Reference Document

from diagnosis,
the seeds of better health

BIOMÉRIEUX

A French Corporation ("société anonyme") with a capital of €12,029,370
Head Office: Marcy l'Etoile (69280)
673 620 399 RCS Lyon

The original version of this reference document (*document de référence*) in French was deposited with the French Financial Markets Authority (AMF) on May 23, 2006 under the number R.06-069, notably in accordance with article 212-13 of the General Regulation of the AMF. It may be used in connection with a financial transaction if completed by an information notice approved by the AMF.
In accordance with article L. 621-8-1-I of the French Monetary Code, AMF has registered the document after it has verified "whether the document is complete and understandable, and whether the information it contains is coherent". It does not imply an authentication by the AMF of the accounting and financial elements presented.

This English translation is for the convenience of English-speaking readers. Consequently, the translation may not be relied upon to sustain any legal claim, nor should it be used as the basis of any legal opinion. bioMérieux expressly disclaims all liability for any inaccuracy herein.

As prescribed by article 28 of European Commission Regulation (EC) 809/2004 of April 29, 2004 and by article 212-11 of the General Regulation of the French Financial Markets Authority (*Règlement Général de l'Autorité des Marchés Financiers*), the information below is included by reference in this document:

- The information corresponding to item 9.1 of appendix 1 of Regulation (EC) 809/2004 for fiscal 2004 is presented under sections 5.2 and 5.5 of the "Document de reference" filed with the AMF on May 18, 2005 under number R. 05-059 (hereinafter the "Document de reference 2004", and the information for fiscal 2003 is presented under sections 5.3 and 5.5 of the "Document de Base"[*] filed with the AMF of May 6, 2004 under number I. 04-077 (hereinafter the "Document de Base");

- The information corresponding to item 11 of appendix 1 of Regulation (EC) 809/2004 for fiscal 2004 is presented under sections 4.6 and 4.7.6 of the "Document de reference 2004" and the information for fiscal 2003 is presented under sections 4.6 and 4.7.6 of the "Document de Base";

- The information corresponding to item 20.1 of appendix 1 of Regulation (EC) 809/2004 for fiscal 2004 is presented under sections 5.3, 5.4, 5.5 and 5.6 of the "Document de reference 2004" and the information for fiscal 2003 is presented under sections 5.4 and 5.5 of the "Document de Base";

- The information corresponding to item 20.3 of appendix 1 of Regulation (EC) 809/2004 for fiscal 2004 is presented under sections 5.3, 5.4, 5.5 and 5.6 of the "Document de reference 2004" and the information for fiscal 2003 is presented under sections 5.4 and 5.5 of the "Document de Base";

- The information corresponding to item 20.4.1 of appendix 1 of Regulation (EC) 809/2004 for fiscal 2004 is presented under sections 5.4 and 5.6 of the "Document de reference 2004" and the information for fiscal 2003 is presented under sections 5.4 and 5.5 of the "Document de Base";

- The information corresponding to item 20.4.2 of appendix 1 of Regulation (EC) 809/2004 for fiscal 2004 is presented under section 1.4 of the "Document de reference 2004" and the information for fiscal 2003 is presented under section 1.4 of the "Document de Base";

The other information contained in the "Document de reference 2004" and the "Document de Base" is not incorporated by reference.

[*] The "Document de Base" is similar in its content to the "Document de reference" and is registered by the French Financial Markets Authority together with an Operation Note (both documents being together called "Prospectus") when a Company applies to be listed on Enronext Paris Stockexchange.

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PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT - PERSONS RESPONSIBLE FOR THE FINANCIAL AUDIT

1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Alain Mérieux, Chairman and Chief Executive Officer of bioMérieux.

1.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

"I hereby certify that, based on all reasonable care taken in this respect, the information contained in this Document is, to the best of my knowledge, consistent with the facts and does not omit anything likely to materially affect its import.

I have received an audit letter from the statutory auditors, in which they report having examined the information on the financial position and the financial statements contained herein, as well as read this entire Document."

Marcy l'Etoile, May 23, 2006

Alain Mérieux
Chairman and Chief Executive Officer

1.3 PERSONS RESPONSIBLE FOR THE FINANCIAL AUDIT

1.3.1 Independent auditors

- **Deloitte & Associés**
  81 boulevard Stalingrad, 69100 Villeurbanne
  Represented by Mr. Alain Descoins

  Appointed by the shareholders' meeting of March 2, 1988 and reappointed by the shareholders' meetings of March 17, 1994 and March 23, 2000 for a term expiring at the close of the shareholders' meeting called to approve the financial statements for fiscal year ending December 31, 2005.

- **Commissariat Contrôle Audit – CCA**
  43, rue de la Bourse, 69002 Lyon

  Appointed by the shareholders' meeting of June 9, 2005 for a term expiring at the end of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2010.

  Commissariat Contrôle Audit –CCA is a registered auditing firm, member of Compagnie Régionale des Commissaires aux comptes de Lyon.

1.3.2 Alternate auditors

- **BEAS**
  7-9 Villa Houssay, 92200 Neuilly-sur-Seine

  Appointed by the shareholders' meeting of December 19, 2000 for a term expiring at the close of the shareholders' meeting called to approve the financial statements for fiscal year ending December 31, 2004.

- **Diagnostic Révision Conseil (DRC)**
  45, rue de la Bourse, 69002 Lyon

  Appointed by the shareholders' meeting of June 9, 2005 for a term expiring at the end of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2010.

  Diagnostic Révision Conseil (DRC) is a registered auditing firm, member of Compagnie Régionale des Commissaires aux comptes de Lyon.

1.3.3 Expiration of auditors' terms

- **Deloitte et Associés***

The term of Deloitte et Associés expires at the end of the shareholders' meeting called to approve the 2005 financial statements, which will be asked to extend that firm's appointment for a six-year term expiring at the end of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2011.

- **BEAS**

The term of BEAS expires at the end of the shareholders' meeting called to approve the 2005 financial statements, which will be asked to extend that firm's appointment for a six-year term expiring at the end of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2011.

1.3.4 Independent auditors for the fiscal years ended December 31, 2004 and December 31, 2003

- **Deloitte et Associés***
  81 Boulevard Stalingrad, 69100 Villeurbanne

- **Bernard Chabanel**
  43 Rue de la Bourse, 69002 Lyon

  Bernard Chabanel is a registered auditor, member of Compagnie Régionale des Commissaires aux comptes de Lyon.

  Bernard Chabanel's term as auditor was not extended by the annual shareholders' meeting of June 9, 2005, as he had audited the Company's financial statements for more than six consecutive years.

1.3.5 Alternate auditors for the fiscal years ended December 31, 2004 and December 31, 2003

- **BEAS**[*]
  7-9, villa Houssay, 92200 Neuilly-sur-Seine

- **Commissariat Contrôle Audit, CCA** [*]
  43, rue de la Bourse, 69002 Lyon

1.4 PERSON RESPONSIBLE FOR INFORMATION

Mrs. Dominique Takizawa
Telephone: +33 (0) 4.78.87.22.37

Address: bioMérieux, Marcy l'Etoile, F69280

[*] cf § 1.3.1 et 1.3.2

SECTION 2

~~Note~~: In the event of transactions requiring the approval of the AMF, the information covered in this section would be included in a specific circular.

SECTION 3

GENERAL INFORMATION CONCERNING BIOMÉRIEUX AND ITS CAPITAL

3.1 GENERAL INFORMATION CONCERNING THE COMPANY

3.1.1 Name and principal office (articles 3 and 4 of the articles of incorporation and bylaws)

The Company's name is bioMérieux. No trade name has been registered.

The Company's principal office is at Marcy l'Etoile (Rhône).

The Company is incorporated in France since its origin.

Principal office telephone number: +33(0)4 78 87 20 00

3.1.2 Legal form and applicable law (article 1 of the articles of incorporation and bylaws)

bioMérieux (the "**Company**" or "**bioMérieux**") is a French corporation (*société anonyme*) with a Board of Directors, governed *inter alia* by the provisions of Book II of the Commercial Code and Decree (*décret*) n°. 67-236 of March 23, 1967 on business corporations.

In this document, bioMérieux is referred to as the "**Company**", "**bioMérieux**", or the "**Group**".

3.1.3 Incorporation date and term (article 5 of the articles of incorporation and bylaws)

The Company was formed on December 13, 1967[(1)], for a term of 50 years, except dissolution or extension, from the date of its registration in the Trade and Companies Register.

The Company's combined annual and special shareholders' meeting of April 16, 2004, resolved to modify the term of the Company to 99 years until April 15, 2103.

3.1.4 Corporate purpose (article 2 of the articles of incorporation and by laws)

The Company's purpose, in France and elsewhere, is:

- to manufacture, produce, process, package, distribute, buy, sell, import and export any products and devices and any techniques and know-how used for diagnostics, prevention and treatment, generally in the field of healthcare;

- to carry out all studies and research and to develop, acquire, grant, keep, control, use, improve, including through the use of licenses and sublicenses, all trademarks, brand names, patents, techniques, inventions, improvements, formulas, designs, processes, etc. in any way related to the above or to the manufacturing and distribution of such products;

(1) See §3.3.2 below

– to participate, directly or indirectly, in all marketing and manufacturing activities related to any whatsoever of the above purposes or likely to contribute to them, by forming new companies, transferring or acquiring shares or ownership interests, mergers, alliances, associations or partnerships, or by any other means;

– to perform all transactions in its line of business, either alone and for its own account or on behalf of third parties, on commission, as a broker, for a fee, on a cost basis, as representative or agent of any entity or in any other capacity; and

– in general, to perform all business, industrial, financial or other transactions directly or indirectly related to the above purposes or to any related purposes, including by developing means for expanding, promoting, advertising, trading or shipping raw materials, semi-finished or finished products, as well as by acquiring the ability to purchase, acquire, hold, transfer, lease, mortgage or dispose of goods, either movable or immovable, real or intangible, related to the above purposes or likely to contribute to them.

3.1.5 Trade and Companies Register

The Company is registered with the Lyon Trade and Companies Register under number 673 620 399.

The Company's APE industry code is 246 L.

3.1.6 Examination of legal documents

The Company's articles of incorporation and bylaws (*statuts*) as well as the minutes of shareholders' meetings, the Company's historic financial information for each of the two years preceding the publication of this reference document, auditors' reports and other Company documents may be examined at the Company's principal office of Marcy l'Etoile, Rhône.

3.1.7 Fiscal year (article 21 of the articles of incorporation and bylaws)

The Company's fiscal year is from January 1 to December 31 of every year.

3.1.8 Distribution of earnings (articles 10, 22 & 23 of the articles of incorporation and bylaws)

Each share is entitled to a ratable portion of earnings corresponding to the amount of capital that it represents.

The year's income, less accumulated losses, if any, is subject to a deduction of (i) five percent or more for the legal reserve, which deduction ceases to be mandatory once the reserve is equal to ten percent of capital stock but becomes mandatory again if that percentage is no longer met for any reason whatsoever, and (ii) any sums required by law to be set aside as reserves.

The balance, plus any retained earnings from previous periods, represents distributable earning that the shareholders' meeting may, at the suggestion of the Board of Directors, distribute in whole or in part as dividends, or may appropriate to reserve accounts, capital repayments or retained earnings.

The shareholders' meeting may allow shareholders the option to receive all or part of dividends or interim dividends distributed in either cash or stock, in accordance with the law. Reserves which the shareholders' meeting is entitled to allocate may be used by it to pay dividends to shareholders. If this occurs, the relevant resolution must expressly state from which accounts the funds are to be withdrawn.

In addition, the shareholders' meeting may resolve to use income or undistributed earnings, other than the legal reserve, to retire some or all of the shares outstanding and to repay up to their par value.

The terms of payment of dividends are set by the shareholders' meeting or, failing which, by the Board of Directors. Dividends must be payable no more than nine months after the end of a fiscal year, unless otherwise authorized by a court. The Board of Directors may, subject to the provisions of the law, distribute one or more interim dividends prior to the approval of the financial statements for the year.

3.1.9 Board of Directors and Executive officers (art. 11 to 17 of the articles of incorporation and bylaws) (see section 6 below)

The Company is governed by a Board of Directors with at least three members and up to the maximum membership permitted by law.

Persons accepting to serve and elected as directors undertake to be able at any time to declare satisfying personnally the applicable legal conditions and requirements, including in terms of plurality of membership on other boards.

The Board of Directors elects a Chairman from among its members, who has to be an individual, failing which the election shall be invalidated. The board sets the Chairman's compensation.

The Board of Directors may also appoint one or more vice-chairmen from among its members.

The chairman of the Board of Directors organizes and runs the board's work and reports thereon to the shareholders' meeting.

The members of the Board of Directors are elected for terms of six years, expiring at the end of the annual shareholders' meeting called during the year in which their term expires to approve the financial statements for the year ended. All directors may always be reelected.

While in office, members of the Board of Directors must own at least one share of the Company.

The shareholders' meeting may resolve to allocate to the Board of Directors a fixed annual sum to be allocated as directors' fees, until a later shareholders' meeting resolves otherwise.

Directors' fees are allocated among the members as the Board deems appropriate. Directors who are members of board committees may receive higher fees than other directors.

The Company's chief executive officer is the Chairman of the Board of Directors.

3.1.10 Shareholders' meetings (articles 19 and 20 of the articles of incorporation and bylaws)

3.1.10.1 Notice of meetings

Shareholders' meetings are convened and transact business in accordance with the law. They meet at the Company's principal office or at any other location indicated in the notice of meeting.

Shareholders' resolutions may be voted at ordinary or extraordinary meetings, or at meetings of preferred shareholders, depending on the decisions concerned.

3.1.10.2 Participation in meetings

All shareholders are entitled to participate in shareholders' meetings and to vote, either in person or by proxy, as provided by article L. 225-106 of the Commercial Code.

Shareholders are entitled to participate in shareholders' meetings:

- in the case of holders or registered shares, provided that they are registered in the Company's books, and

- in the case of holders of bearer shares, provided that their shares are deposited as indicated in the notice of meeting or that they produce a certificate from the financial intermediary with which their shares are deposited stating that the deposited shares are inaccessible until the date of the meeting. The deposit or the inaccessibility of the shares may be expressly cancelled only in accordance with applicable regulations.

The foregoing formalities must be fulfilled no later than five days before the date of the meeting. However, the Board of Directors may decide as a general rule to shorten this period, in which case the meeting notice must so indicate.

Shareholders may be represented by their spouse or by another shareholder at all meetings. They may also vote by mail, using a mail ballot, which the meeting notice explains how to obtain, in accordance with applicable laws and regulations. The presence of a shareholder at a meeting nullifies any mail ballot or proxy vote by that shareholder. Likewise, in the event of a conflict between a proxy vote and a mail ballot, the proxy vote will be given precedence, regardless of their respective dates. For the purpose of calculating the quorum, mail ballots are considered only if forms have been duly completed and are received by the Company at least three days before the meeting.

Finally, shareholders may participate in meetings by videoconference and other telecommunications means approved under applicable laws and regulations and referred to in the meeting notice or announcement.
Minutes of shareholders' meetings are prepared, and copies are certified and delivered in accordance with the law.

3.1.10.3 Voting rights

Voting rights attached to shares are proportional to the portion of capital that they represent and each share entitles it holder to at least one vote.

All fully paid shares, regardless of their class, fully paid up which have been held in registered form by the same shareholder for five years or more are entitled to twice the voting rights of other shares.

Shares converted to bearer form or whose ownership changes, subject to the exceptions provided by law, automatically lose their double voting rights. Exceptions include transfers by inheritance, the liquidation of community property, *inter vivo* gifts to a spouse or relatives who can inherit, which do not cause the loss of double voting rights or interrupt the five-year period. The Company's merger or demerger also does not affect double voting rights, which may be exercised with the successor entities if their articles of incorporation and bylaws allow it.

Bonus shares resulting from the capitalization of reserves, earnings or other paid-in capital are entitled to double voting rights from their date of issue if they are attributed to shares enjoying such rights.
The system of double voting rights was introduced by decision of the special shareholders' meeting of March 30, 1999.

3.1.11 Other shareholder rights and changes in such rights

In addition to the rights set forth in sections 3.1.7 and 3.1.9, shareholders' rights pursuant to applicable regulations include the right to receive information, to be elected to the Board of Directors, to take legal action, to subscribe for new shares on a preemptive basis and to receive a liquidation dividend.

Pursuant to the law, the rights of shareholders can only be modified by a special shareholders' meeting; however, the special shareholders' meeting cannot modify certain rights deemed inherent to shareholders, such as the right to vote at shareholders' meeting, to share in the Company's earnings, to dispose of their shares, etc.

3.1.12 Payment up of shares

Subscribed shares must be paid up in accordance with the law, meaning that at least one fourth of the nominal value of shares purchased for cash must be paid at the time of subscription, along with the full premium over par as the case may be. The balance may be paid in one or more installments no later than five years from the effective issue date of the shares.

3.1.13 Form of shares and identity of shareholders (art. 8 of incorporation and bylaws articles)

Pursuant to article 8 of the Company's articles of incorporation and bylaws, fully paid-up shares may be held in registered or bearer form, at the holder's option, subject to applicable laws and regulations and to the provisions of the Company's articles of incorporation and bylaws; shares must be held in registered form until they are fully paid up.

The same article 8 provides that the Company may make use of legal and regulatory provisions pertaining to the identification of shareholders of securities entitling them, immediately or in the future, to vote at shareholders' meetings.

Accordingly, the Company may at any time obtain, at its expense, information on the name and date of birth, or, in the case of legal entities, the company name and date of incorporation, as well as the nationality and address of holders of securities with an immediate or future right to vote at shareholders' meeting, as well as information on the number of securities held by such holders and the restrictions, if any, to which the securities may be subject.

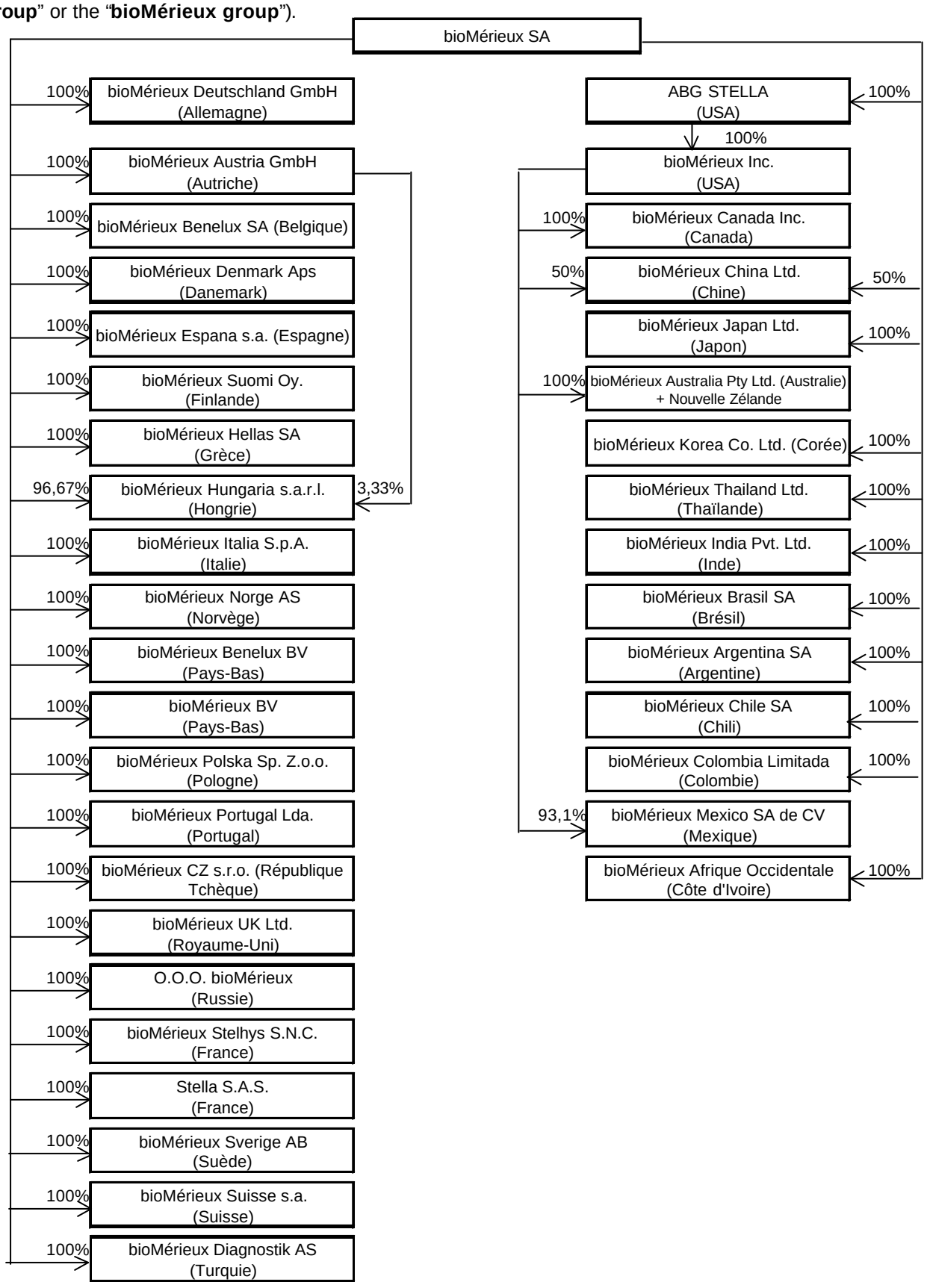
3.1.14 Requirements for holdings crossing certain thresholds (art. 10 of incorporation and bylaws articles)

In addition to the French "Code de commerce" which provides that any individual or entity, acting alone or in concert with others, that becomes the owner, directly or indirectly, of more than 5%, 10%, 15%, 20%, 25%, 33 $^{1}/_{3}$%, 50% or 66 $^{2}/_{3}$%, 90% or 95% (article L233-7 and following of the French "Code de commerce") of the outstanding shares and/or voting rights of a listed Company in France, such as bioMérieux, or that increases or decreases its shareholding or voting rights above or below any of those percentages, any individual or entity, acting alone or in concert with others that becomes the owner, directly or indirectly, of 1% of the outstanding shares and/or voting rights, must notify the Company and the AMF by a registered letter with acknowledgement of receipt within five trading days of the date it crosses the threshold, of the number of shares it holds and their voting rights.

If a registered intermediary fails to comply with the legal notification requirement, the shares or voting rights registered in his name will be deprived of voting rights for all shareholders' meeting until the registered intermediary complies with the notification and payment of dividends as postponed until such date. In addition, if a registered intermediary willfully fails to comply with these requirements the shares may be deprived of all or part of their voting right and dividends for up to five years by the Commercial Court, at the request of the Company or shareholders holding 5% of more of the Company's share capital.

3.1.15 Organization chart of the bioMérieux group of companies on the filing date of this Reference Document

The chart below shows the relationship between the Company's principal affiliates (in percentage of equity) on the filing date of the Reference Document (bioMérieux and its subsidiaries, collectively referred to as the "**Group**" or the "**bioMérieux group**").



bioMérieux is part of the Mérieux Alliance group of companies, as set forth in section 3.3.1 below. The relationship between those two entities is explained in section 6.2.2 below. The subsidiaries above are distribution and/or marketing entities (see 4.3.7.1 below); some also carry out research and development (see 4.4.4 below) and/or have manufacturing operations (see 4.5.1.1 below).

3.1.16 Other information concerning subsidiaries and investments

- **bioMérieux Mexico (Mexico)**

Following the purchase by bioMérieux Inc of two-thirds of the shares of bioMérieux Mexico held by its minority owner, the Group's equity interest in that company rose from 80% to 93%. An agreement provides that bioMérieux Inc. may buy out the balance of the shares outstanding of bioMérieux Mexico SA de CV (see section 5.3.28).

- **Avestha Gengraine Pvt. Ltd.**

The Company has acquired close to 6% of the shares of Avestha Gengraine Technologies Private Ltd., an Indian biotechnology company based in Bangalore. bioMérieux has been collaborating with that company since 2004 on the development of new markers in the field of tuberculosis.

- **ReLIA**

bioMérieux S.A has agreed to purchase newly issued shares of ReLIA for up to 8 million US dollars in exchange for a 15-percent ownership interest in this California-based company specializing in in-vitro diagnostics.

- **ExonHit**

bioMérieux has acquired approximately 6% of the shares of ExonHit for 4 million euros; ExonHit is a French biotechnology company with which bioMérieux has been working on the discovery and development of new screening tests, including for breast cancer.

