in the total obligations is due to the departure of employees in 2011.

The actuarial assumptions applied were as follows:

	31/12/2011	31/12/2010
Collective bargaining agreement	Medical industry	Medical industry
Retirement age	Between 65 and 67 years, under the Pension Reform Act of 10 November 2010	Between 65 and 67 years, under the Pension Reform Act of 10 November 2010
Calculation date	31/12/2011	31/12/2010
Mortality table	INSEE 2010	INSEE 2009
Discount rate	4.6% (IBOXX corporates AA10+ rate)	4.68% (IBOXX corporates AA10+ rate)
Rate of salary increase	4%	4%
Employee turnover rate	By age category: - 0% from 16 to 24 years - 5.91% from 25 to 34 years - 2.53% from 35 to 44 years - 1.27% from 45 to 54 years - 1.27% above 55 years	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	46% for BioAlliance Pharma

7.1.2 Provisions for litigation

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

As was the case at 31 December 2010, the risks that may eventually be incurred as part of the ongoing disputes with Eurofins and SpePharm could not be reliably measured, so no provision was booked at 31 December 2011.

- **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 of 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 Pasteur Institute. 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, with an 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, claiming 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 group together all litigation with its former sales partners before the arbitral court and to withdraw from its earlier summons.

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

As a result of a partial award handed down by the arbitral court on the issue of its jurisdiction, BioAlliance Pharma was ordered on 5 May 2011 to pay the defence costs of SpeBio and SpePharm totalling €494,000, recorded as an external expense. The Company lodged an appeal with the *Cour de Cassation* (French Supreme Court) in May 2011. The proceedings are underway.

In this dispute, no substantive proceedings have yet begun.

7.2 OTHER NON-CURRENT LIABILITIES

This item includes advances with specific conditions attached as well as long-term deferred revenue.

Advances with specific conditions attached correspond to public funding obtained for several products in development:
- an advance from OSEO-ISI for the development of the anti-invasive cancer programmes AMEP™ and Zyxine. The balance at 31 December 2011 amounted to €1,686,918 (including €102,482 in grants receivable).
- a grant from OSEO as part of the clinical programme for Livatag (doxorubicin Transdrug®). The balance at 31 December 2011 was €400,000. The last disbursement was received in September 2011 and the advance will be reimbursed in several instalments between 30 September 2012 and 30 September 2015.

- an OSEO advance for the Clonidine programme, reimbursable in several instalments by 2015. The balance at 31 December 2011 was €150,000.
Long-term deferred revenue corresponds to revenues from the Sosei licences amounting to €1,343,204.

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 €	31/12/2011	31/12/2010
Trade payables	3,863,547	3,241,848

Trade payables include the consolidated portion of the subsidiary SpeBio for an amount of €479,000.

8.2 OTHER LIABILITIES

In €	31/12/2011	31/12/2010
Social security and similar liabilities	1,764,174	1,634,116
Tax liabilities	248,000	345,151
Other payables	1,005,517	458,779
Other liabilities	**3,017,691**	**2,438,046**

Other liabilities at 31 December 2011 include mainly deferred licence revenues totalling €609,000. These licence 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 of 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 45 months, was extended as at 1 January 2010 to reflect regulatory delays;
- Over a fixed period of 56 months, as from 1 May 2011, for the Sosei agreement.

The amount of deferred license revenues taken to the 2011 profit and loss account and recognised as net sales is detailed below:

In €	Balance at 31/12/2010	Increase	Reversal through profit and loss	Balance at 31/12/2011
Handok	126,486		84,324	42,162
NovaMed	187,914		63,332	119,582
Sosei	-	746,224	298,490	447,734
Total	**314,400**	**746,224**	**451,146**	**609,478**

A tax audit was conducted in late 2011 concerning the years 2008 to 2010 and resulted in a tax adjustment of €99,000, recorded in tax liabilities.

NOTE 9: OPERATING INCOME AND EXPENSES

9.1 NET SALES

In €	31/12/2011	31/12/2010
Recurring net sales from licensing agreements	1,364,713	1,388,287
Non-recurring net sales from licensing agreements	1,451,144	20,257,103
Other net sales	415,052	886,450
Total net sales	**3,230,909**	**22,531,840**

Recurring net sales reflects product sales and royalties on sales related to licensing agreements established by the Company.

Non-recurring net sales from licensing agreements include a portion of upfront payments on these agreements, spread out over time in accordance with IAS 18 (see paragraph 8.2 above), as well as €1 million received from Therabel. The change compared with 2010 is due to exceptional non-recurring revenue recognised in 2010, i.e.:

- €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 European group Therabel.

Lastly, 'Other net sales' corresponds to services invoiced, which in 2010 mainly represented sales of Loramyc invoiced directly by BioAlliance Pharma until 1 April 2010, the date of the transfer of marketing operations in France to Therabel.

9.2 PERSONNEL COSTS

Personnel costs break down as follows:

In €	31/12/2011	31/12/2010
Payroll	4,948,878	5,337,117
Expenses	2,203,745	2,348,445
Employee benefits (IFRS 2)	376,352	202,104
Deduction of research tax credit	(322,523)	(426,909)
Deduction of government grants	(23,596)	(69,119)
Total personnel costs	**7,182,856**	**7,391,637**
Headcount	**53**	**58**

9.3 EXTERNAL EXPENSES

External expenses include mainly the following items:

In €	31/12/2011	31/12/2010
Selling and administrative expenses	6,307,692	6,181,323
Scientific sub-contracting	3,198,726	3,965,270
Deduction of research tax credit	(706,499)	(965,819)
Total	**8,799,919**	**9,180,774**

The 2011 rental expense for the lease of the registered office at 49 Boulevard du Général Martial Valin, Paris 75015 came to €642,328.

9.4 TAXES OTHER THAN ON INCOME

Taxes other than on income, which totalled €831,674 at 31 December 2011, were in part related to the imposition of US annual regulatory fees by the FDA for Oravig®, and the filing of the MA application for Sitavir in Europe. These regulatory fees totalled €584,357 in the 2011 financial year.

9.5 OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

In €	31/12/2011	31/12/2010
APR Agreement - Milestone payment	0	1,250,000
Other	178,228	157,752
Total	178,228	1,407,752

NOTE 10: FINANCIAL INCOME

Income from cash corresponds mainly to foreign exchange gains (€479,767) 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 €95,776. Financial expenses are mainly related to negative foreign exchange differences amounting to €234,045 and to the recognition of accrued interest on the OSEO ISI reimbursable advance, amounting to €85,479, in accordance with IAS 39, with a discount rate of 4.47%.

NOTE 11: DEFERRED TAX

The BioAlliance Group had accumulated tax losses amounting to €115 million at 31 December 2011, including €72 million under the tax consolidation including Laboratoires BioAlliance Pharma, with €16 million for the 2011 financial year. No deferred tax asset was recognised insofar as the Company is not able to recover such tax assets in the short term.

NOTE 12: EARNINGS PER SHARE

12.1 EARNINGS PER SHARE

In €	31/12/2011	31/12/2010
Net income/(loss) attributable to BioAlliance Pharma common shareholders	(14,622,175)	2,809,406
Number of common shares	17,659,715	13,536,072
Number of treasury shares	15,480	30,038
Earnings per share	**(0.83)**	**0.21**

12.2 DILUTED EARNINGS PER SHARE

In €	31/12/2011	31/12/2010
Net income/(loss) attributable to BioAlliance Pharma ordinary shareholders	(14,622,175)	2,809,406
Number of ordinary shares	17,659,715	13,536,072
Effect of dilution (1)	N/A	565,300
Number of shares adjusted for diluted earnings		14,101,372
Diluted earnings	**N/A**	**0.20**

(1) Including the conversion into shares of all share warrants and stock options awarded during the year

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

NOTE 13: OFF-BALANCE-SHEET COMMITMENTS

13.1 OPERATING LEASES (IAS 17)

The Company has signed a lease agreement on 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
821,305	3,106,907	

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 2011, the individual training entitlement represented 3,877 hours valued at €80,995.

13.3 COMMITMENT UNDER A CONTRACT WITH A THIRD PARTY

In the context of a contract in place with a consultant involved in the negotiation of partnership agreements 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 2011.

13.4 OSEO ISI REIMBURSABLE ADVANCES

In the event of the project's success, these advances will be reimbursed, taking into account the operational forecasts of products resulting from the project, with reimbursement equal to 2.5% of net sales over a period of no more than 10 years. If unsuccessful, advances that have been justified and paid remain the property of the Company.

NOTE 14: SUMMARY OF BSAS (SHARE PURCHASE WARRANTS), BCES (SPECIAL FOUNDERS' SHARE WARRANTS) AND STOCKS OPTIONS AT 31 DECEMBER 2011

- **Summary of share purchase warrants at 31 December 2011**

Type	Date of authorisation	BSAs or BSCPEs authorised	BSAs or BSCPEs granted	Beneficiaries	BSAs or BSCPEs outstanding at 31/12/10	BSAs or BSCPEs exercised between 01/01/11 and 31/12/11	BSAs or BSCPEs outstanding at 31/12/11	Shares that may be subscribed, taking account of cancellations and vesting	Subscription price per share (€)	Expiry date
BSA - K	16 May 2006 Resolution 10	90 000	90 000	Members of the Supervisory Board and the Scientific Board	30,000 (1) of which 22,500 vested	0	30,943 (1) (5) all vested	0 0 30,943 (5)	12.51 € 11.80 € 10.84 €	09/06/2011 13/12/2011 10/10/2012
BSA-L	29 April 2008 Resolution 21	150 000	68,000 (2)	Members of the Supervisory Board and the Scientific Board	26,000 (3) of which 11,500 vested	0	14,464 (4) (5) of which 10,848 vested	4,642 (5) 6,206 (5) 0	2,86 € 2,33 € 5,34 €	17/12/2013 05/04/2014 21/10/2014
BSA-M	29 June 2011 Resolution 18	100 000	70 000	Non-employee, non-executive Members of the Board of Directors		0	70 000	0	3,80 €	21/09/2017
TOTAL						0		41 791		

(1) After deduction of warrants cancelled in 2010: 36,500 BSA-K1 and K2 (Board of Directors meeting of 10 February 2011)

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

(3) After deduction of warrants cancelled in 2010: 24,000 BSA-L1 (Board of Directors meeting of 22 July 2010)

(4) After deduction of warrants cancelled in H1 2011: 12,000 BSA-L (Board of Directors Meeting of 28 July 2011)

(5) After adjustment of the number and issue price of BSA K and L following the capital increase in July 2011 pursuant to Art. L.228-99 of the French Commercial Code (Board of Directors meeting of 28 July 2011)

- **Summary of stock options at 31 December 2011**

Plan designation	Number of options authorised	Date of grant (Management Board or Board of Directors)	Number of options granted	Beneficiaries	Vested or exercisable by 25% increment as from	Number of options cancelled	Adjusted options outstanding at 31/12/11 (1)	Adjusted options exercisable at 31/12/11 (1)	Adjusted subscription price per share in euros (1)	Expiry date
SO 2006 (2)		05/04/2007	116 096	Employees	05/04/2008	47 000	69 096	69 096	12,17	05/04/2012
SO 2006 (3)		10/10/2007	55 534	Employees	10/10/2008	38 000	17 534	17 534	10,84	10/10/2012
SO 2006 (4)		25/04/2008	74 893	Employees	25/04/2009	50 154	24 739	18 553	6,85	25/04/2013
TOTAL SO 2006	**630 000**		**246 523**			**135 154**	**111 369**	**105 183**		
SO Employees 2010 (1)	150 500	25/08/2010	124 546	Employees	25/08/2011	27 426	97 120	24 280	5,53	25/08/2020
SO Employees 2010 (2)		16/12/2010	16 706	Employees	16/12/2011	0	16 706	4 176	5,47	16/12/2020
SO Executives 2010	25 308	25/08/2010	25 000	Executives	25/08/2014	15 000	10 308	2 577	5,53	25/08/2020
TOTAL SO 2010	**175 500**		**166 252**			**42 426**	**124 134**	**31 033**		
SO Employees 2011	300 000	21/09/2011	218 500	Employees	21/09/2012	5 500	213 000	0	3,80	21/09/2021
SO Executives 2011	210 000	21/09/2011	210 000	Executives	21/09/2012	0	210 000	100 000	3,80	21/09/2021
TOTAL SO 2011	**510 000**		**428 500**			**5 500**	**423 000**	**100 000**		
TOTAL SO	**1 315 500**		**841 275**			**183 080**	**658 503**	**236 216**		

(1) After adjustment of the number and issue price of BSA K and L following the capital increase in July 2011 pursuant to Art. L.228-99 of the French Commercial Code (Board of Directors meeting of 28 July 2011)

- **Summary of free share grants at 31 December 2011**

Plan designation	Number of free shares authorised	Date of grant (Management Board)	Number of free shares granted	Beneficiaries	Date of vesting subject to conditions of presence + performance	Number of rights to free shares cancelled (1)	Rights to free shares outstanding at 31/12/2011	Number of free shares that have 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	0	47 700
TOTAL	**260 000 (2)**		**242 500**			**73 900**	**0**	**168 600**

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

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

NOTE 15: REMUNERATION OF CORPORATE OFFICERS

The following table summarises the remuneration recognised at 31 December 2011 for the corporate officers, approved by the annual general meeting of 29 June 2011, and that of members of the Board of Directors.

In €	31/12/2011	31/12/2010
Executives and corporate officers		
Short-term benefits (fixed / variable / exceptional)	767,107	584,107
Post-employment benefits	31,137	108,228
Long-term benefits	0	0
Share-based payments	117,118	28,579
Benefits in kind	4,413	14,444
Severance payments	600,000	500,000
Directors' fees	149,502	122,500
Total	**1,669,277**	**1,357,858**

Executive pay includes the remuneration of Judith Greciet (CEO since 29 June 2011) from the date of her arrival in the Company on 3 March 2011, that of Dominique Costantini until 29 June 2011, the date of her resignation as CEO of the Company, and the remuneration of Pierre Attali (COO). Dominique Costantini received €600,000 in severance compensation for the termination of her employment contract.

BioAlliance Pharma has established a method of remunerating its directors through fees. The combined AGM of 29 June 2011 set the amount of these directors' fees, to be allocated among the members of the Board of Directors for the current financial year at €150,000.

Post-employment benefits for corporate officers totalled €31,137 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 licence fees, and intra-company loans and borrowings as part of cash management agreements.

in €	31/12/2011	31/12/2010
Assets	**2,622,852**	**2,391,213**
Liabilities	**23,956**	**39,418**
Income	**128,658**	**711,520**
Expenses	**-**	**314,841**

NOTE 17: FEES PAID TO THE STATUTORY AUDITORS

Fees paid by BioAlliance Pharma to its statutory auditors in 2011 and 2010 are as follows:

(euros)	Grant Thornton				Ernst & Young			
	Amount		%		Amount		%	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Audit, statutory audit, certification, review of financial statements under French GAAP and IFRS								
Issuer	74,602	77,250	79%	96%	90,009	83,038	86	89%
Fully consolidated subsidiary	5,035	2,500	5%	3%	0	0	0%	0%
Other procedures and services directly related to the statutory auditor's assignment	15,000	1,000	16%	1%	15,000	10,500	14%	11%
Sub-total	**94,637**	**80,750**	**100%**	**100%**	**105,009**	**93,538**	**100%**	**100%**
Other services rendered by the networks to the fully consolidated subsidiary								
Sub-total								
Total	**94,637**	**80,750**	**100%**	**100%**	**105,009**	**93,538**	**100%**	**100%**

6.2 Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby present you our report for the year ended 31 December 2011, 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 generally accepted accounting principles 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 2011 and of the results of the entity composed of all consolidated persons and entities 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 the ongoing disputes 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 Notes 2.8 and 6.2 to the consolidated financial statements, 'Share-based payments'. We assessed the assumptions used and the reasonableness of the resulting valuations.

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

III. Specific verification

As required by law, and in accordance with generally accepted accounting principles in France, we have also performed the 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, 20 April 2012

The Statutory Auditors

GRANT THORNTON	ERNST & YOUNG Audit
French Member of Grant Thornton International	
Olivier Bochet	Franck Sebag

6.3 Financial Statements

ASSETS

Category	2011			2010
	Gross	Depr. & amort	Net	Net
Subscribed, uncalled share capital				
intangible assets				
Incorporation expenses				
Development costs				
Concessions, patents and similar rights	187,178	182,093	5,085	6,248
Goodwill				
Other intangible assets	419,119	397,564	21,555	110,638
Advances and prepayments on intangible assets				
Tangible assets				
Land				
Buildings				
Plant & equipment	831,726	588,398	243,328	257,755
Other tangible assets	2,678,916	1,373,911	1,305,005	1,584,460
Tangible assets in progress				
Advances and prepayments				
Financial assets				
Holdings valued by the equity method				
Other equity holdings	14,651,918	14,651,918		
Receivables from investments				
Other long-term securities	50,000		50,000	165,209
Loans				
Other financial assets	388,893		388,893	359,925
NON-CURRENT ASSETS	**19,207,752**	**17,193,885**	**2,013,867**	**2,484,235**
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	619		619	34,120
Prepayments to suppliers				
Receivables				
Trade receivables	522,003	45,630	476,373	244,482
Other receivables	5,283,102	2,546,236	2,736,866	2,706,761
Subscribed, called, unpaid share capital				
Miscellaneous				
Securities including treasury shares	25,122,316		25.122.316	19,583,361
Cash	2,873,621		2,873,621	723,082
CURRENT ASSETS	33,802,486	2,591,866	31,210,619	23,292,630
Accruals				
Prepaid expenses	645,164		645,164	573,116
TOTAL III	**34,447,650**	**2,591,866**	**31,855,784**	**23,865,746**
Issuing costs to be spread over several years				
Loan redemption premiums				
Translation adjustment - assets	2,605		2,605	473
GRAND TOTAL	**53,658,007**	**19,785,752**	**33,872,255**	**26,350,454**

LIABILITIES AND EQUITY

Category			2011	2010
Share capital	of which paid:	4,414,929	4,414,929	3,384,018
Additional paid-in capital			118,054,366	100,811,181
Excess of restated assets over historical cost				
Legal reserve				
Reserves required by the articles of association or by contract				
Regulated reserves				
Other reserves				
Retained earnings			(84,849,710)	(88,681,159)
Net income/(loss) for the year			**(14,613,225)**	**3,831,450**
Capital grants			226,318	263,018
Regulated provisions				
SHAREHOLDERS' EQUITY			**23,232,677**	**19,608,507**
Proceeds from issue of preference shares				
Advances with specific conditions attached			1,756,802	1,130,507
OTHER SHAREHOLDERS' EQUITY			**1,756,802**	**1,130,507**
Contingency provisions			2,605	473
Loss provisions			293,501	238,000
PROVISIONS FOR CONTINGENCIES AND LOSSES			**296,106**	**238,473**
Financial liabilities				
Convertible bonds				
Other bonds				
Bank debt			16,678	14,560
Other debt			85,479	
Operating liabilities				
Customer prepayments				
Trade payables			3,643,678	2,927,061
Accrued taxes and personnel costs			2,492,107	1,955,098
Other payables				
Payables related to fixed assets				16,169
Other liabilities				
Accruals				
Deferred revenue			2,348,721	458,778
LIABILITIES			**8,586,664**	**5,371,667**
Translation adjustment - liabilities			6	1,300
GRAND TOTAL			**33,872,255**	**26,350,454**

Short-term borrowings	6,143,088	5,185,239
Bank credit balances	10,223	8,154

PROFIT AND LOSS ACCOUNT

	2011			2010
	France	Export	Total	
Sale of goods held for resale		791,347	791,347	1,182,550
Production sold - goods				
Production sold - services	166,062	225,360	391,422	470,806
NET SALES	**166,062**	**1,016,707**	**1,182,769**	**1,653,357**
Production left in stock				
Capitalised production				
Operating grants			22,056	309,251
Excess depreciation and recovery on provisions charged in prior years			969,965	136,062
Other income			2,024,048	21,036,610
TOTAL OPERATING INCOME			**4,198,839**	**23,135,279**
Purchases of goods for resale (including customs duties)			603,953	924,888
Change in inventories			33,831	30,718
Purchases of raw materials and supplies			96,716	118,539
Change in inventories				
Other purchases and external expenses			9,696,765	9,534,660
Taxes other than on income			829,779	832,288
Wages and salaries			5,023,815	4,695,184
Payroll charges			2,201,092	2,085,017
Amortisation, depreciation and provisions				
on fixed assets: amortisation			495,053	491,005
on fixed assets: depreciation				
on current assets: depreciation			274,347	845,952
for contingencies and losses: provisions				
Other expenses			176,600	1,406,810
TOTAL OPERATING EXPENSES			**19,431,952**	**20,965,061**
OPERATING INCOME / (LOSS)			**(15,233,114)**	**2,170,218**
Transactions with third parties				
Allocated gain or transferred loss				
Sustained loss or transferred gain				
Financial income				
Financial income from investments			34,337	19,436
Financial income from other securities and from fixed asset securities				
Other interest and similar income				0
Provision reversals and expense transfers				
Foreign exchange gains			479,767	371,449
Net gains on sales of marketable securities			68,694	19,754
TOTAL FINANCIAL INCOME			**582,799**	**410,639**
Financial expenses				
Amortisation, depreciation and provisions			2,605	32,392
Interest and similar expenses			85,479	975
Foreign exchange losses			234,045	217,259
Net losses on sales of marketable securities				
TOTAL FINANCIAL EXPENSE			**322,129**	**250,626**
NET FINANCIAL INCOME / (EXPENSE)			**260,670**	**160,013**
INCOME / (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX			**(14,972,444)**	**2,330,231**

PROFIT AND LOSS ACCOUNT (continued)

	2011	2010
Exceptional income		
Exceptional income on operating transactions		
Exceptional income on capital transactions	50,957	117,349
Provision reversals and expense transfers	36,190	
EXCEPTIONAL INCOME	**87,147**	**117,349**
Exceptional expenses		
Exceptional expenses on operating transactions	48,425	3,828
Exceptional expenses on capital transactions	638,990	68,578
Exceptional provisions and expense transfers	73,190	
EXCEPTIONAL EXPENSES	**760,606**	**72,407**
EXCEPTIONAL ITEMS	**(673,458)**	**44,943**
Employee profit sharing		
Corporate income tax	(1,032,677)	(1,456,276)
TOTAL INCOME	**4,868,785**	**23,663,267**
TOTAL EXPENSES	**19,482,010**	**19,831,817**
PROFIT / (LOSS) FOR THE YEAR	**(14,613,225)**	**3,831,450**

ACCOUNTING POLICIES

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

1. Accounting policies

The financial statements for the year ended 31 December 2011 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 is technically feasible and has 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 and work in progress

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 the end of each period. 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 course 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

1.9.1. 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, 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 licensing agreements, representing the investment of the other party in the research and development undertaken by the Company, 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.

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.

1.9.2. 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, various 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 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, generally contingent on achieving sales objectives, 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.

Reimbursable advances are recognised in ‘Other shareholders' equity'. When a project succeeds, these advances will be reimbursed, taking into account the operational forecasts of products resulting from the project. If unsuccessful, advances that have been justified and paid remain the property of the Company.

2. Significant events in the year

2.1. Filing of European MA application for Sitavir®

BioAlliance Pharma filed its European Marketing Authorisation (MA) application for Sitavir in October 2011. This treatment for orofacial herpes is the Company's second most-advanced product and should eventually be marketed by a commercial partner with an organisation well-suited for its promotion in primary care channels.
At the same time, BioAlliance Pharma continues to prepare the application for the US marketing authorisation which should be filed with the FDA (Food and Drug Administration) in the first half of 2012.

2.2. Strong progress of the orphan oncology products portfolio

In 2011, the Company made strong progress in developing its portfolio of orphan oncology products, including:
- the continuation and international expansion of patient enrolment in the Phase II trial with Clonidine Lauriad™ in mucositis. The trial will continue in 2012. BioAlliance Pharma also obtained orphan status for its drug in Europe, which will allow it rationalise the development plan in terms of costs and duration and to obtain commercial exclusivity once it is put on the market.
- the approval of the French drug agency to start a Phase III clinical trial with Livatag, an innovative treatment for primary liver cancer. The trial should start in 2012.
- the positive results of an initial Phase I trial with AMEP, a biotherapy developed for metastatic melanoma, enabling it to plan for a new Phase I/II trial in 2012.

2.3. Developments in international commercial partnerships

BioAlliance has pursued its partnership strategy for Loramyc® (a mucoadhesive gingival tablet for treating oropharyngeal candidiasis in immunocompromised patients) with, among other things:
- a new marketing licence in Japan through an exclusive partnership with Sosei Co. Ltd for up to $18.5 million, based on obtaining marketing authorisation and sales milestones, and including a $3 million upfront payment. This amount was recorded in deferred revenue and will be gradually released to net sales, with €298,000 being recognised in 2011.
- the May 2011 launch of Loramyc® in Germany by European partner Therabel, through a joint-promotion agreement with Hikma Pharma GmbH, a leading pharmaceutical group in generic drugs and branded generics in oncology.