- **Other subsidiaries**

Two subsidiaries were formed:

– bioMérieux Hungária, with principal offices in Budapest, Hungary,

– bioMérieux CZ s.r.o., with principal offices in Prague, Czech Republic.

- **Change of control**

The Company has acquired the 25% interest in bioMérieux Japan held by its bioMérieux Inc. subsidiary for €1,6 million, as a result of which the Company now owns all of the shares of its bioMérieux Japan subsidiary.

3.2 GENERAL INFORMATION CONCERNING THE COMPANY'S CAPITAL

3.2.1 Changes in equity and voting rights attached to shares

All changes in equity and voting rights attached to shares are governed by the law, as the articles of incorporation and bylaws do not contain specific provisions in this regard.

3.2.2 Capital stock on the filing date of this Reference Document

Number of shares issued and outstanding: 39,453,740 (all shares are of the same class): the number has remained unchanged from January 1, 2005 to December 31, 2005.

Capital stock[(2)]: €12,029,370, fully paid up.

3.2.3 Purchase of the Company's Own Shares

The annual and special shareholders' meeting of June 9, 2005 authorized the Board of Directors, for a period of 18 months, to buy back shares of the Company as provided for by article L. 225-209 of the Commercial Code.

Under the authority granted, the Company may purchase, sell and transfer its own shares by any means, including through the use of derivatives, on stock exchanges or over the counter, except in connection with exchanges of shares in accordance with applicable regulations. No restriction shall apply to the portion of repurchases accounted for by block trades, which may account for the entire program, subject to the limit of 10 percent of the shares outstanding.

As stated in the circular approved by the AMF (on May 23, 2004, visa no. 05-443) the authorization is intended to enable the Company to purchase shares depending on conditions prevailing in the market in order to: (i) provide liquidity in the market for its shares, under a market-making agreement with a financial service provider acting with full independency, in accordance with the AFEI code of conduct approved by the Financial Markets Authority, (ii) remit shares upon the exercise of rights attached to securities with rights to shares of the Company and to stock option plans, or in connection with the distribution of bonus shares to employees and officers of the Company or of the Group, or the offering of shares to employees under profit-sharing plans, share-ownership plans or employee savings plans, (iii) hold on to shares so that they can be used subsequently as means of exchange or payment in connection with operations of external growth.

Pursuant to resolution 15 of the annual and special shareholders' meeting of June 9, 2005, the Board of Directors was also granted authority, until the next shareholders' meeting called to approve the 2005 financial statements, to reduce capital by cancelling some or all of the shares purchased under the share buyback program.

The annual and special shareholders' meeting of June 9, 2005 also authorized the Board of Directors to purchase up to 0.5 percent of the Company's shares outstanding, depending on stock-market conditions, in order to maintain an orderly market.

In the event of public offerings, more detailed information regarding this buyback program will be included in the offering document filed with the AMF.

Pursuant to the authority granted to it by the annual and special shareholders' meeting of April 16, 2004 to purchase up to 0.5 percent of the Company's shares outstanding for the purpose of maintaining an orderly market, the Board of Directors has authorized a "share management" agreement with Crédit Agricole Cheuvreux.

During the fiscal year ended December 31, 2005, the Company traded in its own shares for the sole purpose of providing liquidity for its shares and making a market through the intermediary of an investment service provider acting with full independency under a market-making agreement consistent with a code of conduct approved by the AMF.

Except for the foregoing, the details of which are set forth below, the Company did not purchase any of its own shares during the year ended December 31, 2005.

(2) ll references to the par value of shares were deleted by decision of the shareholders' meeting of March 19, 2001.

Crédit Agricole Cheuvreux carried out the following trades in the period of January 1, 2005 to December 31, 2005, under the market-making agreement, consistent with the AFEI code of conduct approved by the AMF and in accordance with the authority granted by the annual and special shareholders' meeting of June 9, 2005 and the circular pertaining to the implementation of a share buyback program (AMF visa no. 05-443 of May 23, 2005) :

Shares purchased	84,358
Average purchase price	€37.64
Shares sold	81,958
Average selling price	€38.41
Fees and commissions	0
Own shares held on December 31. 2005	4,000
Value of shares held at the end of the year, at their average purchase price	€166,260.69
Book value on December 31. 2005	€178,280.00
Par value of the shares	not applicable
Purpose of trades	Maintaining an orderly market
Percentage of shares outstanding held at the end of the year	0.01%

The sole purpose for the purchases of shares by Crédit Agricole Cheuvreux was to provide liquidity in the market and make a market in the shares, through the intermediary of an investment service provider acting with full independency under a market-making agreement consistent with a code of conduct approved by the AMF.

3.2.4 Authorized capital not issued

Status of the authorizations voted by the annual shareholders' meetings of April 16, 2004 and of June 9, 2005:

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Capital increase by means of the capitalization of reserves	26 months August 2007	–	35% of capital stock at the close of the annual and special shareholders' meeting of June 9, 2005*; the limit may be raised above the 35% ceiling if necessary, to protect the rights of holders of securities with rights to shares.	No	The Board of Directors may carry out one or more capital increases by capitalizing other premiums, reserves, retained earnings or other equity, as permitted by law and by the articles of incorporation and bylaws, by means of the distribution of bonus shares or by increasing the par value of existing shares. The amount of such capital increases may be adjusted upward above the set ceiling in order to protect the rights of holders of securities with rights to shares, as required by law. Should the Board of Directors make use of the authority granted, fractional rights will not be transferable and the corresponding shares will be sold; the proceeds from such sales will be remitted to the rights' holders within the time prescribed by regulations.
Issue without preemptive rights (for all categories of securities)	26 months August 2007	Debt securities: €500 million	35% of capital stock at the close of the annual and special shareholders' meeting of June 9, 2005*	No	There may be one or more issues; shareholders' will not have preemption rights to subscribe for the securities issued, as permitted by law; the Board of Directors has the authority to grant shareholders a priority subscription right pursuant to articles L. 225-135 of the Commercial Code. The sum received or to be received by the Company for each share issued or to be issued, after taking into account, if applicable, the issue price of warrants in the event of issues of straight stock warrants, must not be less than the price under applicable laws and regulations on the date of issue, regardless of whether the securities to be issued immediately or in the future are fungible with existing equity securities. Issues may, if necessary, be used as consideration for shares tendered to the Company under a public tender offer in accordance with the provisions of articles L. 225-148 of the Commercial Code.

* The aggregate ceiling on the five authorizations to issue equity is equal to 35% of the Company's capital stock as of the date of the annual and special shareholders' meeting of June 9, 2005.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Over-allotment option	26 months August 2007	–	15% of the initial issue, up to the overall ceiling of 35% of capital stock at the close of the annual and special shareholders' meeting of June 9, 2005*	No	In accordance with article 155-4 of Decree no. 67-236 of March 23, 1967 or any other applicable law, the Board of Directors may increase, at its discretion and up to the overall ceiling, the number of shares or other securities to be issued by the Company in the event of an increase in capital with or without preemptive rights by shareholders, within thirty days of the expiration of the initial subscription period and by up to 15% of the initial issue, for offering at the same price as that applicable to the initial issue.
Issue with preemptive rights by shareholders (for all categories of securities)	26 months August 2007	Debt securities: €500 million	35% of capital stock at the close of the annual and special shareholders' meeting of June 9, 2005*	No	The capital increase may be in one or more steps. The Board of Directors may offer to the public some or all of the shares not subscribed to in the event of an undersubscribed issue. The number of shares issued may be increased, as permitted by article L. 225-135-1 of the Commercial Code and up to the overall ceiling applicable, if the Board of Directors notes that the issue is oversubscribed; the aggregate of such an increase, combined with those required to protect the rights of holders of securities with rights to company shares, may not exceed the balance of the reserves, paid-in capital and retained earnings at the time of the capital increase. The Board of Directors may carry out one or more capital increases by capitalizing other paid-in capital, reserves, retained earnings or other equity, as permitted by law and by the articles of incorporation and bylaws, by means of the distribution of bonus shares or by increasing the par value of existing shares.

* The aggregate ceiling on the five authorizations to issue equity is equal to 35% of the Company's capital stock as of the date of the annual and special shareholders' meeting of June 9, 2005.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Issue restricted to qualified investors or to a limited circle of investors	First shareholders' meeting immediately following the annual and special shareholders' meeting of June 9, 2005	–	35% of capital stock at the close of the annual and special shareholders' meeting of June 9, 2005 (the amount counts against the above ceiling)*	No	The Board of Directors may decide that preemptive rights must be waived in favor of one or more persons considered "qualified investors" or belonging to a "restricted circle of investors" within the meaning of article L. 411-2 of the Monetary and Financial Code, in the event of issues offered only to a "restricted circle of investors", provided it identifies the "limited circle of investors" when using the authority granted to it. The offering price of new shares must be at least equal to the weighted average of the trading price of old shares on the Eurolist of Euronext Paris S.A. over the three trading days immediately preceding the start of the offering period. The Board of Directors has full authority, including the right to delegate that authority as permitted by law, and may use such authority one or more times, to decide the maximum number of shares to be issued, within the limits set by the shareholders' meeting; draw up the list of recipients and the number of shares to be allotted to each, subject to the applicable limits; set the dates and all other terms and conditions of share issues, including the date, which may be retroactive, from which new shares will earn dividends; and, as a general matter, execute all agreements, including for the purpose of finalizing all contemplated issues, and take all steps and decisions and complete all formalities required by the share issue.

* The aggregate ceiling on the five authorizations to issue equity is equal to 35% of the Company's capital stock as of the date of the annual and special shareholders' meeting of June 9, 2005.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Successive equity issues	26 months August 2007	_	10% of capital per year	No	The Board of Directors may decide to increase capital one or more times by issuing euro-denominated common shares of the Company or other securities with rights of any kind, exercisable immediately or in the future for common shares of the Company or of a company of which the Company owns more than one-half of the stock, either directly or indirectly, in which case the shares issued may be denominated in any currency or in units reflecting a basket of currencies, including in connection with consecutive issues of securities. The issue price of the shares or equity securities is to be determined as either the weighted average trading price of shares on the Euronext Paris S.A. Eurolist over the three trading days immediately preceding the issue date, or by auction, in the same manner as when creating an order book for a public placement. The Board of Directors must report, by means of a supplementary report certified by the Company auditors, on the use of this authority, including on the final conditions of the issue, and must provide the basis for estimating the effective impact for shareholders.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Share issues earmarked for employees (and their equivalent): Stock options	38 months August 2007	10% of the shares outstanding on the date options are granted	–	No	The Board of Directors is authorized to grant, one or more times, to employees selected by it from among the officers and employees of the Company, or of companies or consortia in which the Company holds at least 10% of the capital or voting rights, either directly or indirectly, or of consortia that hold at least 10% of the Company's capital, either directly or indirectly, options entitling them to buy shares of the Company from among those bought back by the Company in accordance with the law, not in excess of 10% of the shares outstanding on the date of grant of such options by the Board of Directors. The exercise price of the options is to be set by the Board of Directors in accordance with the conditions and limits of applicable laws, without discount. The stock options must be exercised no later than eight years after their date of grant. The special shareholders' meeting of the Company may extend this time limit. The Board of Directors has been granted full authority, for the purpose of, in one or more times, (i) drawing up the list of recipients of options and the number of options allotted to each of them, being specified that the Board of Directors may delegate this authority to its chairman, (ii) set the terms and conditions of the options, including the conditions on which options may be granted, exercised and temporarily suspended, the dates or periods when the options may be exercised and, if applicable, the conditions on which the shares may be locked up, (iii) decide the number of shares to be purchased subsequent to the exercise of options, (iv) perform all required transactions and comply with all regulations that may become applicable while the authorization is in effect and do not require an express resolution by the shareholders' meeting, and (v) delegate full powers, as legally permitted, for the purpose of executing all documents and completing all formalities.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Issue of shares for offering to employees enrolled in a company savings plan	24 months April 2006	–	€225,416	No	The special shareholders' meeting has granted authority to the Board of Directors, which may further delegate that authority, to issue shares for offering to current and retired employees of the group of companies made up of the Company and its consolidated French and foreign entities, within the meaning article L. 444-3 of the Labor Code, provided that said current or retired employees are enrolled in one of the company savings plans set up by one of the companies belonging to the group. The offering price of the new shares must be set in accordance with article L. 443-5 of the Labor Code and must be equal to 80% of the average of the shares' opening trading price on the First Market of Euronext Paris S.A. over the twenty trading days immediately preceding the date on which the decision was made setting the start of the subscription period for members of a company savings plan, and 70% of the average sum if the lock-up period called for by the plan in accordance with article L.443-6 of the Labor Code is ten years or longer. The Board of Directors is authorized to distribute free of charge to the above eligible employees, in addition to shares purchased for cash, new or existing shares or any other new or existing securities with rights to shares. In this case, the aggregate benefit resulting from such bonus distributions and the discount of the offering price to the above-mentioned average trading price shall not exceed the benefit the members of the savings plan would have been entitled to if the discount had been 20% for a company savings plan account and 30% whenever the lock-up period called for by the plan pursuant to article L. 443-6 of the Labor Code is ten years or more. The Board of Directors has full powers to use the authority granted to it, and to delegate such authority as permitted by law, subject to the limits and conditions set forth above; the maximum increase in authorized capital under this delegation is separate from the maximum increase permitted under the other resolutions of the annual and special shareholders' meeting of April 16, 2004.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Share issue for offering to US employees enrolled in a company savings plan	24 months April 2006	–	€11,864 (Note: the authorization is subject to a limit on the increase in capital and a limit on the number of shares issued.)	No	The Board of Directors has been granted authority, and may delegate such authority as permitted by law, to issue, in one or more transactions, up to 38,910 shares (not including the shares issued pursuant to that authorization during fiscal 2004), for offering to employees of companies operating in the United States which are part of the Company's consolidated group within the meaning of article L. 444-3 of the Labor Code and have opted to participate in the program with the approval of the Board of Directors, who are employed under agreements governed by the laws of the United States or who are residing in the United States, provided that those employees are enrolled in a company savings plan established by one of those companies (the "US Employees"). The offering price of the new shares is to be calculated as provided for by article L. 443-5 of the Labor Code and may not be less than 85% of the trading price of the Company's shares on the date of issue, regardless of any lock-up clause applicable to those shares, and that the price must be equal to the higher of (i) 85% of the average of opening price of Company shares on the First Market of Euronext Paris SA over the 20 trading days immediately preceding the start of the subscription period for shares by US employees and (ii) 85% of the trading price of Company shares on the date the decision is made setting the starting date of the subscription period for shares offered to US Employees, not exceeding 100% of the average of opening prices of the Company's shares over the 20 trading days immediately preceding the date on which the decision is made setting the starting date of the subscription period for shares offered to US Employees. The Board of Directors has full powers to use the authority granted to it, and may delegate such authority as permitted by law, subject to the limits and conditions set forth above; the maximum increase in authorized capital under this delegation is separate from the maximum increase permitted under the other resolutions of the annual and special shareholders' meeting of April 16, 2004.

Securities	Period for which authority was granted and expiration date	Limit	Maximum increase in capital stock	Use of the authority by the Board of Directors during the year	Summary of the decision by the shareholders' meeting
Issue of shares for Calyon, enabling it to provide a so-called leveraged employee stock ownership arrangement for certain foreign employees enrolled in company savings plans	12 months April 2005	–	€118,640 (Note: the authorization is subject to a limit on the increase in capital and a limit on the number of shares issued.)	No	The Board of Directors has been granted authority, and may delegate such authority, to carry out one or more share issues, for up to €118,640, for offering to Calyon. Pursuant to that authority, the offering price of the shares subscribed by Calyon must be the same as the price at which shares are offered to other Group employees under share issues set aside for employees enrolled in a company savings plan, referred to above. The number of new shares which Calyon may subscribe for will be nine times the aggregate number of Company shares directly subscribed for (after a reduction in the issue if applicable) by foreign employees under the above share issue for employees enrolled in a company savings plan, in connection with a leveraged employee stock ownership arrangement equivalent to that offered to other Group employees, either directly or through a leveraged company investment fund. The issue is limited to a maximum number of 388,110 new shares, corresponding to the above ceiling on capital increase of €118,640.

3.2.5 Changes in capital to December 31, 2005 [3 et 8]

Shareholders' meeting of	Transaction	Number of shares issued	Par value of shares	Increase in Capital Stock	Other paid-in capital	Cumulative value of capital stock	Cumula-tive number of shares
9/18/1967	Incorporation	800	FRF 100	FRF 80,000	–	FRF 80,000	800
1/7/1975[4 & 5]	Capitalization of reserves	8,800	FRF 100	FRF 880,000	–	FRF 960,000	9,600
1/7/1975	Equity issue for cash	400	FRF 100	FRF 40,000	FRF 120,000	FRF 1,000,000	10,000
12/16/1976	Capitalization of reserves	10,000	FRF 100	FRF 1,000,000	–	FRF 2,000,000	20,000
12/19/1977	Capitalization of reserves	10,000	FRF 100	FRF 1,000,000	–	FRF 3,000,000	30,000
12/19/1977 (Board of Directors' meeting of 12/14/1978)	Capitalization of reserves	10,000	FRF 100	FRF 1,000,000	–	FRF 4,000,000	40,000
12/19/1977 (Board of Directors' meeting of 11/29/1979)	Capitalization of reserves	10,000	FRF 100	FRF 1,000,000	–	FRF 5,000,000	50,000
7/3/1981 (Board of Directors' meeting of 10/16/1985)	Conversion of bonds	21	FRF 100	FRF 2,100	–	FRF 5,002,100	50,021
3/31/1987	Merger of bioMérieux into API S.A.	194,808	FRF 100	FRF 19,480,800	FRF 61,674,388	FRF 24,482,900	244,829

(3) On March 21, 1987, bioMérieux was merged into API S.A., a Company formed on September 18, 1967. The merger caused bioMérieux (which was formed in 1963) to become part of API S.A. Following the merger, API S.A. changed its name to bioMérieux. Changes in capital shown in the table above up to March 31, 1987 are those that concerned the capital of API S.A.

(4) For up to the date on which API became a corporation (société anonyme) on January 28, 1975, the number of shares issued corresponds to the number of shares (parts) in a Company other than a corporation.

(5) The capital increase took place on January 28, 1975.

Shareholders' meeting of	Transaction	Number of shares issued	Par value of shares	Increase in Capital Stock	Other paid-in capital	Cumulative Value of Capital stock	Cumula-tive Number of shares
3/31/1987	Decrease in capital[6]	–19,487	FRF 100	FRF –1,948,800	–	FRF 22,534,200	225,342
3/15/1989	Increase in the nominal value of shares by inclusion of paid-in capital	N/a	FRF 200	FRF 22,534,200	FRF 22,534,200	FRF 45,068,400	225,342
3/15/1989	Stock split	N/a	FRF 20	N/a	N/a	FRF 45,068,400	2,253,420
2/12/1991	Equity issue for cash	41,730	FRF 20	FRF 834,600	FRF 17,714,585	FRF 45,903,000	2,295,150
10/3/1994	Capital increase from the transfer of ABG Stella shares	1,575,921	FRF 20	FRF 31,518,420	FRF 259,749,692.60	FRF 77,421,420	3,871,071
3/19/2001	Exercise of stock options	10,000	FRF 20	FRF 200,000	FRF 3,240,000	FRF 77,621,420	3,881,071
3/19/2001	Translation of capital stock into euros	N/a	N/a[7]	N/a	N/a	€11,833,309,17	3,881,071
3/19/2001	Rounding off of capital stock	N/a	–	€0.83	N/a	€11,833,310	3,881,071
3/19/2001 (Board of Directors meeting of 5/13/2002)	Exercise of rights	15,000	–	€45,735	FRF 4,860,000	€11,879,045	3,896,071
4/16/2004	Capital increase (merger of NBMA)	3,864,440	N/a	€11,782,602,69	€173,486,840.98	€23,661,647,69	7,760,511
4/16/2004	Decrease in capital (retirement of shares received from NBMA)	3,869,372	N/a	- €11,797,640,26	- €177,881,356,01	€11,864,007,43	3,891,139
4/16/2004	Rounding off of capital stock	N/a	–	€0.57	–	€11,864,008	3,891,139
4/16/2004	Reduction of the par value of the shares and subsequent capital increase through the distribution of free shares on the basis of ten shares for each share held	35,020,251	–	–	–	11 864 008 €	38 911 390
07/23/2004	Increase in capital within the framework of the wage-earning shareholding	542,350	N/a	165,361.47 €	12,851,038.53 €	12,029,369.47 €	39,453,740
09/30/2004	Roundness of the amount of the capital by incorporation of reserves	N/a	–	0.53 €	–	12,029,370 €	39,453,740

N/a: not applicable

(6) Retirement of API S.A. shares from the merger of bioMérieux into API S.A.

(7) All references to the par value of shares were deleted by the shareholders' meeting of March 19, 2001.

(8) Remain unchanged on March 31, 2005

3.3 PRINCIPAL SHAREHOLDERS

3.3.1 History of changes in the Company's capital

When it was formed in 1963, B-D Mérieux (as the Company was formerly known) was owned by Institut Mérieux (49.95%) and Becton-Dickinson France (49.96%) with other individuals and legal entities holding the remaining 0.09% of its shares.

In 1968, Alain Mérieux acquired the B-D Mérieux shares held by Institut Mérieux, bringing his ownership interest in B-D Mérieux to 49.96% and severing the ownership ties between B-D Mérieux and Institut Mérieux.

In 1974, Alain Mérieux purchased 200 shares of the Company from Becton-Dickinson France and became a majority holder of B-D Mérieux. That same year, the Company changed its name to bioMérieux S.A.

On June 12, 1986, the operating business of the bioMérieux Group was spun off to a Company formed for that purpose, which took the name of bioMérieux. The former bioMérieux Company became a holding entity under the name of BMH.

On March 31, 1987, bioMérieux was merged into API S.A. Following the merger, API S.A. changed its name to bioMérieux and bioMérieux thus became the legal entity formerly known as API S.A.

At the combined annual and special shareholders' meeting of December 28, 1988, WENDEL Investissement (called CGIP at the time) joined with the Alain Mérieux family (the Mérieux Alliance (9) holding entity had been formed by the Mérieux family on November 10, 1988) to form bio Participations, a holding entity with 51% of the shares of BMH, itself a bioMérieux holding entity. WENDEL Investissement held 33.14% of the share of bio Participations and Mérieux Alliance held 66.85%.

In 1994, Becton-Dickinson sold all 45,270 BMH shares it held (48.99% of capital) to bio Participations. That same year, Groupe Industriel Marcel Dassault acquired an interest in TSGH, the holding entity for Transgene, a gene therapy Company that was another part of the group of companies controlled by the family of Alain Mérieux.

In December 2000, as part of the merger of bioMérieux with Pierre-Fabre, bio Participations, which had changed its name to bioMérieux Alliance on February 25, 1995, was merged into Pierre-Fabre S.A. (which became bioMérieux Pierre-Fabre S.A.) and in so doing transferred to it all of its assets and liabilities, including Company shares it held either directly or indirectly. At the same time, WENDEL Investissement and Groupe Industriel Marcel Dassault transferred holdings in TSGH to bioMérieux Pierre-Fabre and WENDEL Investissement transferred its direct interest in the Company to bioMérieux Pierre-Fabre. Subsequent to those transactions, bioMérieux Pierre-Fabre held 99.27% of the Company (5.1% directly and 94.17% through BMH).

As the merger of bioMérieux with Pierre-Fabre failed to accomplish the companies' intended goals, they decided to "demerge" and to cancel the transfers carried out in 2000 and 2001. At the special shareholders' meeting of June 27, 2002, bioMérieux Pierre-Fabre accordingly transferred to Nouvelle bioMérieux Alliance all of the Company shares it held through BMH. Subsequent to those transactions, ownership of Nouvelle bioMérieux Alliance was divided between Mérieux Alliance (60.14%), WENDEL Investissement (34.74%) and Groupe Industriel Marcel Dassault (whose ownership interest increased to 5.12% in July 2002 as a result of the capitalization of a claim against the Company held by Groupe Industriel Marcel Dassault).

In 2003, the group of companies held by the Alain Mérieux family was restructured in order to separate the diagnostics business of bioMérieux to the gene therapy business of Transgene. Thus, in January 2003, Nouvelle bioMérieux Alliance transferred to TSGH, which already held 33.83% of the shares of Transgene, 21.5% of the Transgene shares held by it, in exchange for TSGH stock. In April 2003, Nouvelle bioMérieux Alliance distributed those shares to its shareholders (primarily Mérieux Alliance, WENDEL Investissement and Groupe Industriel Marcel Dassault) proportionately to the interest they held in Nouvelle bioMérieux Alliance. In July 2003, Nouvelle bioMérieux Alliance sold to TSGH the remaining 15% of the Transgene shares it held[10]. Nouvelle bioMérieux Alliance no longer holds any interest in Transgene or in its TSGH holding entity. Nouvelle bioMérieux Alliance has also disposed of virtually all of its assets not related to its diagnostics business.