In addition, in late September 2011, BioAlliance Pharma reacquired the marketing rights to Oravig from Par Pharmaceuticals, as that group refocused on its core business of generics. The deal was made with no material financial impact in the short to medium term; the Company is actively seeking a new partner with an organisation capable of optimising sales of this specialty product prescribed in hospitals.

2.4. Public funding

A public-private consortium established by the Company received funding from the *Fond Unique Interministériel* [a French program supporting collaborative research projects] of €2 million over 30 months, including a direct grant of €0.7 million for BioAlliance Pharma. The project aims to establish proof-of-concept for the mucosal delivery of biological products. This programme capitalises on the patented Lauriad™ mucosal technology, validated for Loramyc® and Sitavir® with chemical molecules. A total of €188,463 had been received at 31 December 2011.

2.5. Capital increase

BioAlliance Pharma successfully completed a capital increase with preferential subscription rights maintained. The transaction, finalised on 1 August 2011, was widely supported by shareholders and oversubscribed at 115%, enabling the Company to raise gross proceeds of €16.64 million.

2.6 Post balance sheet events

There are no events subsequent to 31 December 2011 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 2011.

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 in equity securities 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.

All investments in equity securities have been fully written down.

Under the liquidity contract with CM-CIC Securities, the amount of treasury shares held was €50,000.00 corresponding to 15,480 shares recognised in 'Other long-term securities'. Non-invested cash amounted to €224,057.71. In 2011, 776,846 treasury shares were purchased and 791,404 were sold; the result for the year was a loss of €94,033.

3.4. Trade receivables

Trade receivables represented a net amount of €476,373 at 31 December 2011, and consisted primarily of receivables due from partners Par Strativa and Therabel amounting to €106,170, as well as a receivable of €220,000 from APR.

3.5. Other receivables

Other receivables represented a net amount of €2,736,866 at 31 December 2011, breaking down as follows:

- Research Tax Credit, 2011: €1,120,957
- VAT refund claim: €323,154
- VAT deductible and on outstanding invoices: €309,304
- Grants receivable: €102,482
- Other €880,969

In 2011, an addition provision for impairment of the Laboratoires BioAlliance Pharma current account was booked for €127,150, bringing the provision to 100% of the current account balance of €940,802. The current account of subsidiary BioAlliance Pharma Switzerland was also impaired in the amount of €108,434, bringing the provision for doubtful accounts to €2,546,236.

Lastly, because of the subsidiary's lack of activity, the SpeBio current account was impaired at 100%, or a total of €1,475,000.

3.6. Prepaid expenses

Prepaid expenses at 31 December 2011 came to €645,164 and correspond mainly to subcontracting services and rent expenses, as well as the annual fee to the US drug agency, the FDA.

3.7. Marketable securities

Marketable securities are made up of cash mutual funds purchased for €25,122,316 and valued at 31 December 2011 at €25,800,491.

3.8. Shareholders' equity

Between 31 December 2010 and 31 December 2011, the share capital rose from €3,384,018.00 to €4,414,928.75 and additional paid-in capital increased from €100,811,181.49 to €118,054,365.82. This was the result of three successive capital increases carried out in the following manner:

- a capital increase through the capitalisation of reserves on 1 April 2011 and recorded by the Board of Directors on 13 May 2011, following the vesting of free shares granted to employees on 1 April 2009, for a total of €11,925, via the issue of 47,700 shares with a nominal value of €0.25 each;
- a capital increase with shareholders' preferential subscription rights maintained in the nominal amount of €16,640,120.70 through the issuance of 3,395,943 new shares with a nominal value of €0.25 each.
- a capital increase with shareholders' preferential subscription rights waived, reserved for Therabel, in the amount of €2,482,000, including a nominal sum of €170,000 and additional paid-in capital of €2,312,000.
This increase was decided by the Board of Directors at its meetings of 14 and 21 December 2011;

At 31 December 2011, the share capital amounted to €4,414,928.75, divided into 17,659,715 common shares with a nominal value of €0.25 each, all of the same class and fully paid.

3.9. 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 2011 stood at €140,682.07.

3.10. Provisions for contingencies and losses

Provisions represented an amount of €293,501 corresponding to litigation with suppliers and ex-employees.

As was the case at 31 December 2010, the risks related to the ongoing disputes with Eurofins and SpePharm could not be reliably measured, so no provision was booked at 31 December 2011.

- **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 Pasteur Institute. 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, and an 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 group together all litigation with its former sales partners before the arbitral court and to withdraw from its earlier summons.
SpePharm and SpeBio have claimed damages in their proceedings against BioAlliance Pharma.

As a result of a partial award handed down by the arbitral court on the issue of its jurisdiction, BioAlliance Pharma was ordered on 5 May 2011 to pay the defence costs of SpeBio and SpePharm totalling €494,000, recorded as an external expense. The Company lodged an appeal with the *Cour de Cassation* (French Supreme Court) in May 2011. The proceedings are underway.

In this dispute, no substantive proceedings have yet begun.

3.11. Other shareholders' equity

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

- 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 €1,206,802.
- a grant from OSEO as part of the clinical programme for Livatag (doxorubicin Transdrug®). The balance at 31 December 2011 was €400,000. The last disbursement was received in September 2011 and the advance will be reimbursed in several instalments between 30 September 2012 and 30 September 2015.
- an OSEO advance for the Clonidine programme, reimbursable in several instalments by 2014. The balance at 31 December 2011 was €150,000.

3.12. Payables

Trade payables increased from €2,927,061 at 31 December 2010 to €3,643,678 at 31 December 2011. The change in trade payables stems mainly from the seasonal nature of Research and Development expenses and certain overhead costs.

3.13. Accrued taxes and personnel costs

Accrued taxes and personnel costs amounted to €2,492,107, and included an overpayment of OSEO reimbursable grants of €480,116.

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 2011 amounted to €2,348,721, breaking down as follows:

- Handok agreement: €42,162
- NovaMed agreement: €119,581
- Sosei agreement: €1,790,938
- other: €396,039

4. Notes on the profit and loss account

4.1. Net sales

Net sales for the 2011 financial year came to €1,182,769, and break down as follows:

- Sales of goods held for resale to commercial partners: €791,347
- Intercompany services: €94,187

- Other €297,235.61

4.2. Operating grants

Operating grants amounted to €22,056 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®, including an unconditional contractual payment of €1,000,000 from partner Therabel.

The change compared with 2010 is due to exceptional non-recurring revenue recognised in 2010, i.e.:

- €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 European group Therabel.

4.4. Operating expenses

Operating expenses fell from €20,965,061 at 31 December 2010 to €19,431,952 at 31 December 2011, reflecting the following changes:

- an increase in 'Other purchases and external expenses' related to an increase in scientific and clinical subcontracting expenses in connection with the development of the orphan oncology products portfolio;
- a reduction related to the non-recurring operating expenses recorded in 2010, particularly the reduction in 'Other expenses' resulting from the payment of €1,250,000 to APR in 2010.
- An increase in payroll costs related to the severance payment to Dominique Costantini and changes in the workforce.

Expense transfers amounted to €932,462 and mainly reflected the costs of the capital increase, charged against additional paid-in capital, or €857,526

4.5. Operating income/(loss)

Operating income/(loss) showed a loss of €15,233,114, compared with a profit of €2,170,218 for the year ended 31 December 2010.
This decrease was mainly due to the decline in royalties payments from commercial partners.

4.6. Net financial income

Net financial income corresponds mainly to net gains on the sale of marketable securities in the amount of €68,694, foreign exchange gains totalling €479,767, and proceeds on short-term advances to subsidiaries amounting to €34,337.

Financial expenses corresponded mainly to foreign exchange losses recognised during the year, or €234,045, and to accrued interest on OSEO reimbursable advances amounting to €85.479.

4.7. Exceptional items

Exceptional items showed a loss of €673,458 and corresponded mainly to the payment of claims in respect of disputes.

4.8. Corporate income tax

The tax receivable of €1,032,677 corresponded to the amount of the research tax credit of €1,120,957 less the €88,280 tax adjustment related to last year's audit of all financial statements for the years 2008 to 2010.

BioAlliance Pharma has a tax loss carry forward of €108 million, of which €72 million as head of the tax group including the deficits of Laboratoires BioAlliance Pharma.*

4.9. Net income/(loss)

Net income/(loss) for 2011 reflected a loss of €14,613,225

5. Off-balance-sheet commitments

5.1. BSAs, BCEs, and Stock Options

- **Summary of share purchase warrants at 31 December 2011**

Type	Date of authorisation	BSAs or BSCPEs authorised	BSAs or BSCPEs granted	Beneficiaries	BSAs or BSCPEs outstanding at 31/12/10	BSAs or BSCPEs exercised between 01/01/11 and 31/12/11	BSAs or BSCPEs outstanding at 31/12/11	Shares that may be subscribed, taking account of cancellations and vesting	Subscription price per share (€)	Expiry date
BSA - K	16 May 2006 Resolution 10	90 000	90 000	Members of the Supervisory Board and the Scientific Board	30,000 (1) of which 22,500 vested	0	30,943 (1) (5) all vested	0 0 30,943 (5)	12.51 € 11.80 € 10.84 €	09/06/2011 13/12/2011 10/10/2012
BSA-L	29 April 2008 Resolution 21	150 000	68,000 (2)	Members of the Supervisory Board and the Scientific Board	26,000 (3) of which 11,500 vested	0	14,464 (4) (5) of which 10,848 vested	4,642 (5) 6,206 (5) 0	2,86 € 2,33 € 5,34 €	17/12/2013 05/04/2014 21/10/2014
BSA-M	29 June 2011 Resolution 18	100 000	70 000	Non-employee, non-executive Members of the Board of Directors		0	70 000	0	3,80 €	21/09/2017
TOTAL						0		41 791		

(1) After deduction of warrants cancelled in 2010: 36,500 BSA-K1 and K2 (Board of Directors meeting of 10 February 2011)

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

(3) After deduction of warrants cancelled in 2010: 24,000 BSA-L1 (Board of Directors meeting of 22 July 2010)

(4) After deduction of warrants cancelled in H1 2011: 12,000 BSA-L (Board of Directors Meeting of 28 July 2011)

(5) After adjustment of the number and issue price of BSA K and L following the capital increase in July 2011 pursuant to Art. L.228-99 of the French Commercial Code (Board of Directors meeting of 28 July 2011)

- **Summary of stock options at 31 December 2011**

Plan designation	Number of options authorised	Date of grant (Management Board or Board of Directors)	Number of options granted	Beneficiaries	Vested or exercisable by 25% increment as from	Number of options cancelled	Adjusted options outstanding at 31/12/11 (1)	Adjusted options exercisable at 31/12/11 (1)	Adjusted subscription price per share in euros (1)	Expiry date
SO 2006 (2)		05/04/2007	116 096	Employees	05/04/2008	47 000	69 096	69 096	12,17	05/04/2012
SO 2006 (3)		10/10/2007	55 534	Employees	10/10/2008	38 000	17 534	17 534	10,84	10/10/2012
SO 2006 (4)		25/04/2008	74 893	Employees	25/04/2009	50 154	24 739	18 553	6,85	25/04/2013
TOTAL SO 2006	**630 000**		**246 523**			**135 154**	**111 369**	**105 183**		
SO Employees 2010 (1)	150 500	25/08/2010	124 546	Employees	25/08/2011	27 426	97 120	24 280	5,53	25/08/2020
SO Employees 2010 (2)		16/12/2010	16 706	Employees	16/12/2011	0	16 706	4 176	5,47	16/12/2020
SO Executives 2010	25 308	25/08/2010	25 000	Executives	25/08/2014	15 000	10 308	2 577	5,53	25/08/2020
TOTAL SO 2010	**175 500**		**166 252**			**42 426**	**124 134**	**31 033**		
SO Employees 2011	300 000	21/09/2011	218 500	Employees	21/09/2012	5 500	213 000	0	3,80	21/09/2021
SO Executives 2011	210 000	21/09/2011	210 000	Executives	21/09/2012	0	210 000	100 000	3,80	21/09/2021
TOTAL SO 2011	**510 000**		**428 500**			**5 500**	**423 000**	**100 000**		
TOTAL SO	**1 315 500**		**841 275**			**183 080**	**658 503**	**236 216**		

(1) After adjustment of the number and issue price of BSA K and L following the capital increase in July 2011 pursuant to Art. L.228-99 of the French Commercial Code (Board of Directors meeting of 28 July 2011)

- **Summary of free share grants at 31 December 2011**

Plan designation	Number of free shares authorised	Date of grant (Management Board)	Number of free shares granted	Beneficiaries	Date of vesting subject to conditions of presence + performance	Number of rights to free shares cancelled (1)	Rights to free shares outstanding at 31/12/2011	Number of free shares that have 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	0	47 700
TOTAL	**260 000 (2)**		**242 500**			**73 900**	**0**	**168 600**

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

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

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 the following:

Collective bargaining agreement: Medical industry
Retirement age:
Between 65 and 67 years, under the Pension Reform Act of 10 November 2010
Calculation date: 31/12/11
Mortality table: INSEE 2010
Discount rate: 4.60 %
Rate of salary increase: (salary growth rate + inflation) 4%
Employee turnover rate: By age category:
- for employees aged 16 to 24 years: 0%
- for employees aged 25 to 34 years: 5.91%
- for employees aged 35 to 44 years: 2.53%
- for employees aged 45 to 54 years: 1.27%
- for employees aged above 55 years: 1.27%

Social charges 46%

At 31 December 2011, post-employment benefits obligations totalled €272,457.

5.3 Share purchase warrants (BSA)

On 28 July 2011, the Board of Directors recorded the automatic cancellation on 30 June 2011 of 6,000 BSA-L1 and 6,000 BSA-L3 warrants due to the departure of two directors from the Board.

5.4 Stock options

The combined general meeting of 29 June 2011 authorised the Board of Directors to award stock options, each conveying a right to one share, through two separate plans: one with a maximum of 300,000 options to BioAlliance Pharma employees, and the other with a maximum of 210,000 options to BioAlliance Pharma executives.

On 21 September 2011, the Board of Directors awarded 218,500 SO Employees 2011 options and 210,000 SO Executives 2011 options. No options were exercised during the period.

On 28 July 2011, the Board of Directors recorded the automatic cancellation of 70,000 SO 2006 options, 5,400 SO Employees 2010 options and 15,000 SO Executives 2010 options due to the departure of employees from the Company.
On 26 January 2012, the Board of Directors recorded the automatic cancellation of 121,000 SO 2006 options after this plan expired on 30 October 2011.
On 26 January 2012, the Board of Directors recorded the automatic cancellation of 5,154 2006 options, 27,321 SO Employees 2010 options and 5,500 SO Employees 2011 options due to the departure of employees from the Company.

5.5 Free shares

On 13 May 2011, the Board of Directors recorded the vesting on 1 April 2011 of 47,700 new shares by 23 BioAlliance Pharma employees. These shares had been granted free of consideration by the Management Board on 1 April 2009. Accordingly, under the powers granted by the extraordinary general meeting of the Company's shareholders on 29 April 2008, the Board of Directors recorded the increase in the share capital by a nominal amount of €11,925 by the issuance of 47,700 new shares of the Company with a nominal value of €0.25 each, fully paid in cash by capitalising share premiums for a total of €11,925, allocated to each beneficiary of the free shares which vested on 1 April 2011.

5.6 Financial commitments in favour of a third party

At 31 December 2011, the commitment for leasing company vehicles for employees amounted to €57,874.20.

5.7 Statutory individual training entitlement

A total of 3,877 hours of individual training entitlement have been accrued by employees. This commitment is valued at €80,994.66.

5.8 Operating leases

This commitment is in respect of company leases.

It is valued at:
- < 1 yr: €793,915.56
- from 1-5 yrs: €3,076,422.80

5.9 Remuneration of corporate officers

Remuneration of corporate officers came to €1,669,277.
The amount of their post-employment benefits was €31,137.

5.10 Reimbursable advances

Reimbursable advances are recognised in 'Other shareholders' equity'. In the event of the project's success, these advances will be reimbursed, taking into account the operational forecasts of products resulting from the project, and corresponding to 2.5% of net sales over a period of no more than 10 years. If unsuccessful, advances that have been justified and paid remain the property of the Company.

5.11 Related parties

Transactions with other companies related to the Group concern only those companies included in the scope of consolidation. These essentially involve sales of finished goods and services, billings of marketing licence fees, and intra-group loans and borrowings as part of cash management agreements.

In €	31/12/2011	31/12/2010
Assets	2,622,852	2,391,213
Liabilities	23,956	39,418
Income	128,658	711,520
Expense		314,841

FIXED ASSETS

	Gross value at start of 2011	INCREASES	
		Remeasurement in 2011	Acquisitions in 2011
Formation costs and research & development costs			
Other intangible assets	599,302		6,995
TOTAL INTANGIBLE FIXED ASSETS	**599,302**		**6,995**
Land			
Construction on own land			
Leaseholds			
Facilities, fixtures and fittings			
Plant & equipment	733,736		97,990
Fixtures and fittings	2,136,210		
Transport equipment			
Office and computer equipment, furniture	549,898		5,942
Recoverable packaging and other			
Property, plant and equipment in progress			
Advances			
TOTAL TANGIBLE FIXED ASSETS	**3,419,845**		**103,933**
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		28,968
TOTAL LONG-TERM INVESTMENTS	**15,177,052**		**28,968**
GRAND TOTAL	**19,196,199**		**139,896**

	DECREASES			
	Current account deposits 2011	Current account transfers 2011	Gross value at end 2011	Original value
Formation costs and research & development				
Other intangible assets			606,297	
TOTAL INTANGIBLE ASSETS			**606,297**	
Land				
Construction on own land				
Leaseholds				
Facilities, fixtures and fittings				
Plant & equipment			831,726	
Fixtures and fittings			2,136,210	
Transport equipment				
Office and computer equipment, furniture		13,135	542,706	
Recoverable packaging and other				
Property, plant and equipment in progress				
Advances				
TOTAL TANGIBLE ASSETS		**13,135**	**3,510,643**	
Holdings valued by the equity method				
Other equity holdings			14,651,918	
Other long-term securities		115,209	50,000	
Loans and other financial assets			388,893	
TOTAL LONG-TERM INVESTMENTS		**115,209**	**15,090,812**	
GRAND TOTAL		**128,343**	**19,207,752**	

DEPRECIATION AND AMORTISATION

Position and changes during the year	Amount at start of 2011	Increases	Decreases	Amount at end 2011
Formation costs and R&D costs				
Other intangible assets	482,416	97,242		579,658
TOTAL INTANGIBLE FIXED ASSETS	**482,416**	**97,242**		**579,658**
Land				
Construction on own land				
Leaseholds				
Facilities, fixtures and fittings				
Plant & equipment	475,981	112,417		588,398
Fixtures and fittings	712,541	198,638		911,179
Transport equipment				
Office and computer equipment, furniture	389,108	86,759	13,135	462,733
Recoverable packaging and other				
TOTAL TANGIBLE ASSETS	**1,577,630**	**397,815**	**13,135**	**1,962,309**
GRAND TOTAL	**2,060,046**	**495,056**	**13,135**	**2,541,967**

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 & development costs							
Other intangible assets							
TOTAL INTANGIBLE ASSETS							
Land							
Construction on own land							
Leaseholds							
Facilities, fixtures and fittings							
Tech. equipment and 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 2011	Increases	Depreciation and amortisation	Amount at end 2011
Issuing costs to be spread over several years				
Loan redemption premiums				

PROVISIONS

Type of provisions	Amount at beginning of 2011	Increases: In allowances in the year	Decreases: Used during the year	Decreases: Unused during the year	Decreases: Reversals during the year	Amount at end of 2011
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. (before 1.1.92)						
Tax provisions for foreign establ. (after 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	473	2,605			473	2,605
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	91,691			36,190	293,501
TOTAL PROV. FOR CONTINGENCIES AND LOSSES	**238,473**	**94,296**			**36,663**	**296,106**
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	14,651,918					14,651,918
on other long-term investments						
on inventories and work in progress	330				330	
on trade receivables	25,368	20,262				45,630
Other provisions for impairment	2,310,652	235,584				2,546,236
TOTAL PROVISIONS FOR IMPAIRMENT	**16,988,268**	**255,846**			**330**	**17,243,785**
GRAND TOTAL	**17,226,742**	**350,142**			**36,993**	**17,539,891**
of which operating allowances and reversals		274,347			803	
of which financial allowances and reversals		2,605				
of which exceptional allowances and reversals		73,190			36,190	
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	388,893	224,058	164,836
Doubtful or contentious receivables	45,630	45,630	
Other trade receivables	476,373	476,373	
Receivables representing loaned securities			
Personnel	21,897	21,897	
Social security and other employee benefit charges			
Corporate income tax	1,120,957	1,120,957	
Value added tax	632,458	632,458	
Taxes other than on income			
Miscellaneous	181,655	181,655	
Group and shareholders (2)	2,546,236	2,546,236	
Miscellaneous receivables	779,899	779,899	
Prepaid expenses	645,164	645,164	
TOTAL RECEIVABLES	**6,839,163**	**6,674,327**	**164,836**

(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 debt < 1 year	16,678	16,678		
Bank debt < 1 year				
Other debt (1) (2)	1,842,281	1,842,281		
Trade payables	3,643,678	3,643,678		
Personnel	930,900	930,900		
Social security and other employee benefit charges	833,274	833,274		
Corporate income tax				
Value added tax	4,286	4,286		
Secured obligations				
Taxes other than on income	723,647	723,647		
Payables related to fixed assets				
Group and shareholders (2)				
Other liabilities				
Debt representing borrowed securities				
Deferred revenue	2,348,721	2,348,721		
PAYABLES	**10,343,466**	**10,343,466**		

(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	17,659,715	4,123,643		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	233,238
- Other receivables	430,824
Marketable securities	
Cash	
Other	
TOTAL	**664,062**

ACCRUED EXPENSES

Nature of expenses	Amount
Convertible bonds	
Other bonds	
Bank debt	6,455
Other debt	85,479
Customer prepayments	
Trade payables	1,599,488
Accrued taxes and personnel costs	1,567,264
Payables related to fixed assets	
Other liabilities	
Other	
TOTAL	**3,258,686**

DEFERRED REVENUE AND PREPAID EXPENSES

Nature of expenses	2011	2010
Operating expenses		
Prepaid expenses on operating items	645,164	573,116
Financial expenses		
Exceptional expenses		
TOTAL PREPAID EXPENSES	**645,164**	**573,116**
Comparative BALANCE SHEET (Assets: 2050 SECTION CH)	**645,164**	**573,116**

Nature of income	2011	2010
Operating income		
Deferred revenue on operating items	2,348,721	458,778
Financial income		
Exceptional income		
TOTAL DEFERRED INCOME	**2,348,721**	**458,778**
Comparative BALANCE SHEET (Liabilities: 2051 section EB)	**2,348,721**	**458,778**

TOTAL DEFERRED REVENUE AND PREPAID EXPENSES	**(1,703,557)**	**114,337**

BREAKDOWN OF NET SALES

Breakdown of net sales	2011			2010		
	France	Export	Total	France	Export	Total
Sales of goods held for resale		791,347	791,347	414,022	768,528	1,182,550
Income from ancillary activities	166,062	225,360	391,422	461,806	9,000	470,806
TOTAL	**166,062**	**1,016,707**	**1,182,769**	**875,828**	**777,528**	**1,653,356**

LEASES

CAPITAL LEASING	Initial cost	Amortisation, depreciation and provisions		Net value
		For the year	Cumulative	
Land				
Buildings				
Plant & equipment	118,221	16,663	40,138	78,083
Other tangible assets				
Tangible assets in progress				
TOTAL	**118,221**	**16,663**	**40,138**	**78,083**

LEASE COMMITMENTS	Amounts paid		Amounts outstanding				Residual purchase price
	For the year	Cumulative	< 1 year	Fr 1 to 5 yrs	> 5 years	Total	
Land							
Buildings							
Technical installations	20,070	47,472	28,359	66,884		95,243	741
Other tangible assets							
Tangible assets in progress							
TOTAL	**20,070**	**47,472**	**28,359**	**66,884**		**95,243**	**741**

AVERAGE HEADCOUNT

Category	Average headcount		Average headcount seconded		Total	
	2011	2010	2011	2010	2011	2010
Managers	49	51			49	51
Supervisors						
Staff and Technicians	10	10			10	10
Other						
Total	**59**	**61**			**59**	**61**

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	(930,956)	100	14,600,000		940,802		5,573	(118,116)	
BIOALLIANCE PHARMA SWITZERLAND	82,264	(139,069)	100	31,918		130,434			(43,007)	
SPEBIO	40,000		50	20,000		1,475,000			(83,554)	
Total				14,651,918	0					

RELATED COMPANIES AND AFFILIATES

Line items	Amount concerning	
	related firms	firms in which the Company has an equity interest
Financial assets		
Advances and prepayments on intangible assets		
Investments		
Receivables from investments		
Loans		
Receivables		
Prepayments to suppliers		
Trade receivables	23,061	45,630
Other receivables		
Subscribed, called, unpaid share capital		
Liabilities		
Convertible bonds		
Other bonds		
Bank debt		
Other debt		
Customer prepayments		
Trade payables		23,956
Other liabilities		
Financial income		
Income from investments		
Other financial income	14,075	20,262
Financial expenses		
Other		
TOTAL	**37,137**	**89,848**