In April 2003, Nouvelle bioMérieux Alliance's wholly owned BMH subsidiary was merged into its parent Company which, since then, holds virtually all of the Company's shares (99.28%).

In order to streamline the Group's structure, the shareholders' meetings of Nouvelle bioMérieux Alliance and of the

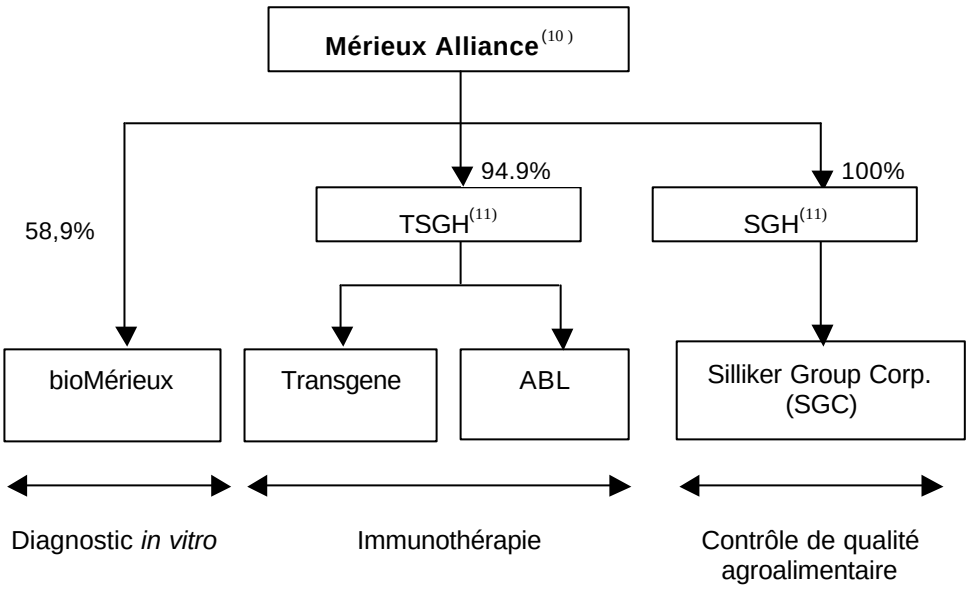
(9) For a description of the capital of MÉRIEUX ALLIANCE, see section 3.3.4 above

Company resolved, on April 16, 2004, to merge Nouvelle bioMérieux Alliance into the Company. Subsequent to that transaction, Mérieux Alliance held directly 59.72% of the Company's equity, WENDEL Investissement held 34.50% and Groupe Industriel Marcel Dassault held 5.09%. As a result of this transaction and because of the retirement of the bioMérieux shares contributed by NBMA, the number of shares outstanding fell by 4,932 (or 0.13% of bioMérieux shares issued and outstanding as of December 31, 2003) and earnings available for distribution declined by €4.4 million (the difference between the amount of paid-in capital in excess of par and the value of bioMérieux shares contributed by NBMA and retired).

In connection with the initial public offering of its shares, the Company decided, on April 16, 2004, subject to its shares being effectively listed on the Eurolist of Euronext Paris SA, to reduce the par value of its shares by ten (10) and to concurrently increase their number by ten (10), through the distribution of 35,020,251 free shares to the Company's shareholders, on the basis of ten (10) shares for each share held, so that the Company's capital would thereafter be divided into 38,911,390 shares.

In connection with the Initial Public Offering, WENDEL Investissement, which wanted to dispose of its interest in the Company, sold most of its shares in the public offering.

The ownership chart below shows the three groups of companies (including bioMérieux) in which the Alain Mérieux family members hold a majority interest, as they existed on the filing date of this document:



(10) For a description of the capital of MÉRIEUX ALLIANCE, see section 3.3.4

(11) MÉRIEUX ALLIANCE also owns all of the shares of SGH, the holding entity of the Silliker Group Corporation, an American Company which specializes in research and consulting services in the field of food safety and quality; and the majority (94.88% of the shares) of TSGH, the holding entity of Transgene S.A., a gene therapy Company traded on the NASDAQ and the Nouveau Marché of Euronext Paris (see. §3.3.2 supra); and of Advanced Bioscience Laboratories Inc. (ABL), a US research Company doing work on behalf of research institutes and business corporations.

3.3.2 Changes in equity ownership over the past three years

The table below shows the ownership and control of the Company on the dates indicated.

Shareholders	December 31, 2003			December 31, 2004			December 31, 2005			
	Number of shares	% of equity	% of voting rights	Number of shares	% of equity	% of voting rights	Number of shares	% of equity	Number of shares	% of voting rights
Mérieux Alliance	–	–	–	23,240,090	58.90	58.78	23,240,090	58.90	23,240,090	58.79
NBMA*	3,869,371	99.31	98.93							
Other	26,700	0.69	1.07	-	-	-	-	-	-	-
WENDEL Investissement				1,197,317	3.04	3.03	****	****	****	****
GIMD**				2,013,470	5.10	5.09	2,013,470	5.10	2,013,470	5.09
Banque de Vizille	-	-	-	648,520	1.64	1.64	648,520	1.64	648,520	1.64
CIC Lyonnaise de Participations	-	-	-	1,134,920	2.87	2.87	1,134,920	2.88	1,134,920	2.87
Apicil Prévoyance	-	-	-	162,130	0.41	0.41	162,130	0.41	162,130	0.41
Employees	-	-	-	393,232	1.00	1.00	385,229	0.98	385,229	0.98
Treasury shares ***	-	-	-	1,600	0.00	0	4,000	0.01	0.00	0.00
Public	-	-	-	10,662,461	27.03	27.18	11,865,381	30.08	11,945,647	30.22
Total	**3,896,071**	**100**	**100**	**39,453,740**[12]	**100**	**100**	**39,453,740** [12]	**100**	**39,530,006**	**100**

* Nouvelle bioMérieux Alliance, held by MÉRIEUX ALLIANCE (60.14%), WENDEL Investissement (34.74%) and Groupe Industriel Marcel Dassault (5.12%).

** Groupe Industriel Marcel Dassault.

*** The shares are owned by the Company within the framework of a share management agreement with the Crédit Agricole Cheuvreux.

**** WENDEL Investissement's shares of the Company ceased to be registered in 2005 and the Company is accordingly not able to provide information on the number of shares, if any, held by WENDEL Investissement on December 31, 2005.

To the best knowledge of the Company, there is no shareholder agreement and/or concerted action of shareholders in force.

3.3.3 Pledging of the Company's shares

As of the filing date of this Reference Document, none of the Company's shares had been pledged.

(12) The Company's combined annual and special shareholders' meeting of April 16, 2004, resolved, subject to the condition precedent that the Company's shares are admitted to trading on the *Premier Marché* of Euronext Paris S.A., to split the Company's stock by ten, each old share being entitled to ten new shares. The Company's capital would then be divided into 38,911,390 shares.

3.3.4 Principal owners

As of April 12, 2006, Mérieux Alliance held 23,240,090 shares, representing 58.90% of those outstanding, entitling it to 58.80% of the voting rights in the Company.

Shareholders (on April 12 ,2006)	Number of shares	% of equity	Number of voting rights	% of voting rights
Mérieux Alliance*	23,240,090	58.90	23,240,090	58.80
Free Float	11,863,993	30.07	11,943,862	30.22
Groupe Industriel Marcel Dassault	2,013,470	5.10	2,013,470	5.10
CIC Lyonnaise de Participations	1,134,920	2.88	1,134,920	2.87
Banque de Vizille	648,520	1.64	648,520	1.64
Employees	380,617	0.97	380,617	0.96
Apicil Prévoyance	162,130	0.41	162,130	0.41
Treasury Sales**	10,000	0.03	0	0.00
Total	39,453,740	100.00 %	39,523,488	100.00 %

* Mérieux Alliance is the holding Company of the Mérieux family. Its principal shareholders are Alain Mérieux, Christophe Mérieux and Alexandre Mérieux as well as the foundation Rodolphe Mérieux (under the care of the "Institut de France") according to the donation authorized on February 10, 2005.

** The shares are owned by the Company within the framework of a share management agreement with the Crédit Agricole Cheuvreux.

3.4 DIVIDENDS DISTRIBUTED BY THE COMPANY

3.4.1 Dividends per share for the past three years

The following table below sets forth dividend (in euros) distributions per share for the three previous fiscal years indicated, making the distinction between distributions executed within the frame of the Ordinary Shareholders Meeting and outstanding distributions.

Year ended	Dividend per share (€)	Dividend distributed (€)	Tax credit and tax withheld (€)	Total payout (€)
12/31/2005 ****	0.46 *	18,148,720.40*	None [13]	18,148,720.40
12/31/2004	0.40 *	15,781,496.00*	None [13]	15,781,496.00
12/31/2004***	7.70	29,955,788.55	5,981.75	29,961,770.30
12/31/2003 **	4.62	17,999,848.00	8,999,924.01	26,999,772.01

* The Company has not earned and will not earn dividends on any of its own shares held by it on the dividend date or which it may hold in the future. The corresponding sum will be added back to retained earnings.

** This dividend was paid by deposit put in payment on December 19, 2003 following a decision of the Board of Directors of the same day.

*** Special dividend distribution from the general reserve decided by the annual shareholders' meeting of April 16, 2004.

**** Proposed by the shareholders' meeting of June 9, 2005

[13] Tax credit has been abolished for dividends as from January 1st, 2005. It should also be noted that annual dividends have qualified and will continue to qualify for a tax abatement exclusively to the extent that shares are owned by individuals subject to personal income tax, as provided by article 158.3 (2) of the French General Tax Code.

3.4.2 Distribution policy

The Company cannot guarantee the distribution of dividends in respect of its shares. However, it currently intends to follow a policy of distributing dividends in the amount of approximately 20% of consolidated net income (group share), subject to an analysis, for each year, of net income, financial position and any other factors that the Board of Directors considers relevant.

3.4.3 Statute of limitations

Dividends that remain unclaimed five years after their payment date are time-barred and remitted to the French government.

3.5 SUMMARY OF THE PRICES OF STOCK EXCHANGED OVER THE LAST 18 MONTHS

The shares of bioMérieux have been traded publicly since July 6, 2004 and, since January 3, 2005 they have been included in the CAC Mid 100, CAC Mid and Small 190 and SBF 250 French market indexes; they have been part of the "A" list of Eurolist since February 21, 2005 and have been included in the Next 150 European index since April 1, 2005. The shares have been eligible for deferred settlement service (SRD) since March 28, 2006

Months	High (in €)	Low (in €)	Close (in €)	Volume
October 2004	28.90	26.00	27.20	989,326
November 2004	28.95	26.00	27.00	994,836
December 2004	32.50	26.81	32.40	1,271,361
January 2005	32.70	30.60	32.30	1,261,194
February 2005	32.50	30.65	31.02	1,132,309
March 2005	35.39	30.11	34.14	1,380,113
April 2005	36.25	33.21	33.85	1,552,142
May 2005	38.20	33.40	37.70	742,669
June 2005	40.00	37.43	38.00	634,308
July 2005	41.95	38.03	40.50	668,483
August 2005	41.71	35.42	40.44	621,832
September 2005	44.50	40.11	42.80	609,990
October 2005	44.50	40.50	41.10	818,431
November 2005	44.15	38.46	42.72	651,798
December 2005	45.31	41.05	44.57	742,661
January 2006	49.20	43.15	47.27	902,471
February 2006	50.95	45.05	50.40	634,482
March 2006	52.20	46.30	46.50	894,206

SECTION 4

INFORMATION ON THE COMPANY'S ACTIVITY[(14)]

4.1 BUSINESS SUMMARY

bioMérieux is a worldwide group specialized in the field of *in vitro* diagnostics for clinical and industrial applications. The Group designs, develops, manufactures and markets systems used in:

- ~~Clinical Applications~~: the diagnosis of infectious diseases such as hepatitis, HIV, tuberculosis and respiratory illnesses, as well as pathologies such as cardiovascular diseases and cancers, based on the analysis of biological samples such as blood, saliva or urine; and
- ~~Industrial Applications~~: the microbiological analysis of food, environments (such as water and air), surfaces and pharmaceutical and cosmetic products, based on the analysis of product or environmental samples.

Diagnostic systems consist of the following:

- ~~Reagents,~~ which are biological or consumable materials necessary for performing tests such as the identification of specific types of bacteria or viruses;
- ~~Instruments (or platforms),~~ which are machines that are used for automated testing at high or low throughputs; and
- ~~Software,~~ for the processing of biological tests and ~~expert systems~~ used to interpret test results, including for epidemiological survey and therapeutic decision.

It also provides services such as installation and maintenance of systems and training of customers in their use.

The vast majority of the Company's instruments are closed systems, which means that they only work with reagents specifically developed by it for its instruments, and thus provide it with a steady revenue stream.
There is an installed base of approximately 42,000 instruments, giving the Company a high degree of visibility and regularity for reagent sales, which accounted for 84% of total revenues in 2005 (70% of reagent sales were from sales of reagents used in the Company's instruments, and the balance were from manual products). The instruments are either sold or placed with customers as part of a reagent supply agreement.

In the clinical segment, which accounted for 87.1% of revenues in 2005, customers are primarily private analysis laboratories, hospital laboratories, blood transfusion centers and, in some countries, physicians (POL or Physician Office Labs).

In the industrial segment, which accounted for 12.9% of revenues in 2005, customers are large international agribusiness, pharmaceutical and cosmetic companies. Since the Company was formed in 1963, it has experienced regular and sustained growth resulting from both organic development and targeted acquisitions. In 2005, consolidated revenues were €994 million, consolidated operating income was €139 million, and net income was €90 million (see §5.1; 5.2.2; 5.3 *below*). The Group is present in over 150 countries, through 35 subsidiaries (see §3.1.14 *above*) and a large network of distributors. In 2005, 57% of consolidated revenues was accounted for by Europe, including 18% in France, and 26% of consolidated revenues was generated in North America.

The Company's commercial success has resulted in large part from the strong reputation of its product lines and reagents, which incorporate all of the technologies necessary for the diagnosis of infectious diseases. Its expertise in these technologies has allowed it to be a pioneer in the field of industrial diagnostics and, more recently, to extend its activities to new fields such as cardiovascular pathologies and cancers.

4.2 OVERVIEW OF THE IN VITRO DIAGNOSTICS MARKET

(14) Unless otherwise indicated, the source of market data and of market-related data included in this reference document is based on the estimates made by bioMérieux on the basis of information on sales published by its competitors or by financial analysts.

4.2.1 General

An *in vitro* diagnostics examination is carried out by chemical analysis (for example, a measure of amounts of glucose, cholesterol or sodium) or biological analysis of a sample for the purpose of identifying microorganisms and determining their characteristics. *In vitro* diagnostics are used to measure, identify and quantify bacteria (exogenous agents) and viruses, as well as other endogenous agents (or "markers"). Such substances are produced by the body in the presence of, for example, an infectious disease, cancer or cardiac irregularity. Markers can take the form of proteins or genetic sequences, or other biological molecules.

In vitro diagnostics techniques are used in the clinical segment to provide information allowing a physician to detect diseases, look for predispositions to pathologies, establish a diagnosis and track the effectiveness of the prescribed treatment. A biological sample is taken from the patient, most often at the request of a physician. It is then sent to a medical analysis laboratory, either in a hospital or private, which analyzes it using the Company's products (reagents, instruments, software and services). The results are then communicated to the physician who can use them to confirm or establish a diagnosis (often in combination with other examinations such as medical questionnaires, ultrasound or radiology) and thus prevent a disease or treat it and track the effectiveness of the treatment. In some countries, the physician or patients themselves perform certain diagnostics analyses.

In the industrial segment, *in vitro* diagnostics are used to monitor microbiological quality (absence of bacterial contaminants, viruses or parasites) of the environment (air, water, surfaces) and food products, pharmaceuticals or cosmetics. Industrial *in vitro* diagnostics allow the detection and quantifying of pathogens throughout the chain from raw materials to finished product, as well as in the manufacturing environment.

4.2.2 Technologies

The *in vitro* diagnostics market uses several types of technologies, four of which constitute the Company's core business:

- ~~Bacteriology~~. Placing of a biological sample in a culture allowing any bacteria present to multiply, and then be identified and tested for sensitivity to antibiotics,
- ~~Immunoassays~~. Detection and measure of infectious agents such as bacteria, viruses, and parasites and pathological markers through an antigen-antibody reaction,
- ~~Molecular biology~~. New technology based on the detection of genetic sequences of DNA or RNA that are characteristic of bacteria, a virus, a protein or a cell.

Apart from these three technologies, the *in vitro* diagnostics market includes primarily biochemical techniques (in particular tests related to diabetes) and the techniques used in haematology.

The table below shows how the world market for clinical in vitro diagnostics broke down in terms of technologies in 2005 :

		2005 (€ billions)
Immunoassays		8.1
Clinical biochemistry		8.7
of which monitoring tests of glucose in blood	*5.4*	
Molecular biology		1.6
Bacteriology		1.5
Hematology		1.1
Hemostasis		1.0
TOTAL		**22.0**

Traditionally manual, *in vitro* diagnostics techniques have progressively been automated, making it possible to give results in a shorter time period, to perform analyses by means of computers and to increase the number of examinations that can be carried out simultaneously. These automated techniques have reduced the manpower required to manipulate substances and analyze the results of examinations, and have also increased standardization, which facilitates examinations, improves reliability of results and speeds the receipt of results.

Molecular biology has brought a new dimension to *in vitro* diagnostics, as it more rapidly detects the presence of microorganisms. This technology allows the amplification of a genetic sequence present in the RNA or DNA that establishes the presence of a bacteria, virus or marker, without requiring the multiplication of the microorganisms. The technology employed consists in extracting nucleic acids, multiplying them (amplification), marking the copies produced by the amplification and then detecting a signal making it possible to establish the presence and the quantity of infectious agents in the initial sample. Molecular biology also opens the way to a new medical approach to cancer, genetic predisposition, genetic pathologies and the individual adaptation of patient treatment. It improves sensitivity and saves time.

Molecular biology does not replace traditional *in vitro* diagnostics techniques. It completes the diagnostic tools available and allows the diagnosis of pathologies that could not be detected using traditional techniques, which were insufficiently sensitive or not rapid enough, thus only molecular biology allows the follow-up of the viral load (number of copies of a virus in one milliliter of blood). Traditional *in vitro* diagnostics techniques allow for simpler and more accessible tests, covering multiple parameters. In addition, because of the high number of potential variations, traditional detection methods, designed to detect only one or a few targets, are no longer sufficient for oncology, where genetic variations require screening for multiple targets. DNA chips containing thousands of DNA targets are a response to that need; they have become a platform of choice for the Company's future development in these new areas.

4.2.3 The in vitro diagnostics market

In vitro diagnostics is part of the healthcare sector, but is distinct from the pharmaceutical market, which is the largest market in the health care sector. Although it benefits from many of the same growth factors as the pharmaceutical segment, the *in vitro* diagnostics market follows a very different dynamic. It benefits from a more flexible regulatory environment than that applicable to pharmaceutical products, although becoming more and more stringent, as well as a more stable customer base, principally due to the significant acquisitions costs (investments, training and connection to the laboratory information management system) incurred by diagnostics customers. The *in vitro* diagnostics market also has more stable revenue growth mainly due to:

- The significant proportion of reagent sales in the revenues of the *in vitro* diagnostics market because of the "closed" nature of most of the systems, which function only with reagents developed by the system manufacturers;

- The relatively stable growth in demand in the diagnostics market, in contrast with pharmaceutical sales, which can vary sharply because of regulatory constraints and competition from generic drugs; and

– The growing part of the follow up of the treatment efficiency.

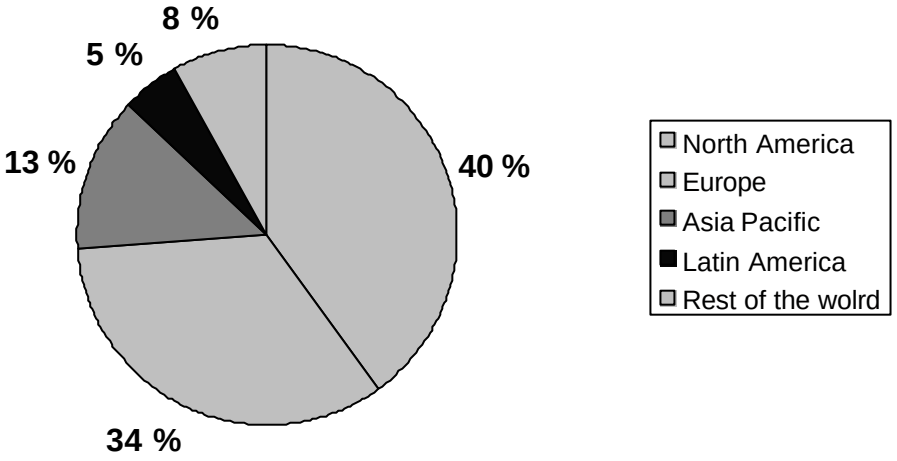
For approximately ten years, most clinical diagnostics techniques have also been used for industrial purposes to monitor the microbiological quality of food products, environments (such as water and air) and surfaces as well as the sterility of products in the pharmaceutical and cosmetic industries.

4.2.3.1 Size of the in vitro diagnostics market and its recent evolution

The Company estimates that the worldwide *in vitro* diagnostics ("IVD") market in 2005 comprised approximately €23 billion in sales including €1 billion in sales in the industrial segment or $29 billion (including $1.3 billion for the industrial applications) (source: AdvaMed, July 2005). Approximately 85% of the worldwide market is concentrated in North America, Europe and Japan (source: Kalorama, October 1, 2004). Since 2000 and based on Company estimates, the market has experienced compounded average annual growth rate of approximately 5% in the clinical segment and nearly 10% in the industrial segment.

Clinical segment. Since the end of the 1990s, the clinical *in vitro* diagnostics market has experienced a period of growth due to increased demand for tests, resulting from factors such as the recognition of the role of diagnosis in the definition and monitoring of treatments and in the reduction of health care expenditures, the emergence of new pathogens, major technological advances, which opened new applications, and the geographical expansion of the market. Total sales in the *in vitro* diagnostics market were €6 billion in 1980 and since has more than tripled.

Geographical breakdown of the clinical in vitro diagnostic market

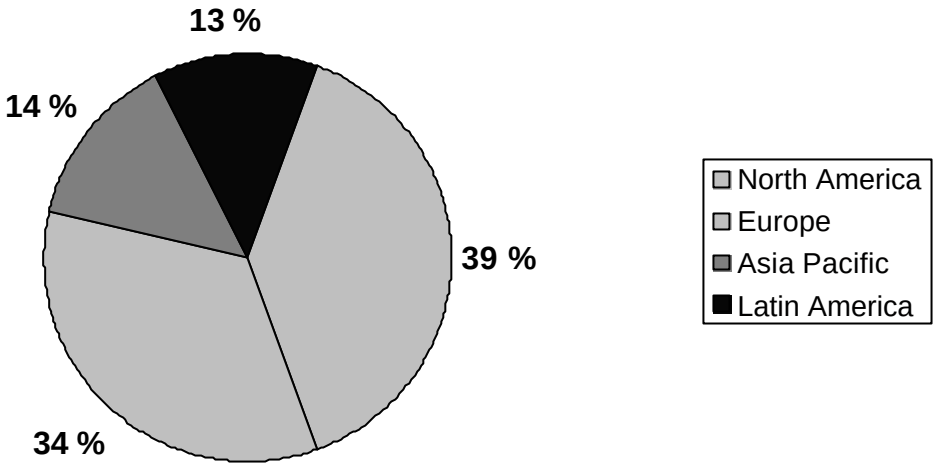


The following table breaks down clinical *in vitro* diagnostics market revenues for 2004 by type of pathology:

	2005 (€ billions)
Infectious diseases	5.4
Cardiovascular pathologies	1.4
Cancers	1.9
Diabetes	5.4
TDM (Therapeutic Drugs Monitoring) / DOA (Drugs of Abuse)	0.8
Endocrine tests	1.7
Auto-immune diseases	1.1
General hematology applications	1.4
General clinical chemistry applications	2.9
Total	**22.0**

Industrial segment. The industrial market is a newer market, which is at a stage of more rapid growth than the clinical market.