FIVE-YEAR SUMMARY OF RESULTS

Type of indicator	2007	2008	2009	2010	2011
Share capital at year end					
Share capital	3,115,473	3,224,208	3,224,583	3,384,018	4,414,929
Number of common shares outstanding	12,461,894	12,896,832	12,898,334	13,536,072	17,659,715
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	1,153,066	1,084,062	913,000	1,653,357	1,182,769
Income/(loss) before tax, employee profit sharing, depreciation, amortisation and provisions	(16,385,584)	(15,217,550)	(8,847,030)	3,636,579	(14,874,400)
Corporate income tax	1,085,083	(2,253,575)	(1,829,922)	(1,456,276)	(1,032,677)
Employee profit sharing					
Net income/(loss) after tax, employee profit sharing, depreciation, amortisation and provisions	(15,721,589)	(14,560,997)	(22,398,410)	3,831,450	(14,613,225)
Dividends					
Earnings per share					
Net income/(loss) after tax, employee profit sharing, but before depreciation, amortisation and provisions	-1.23	-1.01	-0.54	0.38	-0.78
Net income/(loss) after tax, employee profit sharing, depreciation, amortisation and provisions	-1.26	-1.13	-1.74	0.28	-0.83
Dividend per share					
Personnel					
Average headcount	53	75	65	61	59
Gross payroll	3,275,570	4,788,434	4,308,010	4,695,184	5,023,815
Amounts paid for employee benefits	1,492,593	2,384,799	2,063,429	2,085,017	2,201,092

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	01/01/2011	Capital increase	Capital reduction	Appropriation of net income Y-1	Other movements
Capital in number of shares					
Nominal value					
Share capital	3,384,018	1,030,911			
Additional paid-in capital	100,811,181	18,112,635	(869,451)		
Excess of restated assets over historical cost					
Legal reserve					
Reserves required by the articles of association or by contract					
Regulated reserves					
Other reserves					
Retained earnings	(88,681,159)			3,831,450	
Income/(loss) for the period	3,831,450			(3,831,450)	
Capital grants	263,018				(36,700)
Regulated provisions					
Dividends paid					
Total shareholders' equity	19,608,507	19,143,546	(869,451)		(36,700)

6.4 Statutory auditors' report on the parent company financial statements

To the Shareholders,

In carrying out the mission entrusted to us by your annual general meetings, we hereby present our report for the year ended 31 December 2011, 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 role is to express an opinion on these financial statements based on our audit.

1 Opinion on the parent company financial statements

We conducted our audit in accordance with generally accepted accounting principles 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 believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2011 and of the results of its operations for the year then ended.

Without qualifying our opinion above, we draw your attention to the matter discussed in Note 3.10 to the financial statements, 'Provisions for litigation', concerning the ongoing disputes with Spepharm and SpeBio, and with Eurofins.

2 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.

3 Specific verifications and information required by law

We have also performed, in accordance with generally accepted accounting principles in France, the specific verifications required by 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 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 to 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, 20 April 2012

The Statutory Auditors

Grant Thornton **French member of Grant Thornton International**	**ERNST & YOUNG Audit**
Olivier Bochet	Franck Sebag

6.5 Other financial information

Date of latest financial data

Publication of press release on the 2011 parent company financial statements audited and approved by the Board of Directors on 17 April 2012 and on net sales for the first quarter of 2012.

Interim and other financial data

Not applicable.

Dividend distribution policy

Because of its losses, BioAlliance Pharma has never distributed dividends.

In its shareholders' interests, the Company intends dedicating all of its financial resources to increasing its enterprise value. Any distributable profits that 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.

6.6 Statutory auditors' report on regulated agreements and commitments

To the Shareholders,

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

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' general 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 assignment. 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 French Commercial Code, we have been advised of the following agreements and commitments that have been authorised by your Board of Directors.

1.1With Chrysabio SARL

1.1.1 Person concerned:

Dominique Costantini, Chief Executive Officer until 29 June 2011 and director until 31 December 2011 of BioAlliance Pharma and General Manager of the company Chrysabio.

1.1.2 Nature and purpose

A temporary work contract between your Company and Chrysabio, authorised by your Board of Directors on 13 May 2011 and concluded on 5 September 2011 between your Company and Dominique Costantini.

1.1.3 Terms

This contract covers the supervision by Dominique Costantini of the Sitavir application process in Europe and the US, assistance with licensing agreements and business development, and assistance with acquisition opportunities.

It was signed for a maximum duration of six (6) months and provides for a maximum of 60 days worked from 13 July 2011, for a lump sum per diem fee of €2,500.

For this agreement, your company expensed an amount of €150,000 on 31 December 2011.

1.2With SAS Promontoires

1.2.1Person concerned:

Catherine Dunand, Director of BioAlliance Pharma and Chairwoman of SAS Promontoires.

1.2.2 Nature and purpose

Services agreement between your Company and SAS Promontoires, authorised by your Board of Directors on 29 June 2011.

1.2.3 Terms

This agreement covers the preparation by Catherine Dunand of a report to be used as the basis for evaluating the work of the Board of Directors.

For this agreement, your company expensed an amount of €12,500 on 31 December 2011.

2.Agreements and commitments already approved by the shareholders' general meeting

Agreements and commitments authorised in prior years which remained current during the year

In accordance with the French Commercial Code, we have been advised that the agreements and commitments approved in prior years remained current during the year.

2.1With 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.

For the financial year, the amount of interest billed by your Company came to €12,691 net of tax.

Paris-La-Défense and Paris, 20 April 2012

The Statutory Auditors

ERNST & YOUNG Audit	**Grant Thornton** **French Member of Grant Thornton International**
Franck Sebag	Olivier Bochet

7. ADDITIONAL LEGAL AND FINANCIAL INFORMATION

7. ADDITIONAL LEGAL AND FINANCIAL INFORMATION

7.1 Share capital and the stock market

7.1.1 BioAlliance Pharma and its shareholders

All shareholders have access to comprehensive, transparent and clear information, tailored to their individual needs and useful for an objective assessment of the growth strategy and results of BioAlliance Pharma. This financial communication policy aims to provide to all shareholders information that conforms to market practises.

A very wide variety of public documents are published, including regulatory filings, cover the Company's activity, strategy and financial reporting: reference document, annual report, interim financial report, shareholders' communications, the Company's articles of association, and the Board of Directors' internal regulations. All of these documents, in French and in English, are readily available on the Company's website: www.bioalliancepharma.com, under the 'Investors' tab, and upon request to the Executive Management of BioAlliance Pharma. An email address (contact@bioalliancepharma.com) allows those who so desire to receive these materials directly (annual report, corporate brochure, press releases).

BioAlliance Pharma publishes in the French legal gazette, *Bulletin des Annonces Légales Obligatoires* (BALO) and, in accordance with regulations, disseminates the interim and annual reports required of a listed company. Financial reports are supplemented by press releases intended for the financial community and the public in general on matters of significant importance for the understanding of the Company's business and strategy. The Company holds regular meetings for financial analysts and business reporters to explain, in an interactive forum, the Company's challenges, products, projects and results.
In 2011 BioAlliance Pharma also held around one hundred private meetings, mainly with institutional investors.

The annual report presented and filed as a reference document with the French financial markets authority, *Autorité des Marchés Financiers* (AMF) and the report on the interim financial statements are widely distributed within the financial community.

2012 CALENDAR

26 January 2012	Publication of annual net sales for 2011
17 April 2012	Publication of the consolidated financial statements for 2011
17 April 2012	Publication of net sales for Q1 2012
18 April 2012	SFAF analysts' meeting at the Company's head office

31 May 2012	Annual General Meeting at the Company's head office
13 September 2012	Publication of the interim financial report
14 September 2012	SFAF analysts' meeting at the Company's head office
14 November 2012	Publication of net sales for Q3 2012

7.1.2 Ownership structure of BioAlliance Pharma

At 31 December 2011, the Company's share capital consisted of a free float composed of 80.62% holders of bearer shares and of 19.38% 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 at 31 December 2011.

Shareholding remained relatively stable in 2011: the top ten shareholders represented 37% of the capital; the number of shareholders remained above 8,000; and shareholding by individuals, was about 40%.

No shareholders' agreements have been disclosed to the Company.

	Shares		**Voting rights**	
Shareholders	**Number of shares**	**% of share capital**	**Number of voting rights**	**% of share capital**
Financière de la Montagne	1,680,128	9.51%	1,680,128	9.51%
ING Belgium	1,076,175	6.09%	1,076,175	6.09%
IDInvest Partners	835,749	4.73%	835,749	4.73%
Therabel Group	878,893	4.98%	878,893	4.98%
Talence Gestion	467,349	2.65%	467,349	2.65%
CDC PME Croissance	438,902	2.48%	438,902	2.48%
Total for main shareholders	5,377,196	30.45%	5,377,196	30.45%
Other	12,282,519	69.55%	12,282,519	69.55%
Total at 31 December 2011	**17,659,715**	**100%**	**17,659,715**	**100%**

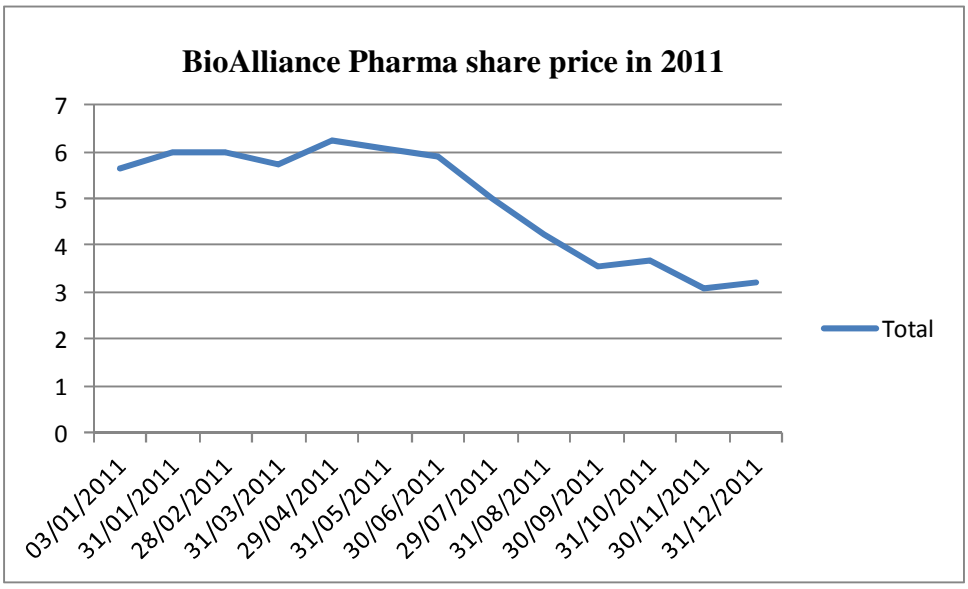
The statement of changes in shareholding over the last three years can be found in Section 7.2.2.2 of this reference document.

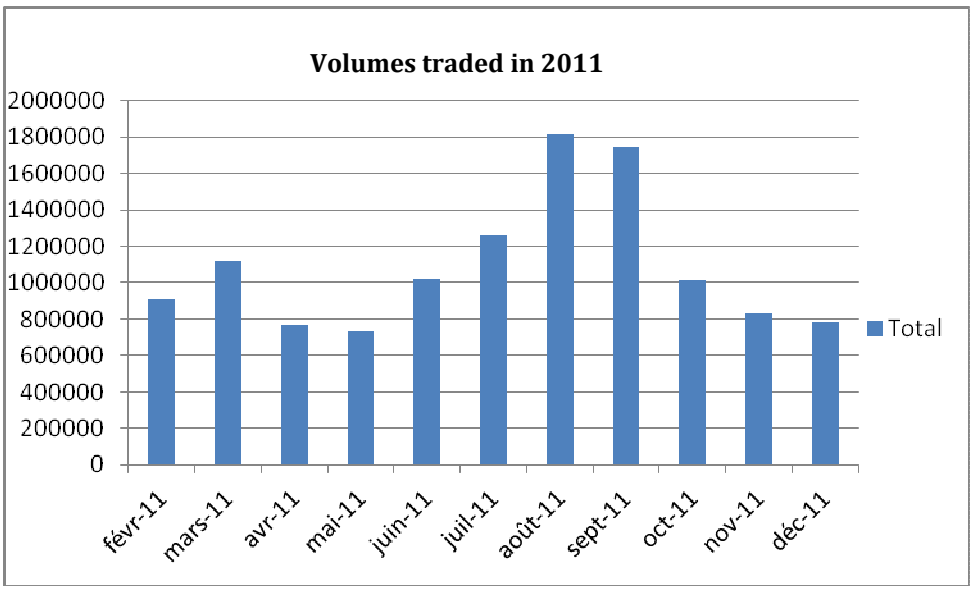
At December 2011, directors held 20.34% of the share capital and voting rights in the Company.