Geographical breakdown of the industrial in vitro diagnostic market



4.2.3.2 Market trends

The Company considers that the most important success factors to capture the growth potential of the *in vitro* diagnostics market have changed in recent years. Traditionally technological, the success factors are now more pathology-linked as a result of:

- A change in the methods of reimbursement of medical treatment, now done by pathology and no longer per examination. Hospitals are undertaking treatment management and follow-up of patients, which encourages them to prioritize techniques, such as diagnostics, which allow them better to determine protocols and treatments and to avoid hospitalization where possible;

- The consolidation of laboratories that, to a growing extent, must be capable of offering a large range of tests for a given pathology and can no longer limit their competence to a small number of technologies; and

Besides, the market is driven by:

- increased automation of laboratories, due to a growing shortage of qualified personnel,

- The emergence of technologies such as molecular biology, which allow for real-time complex diagnosis and detection of pathologies such as meningitis, which requires very early diagnosis.

- the distinction between routine tests, performed by laboratories capable of handling large volumes, and tests with high medical value, performed near to patients at emergency rooms.

4.2.3.3 Growth prospects

The Company believes that the growth of the *in vitro* diagnostics market will principally be focused on five segments: infectious diseases, diabetes, industrial microbiological monitoring and, in the medium term, cardiovascular pathologies and cancers. Of these five segments, it has targeted four as its principal areas of strategic development. Diabetes, the only one of these segments in which it is not involved, is an area dominated by large pharmaceutical groups with retail distribution networks that allow them to market tests directly to patients.

A key factor in the growth potential of the *in vitro* diagnostics market is the increasing recognition of the importance of *in vitro* diagnostics in tracking therapeutic effectiveness in treating pathologies. In addition, several structural factors help explain the potential for growth in demand:

- Aging populations, which are increasing the number of chronic diseases and age-related illnesses, such as cardiovascular diseases, neuro-degenerative diseases (such as Alzheimer's), cancers, diabetes and arthritis and, as a consequence, are increasing the need to diagnose them as quickly as possible in order to treat them more effectively;

- The multiplication of pathologies related to lifestyle and eating habits (such as obesity and food allergies);

- The increasing importance granted to the prevention in order to reduce the periods of stay in hospitals, the custom of antibiotics and the spending of healthcare,

- The emergence of new pathogens such as avian flu , which require increased diagnostics capabilities;

- The development of antibiotic-resistant bacteria (giving rise to hospital-acquired diseases) and viruses resistant to antivirals, which is expected to create a need for more rapid detection of bacteria and viruses and better management of therapies;

- Technological developments, in particular those relating to the technical analysis of proteins and genetic sequences, which allow *in vitro* diagnostics techniques to be used to detect cardiac, cancers, auto-immune and neuro-degenerative diseases;

- The large increase in healthcare spending and, more particularly, diagnostics spending in certain developing countries, which creates a new source of demand, particularly in the infectious diseases segment;

- Decentralization of the diagnostics market, including direct testing by physicians; ou par les centres d'urgences

- Recognition of the importance of the quality of food products, pharmaceuticals and cosmetics, expected to be an additional growth factor for the industrial market, which has been developing over the last ten years; and

- The fight against bio-terrorism, which requires local and rapid diagnostics.

The Company is not aware of any independent analysis of future growth of the *in vitro* diagnostics market. It has conducted its own internal analysis on the basis of reports prepared by financial analysts, studies carried out by industry specialists and information published by other companies in the sector, as well as its own knowledge of the market.

The Company estimates that the annual growth rate for the in vitro diagnostics market as a whole between 2005 and 2010 could be on the order of 4 to 5%, with higher growth in infectious diseases, diabetes, cancer, cardiovascular pathologies and the industrial diagnostics segment. It believes that average annual growth, measured in value, could reach 5 to 7 % in this last sector. The difference in rates of growth is due to various factors, including the globalization of the industry, increased public awareness of the traceability of raw materials, the risk of contamination from foodstuff (e.g. the detection of disease-carrying bacteria such as *salmonella* or *listeria*) or from environmental sources (e.g. *legionella*), combined with the growing impact of regulations. However, growth could fluctuate significantly from one year to the next under the impact of developments in regulations and the occurrence of food-related crises. The Company has also noted that competition in this sector has been increasing, resulting in more placements of instruments rather than sales, an improvement of microbiological controls by industrial clients and an absence of food crises such as those caused by outbreaks of salmonella and listeria during the early part of the decade. Lastly, regarding industrial applications and the implementation of new regulations (such as process analytical technology – PAT – in the pharmaceutical industry or new microbiological criteria in Europe), a trend toward more automation and controls of production processes can be expected.

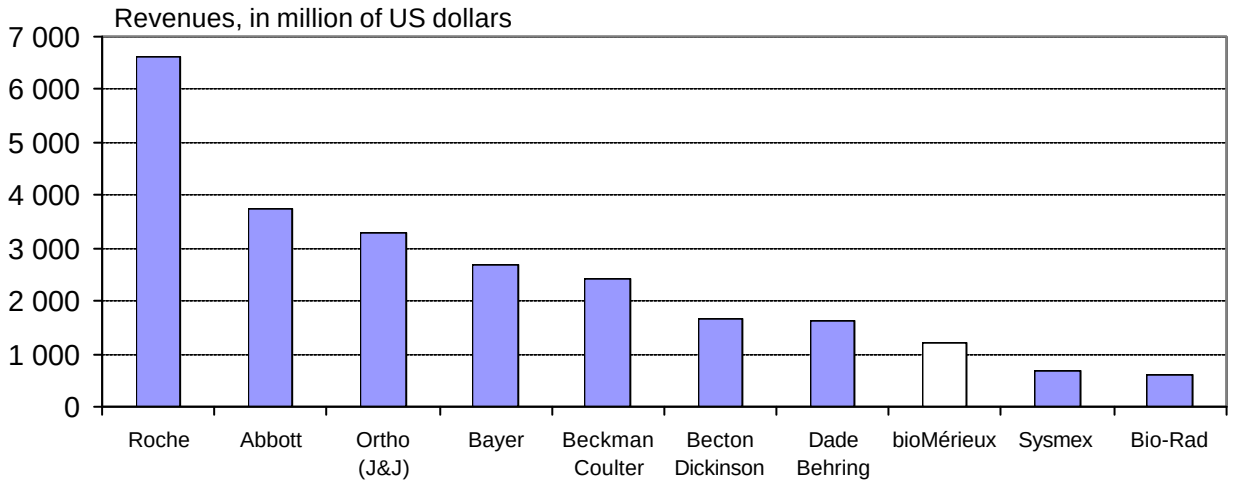
The Group considers that growth in these areas will intensify as a result of the emergence of new markets (China and India in particular) and the development of new technologies (molecular biology, human genetics, nano technologies, etc.). In particular, the market for molecular biology is expected to expand more rapidly than the others, in response to demand that cannot be met with conventional biology, such as the detection of infectious agents of viral diseases which have so far been poorly identified and require faster identification, such as SARS, avian flu (H5N1 virus), nosocomial infections (sepsis) or bacterial resistance.

These estimates are presented for illustrative purposes and are susceptible to significant change. Growth could be much lower for several reasons, in particular those discussed in "Risk Factors" (§4.11).

4.2.4 Significant players

The *in vitro* diagnostics market has developed considerably since the 1960s. In the last 10 years industry consolidation has been driven by the growing costs of technology and innovation, laboratory and hospital consolidation, need for broader product lines and critical mass considerations. In 2004, it is estimated that the top ten companies in the world *in vitro* diagnostic market represented about 80% of total market revenues versus 60% in 1985 (source SG Cowen, October 2001). The Company estimates that the ten largest companies accounted for some 80 % of worldwide sales in 2005.

The *in vitro* diagnostics industry consists of either large pharmaceutical or diversified groups including Roche, Johnson & Johnson, Bayer, Abbott and Becton-Dickinson, or specialized companies including bioMérieux, Beckman-Coulter, Dade-Behring, Bio-Rad and Sysmex. Some of these companies are larger and have greater resources than bioMérieux.
In the worldwide *in vitro* diagnostics market, the Company ranks eighth based on its 2005 revenues (Kalorama, October 1, 2004). This ranking reflects its relatively specialized positioning: it is not a significant player in certain major segments, such as diabetes and clinical chemistry.



4.3 BUSINESS

The business of bioMérieux in the clinical segment focuses on diagnosis of infectious diseases and complex pathologies, such as cardiovascular diseases and cancer. In the industrial segment, business focuses on the monitoring of microbiological quality of food products, environments (water, air), surfaces and sterile products from the agribusiness, pharmaceutical and cosmetic industries.

4.3.1 History and development of the business

The foundation of the Group's business is the historical expertise of the Mérieux family in biology, which dates back to 1897, when Marcel Mérieux created the Institut Mérieux in France. In 1937, Dr. Charles Mérieux became head of the Institut Mérieux, to be succeeded by Alain Mérieux, who served as Chairman and Chief Executive Officer from 1968 to 1994.

Since its creation in 1963 at Marcy l'Etoile (near Lyon), B-D Mérieux, which became bioMérieux in 1974, has provided a large line of products for laboratories, covering biochemistry, coagulation, virology and bacteriology. The development of the first products relied to a large extent on the expertise of Institut Mérieux, initially the principal shareholder (the Institut Mérieux transferred its shareholdings in the Company to the Mérieux family in 1968).
The Company initially targeted the French-speaking markets and focused on infectious disease diagnostics, principally in bacteriology and haemostasis. It then rapidly pursued international expansion by creating its own network of subsidiaries: in Belgium (1975), Germany (1976), Spain (1980), Italy (1985), Japan (1988), United Kingdom (1991) and Russia (1995). At the same time, it pursued a policy of external growth through targeted acquisitions, permitting it to progressively expand its product lines in order to respond to its customers' changing needs and the emergence of new pathologies.

In 1987, the Company acquired the API® group, the worldwide leader in bacteria identification and manual antibiotics susceptibility tests, and reinforced its expertise in bacteriology through a revolutionary miniaturized and standardized technique.

To respond to the automation trend in the *in vitro* diagnostics market during the 1980s, the Company acquired control of the U.S. Company Vitek Systems from McDonnell Douglas in 1988. This enabled it to complete the automation of its microbiology diagnostics, to establish operations in the United States and to strengthen its global position in automated bacteriology. In addition, Vitek owned an immunoassay technology from which the Company developed the VIDAS® product line, now the industry standard for small and mid-sized laboratories.

In 1991, the product lines were extended to meet the specific needs of industrial microbiology, and initial efforts focused on the food industry.

In 1996, bioMérieux identified the need for new technologies to help fight the most virulent pathogens that require real time analyses. It partnered with Affymetrix to enter into the molecular biology field with DNA chips (multi-detection bio-chips).
Since 1997, the Company has also distributing the Gen-Probe manual range of products worldwide outside the United States.

With a view to strengthening the product offer for infectious disease diagnostics, increasing the Company's capacity for innovation and consolidating its intellectual property portfolio, it acquired the diagnostic division of Organon Teknika, a subsidiary of Akzo Nobel, in 2001. This acquisition was a major step in the Group's development that offered:

- New products that were highly complementary to its development strategy, particularly in blood cultures with BacT/ALERT®;

- New technologies, particularly the NASBA® molecular biology amplification technology, which have already been integrated into product lines with the NucliSENS® EasyQ® system;

- A reinforced presence in the U.S. market, and in particular, the Durham site in the heart of the "North Carolina Research Triangle" to which the North American headquarters were relocated;

- A more significant position in the global market and a critical mass, as the diagnostic division of Organon Teknika had revenues in 2001 equivalent to approximately 40% of revenues before the acquisition; and

- Synergies and economies of scale, which were quickly achieved.

At the end of 2003, the Company entered into a strategic alliance with the California Company Cepheid. It intendes to combine its NASBA® amplification system with Cepheid's GeneXpert® platform, and thus strengthen its position in the emerging markets of molecular biology, automated products and decentralized diagnostics, with an integrated platform adapted to the needs of clinical laboratories and mid-sized hospitals.

In 2003 and 2004, the Company divested its activities that were not specific to *in vitro* diagnostics, and merged with its holding companies. These transactions allowed it to simplify the group's structure and to focus exclusively on *in vitro* diagnostics, while at the same time permitting the Mérieux family to simplify the structure of its health-care related activities.

In 2004 and 2005, the Group entered into several licensing agreements to acquire rights to technologies, including with Gen-Probe for ribosomal RNA markers for identifying microbial targets by molecular biology and with Brahms to acquire a license to the PCT (Procalcitonine) marker of severe bacterial infections, as well as with Roche Diagnostics for a license to its proBNP marker of congestive heart failure and acute coronary syndrome.

4.3.2 Strategic areas of expertise

bioMérieux concentrates its activities on applications considered to have the highest growth potential and for which it stands out in terms of technical expertise, reputation and reliability of products and global presence.

The following table sets out what are considered the technological capabilities necessary to compete successfully in the four targeted applications:

	Bacteriology	Immunoassays	Molecular biology
Infectious disease.....	X	X	X
Cardiovascular pathologies		X	X
Cancers.....		X	X
Industrial applications.....	X	X	X

The Company believes that solid technological and commercial integration is essential today to compete successfully in targeted applications. It considers itself as one of only a few companies that possess the full range of technological capabilities and the global reach necessary to capture the growth potential of these applications.

In the clinical segment, the Company's historical business is the diagnosis of **infectious diseases**, which accounted for 67% of consolidated revenues in 2005. In 2005, infectious diseases accounted for 100% of revenues in clinical bacteriology, 54% of revenues in immunoassays, and the majority of revenues in the area of molecular biology. Customers are offered a wide range of manual and automated products with extensive menus of reagents. Products allow the detection and analysis of bacterial infections (such as staphylococcus and tuberculosis), parasitic infections (such as toxoplasmosis) or viral infections (such as HIV or hepatitis).

For the past several years, the Group has been using its available technological expertise to expand its line of products for detecting and tracking certain **cardiovascular pathologies** and certain **cancers**; these applications accounted for 11 % of total sales in 2005:

- The Company is active in the diagnosis of cardiovascular pathologies (including thrombosis). The haemostasis methods developed by the Group have their principal application in this segment. In the area of immunoassays, it has developed and markets the high value-added D-Dimer test, which is the industry standard for the detection of deep vein thrombosis and pulmonary embolism.

- The Company is also developing products for cancer detection, for which the new molecular biology technology is well-adapted. It is developing tests that could, through study of the human genome, allow the detection of predisposition to selected cancers (in particular breast cancer), permit their diagnosis, aid the selection of treatment (molecular testing of tumors and patient for advance knowledge of their reaction to the different treatments available), follow the progress of treatment and monitor the disease when treatment is complete.

- The Company has also leveraged its technological expertise by pioneering the field of industrial applications, a segment that has developed over the past decade and which represented 12.9% of revenues in 2005. The most significant industrial applications are in food processing, pharmaceuticals and

cosmetics. The Company has recently developed TEMPO®, a new quality level indicator that identifies bacterial flora in food.

4.3.3 Key strengths

The Company believes that it is particularly well positioned to be a leader in the strategic areas that targeted by it. Its principal strengths are the following:

- A strong expertise in the diagnosis of infectious diseases, based on over 40 years of experience in biology. This expertise has several new applications, including the detection of industrial contamination, cardiac diseases and cancers, and its use is expected to expand to the field of human genetics in the future,

- Complete product lines known for their reliability and durability, and integrating all of the traditional technologies used in target areas (bacteriology, immunoassays) as well as the latest technologies in molecular biology,

- Proprietary technologies (BOOM® and NASBA®) give the Company the potential to become a leader in molecular biology,

- A pioneering role in industrial diagnostics and a strong market position expected to help take advantage of the substantial growth potential in this area,

- A worldwide presence puts the Group close to customers around the world, and allows it to react quickly to the proliferation of pathologies that are not limited by borders,

- The strong visibility of revenues due to the large installed base of instruments, which is comprised primarily of closed systems, and

- A professional, family-based management, whose scientific, industrial and commercial vision has translated into regular growth and consistent profitability, has successfully positioned the Company in the technologies of the future.

4.3.4 Strategy

The Company's ambition is to be one of the world leaders in the diagnosis of infectious diseases and selected key pathologies expected to experience high growth by pursuing the following strategy:

- Focus on selected high-growth applications and technologies:

  ~~Applications~~. The Company intends to :

  - reinforce its historically strong position in infectious diseases, a segment that is expected to experience significant growth due to the development of new markets and the emergence of new needs.

  - develop specialized applications for pathologies such as selected cardiovascular diseases and cancers;

  - expand on the industrial application business.

~~Technologies~~. bioMérieux is one of the world leaders in bacteriology, a high value-added niche player in immunoassays and the owner of key technologies in molecular biology. It plans to continue the tradition of developing commercially successful products based on the most innovative technologies.

- Since 1996, molecular biology technologies have represented an innovative activity for the Company, complementing its traditional technologies. The Company hopes to further improve its position in the field in coming years and considers that it has the technological and commercial resources necessary to become a major player.

- This technology is used mainly in large hospital and commercial laboratories. The Company has been developing a line of simplified and integrated systems, along with new types of tests covering such needs as rapid diagnosis of nosocomial infections, resistance to antibiotics, pathogens related to meningitis, blood stream infections and respiratory diseases. Its strategy is expected to enable it to introduce molecular technologies at medium-size laboratories and to develop better usage among its current customers

– Launch new products and improvement of commercial position. The launch, after VITEK ® 2 Compact at the end of 2004, TEMPO® and easyMAG™ in 2005, of VIDIA® and GeneXpert® should allow the Group to spread its customers base and increase sales to existing customers. Thhe regular introduction of broader menus, new reagents with high clinical value and new applications for instruments should allow the Company to reinforce its current market position.

– Leverage the Group's global reach to take advantage of growth opportunities. bioMérieux has developed a worldwide presence and organized its sales force in order to be close to its customers, so as to understand and anticipate their needs and specificities. The Company is well placed to increase revenues in regions where technological leadership is key, such as the United States and Europe, and in fast growing countries such as China, India and Brazil, where diagnostics is increasingly important to the healthcare system.

– Pursue major efforts in research and development. Ongoing efforts in research and development are focused on increasing the reagents offered in target areas and on improving the functionality of the Company's instruments. Over the medium and long term, it intends to develop new instrument product lines with cutting-edge technologies.

– Invest in new technologies through strategic alliances and targeted acquisitions. The Company will continue to take advantage of growth opportunities through targeted acquisitions and through partnerships that fit with strategic goals. In particular, it will continue to search for alliances with smaller companies that develop markers or other highly specialized products that could accelerate the development of its products.

– Maintain a balanced financial strategy. The Company intends to rely on its regular operating cash-flows to finance its organic growth and to maintain a strong financial condition that can be leveraged to seize external growth opportunities.

4.3.5 Products

The Company offers its customers a wide range of products that permit them to detect, diagnose and follow up treatment of the pathologies that have been targeted as primary areas of focus.

4.3.5.1 Composition

Dagnostics systems consist of three components:

- Reagents, which are consumables used to carry out biological tests such as identification of type of bacteria, virus or marker, allowing the diagnosis of a disease, pathology or contamination;

- Instruments (or platforms), which are automated machines used to carry out tests at varying throughputs. Biological samples are introduced into the instrument with one or more reagents to detect the target microorganism or marker; and

- Software and expert systems, for the treatment and interpretation of results of the biological tests, including epidemiologic follow up and therapeutic advice.

The vast majority of revenues comes from reagent sales, which accounted for approximately 84% of revenues in 2005 (against 85.3% in 2004). Instruments are either sold (approximately 11.8% of 2005 revenues against 10.4% in 2004) or placed with the customer under a contract that includes an agreement to purchase a minimum volume of reagents and consumables. In this case, the reagent price is designed to cover the depreciation and the financing of the instrument. If the customer is unable to fulfill this engagement, the Company is contractually entitled to take back the instrument. In some markets, in particular the United States, instruments are rented to customers. Software is generally provided with instruments.

The vast majority of instruments developed and installed by the Company are closed systems, meaning that they can only be used with reagents developed specifically for these instruments. The installed instrument base, which was approximately 42,000 instruments as of December 31, 2005, is a source of visibility and provides a regular revenue stream. 70% of reagent sales in 2005 were from reagents used in instruments, and the balance were manual products.

The placement or sale of instruments is accompanied by services ensuring the reliability and durability of the product. These include the installation and maintenance of instruments as well as user training. Part of the services provided by the Company is billed to customers. Billing of services accounted for approximately 4.4% of revenues in 2005, against 4.3% in 2004.

4.3.5.2 Products

The following table sets out the main products marketed by the Company, with their technological area and principal applications:

Main product lines	Technological area	Main applications	Upcoming launches and new products
Culture media	Bacteriology	Culture media: detection of principal microorganisms responsible for infectious diseases. Approximately 40 applications. Management of the bacteriological environment in the pharmaceutical segment; air quality control.	New chromogenic media allowing isolation and immediate identification of bacteria, notably for prevention.
API® and ATB®	Bacteriology	API®: miniaturized identification test. Global industry standard covering approximately 550 bacteria (including bacteria with growing importance in pathologies such as *Coryne bacteria, Listeria and Neisseria)* ATB®: semi-automated antibiotic susceptibility test	
VITEK®	Bacteriology	Automated identification and antibiotic susceptibility system, extensive menu. Second generation VITEK® 2 being marketed and launch in the last quarter of 2004 of VITEK® 2 Compact, automated system designed for small and mid-size laboratories Identification of bacteria in industrial products.	Extension to new identification and antibiotic susceptibility test pplications (in response to new antibiotics and changes in local and international interpretation rules)
BacT/ALERT®	Bacteriology	Direct culture of blood samples for detection of septicemia (routine examination) Monitoring of sterility of platelets (blood banks in the United States) Monitoring of sterilization of industrial products	Product extensions
Expert systems and software	Bacteriology	Observa: VITEK® and BacT/ALERT® data management software for epidemiological follow-up (hospital acquired infections alerts) VIGI@CT™: software for hospital acquired infections alerts STELLARA®: software for therapeutic advice APIWEB™: electronic database accessible on CD Rom or the Internet for analyzing test results	

Main product lines	Technological area	Main applications	Upcoming launches and new products
VIDAS® and VIDIA®	Immunoassays	**VIDAS®**: 90 parameters for the detection of: hepatitis A and B, HIV, viral infections such as for pregnant women (toxoplasmosis, rubella and cytomegalovirus) as well as hormones such as those affecting thyroid functions or fertility; also, markers for diagnosing or tracking certain cancers or cardiovascular diseases such as **VIDAS® D-Dimer**: reference diagnostic test for the exclusion of deep venous thrombosis and pulmonary embolisms. Bacterial pathogens (*Salmonella*, *Listeria*) in industrial applications **VIDIA®**, medium throughput system designed for large and mid-sized laboratories, particularly in hospitals (introduced in December 2005, prior to commercial distribution)	Extension of the menu and new generations of tests, such as pro-BNP and PCT Enriched reagent menu, including for infectious diseases
NucliSENS® miniMAG™	Molecular Biology	Semi-manual system for extracting genetic material from samples, incorporating BOOM® technology	Connection of extraction and detection by EasyLink software
NucliSENS® easyMAG™	Molecular Biology	Automated system for extracting genetic material from samples, incorporating BOOM® technology	
NucliSENS® EasyQ®	Molecular Biology	Real time detection system using NASBA® amplification technology; currently used to measure HIV-1 viral loads and for detecting viruses implicated in respiratory, enterovirus and cytomegalovirus infections	Extension of the menu for infections diseases and oncology
Gen-Probe	Molecular biology	Product line distributed by the Company since 1997 (mycobacteria, Gram+ and Gram- bacteria), first venture by the Company in the field of molecular biology	
TEMPO®	Bacteriology	New food quality indicator system; first microbiology system specifically designed for the industrial sector (brought out in early 2005)	

The Company's first ten products have represented in 2005, approximately 21% of sales and the first one has weighted approximately 3% of sales.

The Company has implemented a global marketing strategy favoring the creation, registration and protection of global trademarks and, in parallel, marketing is adapted to regional and local needs, thanks to the large range of products.

Culture media

bioMérieux offers a large range of culture media (over 100 types of cultures, available in different forms: tubes, bottles, Petri dishes). It has more than 25 years of experience in the manufacture of culture media, and is the leading European manufacturer of conventional ready-to-use culture media ("Pre-poured Media," or "PPM"), with a range of more than 40 different cultures. It does not market its culture media designed for clinical applications in the U.S. market, but market a line of products specifically designed for industrial clients.

The Company is concentrating its efforts on developing chromogenic cultures, products that require specialized expertise and allow it to differentiate itself from competitors. These products are based on the direct introduction of chromogenic substrates, which allow the isolation and immediate identification of the targeted microorganisms. Current work focuses in particular on the development of a line of preventive culture media aimed at detecting patients carrying multi-drug resistant bacteria, so as to reduce instances of nosocomial

infections by multi-resistant bacteria through the use of appropriate isolation measures. In this connection, the Company brought out MRSA-ID in May 2005, for detecting Methicillin-Resistant *Staphylococcus aureus* bacterium.

API® product line

The Company markets the API® gallery, a key product on which it built its position in the 1970s and which today positions it as world leader in manual identification systems and antibiotic susceptibility tests for bacteria (ID/AST). An API® gallery contains approximately 20 miniaturized and standardized tests, each targeting a specific microorganism in the sample introduced into the gallery. The Company markets 16 API® products covering almost all known bacteria groups, including bacteria that are becoming increasingly important such as *coryne bacteria, campylobacteria, listeria and neisseria*.

Based on the API® product line, semi-automatic mini API® products have been developed, designed for use in small and mid-sized laboratories. The mini API® systems, which include galleries of reagents and software for results analysis, allow a reduction of the time required to carry out an examination to 18 to 24 hours, and in some cases, to four hours. The mini API® system also makes it possible to read antibiogram ATB galleries.

VITEK®

The Company has a leading market position in automated ID/AST products. Its main product line, VITEK®, is an automated bacteriology system that is used for both clinical and industrial applications. This system was designed to operate with a capacity to simultaneously treat up to 120 cards, depending on the model. The VITEK® product line is principally marketed to large laboratories.

The second generation of the VITEK® line, the automated VITEK® 2, allows for more rapid identification and sensitivity analysis. It offers a larger analysis menu by using a single card specific to large bacterial families and has a miniaturized reagent compartment.

The Company launched VITEK® 2 Compact platform during the last quarter of 2004. It has been equipped with a new reading head and new expert software and is targeted at small and mid-sized laboratories, operating between 30 and 60 tests per day.

Faced with an increase in multi-resistant bacterial infections, such as the staphylococci responsible for many hospital-acquired infections, the automated VITEK® systems offer clinicians and biologists the possibility of developing close partnerships. A rapid and precise diagnosis of bacterial resistance facilitates early, targeted prescriptions for a well-adapted treatment.

In parallel with the continuing development of this line of instruments, bioMérieux has been making significant investments to develop a menu of available tests in order to keep pace with new bacteria and new antibiotics launched by the pharmaceutical industry.

The Company also brought out its OBSERVA® epidemiological survey software, along with a new version of its VIGI@CT™ software used by hospital labs to adapt antibiotic therapies for a better monitoring of antibiotic resistance.

BacT/ALERT®

Also in the bacteriology area, the BacT/ALERT® platform gives the Company a competitive edge due to its large blood-culture menu and due to a rapid technique for detection of septicemia (for routine examinations) directly from a blood sample culture (septicemia is the tenth most common cause of mortality in the United States). The flexibility, ease of use and adaptability of BacT/ALERT® mean that laboratories of all sizes can use the same device to make their blood-culture and mycobacterial analyses. It is also the only system in the world that uses plastic bottles as added protection for technicians.

The BacT/ALERT® system is also used in the U.S. market for monitoring platelet sterility at blood banks. Additionally, synergies between the VITEK® and BacT/ALERT® automated systems are possible because, when bundled together, the two systems permit a significantly reduced diagnostic time to result compared to the use of separate systems.

VIDAS®

VIDAS® is a multi-parameter instrument using ELFA technology(Enzyme Linked Fluorescent Assay) and based on a single-dose test concept, which can perform every stage of diagnostic analysis to identify and quantify:

- Bacteria, viruses and parasites in biological samples;
- Antibodies by measuring the immunological response to infection; and
- Different proteins circulating in the blood, markers for selected pathologies such as cancer, inflammatory response, venous thrombosis and hormonal dysfunction.

VIDAS® D-Dimer is the recognized industry standard for the exclusion of deep venous thrombosis and pulmonary embolism. The analyses may be done as a series or as an isolated test at up to 50 tests per hour. The mini- VIDAS® is a compact version of VIDAS®. Launched in 1992, the VIDAS® product line has met with great success. It is recognized for its quality and reliability. The VIDAS® system is the most widely installed system in the world among small and mid-sized laboratories, with over 21,000 systems installed throughout the world as of December 31, 2005 (including the mini-VIDAS® compact version). In the entire automated immunoassay market, it is estimated that the VIDAS® product line is second only to Abbott's AxSym in terms of installed bases.

The VIDAS® menu includes 90 parameters (of which 80 are clinical and ten are industrial) covering a wide range of human pathologies, such as viral hepatitis and HIV diagnosis and allows for serology tests, thyroid hormone analysis and tumor marker detection. The HIV Duo Ultra and Quick tests, brought out in September 2004, are the only ready-to-use automated HIV tests (they detect both antigens and antibodies, with the HIV Duo Ultra test providing separate and concurrent signals for antigens and antibodies).

VIDIA®

The Company has developed VIDIA®, which it introduced in December 2005. It is a new, fully automated, medium-throughput immunoassay system that completes the VIDAS® line and will enable bioMérieux to penetrate the large and mid-sized laboratory segment, particularly at hospitals

TEMPO®

In January 2005, the Company launched a new quality-indicator system, TEMPO®, to identify bacteria present in food products. TEMPO® is the first microbiology system designed specifically for industrial applications. This system is targeted at the quality control laboratories of large industrial groups and independent industrial laboratories and is expected to be used for a large number of food products. Together with the VIDAS® system, it allows the Company to offer industrial customers a complete automated bacteriology product line

Molecular biology product lines

Molecular diagnostics by bioMérieux can detect bacterial, viral and parasitical infections in humans thanks to its ***BOOM***® extraction system and ***NASBA***® simultaneous amplification and detection system.

- **BOOM**® uses proprietary technology for extracting DNA and RNA and sets the standard for the industry. It is well established as the preferred method for molecular biology tests.

- **NASBA**® also uses a unique proprietary amplification technology for molecular biology. As opposed to the PCR amplification technology, NASBA® targets RNA (and incidentally DNA) and makes it possible to perform the amplification process at the same temperature, using less complex equipment. The Company has now combined the amplification process with marking and detection into one single step, using the real time **NASBA**® technology.

The Company has built upon the BOOM® and NASBA® technologies to develop a line of extraction systems and a line of amplification/detection systems: the extraction line includes the semi-manual NucliSens® miniMAG™ solution and a NucliSens® easyMAG™ automated system, both of which use the proprietary BOOM® technology.

The real-time amplification and detection of molecular targets are done on the NucliSens® EasyQ®, a system that uses NASBA® technology. The system analyzes up to 48 samples, and takes less than 90 minutes to handle them. It is particularly well suited to high-volume tests such as when measuring HIV viral loads. The system can also be used for small series of tests and for customized parameters, using the NucliSens® Basic Kit concept.

The Company is also the exclusive distributor of certain Gen-Probe products outside the United States, chief among them amplification and detection tests, including for mycobacteria. The Company's alliance with Gen-Probe since 1997 has enabled it to break into the molecular biology sector and ascertain the Company's prospects in this area.

At the end of 2003, the Company signed a major agreement with Cepheid, giving it access to an innovative system, GeneXpert®, which may enable it to gain a position in new molecular biology segments, such as points of care. GeneXpert® is a unique system that combines extraction, amplification and detection, without complex processing and without the need to intervene during the course of the analysis. It can be used to perform emergency tests, near patients, in one or two hours.

The Company considers the GeneXpert® system to currently represent the most advanced point-of-care solution (high emergency tests at decentralized locations), which is an emerging high-value-added market segment.

The Company is contemplating using the GeneXpert® system's range of new clinical tests performed thus far by Cepheid primarily in the fight against bioterrorism, at emergency laboratories such as surgery facilities and intensive-care units at mid-size and large hospitals.

In 2004 and 2005, with this in mind, the Company purchased from Gen-Probe access rights to ribosomal RNA markers for microbial identification by molecular biology using EasyQ® et GeneXpert® platforms.

The Company has also been investing, jointly with Affymetrix, in multidetection DNA testing (DNA chips), which are an important tool in the research on multiple-target parameters. The first applications were released in 2004 in the form of the first FoodExpert-ID® chip that detects the animal origin of food proteins. Clinical applications will be developed in the future.

4.3.5.3 Other group activities

In addition to strategic business lines, the Company has a number of mature or complementary activities:

- *Microplates*. Immunoassay tests in the form of micro plates, used primarily in blood banks to test donated blood and in large laboratories for specific analysis, such as confirmation of a positive HIV test. The Company markets a competitive new platform, called *Da Vinci*®, but does not have access to selected intellectual property rights, in particular, HCV (which is considered key to achieving a strong position in this market);

- Hemostasis tests. They measure the fluidity of blood, in particular for tests in connection with first-intention procedures (e.g. preoperative assessments) and second-intention procedures (searches for the causes of cardiovascular pathologies). The Company distributes the MDA® II fully automated analyzer, which uses an advanced optical system and is designed for laboratories in need of considerable analytical capacity (MDA® II can perform up to 180 tests per day with automated quality-control procedures). The Company also distributes MTX II, a medium-speed automated analyzer for small and mid-size laboratories.

- *Clinical chemistry*. In the Company's opinion, clinical chemistry is a commodity business that does not present a strong potential for growth; and

- *Conventional serology*. Conventional serology uses manual tests based on antigen-antibody reactions that are being replaced by automated technology.

The Company is no longer making significant investments in these business lines, but they continue to be profitable and cash generative.

4.3.6 Customers

Products are sold mainly to private analysis laboratories and hospitals. The Company estimates that these two groups account for approximately two thirds of the *in vitro* diagnostics market, with hospital laboratories alone accounting for approximately half the market. To a lesser degree, customers include physicians (known as "physician office lab" or "POL"), blood banks and the "point of care" market (in particular, hospital emergency rooms). The significance of POL and points of care varies by country. This client group is highly developed in North America, but accounts for only a small part of the market in Europe (except in Germany) and the Asia-Pacific region (except in Japan). The Company does not sell products for patient testing, as selling to this customer base would require a large retail marketing network.

The manner in which the *in vitro* diagnostics sector operates varies considerably from one country to the next, depending on their healthcare system. It is either in the public or the private sector, or is split between the two. Globally, bioMérieux sells its products to hospitals, private laboratories, clinics, public health centers, industrial customers and distributors, or even directly to physicians when the law allows it. In France, which accounted for 18% of the Group's sales in 2005, there is a mix of private and public customers. Private laboratories, which accounted for 64 % of total sales in 2005, place orders, whereas public hospitals, which accounted for 26 % of the Company's business, operate through competitive bidding. Industrial clients (11% of sales in 2005) also place direct orders. In the United States, which is the Group's largest market, public and private hospitals accounted for 63 % of sales in 2005 and commercial laboratories accounted for 16 %. In addition, 7 % of sales were to other clinical-sector clients, including Physician Office Laboratories (POL). Industrial clients accounted for the other 14 % of sales.

In the industrial segment, customers are the quality control laboratories of large agribusiness, pharmaceutical and cosmetic groups, or independent laboratories to which such industrial quality control is outsourced. In addition, with the development of the fight against hospital-acquired diseases, the Company is starting to market detection and monitoring systems to hospitals as industrial customers. Similarly, blood banks became industrial customers for bacteriology products used to monitor the sterility of platelets.

For several years, there has been a trend towards consolidation among laboratories, whether in hospitals or private, due to the economies of scale that result, particularly from sharing a larger customer base, as well as increased capital investment needs, technical demands and a shortage of qualified personnel. Partnership agreements between laboratories have gradually become integrated networks with sophisticated, technology-linked connections.

The consolidation trend has moved at differing speeds from one country to another, increasing the importance of good geographical knowledge of each market and prompt local response levels. Consolidation of laboratories is already very advanced in North America and, to a lesser extent, in Europe.

This consolidation trend has numerous advantages for the Company, allowing it to generate more volume, actively participate in customer automation and benefit from increased investment capacity for new platforms.

The Company's strategic plan is designed to respond to the changing needs of its existing customers, to enlarge the customer base and to use its strong expertise to penetrate new markets. Thus:

- it launched VITEK® 2 Compact, complementary to VITEK® 2, a platform for automated bacteriology tests targeted at small and mid-sized laboratories;

- It is developing VIDIA®, a high throughput immunoassay instrument which will leverage its reputation and strong presence in the small to mid-sized laboratories to penetrate hospital laboratories and accompany the consolidation trend of existing VIDAS customers;

- It launched TEMPO®, the first microbiology platform specifically designed for quality control of food products.

- Along with molecular biology systems, the Company offers standardized systems to meet new needs of laboratories such as rapid diagnosis of hospital-acquired infections, resistance to antibiotics, and pathogens involved in meningitis, septicemia, and pulmonary infections;

- It is targeting the point of care market with Cepheid's GeneXpert® integrated system, which will use its NASBA® amplification system;

- It is developing rapid tests with an easy to use immunoassay product line (VIKIA®) designed for diagnosis by physicians and in developing countries; and

Revenues from the ten largest customers represented less than 10% of total revenues in 2005. No customer represented more than 2% of revenues.

4.3.7 Geographical presence

Revenues are generated in more than 150 countries directly in France and throughout 35 international subsidiaries.

4.3.7.1 Sales and distribution

The Company's distribution strategy focuses on client proximity to better respond to their needs and assist them in the use of its products. Global strategy principles are defined at the group level. The actual distribution policy is then implemented at the local level. Products are distributed through a network of 35 subsidiaries as well as over 100 distributors for geographic areas not covered by subsidiaries.

4.3.7.1.1 An extensive distribution network

Product distribution relies principally upon a network of trade subsidiaries, which focus their efforts on the sales, promotion and maintenance of the Company's products. Subsidiaries work at developing the Group's market positions and at increasing product penetration in each of geographic segments.

The subsidiaries have specialized sales forces for clinical and industrial clients. In the most developed and mature markets, such as the United States, most of the European markets and Japan, sales forces in the clinical segment are specialized by product line. Likewise, the industrial applications sales forces are becoming increasingly specialized in either pharmaceuticals or food industries. Conversely, in smaller markets, sales representatives are not specialized. As of December 31, 2005, the sales and marketing force included 1,509 people, of whom 804 were in Europe, 295 in the United States and 66 in Japan.

Sales and marketing efforts are primarily focused at the local level. Monitoring of local needs is a key element of the business, particularly in the clinical segment where customers are primarily local. In the industrial market, sales and marketing efforts are specialized for the agri-food business, cosmetic and pharmaceutical industries.

Each subsidiary is responsible for its contribution to operating income. Each defines its objectives in terms of market share and profitability over the short and medium term and in relation to strategic objectives determined at the group level. Some marketing subsidiaries may rely on local sub-distributors where justified by market conditions.

4.3.7.1.2 Outside distributors

In addition to the subsidiaries' sales forces, the Company also has a strong presence on all continents through outside distributors. It seeks to maintain strong product recognition, as well as legal constraints regarding traceability and field services (technical personnel, training, availability of spare parts) all determine the choice of local partners. These distributors are most often exclusive and leading actors of the local healthcare system. They are selected based on their knowledge of local healthcare market players and their material and human resources. The Company must also ensure that its distributors have a financial base sufficient to finance the instruments placed with end-customers. As of December 31, 2005, the outside dealer network included over 100 partners in approximately 120 countries.

4.3.7.2 Sales by country

The following table sets out revenue growth by geographic area between 2003 and 2005:

	Sales 2005 (in million euros)	**% Total Sales**	**Sales 2004** (in million euros)	**% du chiffre d'affaires total**	**Sales 2003** (1) (in million euros)	**% Total Sales**
Europe – Middle-East – Africa.....	566,8	57,0	533,0	57,3	515,7	56,4
Of which France.....	*176,3*	*17,7*	*169,9*	*18,3*	*173,3*	*18,9*
North America.....	255,9	25,8	244,3	26,3	252,0	27,6
Asia - Pacific(2).....	107,5	10,8	96,4	10,4	91,7	10,0
Latin America (2).....	63,4	6,4	55,6	6,0	55,1	6,0
TOTAL.....	**993,6**	**100%**	**929,3**	**100%**	**914,5**	**100%**

(1) Fiscal year sales are reported in accordance with French accounting rules in effect at the time. The data for 2005 and 2004 are consistent with IAS/IFRS.

(2) The 2003 figures are adjusted for the 2004 consolidation; India was previously included with Latin America.

The Company has long developed a strategy of proximity to its customers, and, over time, the number of subsidiaries has increased (now 35 foreign subsidiaries). In those countries where there are no subsidiaries, distribution agreements have been entered into with around 100 distributors throughout the world.

Europe continues to account for most of the Company's revenue. The bioMérieux sales representatives for public and private testing labs have helped it become the second largest Company in France in terms of market share (Source: *Syndicat Français des Réactifs de Laboratoires - SFRL*). The Company holds major market shares in all bacteriology segments of its other two main European markets (Italy and Germany), while its position in immunoassay varies. It has gained market shares in molecular biology and industrial applications.

In North America, where automated processes are dominant, the Company has bolstered its market position, including in automated bacteriology and with the VIDAS automated system (for physicians' office labs and emergency rooms with the D-DIMER test).

In the Asia-Pacific region, Company sales are increasing steadily in spite of Japan's current economic difficulties, which affect its healthcare budget. In China, bioMérieux has a significant strategic market share in bacteriology, HIV testing and industrial applications thanks to its special distribution networks.

In Latin America, the Company has been operating profitably for more than 30 years in Brazil, where it has a manufacturing, research and training facility. It holds a strong position there in immunoassays and has been expanding rapidly in the field of automated microbiology.

4.3.8 Competition

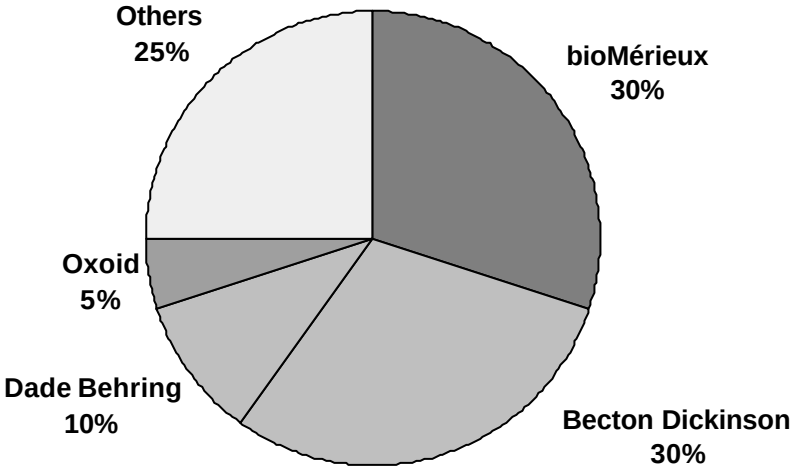
4.3.8.1 Clinical market

In infectious diseases, which represent 67% of clinical market sales and approximately 25% of the *in vitro* diagnostics market, the Company is estimated to rank third position with an approximately 12% market share in 2005. The development of new technologies and the access to new markers might change this ranking in the future.

bioMérieux is one of the few players to have all the technologies required for the applications it targets. As a result, it faces different competitors depending on the technology used. The Company believes that its expertise in all complementary technologies gives it a significant competitive advantage.

In bacteriology, where the Company estimates its market share at 30%, its principal competitors are Becton-Dickinson for manual products, culture media and automated blood culture systems, and Dade Behring in the automated identification and antibiotic susceptibility testing segments.

The chart below shows the competitive environment and the respective market shares of the main bacteriology firms, as estimated by the Company:



The table below shows the relative size of bacteriology sub-segments, the competitive position of the main firms in the sector and their market shares, as estimated by the Company:

	Culture	Blood culture	Automated ID/AST*	Manual ID/AST*
Market size *(€ millions)*	525	325	400	200
Estimated market growth rate	[1% - 2%]	[4% - 5%]	[5% - 6%]	[2% - 3%]
bioMérieux	> 10%	> 40%	> 55%	> 20%
Becton Dickinson	X	X	X	X
Dade Behring			X	

* ID/AST: Identification and antibiotic susceptibility testing

The Company's market share is thus close to 50% in the most technology-intensive sub-segments, such as blood culture, automated identification and antibiotic susceptibility testing systems, and it holds a strong position in major markets, including Europe and the United States.

In immunoassays, a segment where the 10 leading firms are active, with the exception of Becton Dickinson, major pharmaceutical and diversified companies (Abbott, Roche, Bayer, Johnson & Johnson) are dominant, bioMérieux is a high value-added niche player, with sustained sales to small and mid-sized laboratories in Europe and of specialty tests, in particular in the United States, with the VIDAS® D-Dimer cardiology test.

In molecular biology, the market leader is Roche, which owns the PCR amplification technology, currently the industry reference for HIV viral loads (the NASBA® technology has the potential to become the alternative to PCR). The other significant players in the market are Bayer, Gen-Probe (some of whose products are distribute by the Company) and Abbott.

4.3.8.2 Industrial market

In the industrial market, the Company is estimated to be co-leader with Becton-Dickinson with a 12% market share in 2005. This fast growing new market is currently highly fragmented in spite of a few strategic or technological alliances (e.g. Dupont - Applied Biosystems, Qualicon - SDI, Millipore - Applied Biosystems) with many companies specializing in specific segments. Other than Becton-Dickinson, bioMérieux's primary competitors in the industrial market are Oxoïd, 3M, AES, Bio-Rad, Millipore, Dupont (Qualicon) Biotrace-Tecra and Neogen.

4.4 RESEARCH AND DEVELOPMENT

4.4.1 Strategy

The Company has elected to focus its research and development along strategic lines, with the objective of:

- reinforcing the microbiology product range by relying on the Company's historical expertise and leadership;

- developing the molecular biology product line by relying on the Company's know-how in microbiology, its diversified technical platforms targeted at different market segments and applications (GeneXpert® and NucliSENS® EasyQ®), its proprietary technology (BOOM®, NASBA®) and its solid portfolio of patents;

- capitalizing, in immunoassays, on the success of VIDAS® and a unique know-how in biology to increase the number of menu parameters and develop new platforms such as VIDIA®; and VIDAS®

The Company maintains strong capabilities in advanced technology research, particularly in areas such as genetics, pharmacogenomics, proteomics, bio-informatics, as well as selected micro technologies such as micro fluidics and electronics. It also relies on a high profile network of international alliances and a strong intellectual property policy to serve its strategy.

4.4.2 Investment policy

Research and development expenses represented 14.3% of annual revenues in 2003, 13.6% in 2004 (the 2003 amount included high up-front payments for two licenses for products in the development phase), and 13.1% in 2005. Excluding up-front payments, research and development expenses broke down as follows:

- Approximately 80% of total research and development expenses are allocated to the development of new reagents, enlarging menus, improving product lines and in developing new generations of instruments, reagents, expert systems and software. The focus today is on the development of the VIDAS® and VIDIA® platforms immunoassay menu and of the NucliSENS® EasyQ® platform in molecular biology; and

- Approximately 20% of total research and development expenses are allocated to upstream research, including advanced technologies that are expected to be integrated into future products. The focus today is molecular biology research, including applications for cancer and technologies using DNA chips.

The Company's investment in research and development demonstrates its desire to develop its business in the area of infectious diseases, particularly through the use of molecular biology.

For additional information on the Company's research and development policy, see sections 4.4.1, 4.4.5 and 4.7.

4.4.3 Research and Development projects

Research and development efforts rely on technologies that are developed internally and in partnership with other companies or academic research institutes, as well as on technologies acquired through acquisitions.

Throughout the Company's history, it has shown a strong track record for identifying business value in upstream research concepts, developing new products and turning them into commercial successes. The latest example is the NASBA® amplification technology. NASBA® came with the acquisition of the diagnostic division of Organon Teknika in 2001. With the agreement with Cepheid, a complete line of reagents developed by molecular biology research can now be marketed.

The Company has also chosen to reinforce its research and development capabilities in the areas of micro and nanotechnologies applied to molecular biology.. It has completed its acquisition of Apibio, which is now part of the molecular biology division operating out of Grenoble since September 2005.