7.1.3 Share performance

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

In 2011, the share price reached its lowest level at €2.83 on 21 November 2011, to close at €3.23 on 31 December 2011. The share reached a high of €6.29 on 13 June 2011.





Stock market data

	31/12/2011
Market capitalisation at year end *(in millions of euros)*	54.84
Share price *(in euros)*	
• High	6.29
• Low	2.83
Share price at year end *(in euros)*	3.23

Dividends

BioAlliance Pharma shares

Financial year	Number of shares	Dividend paid on the year
2009	12,898,334	-
2010	13,536,072	-
2011	17,659,715	-

7.2 Additional information on BioAlliance Pharma

7.2.1 Historical information

1997. Company founded on 5 March 1997.

1999. An initial financing round in February 1999 allowed a new laboratory to be funded and set up on the premises of the School of Pharmacy of Châtenay-Malabry for the industrial development of new pharmaceutical forms of anticancer drugs. These funds also allowed the Company to initiate its first clinical trials on products resulting from two patented technologies – Lauriad™ mucoadhesive oral technology since 2000 and Transdrug™ nanoparticulate technology since 2001 – as well as research projects to identify new therapeutic targets and new drugs acting on these targets.

2000-2005. 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 then, in 2005, to finalise and file a registration application in France for Loramyc®, the first product entirely developed by the Company.

2005. To support the development of its clinical trials and prepare for the launch of Loramyc®, the Company was floated on the Euronext Paris market on 7 December 2005.

2006-2008. BioAlliance Pharma raised funds through a private placement in July 2007. After obtaining the Marketing Authorisation (MA) for Loramyc® in France in October 2006, in August 2007 the Company received an innovation award for services rendered and, in late 2007, launched Loramyc® on the French market with an indication of oropharyngeal candidiasis in immunocompromised patients. In 2008, the Company obtained marketing authorisations for this product in 11 other European countries (by the mutual recognition procedure) and completed a pivotal Phase III trial on Loramyc® in the United States.

2009. In 2009, the Company finalised the registration file to be submitted to the US drug agency, the FDA, after having concluding an agreement in 2007 with PAR Pharmaceutical, which acquired the rights to market Loramyc® in the United States. Other products for supportive care and treatment of severe cancers are currently in the clinical and preclinical stages of development. Among them, three new products entered the clinical phase at the end of 2009: two products resulting from the Lauriad™ technology: fentanyl Lauriad™ (Phase I) for severe chronic cancer pain; clonidine Lauriad™ (Phase II) for the treatment of mucositis; and a new entity, AMEP® anti-invasive biotherapy (Phase I) for the treatment of invasive melanoma.

2010. In April 2010, BioAlliance Pharma obtained US marketing authorisation for Loramyc® under the brand name of Oravig®, with an indication of oropharyngeal candidiasis in adults. Strativa Pharmaceuticals, Par Pharmaceutical's 'supportive care products' division, began marketing Oravig® in the US in late 2010. Also in 2010, the Company obtained 13 new MAs for Loramyc® in Europe, bringing to 26 the number of European countries in which the product is registered.

After demonstrating the commercial potential of Loramyc® in France by marketing it directly through its operating subsidiary Laboratoires BioAlliance Pharma, the Company handed the marketing of Loramyc® and Setofilm® in Europe, including France, to the Therabel Pharma group, to which it transferred all of its sales and marketing operations. To market Loramyc®/Oravig™ in the rest of the world, the Company established international partnerships with Par Pharmaceutical/Strativa in the United States, and Handok and NovaMed in Asia.

Meanwhile, the Company conducted a pivotal Phase III trial on acyclovir Lauriad™, or Sitavir®/Sitavig®, for the treatment of recurrent orofacial herpes in Europe, Australia and the United States.

The Lauriad™ technology used (a mucoadhesive oral tablet) is the same proven technology as Loramyc®. The excellent results obtained in Phase III in December 2009 helped in setting the product's registration strategy – under the brand name of Sitavir®/Sitavig® – in Europe and the US, and paved the way for negotiating partnership agreements on this product intended for the treatment of recurrent orofacial herpes in primary care channels.

2011. The year was marked by the departure of Dominique Costantini, CEO and co-founder of the Company, and the appointment of a new CEO, Judith Gréciet and a new Chairman, Patrick Langlois, and the reorganisation of the Board of Directors. In addition, a new round of financing raised €16 million, used to continue the development programme for Livatag® (doxorubicin Transdrug™) and to reinforce the Company's orphan drugs portfolio.

The Company also filed the European MA application for Sitavir®/ Sitavig® and finalised the US MA application. Meanwhile, the orphan oncology products portfolio saw major advances with (i) the approval by the French drug agency (Afssaps) of a Phase III trial for Livatag® (doxorubicin Transdrug™) in liver cancer after the very significant survival results obtained during Phase II, (ii) the international expansion of the Phase II trial of clonidine Lauriad™ in mucositis; and (iii) the positive results of an initial Phase I trial of the AMEP® biotherapy.

7.2.2 Legal information about the Company

7.2.2.1 General information

Company name and address

- Company name: BioAlliance Pharma
- Registered head office: 49 Boulevard Valin – 75015 Paris – France
- Telephone: +33 (0)1 45 58 76 00
- Fax: +33 (0)1 45 58 08 81
- www.bioalliancepharma.com

Company legal form

BioAlliance Pharma is a French limited company (*société anonyme*) whose shares are traded on Euronext Paris. It is governed by the French Commercial Code and its implementing texts, and it conforms to the system of corporate governance generally accepted in France and more particularly to the MiddleNext Code of Corporate Governance for listed companies.
BioAlliance Pharma applies the statutory and regulatory standards that govern the functioning of corporate boards and reports in this reference document on its implementation of the recommendations made under the above-mentioned code.

Statutory auditors

The Company's financial statements are audited by two statutory auditors appointed in accordance with Article L. 225-228 of the French Commercial Code.

Date of incorporation and term

Date of incorporation of the Company: 5 March 1997.
Date of expiry of the Company's term: 5 March 2096.

Registration

The Company is entered in the Paris Trade and Companies Register under number 410 910 095.
Its APE/NAF code is 7219Z. This is the code for research and development in the physical and natural sciences.

Consultation of 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 association, the minutes of the 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 reference 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 reference document.
The regulatory financial information is available on BioAlliance Pharma's website at the following address: http://www.bioalliancepharma.com. and on the website contact@bioalliancepharma.com of the official journals or may be obtained by request from Nicolas Fellmann, Chief Financial Officer, e-mail: contact@bioalliancepharma.com.

Corporate purpose

According to Article 2 of its bylaws, the Company's purpose is:

- the design, research and development of healthcare products from their creation up to 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 holdings 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.

Financial year

The financial year, a period of twelve (12) months, begins on 1 January and ends on 31 December.

Distribution of profits

Distributable profits consist of the net profit for the financial year less previous losses and amounts transferred to reserves in accordance with the law or bylaws, plus retained earnings.
Out of this profit, the general meeting of shareholders determines the portion allocated to shareholders as dividends, deducting the sums it deems appropriate for allocation to any reserve funds or to retained earnings.
However, except in the event of a capital reduction, no dividend may be paid to shareholders when the share capital is or, following the distribution, would be less than the capital and distributable reserves required for dividends by law and the bylaws.
The annual general meeting may decide to distribute the sums deducted from optional reserves either to provide or supplement a dividend or as an exceptional dividend.
The bylaws provide that the annual general meeting approving the financial statements for the year may grant each shareholder the option of receiving their dividend or interim dividends in cash or shares.

Unclaimed dividends

Dividends must be claimed within five (5) years from the date of payment, after which they are paid to the French Treasury.

Institution providing financial services to the Company

The service provider for transfers and coupon payments is the bank Société Générale, at the following address: Société Générale Securities Services, 32 rue du Champ de Tir - BP 81236 - 44312 Nantes Cedex 3.

BioAlliance Pharma share listing

BioAlliance Pharma shares are listed on Compartment C of the Euronext Paris market of NYSE Euronext. ISIN Code: FR0010095596.

Shareholders' meetings

Shareholders' meetings are convened and held 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.
BioAlliance Pharma's website has a continuously updated calendar of the Group's financial events, including the date of the annual general meeting.

Voting rights

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. The articles of association do not contain any provisions stipulating double voting rights for shareholders or limiting the voting rights attached to shares.

Statutory thresholds that must be disclosed to the Company (Article 24 of the bylaws)

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 disclosed, 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 bylaws do not provide for additional thresholds.

In 2011, the Company received no disclosures regarding the crossing of thresholds.

No other provision of the bylaws affects the rights of the shareholders, which may only be modified under the conditions laid down by law.

Existence of agreement whose implementation could result in a change of control of the Company or could have the effect of delaying, deferring or preventing a change of control

To the Company's knowledge, there exists no agreement to date which if implemented would eventually result in a change of control.
At present there is no provision in the Company's memorandum and articles of association, bylaws, charter or internal regulations that could have the effect of delaying, deferring, or preventing a change of control.

Measures taken by the Company to ensure that control is not abused

The measures taken by the Company to ensure that control is not abused are described in the reference document on the following pages:

- Chapter 5 of the reference document: Chairman's report on internal control;
- Chapter 5 of the reference document: existence of independent directors on the board of directors and special committees;
- Chapter 5: section on 'conflicts of interest'.

Significant contracts

The Group has not entered into any contract other than those concluded in the normal course of business.
Related-party transactions are described (i) on pages [70 and 71] of this reference document as it relates to executive remuneration, and (ii) in Note 15 to the consolidated financial statements, in section 6 of this reference document, as it relates to transactions carried out with other companies related to the Group.

Property, plant and equipment

Due to the large-scale use of subcontracting for the manufacture of its products, the Group's activities do not warrant 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 head office 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 School 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 School of Pharmacy. This laboratory, which occupies an area of approximately 60 sq. m. and has a clean room (a vacuum chamber enabling work with genotoxics) that the Company uses to conduct certain experiments on its products.

Factors 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 shareholding scheme;
- The Company has no knowledge of agreements between the shareholders that could restrict the transfer of shares or 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 general 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 AGM. The Company's articles of association may be amended only by an extraordinary general meeting;
- The Board of Directors benefits from authorisations set out in the 'Summary of authorisations in force granted by the general meeting to the Board of Directors', on page 193 of this document;
- 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.

Third party information, statements by experts and declarations of interest

The Company certifies that the information received from third parties contained in this reference document has, to its knowledge, been accurately reproduced and that, in light of the data set out in this reference document, no fact that is liable to be significant has been omitted which would lead to the information reproduced being inaccurate or misleading.

7.2.2.2 Additional information on the share capital

At 31 December 2011, the Company had share capital of €4,414,928.75, divided into 17,659,715 shares with nominal value of €0.25 each, all of the same class and fully paid. The shares represent voting rights, and none have been issued that do not represent the Company's capital.

Authorised but unissued capital / debt instruments

The Company has authorised capital increases which have not been carried out at the date of filing of this reference document, which could result from the warrants, stock options and free shares described in Section 5 of this reference document.

In addition, the extraordinary general meeting of 29 June 2011 has authorised:

(1) the Board of Directors, in accordance with the provisions of Article L 225-209 of the French Commercial Code and for a period of 18 months, to cancel, on one or more occasions, the shares of the Company that it holds in connection with a buyback programme decided by the Company, within the limit of 10% of the 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 against available premiums and reserves [resolution 12 of the extraordinary general meeting of 29 June 2011];

(2) 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 common shares and/or securities giving access to the Company's capital and/or transferable securities entitling the allocation of debt securities – with preferential subscription rights maintained – for a period of 26 months and within a maximum ceiling of €850,000, representing 3.4 million shares or 25% of the share capital at 31 December 2010 [resolution 13 of the EGM of 29 June 2011];

(3) 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 and 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 common shares and/or securities giving immediate or future access to the Company's capital, by an offer referred to in paragraph II of Article L 411-2 of the French Monetary and Financial Code, benefitting qualified investors or a restricted circle of investors, for a period of 26 months and within a maximum ceiling of €680,000, representing 2.7 million shares or 20% of the share capital at 31 December 2010, with the proviso 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 common shares issued will be determined by the Board of Directors pursuant to 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, where applicable, the maximum discount of 5% stipulated in Article R 225-119 of the French Commercial Code [resolution 14 of the EGM of 29 June 2011];

(4) (6) the Board of Directors, in accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 225-138 of the French Commercial Code, to increase the share capital by a maximum nominal amount of €170,000 by issuing a maximum of 680,000 new shares with a nominal value of €0.25 each, with preferential subscription rights waived in favour of a named entity, the company Therabel Pharma NV [resolution 15 of the EGM of 29 June 2011];

(5) 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 300,000 options for one

share each, granting rights to subscribe for new shares to be issued by the Company as a capital increase, 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 maximum nominal amount of €75,000, i.e. a maximum dilution of 2.22% relative to the Company's share capital at the end of the 2010 financial year [resolution 16 of the EGM of 29 June 2011];

(6) 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 210,000 options for one share each, granting rights to subscribe for new shares to be issued by the Company as a capital increase, 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 maximum nominal amount of €52,500, i.e. a maximum dilution of 1.55% in relation to the Company's share capital at the end of the 2010 financial year [resolution 17 of the EGM of 29 June 2011].

(7) the Board of Directors to issue and allocate to the members of the Company's Board of Directors who are not employees or officers of the Company or any of its subsidiaries, a maximum of 100,000 warrants ('BSAs') to purchase common shares, each giving the right to subscribe for one share of the Company with a nominal value of €0.25, representing a total nominal amount of €25,000, and corresponding to a dilution of 0.74% in relation to the Company's share capital the at the end of the 2010 financial year [resolution 18 of the EGM of 29 June 2011.

The full text of the resolutions proposed to or approved by the shareholders' general meetings may be found on the Company's website: http://www.bioalliancepharma.com..

In accordance with the provisions of Article L 225-100 of the French Commercial Code, we report to you the delegations currently in force, granted by the shareholders' general meeting to the Board of Directors in respect of capital increases and the use made of these delegations in 2011.

In euros	Date of EGM	Expiry date of the authorisation	Maximum nominal amount authorised	Increase carried out in preceding years	Increase(s) carried out during the financial year	Number of shares remaining at the date of preparation of this table
Share buyback programme Articles L. 225-209 et seq. of the French Commercial Code	29/06/201 Resolution 11	18 months (12/2013)	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	29/06/201 Resolution 13	26 months (08/2013)	€850,000 or 3.4 million shares, i.e. 25% of the capital at 31/12/2010	N/A	Capital increase of €16,640,120.70 as from 01/08/2011	4,057
Authorisation to increase capital by issuing shares and/or securities granting rights to capital, in an offer 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	22/04/201 Resolution 19	26 months (06/2012)	€325,000 or 1.3 million shares, i.e. 10% of the 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	29/06/201 Resolution 16	38 months (08/2014)	€75,000 or 300,000 options, i.e. 2.22% of the capital at 31/12/2010	N/A	218,000 options granted. No exercise, therefore, no capital increase	81,500
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	29/06/201 Resolution 17	38 months (08/2014)	€52,500 or 210,000 options, i.e. 1.55% of the capital at 31/12/2010	N/A	210,000 options granted. No exercise, therefore, no capital increase	0
Authorisation to issue and allocate share purchase warrants to the members of the Company's Board of Directors who are not employees or officers of the Company or any of its subsidiaries	29/06/2011 Resolution 18	18 months (12/2012)	€25,000 or 100,000 warrants, i.e. 0.74% of the capital at 31/21/2010	N/A	70,000 warrants allocated. No exercise, therefore, no capital increase	30,000
Authorisation to increase the share capital, with preferential subscription rights cancelled in favour of a named entity, the company Therabel Pharma N.V.	29/06/11 Resolution 15	31/12/2011	Maximum nominal amount of €170,000 for a maximum number of 680,000 shares		Capital increase definitively completed on 26 December 2011	0

Potential share capital

Under IAS 33, the potential capital is calculated by taking into account all the warrants, options and free shares granted, regardless of their vesting date. At 31 December 2011, this represented 18,360,009 shares. This total was calculated by adding together the capital at 31 December 2011 (17,659,715), shares that may be subscribed under warrants (41,791) and stock options (658,503).

Stock options

Following the authorisation given by the shareholders' general meeting of 29 June 2011 to the Board of Directors to award stock options:

- On 21 September 2011, the Board of Directors of BioAlliance Pharma adopted the framework for an Executives Stock Option plan and recorded the list of two beneficiaries who may receive, based on the achievement of plan's performance conditions, a maximum of 210,000 BioAlliance Pharma shares;

- On 21 September, the Board of Directors also adopted the framework for an Employees Stock Options plan and recorded the list of 49 beneficiaries who may receive, based on the achievement of the plan's performance conditions, a maximum of 218,500 BioAlliance Pharma shares.

Furthermore, it is recalled that following the capital increase in cash, with preferential subscription rights, carried out in July 2011, and to preserve the rights of the beneficiaries of stock options plans, the conditions for subscription or purchase (exercise price and number of shares under option) were adjusted so as to maintain the value of the rights of beneficiaries of the SO 2006 (1) plan in relation to the SO 2010 (2) plan. These adjustments were calculated in accordance with Articles L. 228-99 and R. 228-91 of the French Commercial Code.

Details of the stock options plans as at 31 December 2011 are found in Note 5.1 of the consolidated financial report.

Warrants

On 21 September 2011, the Board of Directors also approved the framework of a share purchase warrant (*bon de souscription d'actions* or 'BSA') plan and recorded the list of independent directors who received 70,000 warrants overall.

Free shares

No free share plan was implemented in 2011.

On 13 May 2011, the Board of Directors noted the vesting of 47,700 shares awarded on 1 April 2009 (see Note 5.5 of the consolidated financial statements).

Shares held by the Company (excluding liquidity contract)
At 31 December 2011, the Company held no treasury shares.

Liquidity contract

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

The shareholders are reminded that, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, the Company has been authorised by its shareholders to trade in its own shares, within 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 general meeting of 29 April 2009 under the terms of its tenth resolution and then renewed for a period of eighteen months by the Company's ordinary and extraordinary general meeting of 22 April 2010, under the terms of its sixteenth resolution.
In the financial year ended 31 December 2011, the Board of Directors successively implemented the programme authorised by the AGM of 22 April 2010 and, as from 29 June 2011, the programme authorised by the AGM of 29 June 2011, which is identical to its predecessor.
The objectives pursued by this buyback programme, in decreasing order of priority, concern the following situations:

- market making on the secondary market, or to preserve the liquidity of the company's shares, by an investment services provider acting independently under a liquidity contract complying with the AMAFI code of ethics recognised by the Autorité des Marchés Financiers;
- implementation of any Company stock option plan under the provisions of Articles L 225-177 et seq. of the French Commercial Code;
- award of free shares to employees and corporate officers;
- allocation of 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, and particularly under Articles L. 3332-18 et seq. of the French Employment Code;
- purchase of shares to retain them and subsequently tender them in exchange or as payment in an external growth transaction, within the limit of 5% of the share capital;
- delivery of shares upon exercise of rights attached to securities giving access to the share capital;
- cancellation of repurchased shares within the limits set by law and subject to the condition precedent to the adoption of resolution 11 of this meeting.

The details of this share buyback programme are available at the Company's registered office or on its website.

Implementation of the share buyback programme

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

During the 2011 financial year, the share buyback programme was used exclusively within the scope of a liquidity contract aimed at market making on the secondary market, or to preserve the liquidity of the Company's shares, by an investment services provider. Under the regulations in force, and in particular the provisions of EU Regulation No. 2273/2003 of 22

December 2003, on 2 January 2007 the company concluded a liquidity contract with CM-CIC Securities complying with the code of ethics of the French financial markets' association, the Association Française des Marchés Financiers, (AMAFI), recognised by the Autorité des Marchés Financiers. This contract was still in force at the date of filing this 2011 reference document.

Since 8 October 2008, the sum allocated to the liquidity account is €400,000.

Under the share buyback programme, the Company has, between the opening date and closing date of the past financial year, engaged in purchase and sale transactions on its own shares, as follows:

- Number of shares purchased: 776,846 at an average price of €4.87 (weighted average calculated over the year);
- Number of shares sold: 791,404 at an average price of €4.89 (weighted average calculated over the year);
- Brokerage fees: €27,000 per annum.

At 31 December 2011, the Company held 15,480 treasury shares with a nominal value of €3,870 and a value of €50,000.40 as measured by the share purchase price.

	Number of shares purchased	**Number of shares sold**	**Average purchase price**	**Average sale 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 2011	31,631	44,457	5.94	5.88	17,212	0.18
February 2011	52,220	26,618	5.99	6.03	42,814	0.31
March 2011	50,411	54,272	5.71	5.71	38,953	0.29
April 2011	33,974	58,666	5.99	6.03	14,261	0.10
May 2011	87,555	73,648	6.09	6.11	28,168	0.20
June 2011	107,820	105,937	6.14	6.16	30,051	0.22
July 2011	86,783	59,077	5.45	5.51	57,757	0.42
August 2011	68,240	102,569	4.00	3.99	23,428	0.14
September 2011.....	65,613	59,159	3.47	3.36	29,882	0.17
October 2011.....	68,499	68,349	3.33	3.42	30,032	0.17
November 2011.....	59,575	34,695	3.22	3.30	54,912	0.32
December 2011	64,525	103,957	3.21	3.21	15,480	0.08
Total	**776,846**	**791,404**	**4.87(1)**	**4.89(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.

Changes in the share capital of BioAlliance Pharma over the past five years

Date of final completion of the transaction or of recognition	Capital increase	Number of shares issued	Nominal amount of the capital increase/ reduction (€)	Issue premium (€)	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
15/05/2011	Vesting of free shares	47,700	11,925	-	3,395,943	13,583,772	€0.25
01/08/2011	Capital increase with PSR maintained	3,395,943	848,985.75	15,791,134.95	4,244,928.75	16,979,715	€0.25
26/12/2011	Reserved capital increase	680,000	170,000	2,312,000	4,414,928.75	17,659,715	€0.25

Changes in shareholding over the past three years

	31/12/2011		31/12/2010		31/12/2009	
	Number of shares	% of share capital	Number of shares	% of share capital	Number of shares	% of share capital
Founders	**404,555**	**2.29**	**404,555**	**2.99**	**524,002**	**4.06**
Main shareholders	**5,377,196**	**30.45**	**3,977,451**	**29.39**	**3,223,564**	**25**
Groupe Financière de la Montagne	1,680,128	9.51	1,249,185	9.23	1,000,000	7.75
ING Belgium Group	1,076,175	6.09	1,128,550	8.34	1,129,553	8.76
Therabel Group	878,893	4.98	505,705	3.74	-	
IDInvest Partners (AGF PE)	835,749	4.73	742,889	5.49	742,889	5.76
Talence Gestion	467,349	2.65				
CDC Group	438,902	2.48	351,122	2.59	351,122	2.72
Other	**12,282,519**	**69.55**	**9,558,621**	**65.52**	**9,674,770**	**75**
of which treasury shares	15,480	0.08	30,038	0.22	35,881	0.28
Total	**17,659,715**	**100**	**13,536,072**	**100**	**12,898,334**	**100**

Employee shareholding

In accordance with Article L 225-102 of the French Commercial Code, we inform you that, at 31 December 2011, the Company's employees had no shareholdings in the Company's capital through a collective investment scheme.

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

Plan designation	Beneficiaries	Adjusted (*) subscription price per share in euros	Expiry date	Number of shares outstanding at 31/12/11	% dilution of share capital	% AGGREGATE
BSA-L1	Board of Directors and Scientific Committee	€2.86	17/12/13	6,189	0.03	0.58
BSA-L2		€2.33	05/04/14	8,275	0.04	
BSA-L3		€5.34	21/10/14	0	0	
BSA - K3		€10.84	10/10/12	19,597	0.11	
BSA M		€3.80	21/09/2017	70,000	0.40	
BSA - K3	Executives	€10.84	10/10/12	11,346	0.06	1.31
SO 2010 Exec.		€5.53	25/08/20	10,308	0.06	
SO 2011 Exec.		€3.80	21/09/2021	210,000	1.19	
SO 2006(2)	Employees	€12.17	05/04/12	69,096	0.39	2.47
SO 2006(3)		€10.84	10/10/12	17,534	0.10	
SO 2006(4)		€6.85	25/04/13	24,739	0.14	
SO 2010 Emp. (1)		€5.53	25/08/20	97,120	0.55	
SO 2010 Emp. (2)		€5.47	16/12/20	16,706	0.09	
SO 2011 Emp. (1)		€3.80	21/09/2021	213,000	1.20	
TOTAL				**773,910**	**4.36**	**4.36**

(*) After adjusting the issue number and price on K and L warrants (BSAs) and the 2006-2010 stock options following the capital increase of July 2011 in accordance with Article L.228-99 of the French Commercial Code (Board of Directors' meeting of 28 July 2011).