The following table presents the strategic directions of research and development, for each technology, in clinical and industrial applications:

	Clinical Applications	Industrial Applications
Bacteriology	• Development of new culture media and menus on VITEK®2 Compact • Programs dedicated to improve and extend performance of existing product lines, constant updating of VITEK®2 expert systems • Blood culture	• Development of new culture media and of TEMPO®
Immunoassays	• Development of new generations of existing tests with better performance levels (targets: emergency rooms, physician office labs) • Expansion of the range of available parameters, in particular for VIDAS® and VIDIA® platforms • VIKIA®: rapid immunoassay tests • Development of electrochemical chips	• Development of new applications for the VIDAS® automated immunoassay platform to control production and farming environments
Molecular Biology	• Development of a series of parameters for NucliSENS® EasyQ® product platforms (infectious diseases including new pathogens, cardiovascular diseases, cancer) • GeneXpert®: new integrated system including extraction, amplification (based in particular on the NASBA® technology) and detection • Development program fully dedicated to DNA chips using Affymetrix GeneChip® technology	• New reagents in food quality control (Pathogenic bacteria)

4.4.4 Research and Development organization

Research and development is organized into three biology departments (bacteriology, immunoassays and molecular biology), one instrumentation department and one department specializing in software development. These competencies together match the Company's need to develop new products in biology, instrumentation and software. More than 850 people are dedicated to research and are located in nine research centers which also serve as manufacturing sites: United States (Durham and Saint Louis), France (four sites in the Lyon and Grenoble regions), Italy (Florence), Netherlands (Boxtel) and Brazil (Rio de Janeiro).

The research and development strategy is implemented by the Project Approval Committee, or PAC, which has responsibility for deciding and managing the new project portfolio and allocating resources. The PAC is chaired by the Executive Vice-President and is composed of the heads of research and development, marketing, industrial operations, quality assurance and EMEA and North America / Asia Pacific / Latin America operations. The PAC is responsible for monitoring and approving the different phases of research and development and launching the manufacturing for products. The committee meets once a quarter and evaluates quality, time-schedules, resources, costs and risks both at the start and throughout the life of each project. The PAC decides whether a project should continue or be stopped, depending on the results obtained.

Each site is dedicated to the research and manufacturing of a specific product. The following table describes the research and development geographical organization for each product:

Site	Reagents	Instruments	Software
Durham, North Carolina (USA)	Bacteriology (blood culture) Immunoassays Haemostasis Molecular Biology		
Saint-Louis, Missouri (USA)	Automated Bacteriology	Bacteriology Haemostasis	Bio-informatics
Marcy, Craponne, La Balme (France)	Immunoassays (VIDAS® - VIDIA®) Bacteriology(TEMPO®)	Immunoassays Micro-immunoassays (electrochemistry)	Bio-informatics
Grenoble (France)	Molecular Biology	Molecular Biology	Bio-informatics
Florence (Italy)		Immunoassays (VIDAS® - VIDIA®) Bacteriology (TEMPO®)	
Boxtel (Netherlands)	Immunoassays (microplates) Molecular Biology (NASBA®)		Bio-informatics
Rio de Janeiro (Brazil)	Rapid immunoassays tests		

Lastly, in addition to the new platforms that will be launched, research and development is responsible for making use of the Company's longstanding experience and existing products to identify and develop new applications. For a detailed description of the product pipeline, see "Products" §4.5.3.2 below.

4.4.5 Key alliances and partnerships

Part of the Company's research and business is based on a system of partnerships with a broad range of entities including the main public research institutes (CNRS, INSERM, CEA), universities, hospital centers, laboratories and biotechnology companies

Partnership agreements provide for sharing of intellectual property or marketing rights for products subject to the partnership, as well as the payment of royalties to partners, or vice versa. The following table lists some of the most significant partnerships:

Partner	Technology	Primary Purpose
AFSSA/Université Claude Bernard/CNRS	Immunoassays	Technical improvement of a veterinary screening test for PrP protein and research into specific antibodies the pathological form of PrP.
Affymetrix	Molecular Biology	DNA chips, detection of nucleic acids in bacteriology, virology and industrial control.
Avestha Gengraine Technologies Pvt Ltd. (India)	Molecular Biology	Joint development work on the identification of new tuberculosis markers.
CEA (Saclay – Grenoble)	Molecular Biology Immunoassays	Micro technology DNA Chips and proteins Protein engineering, new markers.
Cepheid	Molecular Biology	Integration of NASBA® in GeneXpert® for application outside the detection of microorganisms used in bio-terrorism.
Chinese Academy of Medical Science (CAMS)	Molecular Biology	Creation of a joint laboratory specializing in new emerging pathogens, in particular the identification of new viral disease vectors and new viral agents aimed at preventing epidemics and at providing patients with clinical diagnosis and treatment.
CHU of Montpellier/Dijon University of Paris XIII	Immunoassays	Researching new markers for colon cancer.
CNRS	Molecular Biology Cell Cultures Immunoassays	New markers.
DiagnoSwiss	Immunoassays	Development of electrochemical chips, especially for immunoassay.
ExonHit	Molecular Biology	Tumor markers.
Hospices Civils de Lyon	Molecular Biology	Genomic analysis focused on septic shock as well as several other pathologies, including cancer.
INSERM	Molecular Biology Immunoassays	New markers in virology.
University Claude Bernard/CNRS	Immunoassays	Use of macrocyclic ligands for diagnosing neurodegenerative diseases, including Alzheimer.
Several UK Universities	Bacteriology	Development of enzymatic substrates and related markers for chromogenic media.

In 2005, bioMérieux entered into an agreement with Affymetrix Inc. under which Affymetrix granted bioMérieux full long-term access to its GeneChip® technology for the development and distribution of in vitro diagnostic tests for breast cancer, with an option to extend the license to other forms of cancers. The agreement gives bioMérieux non-exclusive rights to the Affymetrix patented DNA chips, instrumentation systems and future improvements of this key technology.

On October 10, 2005 bioMérieux entered into an agreement with ExonHit Therapeutics, extending for an additional 6 years the collaboration between the companies to discover and develop new blood screening tests for the early diagnosis of cancer.

In November 2005, the Company and five other entities (Fondation Mérieux, Sanofi Pasteur, Mérial, Becton Dickinson France and the French CEA) formed Lyon BioPôle, an association with the objective of giving impetus to the globally competitive cluster recognized on August 2, 2005 in a circular by the French prime minister. The purpose of the Association is to develop a shield against infectious diseases and cancers caused by viruses.

4.5 PRODUCTION, LOGISTIQUE, PROPRIETE FONCIERE ET INVESTISSEMENT

4.5.1 Manufacturing and logistics

4.5.1.1 Production

The manufacturing chain plays a critical role in the *in vitro* diagnostics industry due to constraints related to the nature of the products. After closing the Saitama laboratory in 2005, there are 11 manufacturing centers organized by product line and business segment. Manufacturing activities areorganized based on the "one range of product, one site" principle due, on the one hand to the technical nature of products, which requires a high degree of know-how and specialized teams and on the other hand, to productivity gains. Economies of scale are achieved with this organization. Only one exception to this principle is made, for Petri dishes. Due to their limited shelf life as well as difficulties relating to the importation of animal-based products into some countries, they must be manufactured near the customer (Brisbane (Australia), Rio de Janeiro (Brazil), Lombard (Illinois, USA) and Basingstoke (United Kingdom), in addition to the main Craponne manufacturing facility in France.

The following table presents an overview of each of the key manufacturing facilities and the principal products they produce:

Type of products	Location	Sites	Description of Activities
REAGENTS	France	Lyon/Marcy	Clinical biochemistry, immunoassays, VIDAS® and VIDIA® reagents
		Lyon/Craponne	Bacteriology: Culture media (Petri dishes), tubes and bottles, dehydrated media
		Lyon/La Balme	Bacteriology: API® strips, ID 32 strips, ATB™ strips
	Netherlands	Boxtel	Immunoassays (microplates), molecular biology
	United States	Durham	Bacteriology (BacT/ALERT®) Immunoassays (microplates) Haemostasis
		Lombard (Chicago)	Culture media for industry
		Saint Louis	VITEK® Cards
	United Kingdom	Basingstoke	Culture media (Petri dishes)
	Brazil	Rio de Janeiro	Immunology reagents, culture media, coagulation reagents
	Australia	Brisbane	Culture media
INSTRUMENTS	United States	Saint Louis	VITEK®, VITEK® 2, VITEK®2 Compact product lines, BacT/ALERT®
	Italy	Florence	VIDAS®, TEMPO®, VIDIA®

Manufacturing policy focuses primarily on the following:

- Rationalization of manufacturing sites: for example, in 2003 the manufacture of BacT/ALERT® and MDA® automated instruments was transferred from the Oklahoma City site (which was then shut down) to the Saint Louis site, the production of VIDAS® kits from Rockland to Marcy, and VIDAS® manufacturing at Saint Louis was consolidated in Florence; the Petri-dish manufacturing facility at Saitama in Japan was also closed in 2005 and production was transferred to Brisbane (Australia) and France

- Optimization of manufacturing capabilities: the Company achieves productivity gains, particularly in reducing cycle-time, and optimizes the use of available space, by rationalizing manufacturing sites (in particular in Saint Louis and Florence);

- Adapting manufacturing tools through rapid response to evolving techniques and the needs of customers, and by accommodating the manufacture of new products (such as the TEMPO® and VIDIA® product lines in Florence); and

– Rigorous quality control of production: manufacturing and research and development sites are certified ISO 13485 and ISO 9001 compliant (see "§4.6.1 below).

4.5.1.2 Purchasing and supply management

In order to adapt purchasing for the different raw materials and components used in the numerous specifications for each product line and reagent, the Company has implemented:

– Supplier diversification to ensure both security and competitiveness;

– Internal production of selected raw materials; and

– Partnerships with suppliers allowing both technical as well as economic benefits.

In 2005 the Group's top ten suppliers accounted for approximately 12% of purchases, and the most important supplier accounted for approximately 2% of purchases.

The Company endeavors, as much as possible, to have constantly at least two suppliers for the same component or key raw material. Technical issues for sourcing raw materials require tight management of suppliers and supply security. Such security can take the form of supply agreements, diversification of sourcing and development of internal production, or assurances that a supplier of specific components complies with manufacturing

4.5.1.3 Logistics

As a result of the dispersion and specialization of manufacturing facilities, as well the large number of product references (more than 2000), logistics play a critical role in the business.

The Company's logistics consist of four principal worldwide centers (two in Europe and two in the United States) as well as local centers, with a staff of 230 with a view to optimizing inventory management. One of the six sites, the "IDC platform" located at Saint-Vulbas in France dispatches goods throughout all European markets.

In most countries, reagents are delivered the day after they are ordered. Each subsidiary is responsible for managing its inventory and deliveries of reagents and instruments, working closely with the Global Supply Chain, which optimizes the flow of products and the balance between the customer service and the inventory level.

4.5.2 Principal facilities and real estate

The Group operates 13 manufacturing, research and logistics facilities and has 35 distribution subsidiaries, located primarily in Europe, North America, Latin America and the Asia-Pacific region. Historically based in the Lyon region of France, over the years the Company has expanded its geographical presence through acquisitions of foreign companies, particularly in the United States and by forming partnerships and then through the creation of subsidiaries, particularly in Europe. It owns all of its manufacturing, logistics and research and development facilities, with the exception of those of Basingstoke (United Kingdom), Brisbane and Lombard (United States). However, distribution subsidiaries' sites are typically rented. Main manufacturing and logistics sites are:

France

French operations are organized around the following sites:

- **Marcy**

Located near Lyon, the site at Marcy l'Etoile has housed the Company's headquarters since 1969. The land, which is wholly owned, covers a surface of 120,000 m^2 (including 40,000 m^2 of buildings) and contains reagent-manufacturing units (biochemistry, immunoserology, VIDAS® reagents). Approximately 1,100 employees are working in general management, global and support functions (essentially in research and development), training and manufacturing.

- **Craponne**

Located near Lyon, the Craponne site covers a surface of 71,000 m^2 owned by the Company (including 24,000 m^2 of buildings), and which today includes culture media manufacturing units, sales administration, global functions and a small research and development team. Approximately 580 people work at the site.

- **La Balme - Les Grottes**

Located between Grenoble and Lyon, the La Balme-les-Grottes site historically belonged to API S.A., acquired in 1987. It covers a surface area of 82,500 m^2, of which the Company owns 16,500 m^2 of the premises and lease 1,700 m^2. The site employs approximately 290 people in bacteriology research and development, instruments and software and the manufacturing of products for bacteria identification. A new distribution center has opened at the beginning of 2005.

- **Saint-Vulbas**

The Saint-Vulbas site, known as the "IDC platform", employs 60 people. This site, which is leased, is the international product distribution and logistic center. The IDC platform covers a surface of 70,000 m^2 of land, including 10,800 m^2 of buildings.

- **Grenoble**

Since September 2005, all French molecular biology operations have been located at this Company-owned site that covers an area of more than 20,000 square meters, in the midst of the Grenoble scientific district, opposite the headquarters of the Atomic Energy Commission. The building itself, with 5,500 m^2 of floor space, was completed in August 2005. Eighty persons are currently employed there.

Europe

- **Boxtel (Netherlands)**

The Boxtel site houses immunoassays, molecular biology and research and development. The Group owns a total surface area of 136,000 m2, including 25,400 m2 of buildings and the local staff is approximately 250. Some of the land (40,000 m2), was no longer needed and was sold in 2005.

- **Basingstoke, England**

This rented manufacturing and logistics site covers a surface of 5,000 m^2, including 4,500 m^2 of buildings.

- **Florence, Italy**

Florence is the Company's second instrument site. This site, which covers 6,500 m^2 (including 6,500 m^2 of buildings on several floors), is fully owned and employs approximately 100 people working in commercial, development and industrial activities.

United States

- **Durham**

The Durham site, located in North Carolina, covers 417,000 m^2 of wholly-owned land, of which 23,000 m^2 consists of buildings. Lease premises cover a total surface area of 1,000 m^2. The site, which serves as the Company's U.S. headquarters, employs approximately 600 people and concentrates on research activities, manufacturing and global customer service.

- **Saint Louis**

The Saint-Louis site covers a surface area of 33,400 m^2, which is wholly owned and includes 16,000 m^2 of buildings and 15,800 m^2 of leased premises used for offices, warehousing, manufacturing and research and development. Today the operations of this site are centered on research and development and the manufacturing of VITEK® and BacT/ALERT® bacteriology instruments, haemostasis instruments and

VITEK® cards. Approximately 530 employees currently work there.

- **Other site**

The Lombard site, in Chicago, Illinois, houses manufacturing and sales of culture media for U.S. industrial customers. The 4,200 m^2 facility is leased and employs approximately 55 people.

Other Countries

- **Rio de Janeiro and Sao Paulo, Brazil**

The Company has owned these sites since 1974, and they cover a surface area of 45,000 m^2 (including 5,200 m^2 of buildings). Approximately 140 local staff is primarily dedicated to research and development, manufacturing and sales of reagents for immunology and ready-to-use culture media for bacteriology. The Sao Paulo research department is in the process of being moved to Rio de Janeiro.

- **Australia**

In Sydney, local headquarters has 1,200 m^2 of buildings on location and employs approximately 20 people. Covering a surface area of 2,300 m^2, the Brisbane site is leased and has 40 employees engaged primarily in the manufacture and sale of culture media.

- **Tokyo, Japan**

The Tokyo site consists of leased premises covering 900 m² where approximately 70 people are employed. The decision was made in 2004 to restructure the facility and to focus it entirely on distribution in Japan. It was also decided to terminate the production of culture media in Japan at Saïtama and to transfer part of it to facilities in France and Australia.

4.5.3 Capital expenditure

Annual capital expenditures by the Group, not including the cost of devices on consignment with customers, amount to between 40 and 50 million euros, of which two-thirds are spent on production facilities and the other third on research and development, computer hardware and software and general-purpose fixed assets. Most of the expenditures are for buildings and equipment. Most of this investment is paid for out of cash flow from operations.

Ranked by size, capital expenditures serve to:

- expand production capacity and bring out new products,
- comply with quality, environmental, health and safety standards (ISO, FDA, AFSSAPS, etc.),
- replace and maintain equipment and facilities.

In 2002, the Group started to restructure its network of manufacturing and research and development facilities, including for the purpose of concentrating capital expenditures on a smaller number of selected locations.

4.5.3.1 Principal completed capital projects (in excess of one million euros)

The following main capital projects were carried out in recent years:

- Expansion of production capacity for VIDAS® at Marcy (€9.4 million in 2002/2003);
- Conversion to plastic bottles of the BacT/ALERT® line in Durham (US$ 2 million in 2002/2003);
- Creation of a European logistics center for instruments at La Balme (€1.1 million in 2004)
- Expansion of Petri dish production capacity at Craponne (€4.1 million);
- Renovation of the immunobacteriology building at Marcy and improvement of production capacity for VIDIA® (€7.7 million in 2002-2005);
- Creation of a building of laboratories for training and Research and development in Marcy (€4 Million);
- Refitting of a production line (autoclave) in Durham (1.8 million dollars);
- Renovation of central packaging department at Craponne (incl. VIDAS®) (€2.4 Million);
- Purchase of a building to expand the Florence plant, subsequent to the transfer of production of VIDAS® instruments and the launching of VIDIA® and TEMPO® (€3.1 million);
- Conversion of the Saint-Vulbas distribution center (IDC) to meet its volume requirements (€2.5 million); and
- Creation of a pole of Research and development in Molecular Biology and Micro-systems in Grenoble (€10,5 million).

4.5.3.2 Principal current capital projects

- Creation of a production line for TEMPO® in La Balme (€1,4 million in 2005/2006); and
- Refitting of an office building of in Craponne (€2,1 million in 2005 and 2006).
- Renovation and upgrading of buildings and installations at Boxtel (Netherlands) (€1.2 million in 2005 and 2006).

4.5.3.3 Principal future capital projects

Principal identified projects for the company are:

- Purchase of land and an office building at Tassin-la-Demi-Lune, near the Lyon world headquarters of the Company (€1.5 million) in 2006;
- Upgrading of manufacturing and quality control facilities at Durham (US $1.2 million) in 2006;
- Renovation of a manufacturing building (€1.2 million) and reorganization of a logistics facility (€1 million) at Craponne in 2006 and 2007,
- Modernization of a research and development building (€2.5 million) in 2006 and 2007 and redesign of an office building (€ 2.6 million) in 2006 and 2007 at Marcy.

4.6 QUALITY ASSURANCE AND APPLICABLE REGULATIONS

4.6.1 Quality assurance, monitoring systems and audits

Quality standards and regulatory issues are closely monitored through the Company's global quality assurance/regulatory affairs department, which is assisted by a quality assurance network in each manufacturing and distribution facility.

Thirty distribution subsidiaries, as well as the manufacturing sites, comply with ISO 9001 certification on a voluntary basis.

In 2005, four new subsidiaries have been certified ISO 9001 (Korea, Chili, Argentina and Thaïland).
All sites that export products comply with ISO 13485* certification, the quality standard in this business. This certification can be obtained either through the approval of a certifying body, acting under the auspices of regulatory authorities, in the context of a regulatory regime, or through the approval of an outside certifying body, in the case of a voluntary procedure for which approval is not required.

4.6.2 Regulation

Specific regulations apply to each category of products whether they are intended for clinical customers (hospitals and private laboratories) or industrial customers (pharmaceutical laboratories et industries, cosmetics et food processors).

Clinical diagnostic devices are subject to national regulation specific to each country in Japan, the United States, and the European Union. These regulations cover the effectiveness, performance and safety of the Company's devices.

Industrial microbiology testing for industrial clients is subject to specific standards depending on the test and specific needs of the client (pharmacopoeia, standards such as AFNOR, ISO, etc.)

The regulations applicable to these activities primarily relate to the safety of products.

4.6.3 Clinical *In Vitro* Diagnostics

Registration

Clinical *in vitro* diagnostics are subject to national regulations. Countries can be divided into two groups: countries without their own regulatory regimes who use other countries' regimes and countries with their own regimes.

Three principal bodies of law govern *in vitro* diagnostics activities:

- Directive 98/79/CE for the European Union;
- FDA regulation for the United States (Federal Code of Regulation); and
- "Pharmaceutical Affairs Law" for Japan.

* except in Brazil, where the Company has been issued a good practice certificate by the local ANVISA authority for its manufacturing operation under the new Brazilian regulations.

All of them classify products on the basis of end-applications and risk assessment, and are becoming more and more complex. The following classifications are made:

- low-risk products, such as products for glycemia dosage, cholesterol, and bacteriological analysis;
- medium-risk products, such as tests for pregnant women (diagnosis of toxoplasmosis, rubella, cytomegalovirus, and other specific cases, depending on the legislation, such as the dosage of prostatic antigen: PSA); and
- high-risk products, including products intended for the detection markers of the HIV virus and hepatitis, reagents used for the determination of blood types.

The regulatory procedures necessary for the marketing of these products differ based on the risk classification of the product.

In the *European Union*, the regulatory environment is based on Directive 98/79/CE of October 27, 1998, which applies to all *in vitro* diagnostics medical devices. The Directive was transposed into French law when a Government Order was issued on March 1, 2001, adding articles L 5221-1 *et seq*. to the Public Health Code, and with the Decrees of February 4, 2004 and July 29, 2004. The new European regulations harmonize the European *in vitro* diagnostic market by standardizing the marketing procedures used by manufacturers of *in vitro* diagnostics products.

Based upon the risk level and what is allowed under the regulations, a manufacturer chooses the appropriate procedures to follow. Currently, 95% of the Company's products are marketed following self-evaluation to determine whether they comply with the European directive (CE marking). As a result, regulatory certification does not impact the timing of the commercialization of these products.

For the remaining 5% of products that have a higher level of risk, certifications must be obtained attesting to regulatory compliance before the marketing of products. All certifications have been obtained for CE labeling for all *in vitro* diagnostics products currently marketed in the European Union.

For high-risk or medium-risk products, the level of regulatory intervention is proportional to the risk. This ranges from certifying the quality control system, to the examination of the product file (design file), to the verification of each batch prior to sale. Generally, the delay prior to obtaining the necessary certifications is less than six months.

In accordance with this procedure, the regulatory affairs department prepares a file prior to the launch of any new product. This file contains all information necessary to determine whether the product meets the requirements set forth in the regulations. The file is then submitted to the head of corporate quality assurance and regulatory affairs during a meeting of the marketing committee, who is responsible for verifying that the file is complete and meets all regulatory requirements.

In the United States, the level of FDA intervention is, likewise, proportional to the level of risk. Some products in the microbiology product line (principally identification reagents) are exempted from registration and are under the responsibility of the manufacturers.

Medium-risk products are subject to registration (performance study), which typically takes less than six months. For high-risk products, which include a limited number of those of the Company, procedures are more restrictive: examination of the product's design and manufacture files, performance studies and site inspection. The registration period, in such cases, is typically approximately two years.

In Japan, the registration procedure is similar to that of the United States.

4.6.4 Monitoring

Applicable laws and regulations, which may contain particular procedures in different countries, impose an additional monitoring system. This system requires manufacturers and users to notify the relevant regulatory body of any incidents that could have harmful effects on human health.

A product recall procedure, based on complete traceability of relevant product batches and their destination as well as the implementation of corrective actions, is also part of the system.

4.6.5 Audits

The manufacturing sites are subject to audits and inspections by regulatory authorities (FDA, AFSSAPS), by bodies acting on behalf of the regulatory authorities, and by certifying bodies that, as discussed above, the Company use on a voluntary basis to comply with the standards of ISO 9001 and ISO 13485. Industrial customers also perform other audits to assure themselves that products and procedures comply with existing regulatory standards, as well as their own standards, and to guarantee the quality of service.

The manufacturing process is monitored by testing throughout the process. In addition, each batch of finished products is not released until it is tested for conformity with the relevant specifications.

With the exception of the inspections of the Durham plant in the United States, the most recent of which are described below, audits conducted by supervisory agencies in various countries (France, United States, etc.) since 2000 have not disclosed any material breach of applicable regulations or else the appropriate measures have been taken and the matters have been closed (Saint Louis, Missouri and Boxtel, in the Netherlands, in 2004).

A 2004 US Food and Drug Administration (FDA) inspection of blood culture and haemostasis production at the Durham facility resulted in a warning letter being issued in July of that year. In addition, in May 2005, the FDA conducted an inspection of the microplate immunoassay product ranges manufactured at the facility and sold exclusively in the United States, and sent a warning letter to bioMérieux on July 29, 2005. The agency took issue mainly with certain manufacturing and control methods, as well as with the procedure for following through on customer complaints and for implementing corrective actions. In response to observations from the FDA, the North American subsidiary focused its efforts on action plans to strengthen the quality assurance system at the plant. These initiatives focused on upgrading facilities, improving processes and overhauling certain teams. A follow-up inspection by the FDA in late 2005 re-emphasized the need to step up the corrective action plans already underway.

4.6.6 Industrial microbiological control

The Company's quality assurance system applies not only to clinical diagnostic products, but also to industrial microbiology control products.