At 31 December 2011:

- Shares that may be acquired by employees other than the two members of the Executive Management (exercise of options or vesting of free shares) represent 2.47% of the Company's share capital, and those that may to be acquired by the two members of the Executive Management represent 1.31% of the Company's share capital;

- the total number of shares that may be acquired amounts to 4.36% of the Company's share capital.

The diluted capital at 31 December 2011 includes the share capital at 31 December 2011 (17,659,715 shares) plus the shares that may be subscribed in respect of plans for allocating securities giving access to the Company's capital (773,910). This amounts to 18,433,625 shares, i.e. a potential dilution of 4.36%.

Identification of shareholders

The Company is entitled at any time to request, from the agent responsible for securities clearing, the identity of holders of securities giving immediate or future access to voting rights at its general meetings, the number of shares held by each, and, where applicable, the restrictions to which the securities may be subject.

7.2.2.3 Additional information on the audit of the financial statements

Audit of the financial statements

The statutory auditors of BioAlliance Pharma, in accordance with the legislation on commercial companies, are responsible for certifying the Company's financial statements. The statutory auditors are appointed by the general meeting of shareholders.

Statutory Auditors

Grant Thornton

French member of Grant Thornton International
100 Rue de Courcelles
75017 Paris
Represented by Olivier Bochet, member of the Paris Institute of Statutory Auditors.
Grant Thornton was appointed when the Company was founded for a term of six (6) financial years. It was re-appointed at the annual general meeting of 17 November 2004 to approve the financial statements for the year ended 30 June 2004, then again at the AGM of 22 April 2010 to approve the financial statements for the year ended 31 December 2009. This appointment expires after the AGM to approve the financial statements for the year ending 31 December 2015.

Ernst & Young Audit

Tour Ernst & Young, Faubourg de l'Arche
Tour First,
1 /2 place des saisons
92400Courbevoie, Paris La Défense 1
Represented by Mr Franck Sebag, member of the Versailles Institute of Statutory Auditors.

Ernst & Young was appointed by the annual general meeting of 29 June 2011 for a term of six (6) financial years. This appointment expires at the close of the AGM to approve the financial statements for the period ending 31 December 2016.

Alternate auditors

IGEC, Institut de Gestion et d'Expertise Comptable
3 Rue Léon Jost
75017 Paris

IGEC was appointed by the annual general meeting of 22 April 2010 for a term of six (6) financial years. This appointment expires at the close of the AGM to approve the financial statements for the year ending 31 December 2015.

Société Auditex SA
Tour First,
1 /2 place des saisons
92400Courbevoie, Paris La Défense 1
Auditex SA was appointed by the annual general meeting of 29 June 2011 for a term of six (6) financial years. This appointment expires at the close of the AGM to approve the financial statements for the year ending 31 December 2016.

The statutory auditors have not resigned and have not been terminated.

Fees paid to the statutory auditors and members of their networks
The table presenting the fees paid to the statutory auditors and members of their network and expensed by the Company between 1 January and 31 December 2011 is found in Note 17 to the consolidated financial statements.

7.2.3 Published information about the Company

Date (in reverse chronological order)	**Type of information**	**Media used**
17 April 2012	Full-year financial results for 2011 Q1 2012 Consolidated turnover	Company website - full, effective distribution
16 April 2012	New achievements in clonidine Lauriad™ clinical development, Second product of its orphan oncology portfolio	Company website - full, effective distribution
20 March 2012	'Oncology: Tomorrow's Challenges' – Success of the symposium held by BioAlliance Pharma	Company website - full, effective distribution
1 February 2012	To provide a clearer picture of the company, its portfolio and its leaders, BioAlliance Pharma holds a symposium called 'Oncology: Tomorrow's Challenges'.	Company website - full, effective distribution
27 January 2012	Announcement of Dominique Costantini's resignation as director of the Company	Legal journal *Petites Affiches*

Date (in reverse chronological order)	Type of information	Media used
26 January 2012	2011 Balance Sheet and 2012 outlook: BioAlliance Pharma confirms its dynamic fundamentals	Company website - full, effective distribution
23 January 2012	BioAlliance Pharma announces new phases for its AMEP® biotherapy in metastatic melanoma	Company website - full, effective distribution
4 January 2012	BioAlliance Pharma: New advances in the collaboration with strategic European partner Therabel	Company website - full, effective distribution
30 December 2011	Announcement of capital increase reserved for Therabel	Legal journal *Petites Affiches*
18 November 2011	BioAlliance Pharma is ranked a leading growth company in France according to the 'Deloitte Technology Fast 50 2011'	Company website - full, effective distribution
14 November 2011	BioAlliance Pharma announces its net sales for the third quarter and progress in marketing Loramyc® in Italy	Company website - full, effective distribution
2 November 2011	BioAlliance Pharma announces that it has obtained 'orphan drug' status for clonidine Lauriad™ in Europe.	Company website - full, effective distribution
5 October 2011	Major milestone in the development of Sitavir® with the filing of the European registration application for the treatment of recurring orofacial herpes.	Company website - full, effective distribution
21 September 2011	Net sales for H1 2011 and company progress.	Company website - full, effective distribution
13 September 2011	BioAlliance Pharma announces positive preliminary clinical results from Phase I of its AMEP® biotherapy in metastatic melanoma.	Company website - full, effective distribution
12 September 2011	BioAlliance Pharma announces its participation in the Midcap Event on 22 and 23 September 2011.	Company website - full, effective distribution
7 September 2011	BioAlliance Pharma announces two key events: Approval by the French drug agency for the Phase III trial of Livatag® (doxorubicin Transdrug™) and reacquisition of US marketing rights to Oravig®.	Company website - full, effective distribution
5 September 2011	Survival results of Livatag® presented at the international conference on liver cancer in Hong Kong.	Company website - full, effective distribution
17 August 2011	Notice on the adjustment of the rules in force for exercising stock options and warrants	Publication in the BALO No. 98
1 August 2011	BioAlliance Pharma begins producing clinical batches of Livatag® (doxorubicin Transdrug™) in preparation for the launch of its Phase III trial.	Company website - full, effective distribution

Date (in reverse chronological order)	Type of information	Media used
28 July 2011	Q2 2011: BioAlliance Pharma steps up the progress of its orphan oncology drug portfolio and pursues international partnerships on its special products.	Company website - full, effective distribution
26 July 2011	Success of the BioAlliance Pharma capital increase which was over-subscribed and raised €16.64 million.	Company website - full, effective distribution
13 July 2011	BioAlliance Pharma achieves two milestones in admissibility for its advanced orphan products, Livatag® (doxorubicin Transdrug™) and clonidine Lauriad™ – Admissibility of application for Phase III clinical trial of Livatag® (doxorubicin Transdrug™) – Admissibility of request for 'orphan drug' designation for clonidine Lauriad™ in Europe and the US	Company website - full, effective distribution
11 July 2011	Publication of voting rights	Legal journal *Petites Affiches*
11 July 2011	Publication of changes to the Board of Directors	Legal journal *Petites Affiches*
11 July 2011	Publication of the annual financial statements (parent company and consolidated)	Publication in the BALO No. 82
11 July 2011	BioAlliance strengthens the protection of its product, Livatag® (doxorubicin Transdrug™), by obtaining a European patent.	Company website - full, effective distribution
6 July 2011	Notice to holders of BioAlliance Pharma share purchase warrants	Publication in the BALO No. 80
6 July 2011	Notice to holders of BioAlliance Pharma stock options	Publication in the BALO No. 80
1 July 2011	BioAlliance Pharma launches a €16 million capital increase with preferential subscription rights maintained	Company website - full, effective distribution
27 June 2011	BioAlliance Pharma files an application for a Phase III clinical trial for Livatag® (doxorubicin Transdrug™) with the French drug agency (Afssaps)	Company website - full, effective distribution
24 June 2011	BioAlliance Pharma announces it has filed a request for 'orphan drug' status for clonidine Lauriad™ in Europe and the US	Company website - full, effective distribution
17 June 2011	Publication of meeting notice	Legal journal *Petites Affiches*
13 June 2011	Publication of meeting notice	Publication in the BALO No. 70
10 June 2011	BioAlliance Pharma reinforces protection of its proprietary technology by obtaining its Lauriad™ patents in Asia and by returning Setofilm® to APR Applied Pharma Research SA, owner of that technology.	Company website - full, effective distribution
1 June 2011	BioAlliance Pharma announces it has lodged an appeal contesting a preliminary procedural decision on jurisdiction in its dispute with SpePharm and SpeBio.	Company website - full, effective distribution
30 May 2011	A new CEO at BioAlliance Pharma to guide its growth.	Company website - full, effective distribution

Date (in reverse chronological order)	Type of information	Media used
25 May 2011	Meeting notice	Publication in the BALO No. 62
25 May 2011	Combined Annual General Meeting of 29 June 2011 - Arrangements for making preparatory documents available.	Company website - full, effective distribution
23 May 2011	Publication of co-optation of Patrick Langlois	Legal journal *Petites Affiches*
23 May 2011	Publication of capital increase of €11,925 following the vesting of 47,700 free shares	Legal journal *Petites Affiches*
20 May 2011	The BioAlliance Pharma Board of Directors changes to meet the needs of its growth.	Company website - full, effective distribution
16 May 2011	BioAlliance Pharma announces the launch of Loramyc® in Germany by its partner Therabel, in collaboration with Hikma	Company website - full, effective distribution
13 May 2011	Q1 2011 is marked by major progress in clinical development programmes – Recurring net sales that reflect the international rollout of Loramyc®	Company website - full, effective distribution
11 May 2011	BioAlliance Pharma expands its partnerships with a new licence for Loramyc® in Japan – Agreement signed with Sosei for a total of US$18.5 million	Company website - full, effective distribution
27 April 2011	BioAlliance Pharma accelerates the clinical development of clonidine Lauriad™ at European level – The product joins the 'Orphan oncology drugs' portfolio	Company website - full, effective distribution
7 April 2011	Publication of the Reference Document	Company website - full, effective distribution
31 March 2011	Updating 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
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 with patients having orofacial herpes	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 monthly the total number of shares and voting rights making up its capital.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REFERENCE 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 page 205 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 data presented in this document have been audited and are the subject of reports by the statutory auditors which are found :

- page 149 for the report on the consolidated accounts;
- page 186 for the report on the annual accounts.

It is recalled that the historical financial data regarding 2010 and 2009 are included by reference in this document and are subject of reports by the statutory auditors which are found:

- page 105 and 134 of the Reference Document – Annual report registered on April 7, 2011, which include an observation regarding disputes with Spepharm and Spebio and Eurofins;

- page 123 and 125 of the Reference Document – Annual report registered on June 29, 2010, which include two observations regarding the going concern principle and the disputes with Spepharm and Spebio and Eurofins.

Judith Greciet
Paris, 23 April 2012

Cross-reference table on information required in the annual financial report

To facilitate the reading of this document, the cross-reference table below helps the reader to identify in this reference document the information that constitutes the annual financial report that must be published by listed companies in accordance with Articles L. 451-1-2 of the French Monetary and Financial Code and 22-3 of the AMF's General Regulations.

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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 reference document in which is mentioned information related to each of the regulation's headings.

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GLOSSARY

TERM	DEFINITION
Adverse event	Any harmful and undesirable event experienced by a participant in a clinical trial, regardless of the event's connection to the drug(s) under study, regardless what caused the event.
AFSSAPS	French Agency for the Safety of Healthcare Products (French drug agency).
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.
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	*Bons de Souscription* (French share purchase warrants).
Clinical trial	The systematic study of a drug on human subjects (either healthy or diseased 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.
EMA	European Medicines Agency.
FDA	Food and Drug Administration - the US drug agency.
GCP (Good Clinical Practices)	A group of measures ensuring the quality 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.
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.
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.
In vivo	Manipulation carried out in the body of a human or animal.
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.

TERM	DEFINITION
ISO 9000 (9001, 9002, 9003)	Quality system: A system designed to ensure quality in design, development, production, installation, and related services.
MA	Marketing Authorisation.
MDR	Multi Drug Resistance gene – encoding transmembrane proteins rejecting products or drugs outside the cells.
PCT	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 administration of the drug in the human body.
Phase II	This phase is divided into two sub-phases. Phase II-A, which aims to study the effects of the drug on a small number of volunteers (mostly healthy) and complete the pharmacokinetic studies. Phase II-B evaluates the tolerance (side effects) and efficacy of the drug on a limited number of patients and determines 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. This phase must also allow for the study of adverse effects and evaluate the safety/efficacy balance vis-à-vis 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 covering 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.
Serious adverse event	A serious adverse event is an adverse event that contributed to death or that is likely to endanger life, causes disability or incapacity, or leads to or prolongs hospitalisation.
SO	Stock option.
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, which 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.