In the industrial domain, regulations applicable to manufacturers of industrial bacteriology products are still limited to their safety aspects. However, in order to respond to the needs of its customers, the Company must meet the standards applicable to customers (standards relating to the use of products: pharmacopoeia, standards such as AFNOR, ISO, etc...). Recent developments in the agri-business sector (*listeria, escherichia coli O157, salmonella, etc...*) could lead to more stringent regulation. Moreover, in the United States, for example, authorities may impose supplementary security measures as a result of the fight against bio-terrorism.

4.7 INTELLECTUAL PROPERTY

The Company protects patents, copyrights and trademarks on products and processes, and actively defends its intellectual property rights throughout the world.

4.7.1 Patents

A number of patents are material to the success of the Company's operations. Nevertheless, because of the importance of manufacturing know-how and the installed instrument base (the majority of which are closed systems that function only with the Company's reagents), it is difficult for an outside party to benefit from the expiration of patents to put in place a competing system. For bacteriology, immunoassays and haemostasis systems, patent protection of the technology is a less important success factor than for companies in the pharmaceutical or high technology industries. However, for molecular biology, intellectual property rights on technologies (such as NASBA® or BOOM®) are key success factors. Patent protection, in particular of new pathogens (virus, bacteria, parasites, etc.) or markers (for example cancer) could give the Company an important competitive advantage in the future, and the development of patent protection in these areas is a priority.

bioMérieux currently owns 397 patent families, of which more than 95% are filed in Europe and the United States, and more than 75% in Japan. As of December 31, 2005, it owned 300 U.S. patents and 147 European patents. It actively protects the results of its research through patents (approximately 30 to 50 new patents are filed each year), and monitors its competitors to be able to pursue actively any infringements.

The Company's key patents concern the following applications:

- Nucleic acids extraction technologies (BOOM® and its derivatives);
- Amplification devices for targeting sequences of nucleic acids (in particular the NASBA® technology);
- Selected technical aspects of the instruments of the VITEK® and BacT/ALERT® product lines;
- Antigen preparations for immunoassays, in particular for toxoplasmosis, HIV or EBV (Epstein-Barr Virus);
- Nucleic sequences for pathogen protection for infectious diseases such as tuberculosis, Whipple's disease and viral infections such as HIV, selected hepatitis viruses, EBV and CMV (Cytomegalovirus);
- The Waveform technology for analysis of coagulation curves; and
- Nucleic acid sequences (Factor II and Factor V) in haemostasis.

A number of patents also cover the artificial polymer synthesis process, techniques for fixing nucleic proteins or acids to a solid support and devices and instruments for the integration of analytic stages, in particular fluids.

There is no patent or group of patents with an expiration date in the near future that could have a material effect on the financial condition or results of operations. However, the expiration of patents generating significant licensing royalties, such as patents for the BacT/ALERT® detection system, which expire between 2007 and 2010, the base patents for the NASBA® technology and those for the BOOM® technology, which expire between 2010 and 2012, could have a significant effect on total proceeds from royalties.

The general policy regarding patents is to file a priority application (generally in France or the United States) and to file, within one year, an application for extension under the Patent Cooperation Treaty (PCT), which instituted a single procedure for filing a patent in the 124 countries that are party to the treaty (as of December 31, 2004). The final choice of countries for extension of the patent takes place at the end of the PCT procedure, within about 30 months after the initial filing. As a general rule, patents are extended in those countries where the market is most important, in particular the United States, Europe (particularly France, Germany, England, Italy and Spain), Japan and recently emerging countries (China and India).

In countries where the Company seeks legal protection by way of patents, the protection of a product generally lasts for a period of 20 years from the date of filing. The scope of protection, which may vary from one country to another, depends upon the acceptance of claims whose interpretation (especially in cases of conflict) is determined by national legislation.

4.7.2 Third-Party licenses ("licenses in")

bioMérieux has only recently established an in-house development policy for markers necessary for the preparation of reagents, in particular in the field of new infectious pathologies. Therefore, third-party licenses granted to the Company ("licenses in") generally concern markers.

Some of the main licensing agreements recently granted to the Company by third parties are summarized in the following board:

Licenser	Technology	Object
Gen-Probe	Molecular Biology	License to use certain ribosomal RNA markers for NucliSENS® GeneXpert® and NucliSENS® EasyQ® systems: increase in the number of targets covered by the license; bioMérieux has exercised an option giving it access to ribosomal RNA markers for other bacterial targets
Roche Diagnostics	Immunoassays	License on the development of and distribution of test for BT-proBNP as a marker of congestive heart failure and acute coronary syndrome
B.R.A.H.M.S.	Immunoassays	License on the development of and distribution of VIDAS® screening tests for Procalcitonine as a marker used in diagnosing severe bacterial infections

4.7.3 "Licenses out" and cross-licensing

The Company regularly grants licenses, exclusive or not, to third parties, either unilaterally or as part of a cross-licensing agreement ("licenses out"). In particular, cross-licensing allows it to ensure the availability of third-party technologies without paying royalties.

The most significant licenses concern the following five patent families:

- the BOOM® process, which is the nucleic acid concentration and purification technique for the preparation of samples for molecular diagnosis;
- the NASBA® process, which is the amplification technique used in the molecular diagnosis process, in combination with a sub-license for the "Molecular Beacons" technology;
- patents covering the nucleic acid mutations implicated in the haematology pathologies (Factor II and Factor V), mutations determinative to the identification of the patient's risk of thrombosis;
- patents covering sequences or detection processes for selected viruses, such as EBV and CMV.
- patents covering markers for diagnosing rheumatoid polyarthritis (Filaggrine).

The Company also has licensed or is considering licensing programs for licenses of the following technologies: RT-PCR One Tube, LDC marking technology, Filaggrine (diagnosis of rheumatoid arthritis), and VIH GP160.

bioMérieux continued to issue and grant licenses in 2005 including for thrombosis-associated risk markers

(Factor II and Factor V), and markers for diagnosing rheumatoid polyarthritis.

4.7.4 Trademarks

The Company owns the “bioMérieux” corporate trademark, which is registered worldwide as both a Company name and a semi-figurative trademark, as well as the trademarks of products and product lines brought out by the Company. In addition, the use of the name “Mérieux” by Mérieux Alliance affiliates is controlled by Mérieux Alliance. Any new use of the name “Mérieux” in a corporate name requires the authorization of Mérieux Alliance.

Each new mark is registered in France, the United States or the Netherlands followed by a community registration for the European Union countries and by an international registration designating the other countries of the intended market for the product or products associated with the mark.

The Company’s strategy is based on the registration of high value-added marks using the following two principles:

– product line marks: they account for the majority of registrations, and are intended to cover all products in a product line by a single identical mark designating the instrument and the associated reagents (for example: VITEK®, VIDAS®); and

– product specific trademarks (for example: Slidex®).

4.8 OTHER INFORMATION CONCERNING BUSINESS ACTIVITY

4.8.1 Sale and placement agreements

Customer agreements are essentially instrument sales agreements and instrument placement agreements with sale of reagents. Because the large majority of the instruments installed (approximately two thirds) are closed systems, contracts for the sale or placement of instruments generate a regular stream of sales of reagents.

Instrument placement agreements represent approximately a third of the total installed instruments. They cover the placement (or renting of the equipment), the purchase of reagents, and the potential provision of services. They are renewable by tacit agreement for periods of one year, unless terminated early by one of the parties. The Company is responsible for the maintenance of the instrument while customers undertake to respect traceability rules applying to the products they order or use.

The net sale price of reagents takes into account whether the instrument is placed or sold.

In France, general conditions of sale include ownership retention clauses.

4.8.2 Other contracts

The Company is not a party to significant agreements other than those entered into in the ordinary course of business.

4.8.3 Seasonal nature of the business

See section 5.2.1 below.

4.8.4 Pledged Company assets

See section 5.3.16.7 below.

4.9 LEGAL PROCEEDINGS

The Company is involved in litigation arising from the ordinary course of business. bioMérieux believes that no current or pending litigation will have a material adverse impact on its operations. Except for the two first litigations set forth hereunder (Cf. § 5.3.14.2.1 below), the Company is not involved in a litigation that can be considered as significant. The Company believes that the provision for litigation, which is, made covers in a reasonable manner those litigation. The main litigations in progress are:

4.10 HUMAN RESOURCES

bioMérieux relies, for much of its success, on the quality and motivation of its employees, their ability to work in teams encompassing many specialties and the energy with which they use their creative and professional skills to perform services on behalf of the Company's customers.

Special emphasis is placed on internal communications, to ensure that all bioMérieux employees worldwide can have access to information about the Company, understand its goals and priorities and share their experience using the available channels of communication.

In 2005, in order to improve the effectiveness of its development programs, the Company implemented a strategic initiative in which more than 150 employees from various locations are participating. Their task is to analyze current project management practices and to propose ways in which performances can be improved. The first recommendations issued were implemented in 2005. The initiative will continue through 2006 and 2007.

4.10.1 Employees

As of December 31, 2005, there were 5,570 full-time equivalent (or "FTE") employees, 60% of whom are employed outside of France.

The following table breaks down FTE employees by function and geography as of December 31, 2005:

Geographic Area	Manufacturing & Distribution	Sales & Marketing and Customer Service	R&D	General & Administrative	Total	%
Europe	1,388	1,009	621	389	3,407	61.2
Of which, France	*1,077*	*389*	*515*	*268*	*2,249*	*40.4*
North America	668	425	239	121	1,453	26.1
Latin America	61	175	2	60	298	5.3
Asia-Pacific	57	308	–	47	412	7.4
Total	**2,174**	**1,917**	**862**	**617**	**5,570**	**100%**
%	39.0%	34.4%	15.5%	11.1%	100%	–

The following table sets out the changes of the group workforce (on a FTE basis) since 2003.

	December 31. 2005	December 31. 2004	December 31. 2003
France*	2,249	2,188	2,091
Other European countries	1,158	1,134	1,158
North America	1,453	1,455	1,402
Latin America	298	343	348
Asia-Pacific	412	336	337
TOTAL	**5,570**	**5,456**	**5,336**

The skill level of bioMérieux employees reflects the technical nature of its products, instruments and reagents.

As of December 31, 2005, 42% of the Group's 3 929 employees in France, the Netherlands, and the United States were in executives and supervisory categories.

Women accounted for more than half of the total workforce.

The Company makes every effort to employ people on a temporary basis only under specific circumstances. As a consequence, in France and in the Netherlands, 93% of the personnel was employed on a permanent basis.

In the fall of 2005, French molecular biology and microsystem operations were moved to the Grenoble site, where the Company's expertise in molecular biology will henceforth be concentrated, in particular its multi-detection and micro technology resources. The facility's proximity to the internationally renowned Grenoble technology district will enable the Company to take advantage of cutting-edge resources. The Grenoble unit currently employs more than 80 persons. Social support and assistance have been provided to the 57 employees.

As planned, the unprofitable facility for producing culture media for the Japanese market, located at Saïtama near Tokyo, was sold. bioMérieux Japan now purchases those products from plants in Craponne (France) and Brisbane (Australia). Of the 12 persons employed at the Saitama lab, two have been transferred to bioMérieux Japan and the others have received help in finding jobs elsewhere.

4.10.2 Personnel policy

The Group's personnel policies focus on specific aspects: (i) piloting of performance (ii) skill acquisition, training and mobility, (iii) compensation, (iv) improved working conditions and (v) occupational equality for men and women.

(i) The piloting of performance by means of annual evaluation interviews and follow-ups makes it possible to better reconcile individual aspirations with the Company's priority objectives, assess individuals' performances and design skill-development measures. It provides an opportunity for clarifying expectations and assessing compliance with principles.

(ii) Training is considered by the Group as a way to foster the best career development for employees and to enable them to acquire versatility in their trade. Training programs are implemented locally by each entity, but the Group has also set up five Knowledge Centers in the United States, Holland and France, where the same training is provided on the Group's products. In 2005, spending on training amounted to more than 2% of total payroll (3.3% in France).

The Group has also set up five "Knowledge Centers" in the United States, the Netherlands and France, where the same training is provided on the Group's products.

With a global network of 35 subsidiaries, the Group encourages mobility by its personnel whenever this satisfies a need for specific skills or contributes to the career development aims of its employees.

(iii) Compensation (fixed and variable) is set in each country on the basis of local conditions, the entity's performance and individual productivity. A worldwide grading of executive and supervisory positions

* Including APIBIO. Without APIBIO, the workforce was: 2,157 in 2004 and 2,055 in 2003.

makes it possible to compare levels of authority and to set compensation in relation to local practices.

The compensation of certain senior executives of the Group is set in accordance with a general system based on common benchmarks. In France, there is a voluntary incentive plan and a mandatory profit-sharing plan (with benefits based on the legal formula) for the Group's employees. A Company savings plan (Plan d'Epargne Entreprise) has also been set up for the Company's personnel.

In the Netherlands, a variable compensation system has been introduced for employees covered by the collective agreement.

(iv) The Group has implemented active health and safety risk prevention policies, including by providing training for new employees and monitoring the health of those exposed to specific risks.

(v) The Company is intent on offering equal opportunities in terms of hiring and employment conditions to men and women. An agreement pertaining to this was signed in France in 2003.

In North America, the Company has an annual affirmative action program that ensures its proactive compliance with equal opportunity legislation.

The Company considers that it has sound labor relations. Various collective agreements have been signed by Group entities, including in France and the Netherlands.

In connection with the 2004 IPO, the Company's employees in France and the United States were given an opportunity to purchase shares for €24 each, under an employee stock offering. As of December 31, 2005, about 1% of the shares of bioMérieux was held by its personnel directly or through dedicated funds.

4.11 RISK FACTORS

The Company operates in a context that is rapidly changing and that exposes it to many risks, some of which are beyond its control. The risks and uncertainties reviewed below are not the only ones to which the Company is exposed. Other risks and uncertainties of which the Company is not aware at this time or which it considers not material could also adversely affect its business.

4.11.1 Presentation

The Company introduced or plans to introduce several new platforms but cannot be certain that these products will be commercially successful or sufficiently profitable.

Several new platforms have been recently or are scheduled to be brought out, either to replace or to complement existing platforms, or to develop new markets.

Growth could be affected if these platforms encounter technical, commercial or regulatory setbacks. In particular:

- the new platforms may not respond to the needs of the market;
- the new technologies used in these platforms could encounter technical difficulties, which could delay their marketing, affect their commercial success or give rise to additional expenses to resolve the difficulties and/or compensate customers;
- the commercial success of the new platforms depends on the development of the range of reagents, which could be delayed for technical, regulatory or intellectual property reasons;
- it may be too costly or difficult to manufacture new instruments or reagents on a large scale or to find the supplies necessary for their manufacture and marketing;
- products cannot be marketed due to the existence of third-party intellectual property rights;
- the launch of new platforms may require greater investment than anticipated in research and development, marketing and customer training;

- competitors may develop products that are more effective or otherwise better adapted to market demands;

- one of the new platforms integrates the NASBA® amplification technology, which competes with PCR, the industry standard marketed by the Roche group, and the Company cannot be certain that customers will accept NASBA® as an alternative; and

- some of the new platforms will be more expensive for customers than existing platforms, and the commercial attractiveness of the new platforms will depend on the realization of labor cost savings for customers, which may be difficult to attain, particularly in areas that experience labor market inflexibility.

The Company may be unable to compete effectively in its market.

According to Company estimations, it ranked eighth in the global *in vitro* diagnostics market in terms of consolidated revenues. This market is rapidly evolving and competition is intense among the different players, particularly in certain segments where bioMérieux does not have a large market share, such as molecular biology.

The Company's competitors include major international companies, such as Abbott Laboratories, Bayer, Johnson & Johnson, Roche and Becton-Dickinson, which are larger and have greater experience, financial resources and market share. In some countries, bioMérieux also competes with several specialized mid-sized companies. As a result, it cannot be certain that its products will be able to:

- sustain competition with products marketed by competitors, many of which have greater financial resources, enabling them to invest in research and development or marketing and to offer more competitive prices due to their greater economies of scale;

- gain significant market share and product recognition equal to that of better placed competitors;

- adapt rapidly enough to new technologies and scientific advances in both mature market segments as well as those that are still in development, such as the molecular biology market; and

- be favored by laboratories, hospitals, physicians or industrial customers over comparable products marketed by competitors.

Product liability risks.

The Company manufactures reagents designed to detect the presence of living organisms, such as bacteria, viruses, and other pathogenic and marker agents, in biological samples. In order to do this, it relies on biological products that are manufactured or created from components developed from materials that are of human, animal or plant origin, which for the time being cannot be manufactured economically using synthetic materials.

The manufacture and sale of these products exposes the Company to liability risks, and particularly to the risk of product liability actions. In particular, the Company could be liable if a diagnostic error resulting from the defective performance of one of its products leads to unsuitable treatment of a patient or the marketing of contaminated products. Although it is standard practice to perform a series of additional tests to reduce the risk of error for the most serious diseases, this risk cannot be totally eliminated. There are no guarantees that the Company will always be able to obtain and maintain adequate insurance on acceptable terms against this risk. If it cannot obtain insurance at a reasonable cost or otherwise provide for potential product liability claims, it could be exposed to significant liabilities that could undermine the marketing of its products and harm its business.

Exposure to risks related to the international nature of the business.

bioMérieux has operations throughout the world, including countries other than the member states of the European Union and the United States, and in particular in China and Latin American countries. Accordingly, it faces numerous risks relating to its international operations, including:

- unforeseen changes or lack of harmonization in regulation, tax, trade and pricing legislation;

- restrictions on the ability to transfer capital across borders;

– significant fluctuations in exchange rates;

– differing degrees of protection of intellectual property rights in these countries;

– changing economic and political conditions in a given region or country;

– increased difficulty in recruiting personnel and managing production facilities abroad; and

– the lack of an international agreement on regulatory standards.

Uncertainty over policies relating to the reimbursement of diagnostics examinations and possible health insurance reforms could affect customers, and indirectly, the business.

The commercial success of products depends, in part, on the extent to which government healthcare programs, private health insurers and other similar bodies reimburse the cost of examinations performed by customers. A decision by the government or a private insurer to limit the reimbursement of diagnostics examinations could have a significant effect on the demand for products and/or on price charged to customers. In addition, in some countries, public authorities determine the price of a diagnostics examination, which has a direct influence on the ability of customers to pay for products.

Because of the Company's "single site" manufacturing process, an event causing a temporary or permanent interruption at one of the manufacturing sites could have a negative impact on its financial condition.

There are 11 manufacturing centers mainly organized by product line and business segment based on the "one range of product, one site" principle. As a result, some of the most important product lines, such as the VITEK®, VIDAS® and BacT/ALERT® tests, are manufactured at a single site. An economic, political, labor, regulatory or environmental incident causing a temporary or permanent interruption in operations at one of these manufacturing sites could have a negative impact on the manufacture of these product lines and on revenues.

If the event were to make it impossible to restart operations at the affected site quickly, the Company could be forced to relocate the manufacture of the relevant product. Due to the complexity of the products manufactured, this relocation could be long and expensive, exacerbating the negative financial impact of the manufacturing interruption.

In addition, there are two principal distribution centers, one in France and one in the United States. In the same manner, an economic, political, labor, regulatory or environmental incident causing a temporary or permanent interruption in operations at one of these distribution centers could have a negative impact on the distribution of products and on revenues.

Applicable regulation could restrain the Company's ability to market products or cause it to increase their manufacturing costs.

The Company's products and their manufacture are subject to rigorous, evolving and varying governmental regulation in the 150 countries where it does business. Securing the authorization or certification necessary for the marketing of a new product may take several months or, in some countries, one to two years, and requires significant financial resources. In addition, manufacturing sites are subject to regulatory approval processes and periodic inspections. As a result, applicable regulation may:

- delay or preclude the marketing of new products;
- oblige the Company to halt production or modify manufacturing processes; or
- impose costly constraints on suppliers or the Company.

In addition, products are subject to regulatory review and audit during the entire commercialization process. Regulators may require a product modification or withdrawal as well as suspension of current product applications for products developed at the affected site, a corrective plan of action or, in exceptional cases, the closure of a manufacturing site, if the failure to comply with regulations could entail significant risks with respect to the results obtained through the use of the Company's products.

For example, several production sites in Europe and in the United States have been subject to inspections by the Food and Drug Administration (FDA) between 2000 and 2005 (see section 4.6.2.5 above).

Manufacturing capacity may be insufficient to meet the development of business, or may be affected by the failure of suppliers to fulfill their obligations.

Manufacturing capacity problems could occur as business expands. If problems of this nature were to arise, the Company's reputation could suffer, which would affect its ability to maintain and develop its customer base. In addition, manufacturing capacity needs to be expanded, substantial investments could be necessary, requiring significant amounts of financing.

In addition, and despite the measures taken to ensure the supply of raw materials, equipment and specialized services, a failure on the part of one or more suppliers or service providers to fulfill their obligations could result in manufacturing difficulties, and could in particular result in significant costs and delays while alternate supply arrangements are found and implemented.

Environmental liability risks and compliance costs could have an adverse effect on operating income

Environmental laws impose obligations to maintain and, in cases where contamination is discovered, to restore manufacturing sites and storage sites for potentially toxic industrial products. These obligations may relate to sites currently owned or operated, or sites that were owned or operated in the past. They may also include sites where waste generated by the business has been discharged. Obligations of the same kind sometimes apply to the recycling of instruments that make up the installed base.

The Company could be involved in legal or administrative proceedings relating to environmental matters. The introduction of stricter health, safety and environmental laws and more thorough enforcement measures than those currently applied could increase its liabilities and costs, as well as subject the Company to stricter inspection of the handling, manufacture, use, reuse, or treatment of substances or pollutants than those under the current laws. Accordingly, compliance with these laws could result in considerable expenditure, as well as other costs and liabilities, which could have an adverse impact on operations and income.

If production facilities were closed for reasons relating to the enforcement of environmental laws, there would be a temporary interruption in the manufacture of products and substantial delays in receiving the regulatory authorizations necessary for reopening the facilities and restarting operations.

A significant portion of future growth depends on the development of the molecular biology market, which may not evolve in the manner anticipated.

The Company's growth strategy depends to a large extent on molecular biology technologies, a segment of the *in vitro* diagnostic market that is in the initial stages of development. As a result, it faces several risks:

- molecular biology technologies may not grow as rapidly anticipated, particularly in the United States;
- laboratories that currently use "home brew" kits, an important target market for the Company, may not be receptive to switching to the standardized products; and
- if the molecular biology market experiences significant growth, new players could decide to enter the market and effectively benefit from the Company's investments, reducing sales and results from this segment.

The Company may not be able to pursue its strategy of acquiring third-party technologies, which could adversely affect operations.

Growth depends in part on the Company having access to technologies developed by others, either through targeted acquisitions of smaller companies or through partnership agreements with the owners of such technologies. Nevertheless, it may not be able to find partners willing to provide it with the technologies it may require. Additionally, the *in vitro* diagnostic market is consolidating. This trend has reduced the number of potential partners with whom the Company could enter into such agreements. Furthermore, the success of these partnerships depends on several factors such as the ability to reach agreement at a reasonable cost and under satisfactory financial conditions, or the receipt of regulatory approvals, which are not always under the Company's control. If the Company is unable to obtain such technologies, it could delay its growth and have a significant effect on its financial condition.

Significant amounts are invested on product research and development, in order to remain competitive, and there may be no return on these investments if these products do not receive the necessary regulatory approvals or do not achieve the anticipated market acceptance.

To remain competitive in the *in vitro* diagnostics industry, especially in its high value-added segments, the Company must make significant investments in research and development each year in order to ensure the growth of its current product lines and the development of new products. However, these investments may not necessarily prove to be profitable.

The research and development process is lengthy. It can take several years to launch a new platform, and at least several months for a new reagent or group of reagents. This process involves several phases. At each phase there is a risk that objectives will not be met and that a product in which substantial amounts have been invested will have to be abandoned. Difficulties encountered in the research and development process and obtaining regulatory approval can increase costs and jeopardize the commercial success of new products.

Furthermore, rapid technological development by competitors could render the Company's products obsolete before it is able to recover the research, development and marketing expenses incurred in their development.

If intellectual property rights cannot be protected, the Company may not compete effectively or find it impossible to operate profitably.

The Company's success depends on its ability to obtain, maintain and defend patents and other intellectual property rights effectively. Patent law, particularly relating to the filing and interpretation of claims in the health segment is an area of law that is constantly changing and uncertain. Accordingly, it cannot be certain that:

- it will be able to develop patentable inventions;
- it will be able to obtain patents or licenses from third parties, particularly for certain products or techniques (especially in the immunoassays market), necessary for the development of the business;
- it will be granted the patents for which it has applied or will apply;
- patents issued or licensed to it will not have their validity challenged;

– the scope of any patent protection will be sufficiently broad to exclude competitors; or

– the patents or other intellectual property rights held, or for which the Company has been granted a license either now or in the future, will not be claimed, or more generally challenged, by others.

bioMérieux currently has more than 397 families of patents worldwide, either granted or under consideration, and a number of patents are subject to licenses for products currently marketed or in development. It cannot be sure of the validity of these patents. Third parties could challenge the validity of patents in the course of opposition proceedings, in particular before the European Patent Office, either in a patent cancellation proceeding or as a defense to an infringement action. This could result in issued patents being subsequently revoked or declared invalid. The proliferation of scientific information on a worldwide level, both written and oral, and especially in the field of biotechnology, is such that there will always be uncertainty as to whether the Company's inventions are patentable. The Company cannot be sure how much protection will be given to its patents if it attempts to enforce them or if they are challenged in court for infringement. One of those patents will expire in 2008, which could significantly reduce the amount of royalties received under licenses granted on this patent.

The Company's patents may be infringed, or it may infringe the patents of others.

Competitors may infringe the Company's patents or successfully circumvent them through design innovations. Action may be taken to prevent infringement, which is expensive and time consuming. Policing unauthorized use of intellectual property is difficult, and the Company may not be able to prevent misappropriation of its intellectual property rights.

In addition, as the *in vitro* diagnostics industry develops, more patents are granted and there is an increased risk that the use of technologies may infringe on the patents of others. In general, patent applications are not published until eighteen months after the filing date or priority date, and in some cases patent applications are only published upon issuance of the patent. Therefore, it cannot be ascertained whether others were the first to invent certain products or procedures, or to file applications for inventions, products or procedures that overlap with pending patent applications. If this happens, the Company may have to obtain appropriate licenses under third-party patents, cease certain activities or seek alternative technology if obtaining a license is impossible or unprofitable (see section 4.9 above).

The Company depends on key management and scientific personnel.

The Company's success largely depends on certain key personnel, such as senior management and engineers. Their loss, including to competitors, or failure to hire new personnel could adversely affect its competitiveness and compromise its ability to achieve some objectives. Certain members of senior management have important management responsibilities in other companies, which could reduce the amount of time that they can devote to their responsibilities at the Company. In addition, there will be a need to recruit more management and scientific personnel as business expands in areas that require additional expertise and resources, such as research and development, marketing and regulatory approvals. The Company may be unable to attract and retain such necessary management and scientific personnel.

The Company could be affected by the failure of its information system, which would interrupt the communication of data on production, logistics, accounting and finance.

The Company is increasingly dependent on shared data processing applications and on a communications network for producing the data required in manufacturing and logistics, as well as for the accounting and financial information data that serves as a basis for decision-making by the Company's management. Any failure or malfunction of applications or communications networks could slow down or disrupt production and/or logistics, as well as affect decision-making, causing the Company to sustain losses.

Fluctuations in currency exchange rates could materially affect revenues, operating income and net worth (§5 below).

Because products are sold in over 150 different countries, revenues and results of operations could be affected by fluctuations in currency exchange rates. While some expenses are incurred in currencies other than the euro, the effect of these expenses only partially offsets the effect of fluctuations in currency exchange rates on revenues. The Company is particularly sensitive to movements in exchange rates between the euro and the U.S. dollar, as a significant portion of revenues and operating income is generated in North America (approximately 26% of revenues in 2005).

Besides having an impact on the Company's income, exchange-rate fluctuations can cause changes in shareholders' equity, as the Company's worldwide operations require it to have assets and liabilities recorded in dollars and other currencies. At the present time, the Company has not taken measures to hedge this exposure to foreign exchange losses.

Exposure to currency risks is reviewed in section 5.2.6. The impact of exchange-rate fluctuations on revenue and the translation reserve for the past two fiscal years is described in sections 5.2.and 5.3.13.

The Company's long-term debt consists primarily of a syndicated credit facility granted to bioMérieux S.A., under which it is required to meet certain financial ratios (on a consolidated basis) (see section 5 below)

As of December 31, 2005, bioMérieux SA had access to a €250-million syndicated credit facility granted to it in April 2004 in two tranches of €125 million each. The first tranche consisted of a term loan, repayable in annual installments of €125 million. The second tranche was in the form of a multi-currency, €125-million revolving-credit facility and must be repaid no later than April 13, 2009.

The terms of the credit facility include interest at Euribor or Libor, depending on the currency of the drawdown, plus a margin that varies with the ratio of consolidated net debt to earnings before interest, taxes and goodwill amortization.

The syndicated facility is contingent on certain financial ratios being satisfied, related to the Company's total indebtedness and repaying capacity. Failure to meet those ratios could restrict the use of the facility by the Company.

As of December 31, 2005, the facility was not being utilized and the financial ratios were satisfied.

The Company owns minority interests in other companies.

The Company owns minority interests in several companies, mainly in the biotechnology sector. As it does not control these companies, they are liable to make decisions that do not necessarily coincide with the Company's interest.

In addition, some of those companies' shares are publicly traded or likely to become publicly traded, so that the Company's financial results could be affected by changes in their trading price.

The Company also does not have access to sufficient information regarding those companies and cannot perform the same financial and operating diligences as in the case of its own subsidiaries.

The principal shareholder holds a majority of voting rights at General Meetings.

Mérieux Alliance, the holding Company controlled by the Alain Mérieux family, holds approximately 58.9% of the share capital and 58.79% of the voting rights of the Company. Consequently, Mérieux Alliance will be able to adopt all resolutions that require shareholder approval at an ordinary General Meeting and, except in the case of an exceptionally high rate of participation by other shareholders, all resolutions that require shareholder approval at an extraordinary General Meeting. Mérieux Alliance will therefore be in a position to take important decisions alone, including the appointment of board members, approval of the annual accounts, and the distribution of dividends, as well as the authorization of capital increases, statutory mergers and asset contributions. Mérieux Alliance may in the future acquire double voting rights, which would improve its ability to control important decisions (after shares are held in registered form for five years, or until 2007 at the earliest).

Risks related to the price volatility and liquidity of the shares; impact of future sales of shares

Several factors may cause the price of the Company's shares to fluctuate:

- changes in the recommendations of financial analysts concerning the Company,
- changes in forecasts by financial analysts concerning the sector in which the Company operates,
- the announcement by the Company of its financial results, capital transactions or other significant changes in its business,
- and, in general, stock market fluctuations.

In addition, certain large shareholders hold more than 5% of the Company's stock, a factor that limits the number of shares available for trading; as there is no lock-up clause currently in effect, the offering of a large number of shares in the market, or the perception by financial markets that a large sale is imminent, could cause the price of the Company's shares to decline.

Other financial risks

The management of other financial risks is reviewed in section 5.2.6 below.

4.11.2 Risk management

In order to effectively protect against and manage risks to which it is exposed in its business, the Company has implemented internal oversight procedures described below in section 5.9.3 on the Report of the Chairman of the Board and in section 4.12 on Insurance.

Section 5.3.27 below also covers the management of financial risks.

4.12 INSURANCE

4.12.1 Purchase of insurance

The Company has a general policy regarding insurance coverage, aimed at ensuring that all subsidiaries are similarly covered, regardless of their size or location. It includes specific requirements applicable to certain parts of the world, reflecting, among other factors, locally applicable laws.

Coverage purchased takes into consideration the specific nature of local regulations, while at the same time reflecting the Group's centralization and globalization policies. Insurance policies are purchased from companies selected on the basis of their credit worthiness as well as of their ability to provide the Company with risk prevention services.

Coverage is calculated on the basis of loss assumptions, taking into account the Company's risk profile. The following type of insurance is purchased to cover the risks to which the Company is exposed as a result of its business:

– General and specific liability

– Property damage and business interruption

– Transportation,

– Automobile,

– Building,

– Individual accident.

Property damage and business interruption insurance includes coverage of accidents (fire, machine failure, computer damage, etc.) liable to occur at Company facilities, as well as consequential losses over a 12-month period.

The nature of the Company's business has also been taken into consideration for the purpose of liability coverage (including the professional nature of most of its clients, batch manufacturing processes that reduce the likelihood of multiple risks, etc.). Separate policies are sometimes required to cover specific risks, either due to insurance regulations or because of applicable laws.

4.12.2 Principal policies

- **Liability**

The Company is covered under an overall master policy with the limit of €100 million per claim and per year for, *inter alia*:

– its operating liability;

– its liability subsequent to delivery of products or completion of tests;

– its business liability;

– environmental damage caused by its products.

In addition to this overall coverage, specific policies have been purchased to cover the following risks:

– liability for environmental damage caused by Group entities;

– Group liability under regulations governing biomedical research ("Huriet Act").

Lastly, in accordance with laws and regulations in effect in certain countries, specific "employer liability" policies have been purchased by certain Group entities, including in the United Kingdom, the United States, Canada, Hong Kong, Argentina, Australia, Singapore, Turkey, Italy and Spain.

The Company also has an insurance program covering the liability of its officers, executives and other officials.

- **Property damage and business interruption**

The Company and its subsidiaries are covered under an umbrella policy with a limit of €200 million per claim and per year, which covers, *inter alia*, fire, machine failure, theft, natural disasters and consequential business interruption losses.

This master policy covers all subsidiaries located in the European Union, making it unnecessary for them to take out insurance locally. It can also be extended to cover operations in major countries outside the European Union, including the United States, through local policies with the same benefits or as supplementary coverage in order to comply with regulations, where local policies do not provide the same coverage.

- **Transportation**

Risk exposure from the transportation of freight by land, sea or air is covered by an umbrella policy with a limit of €2 million per shipment and mode of transportation. All insurers exclude from transportation insurance coverage losses resulting from terrorism in the United States as well as exposure to chemical, biochemical, electromagnetic and cyber risks.

- **Deductibles and premiums**

The Company has a safe self-insurance retention rate, primarily on relatively small and frequent losses, intended to reduce the cost of transferring risks to insurers and to raise the awareness of employees regarding the overall management of risks.

The Company also sees to it that all information regarding premiums and terms of coverage is kept confidential and is not used against its interests. This is particularly true in the case of liability insurance.

As a rule:

Deductibles under insurance policies amount to:

– between €30,000 and €1 million per claim under liability insurance;

– various sums under property damage and business interruption insurance;

– between €20,000 and €2,500,000 under property and casualty insurance.

In 2005, no loss incurred exceeded the deductible amounts set in property damage and business interruption or liability policies.

4.13 ENVIRONMENTAL INFORMATION

4.13.1 Environmental policy

As part of the its environmental policy, every effort is made by the Company to manage its business in a manner conducive to protecting the health and promoting the safety of its employees and other persons at its facilities (outside contractors, temporary personnel, trainees, visitors) and to limiting the environmental impact of its operations and protecting its assets.

The Company examines hazards and assesses risks prior to deciding to use hazardous substances, acquire and use real property or facilities and develop new processes or products.

The Company designs, uses and maintains its facilities in such a way as to control at best the environmental impact of its operations (soil, water, air, noise, odors, energy, waste, etc.) The Company arranges for its facilities to be audited on a regular basis to ensure that they are in compliance with applicable regulations and meet their other obligations, and uses all necessary means to remedy reported shortfalls.

Suppliers of goods and services are selected among firms that comply with regulations on health, safety and the environment; its actual suppliers are audited on a regular basis.

Persons at various management levels of the Company are responsible for preventing accidents. Every manager undertakes to comply with and to cause other to comply with environmental policy principles and all rules, procedures and instructions applicable to their sector.

Specific procedures (rules, directives, instructions, etc.) are developed and applied to the performance of tasks considered of a critical nature. Employees receive regular training in order to minimize risk exposure by individuals, property and the environment.

At the Company's principal operating facilities, continuous improvement plans modeled on the Kaizen or 5S systems are being carried out. They contribute to raising awareness of the Company's impact on the environment.

Monthly reports on occupational accidents at the principal manufacturing sites are disseminated within the Company.

4.13.2 Environmental review

Protection of natural resources and contribution to reducing water, energy and raw material consumption

- **Water**

– Use of water resources

Water is a non-hazardous solvent and is the substance most frequently used by the Company in its products. Water is also used in refrigerated facilities, such as cold storage rooms, in controlled atmosphere areas and as a coolant in manufacturing. In all instances, the Company prioritizes closed-circuit systems and actively replaces systems that discharge water, as it has done at its facility at La Balme (France).

A total of 450,000 cubic meters of water was used in 2003 and 2004, 480,000 cubic meters in 2005.

– Wastewater

Biologically and chemically contaminated water is collected and decontaminated at the point of use. At large facilities, analysis are frequently performed of waste water to measure several factors, including flow, pH, temperature, suspended matter, organic particles, nitrogen, halo forms and heavy metals.

- **Energy**

The Company prefers to use low-pollution natural gas as a source of energy. The energy efficiency of the Company's combustion facilities and the pollution they may cause are monitored on a regular basis. Facilities that fail to meet the latest standards in this area are systematically brought into conformity.

In order to improve its energy efficiency, the Company has implemented optimization and energy saving policies. An energy audit was conducted in France at the Marcy l'Etoile, Craponne and new Grenoble sites in 2005. Action plans were drawn up and their implementation is being monitored. Results and the experience gained are used to improve the energy efficiency of the Company's facilities.

Similar measures are gradually being carried out at other Group sites.

The Company consumed an aggregate amount of energy from all sources of 125 GWh in 2003 and 127 GWh in 2004. Its aggregate consumption in 2005 was 120 GWh.

- **Raw materials**

The Company makes every effort to reduce its consumption of raw materials in packaging, where large quantities tend to be used, by such measures as the use of volume packaging adapted to its needs and by putting a priority on recycling.

- **Air**

The Company seeks to lower its emissions into the air, including by using mainly clean fuels, like natural gas. Its facilities are in compliance with the latest anti-pollution standards.

- **Asbestos**

In 1997, the Company inspected its French facilities for the presence of asbestos and performed the work that this required. In addition, the Company has assembled technical files on asbestos control for each of its buildings, as required by newly enacted French regulations.

- **Odor and noise pollution**

At Company facilities that generate noise, every effort is made to ensure compliance with noise level restrictions applicable to the location concerned In this connection, the Company makes measurements every three years at all of its French sites, as required under applicable operating permits.

The Company's operations do not cause odor pollution.

- **Waste**

For the past several years, the Company has sought to optimize waste management and to sort waste at the point of use. Its efforts have included the development of processes designed to reduce the volume of waste. The Company pays special attention to the development of methods for recycling, reusing and sorting of non-hazardous waste. As far as hazardous waste is concerned (discharged laboratory chemicals, organic solvents, acids, bases, etc.), the Company has always opted in favor of a strict policy of collection at the source and disposal by companies licensed to process such waste in the most appropriate manner.

Measures taken to limit the impact on biodiversity, nature and protected animal and plant species:

The Company's facilities are located in industrial or urban areas and are therefore not in places where nature, animals and plants are protected. The Company puts great emphasis on the appearance of its facilities and on landscaping and architecture.

Environmental assessment and certification procedures:

At this time, the Company has not started procedures aimed at being granted an environmental certification.

Measures taken to ensure that the Company's operations comply with applicable laws and regulations:

All of the Company's French facilities are in compliance with regulations applicable to classified facilities, under either the reporting or the authorization system, depending on the nature of their operations. None of the facilities is subject to regulations governing major technological risks.

Cost of preventing the Company's operations from affecting the environment:

When facilities are designed and throughout their life, the Company sees to it that they incorporate environmental protection features and make the most efficient use of natural resources. Significant expenditures were regularly done by the Company to ensure that facilities fully comply with environmental regulations. In 2005, more than €700,000 was spent on capital projects related to environmental protection.

Internal control and management of environmental risks:

The Company's main facilities all have a Health, Safety and Environment department (HSE) under the authority of the head of the facility. In addition, the infrastructure and property department provides advice and assistance to facilities that need it, especially those that do not have their own in-house specialized departments.

The Company has set up an HSE education program for new employees at its facilities in France, the Netherlands and North America.

The Company conducted a safety audit at its main manufacturing facilities in 2005, which lead to improvements being made in protective measures at its French Marcy and Craponne sites.

All of the above measures related to the environment are being monitored in light of the eighth principle of the Global Compact* which the Company signed in 2004.

* The Global Compact was officially established in July 2000 and announced by United Nations Secretary General Kofi Annan at the World Economic Forum of January 1999 in Davos (Switzerland). The Compact invites participating companies to endorse nine universal principles on human rights, labor standards and the environment, based on the notions of "social responsibility and sustainable development"; the participating companies have sole authority to decide how to implement those principles.

SECTION 5

ASSETS – FINANCIAL POSITION – INCOME

5.1 KEY FIGURES

The consolidated financial statements for 2005 and 2004 fiscal years have been prepared in accordance with IAS/IFRS rules. The consolidated financial statements for 2004 and 2003 fiscal years have been prepared in accordance with regulation CRC 99-02.

5.1.1 CONSOLIDATED INCOME STATEMENT

In millions of euros	**Jan. 05-Dec. 05 IAS / IFRS**	**Jan. 04-Dec. 04 IAS / IFRS**
Net sales	**993.6**	**929.3**
Gross profit	**520.4**	**497.0**
Operating income before non recurring items	**138.8**	**134.1**
Operating income	**138.9**	**129.5**
Net income of consolidated companies	**90.1**	**79.7**

In millions of euros	**Jan. 04-Dec. 04 12 months CRC 99-02**	**Jan. 03-Dec. 03 12 months CRC 99-02**
Net sales	**930.6**	**914.5**
Gross profit	**497.4**	**474.5**
Operating income	**132.2**	**102.1**
Net income before goodwill amortization	**80.1**	**61.2**
Net income before minority interests	**75.7**	**55.0**

5.1.2 CONSOLIDATED BALANCE SHEET

Assets *In millions of euros*	Net 12/31/2005 IAS / IFRS	Net 12/31/2004 IAS / IFRS
Non-current assets	**428.3**	**393.7**
Current assets	**477.8**	**444.9**
Total assets	***906.1***	***838.6***
Liabilities and shareholders' equity	**12/31/2005**	**12/31/2004**
Shareholders' equity	**498.5**	**391.5**
Non-current liabilities	**102.3**	**195.7**
Current liabilities	**305.3**	**251.4**
Total liabilities and shareholders' equity	***906.1***	***838.6***

Assets *In millions of euros*	Net 12/31/2004 CRC 99-02	Net 12/31/2003 CRC 99-02
Fixed assets	**374.4**	**373.8**
Current assets	**453.6**	**507.8**
Total assets	***828.0***	***881.6***
Liabilities and shareholders' equity	**12/31/2004**	**12/31/2003**
Shareholders' equity and minority interests	**389.9**	**348.8**
Provisions for risks and charges	**76.4**	**73.2**
Deferred tax liabilities	**4.7**	**5.3**
Liabilities	**357.0**	**454.3**
Total liabilities and shareholders' equity	***828.0***	***881.6***

5.1.3 CONSOLIDATED STATEMENT OF CHANGE IN NET INDEBTEDNESS

In millions of euros	Jan. 05-Dec. 05 12 months IAS / IFRS	Jan. 04-Dec. 04 12 months IAS / IFRS
Cash flow from operations before cost of financial debt and income tax	**214.0**	**205.9**
Cash flow from operations	**164.5**	**160.9**
Cash flow used in investment activities	**-75.6**	**-70.0**
Cash flow used in shareholders equity	**-15.9**	**-17.4**
Change in net indebtedness (1)	**73.0**	**73.5**
Net indebtedness at the beginning of the year	**118.1**	**188.3**
Impact of currency changes on net indebtedness	-1.8	3.3
Change in net indebtedness (1)	**-73.0**	**-73.5**
Net indebtedness at the end of the year	**43.3**	**118.1**

(1) Change in net indebtedness before impact of currency fluctuations

In millions of euros	Jan. 04-Dec. 04 12 months CRC 99-02	Jan. 03-Dec. 03 12 months CRC 99-02
Cash flow from operating activities	**163.1**	**140.1**
Decrease (increase) in working capital requirements	**2.4**	**4.9**
Net cash flow from operations	**165.5**	**145.0**
Net cash flow from (used in) investment activities	**-75.2**	**-70.9**
Net cash flow from (used in) shareholders' equity	**-17.4**	**-19.0**
Change in net indebtedness (excluding exchange rate effects)	**72.9**	**55.1**

Analysis of change in net indebtedness		
Net indebtedness at the beginning of the year	178.8	237.1
Impact of currency changes on net indebtedness	3.3	-3.2
Change in net indebtedness	**-72.9**	**-55.1**
Net indebtedness at the end of the year	**109.2**	**178.8**

5.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

5.2.1 Overview

General situation

The Company's consolidated revenue has been rising in a sustained manner, on a comparable foreign-exchange and consolidation basis: from 1996 to 2005, revenue increased by an average of 6% per annum, with annual growth in the range of 5.2 to 6.3% during the period, except in 1996 (7.3%) and 2000 (8.5%). Over the past two fiscal years, sales increased by 5.2% in 2004 and 5.7% in 2005.

The fact that growth has been so sustained is accounted for in part by an overall market growth, a broader reagent menu for the existing installed base and the expansion of that base. Reagents account for 84 to 85% of total sales and 70% of them are designed for the automated systems sold by the Company. The remainder is used for tests performed manually or not dedicated to its instruments. As of December 31, 2005, the Company had placed approximately 42,000 instruments with customers, most of which exclusively use its own reagents.

The bulk of the Company's sales were in Europe, North America and Japan, the major markets for diagnostic products . Those regions accounted together for 86% of total sales in 2005, a ratio that has remained relatively stable since 2001. The growth in our revenue since 2001 has been greater in industrial applications (8.3% in 2005) than in clinical applications (5.3% in 2005).

Over the past years, operating income has increased steadily, reflecting the swift integration of the OTD business. The operating margin was 14% of revenue in 2005 and 2004.

The Company generated sufficient cash flow to finance its investments and significantly reduce its debt, incurred to finance the OTD acquisition. At the end of 2005, consolidated net indebtedness was only €43.3 million, or 9% of shareholder's equity.

Factors affecting revenue

Sales of reagents account for close to 85% of the Company's revenue. Except in the case of manual or non-specific products, these sales of reagents are preceded by the sale or placement with clients of instruments in which the reagents are used. At the end of 2005, approximately two-thirds of the toal installed base had been sold to the customers. The remaining one-third consisted of instruments placed at client locations. In case of placements, the selling price of reagents is increased to account for the cost of placing the instrument. Sales of instruments accounted for close to 12% of consolidated revenue in 2005.

The expansion of the installed base serves as an indicator of the Company's potential revenue. However, there is no direct relationship between the size of the installed base and revenue, since the consumption of reagents can vary significantly from one product line to another. Sales also depend on the scope of the reagent menus available for each instrument and on the value added by each test in a menu. The size of the installed base is therefore only one of several factors with an impact on sales.

The Company also provides services, such as technical support, which are either billed as part of service contracts or included in the price of reagents. Separately billed services represented approximately 4% of the Company's revenue in 2005.

Factors affecting operating income before non recurring items

Changes in operating income before non recurring items reflect the following factors:

- Costs directly related to manufacturing and product purchases, the installation and field service of instruments, depreciation of instruments placed with or leased to clients and royalties paid on certain products sold.

- Other operating costs consist primarily of selling and marketing expenses, general and administrative expenses and research and development expenses. Research and development costs are recognized in the year in which they are incurred and may include up-front license payments for products in development.

- Proceeds from royalties are reported on a separate line in the consolidated income statement, net of amortization allowances for the corresponding intangible assets; they contributed €8.3 million of operating income before non recurring items in 2005.

Impact of exchange rate fluctuations

Because much of the Company's business is conducted outside the euro zone, its revenue, income, and some items on its balance sheet can be significantly affected by fluctuations in exchange rates between the euro and other currencies. Revenue, in particular, is affected by changes of the euro against the US dollar , and, to a lesser extent, against other currencies.

However, some operating expenses, in particular those incurred in the United States, are paid in US dollars, lessening the impact of fluctuations of the US dollar on operating income. This natural hedge is less effective in the case of other currencies in which the Company operates.

The Company may also be exposed to currency risks arising from borrowings by certain subsidiaries in currencies other than their own (such as euros or US dollars) in countries where the volatility of those currencies is higher and where it may not always be possible to hedge exchange risks (such as in certain Latin American countries).

The Company's current policy, which is subject to change, is to seek to hedge the impact of exchange rate fluctuations on budgeted net income. It uses hedging instruments, when they are available at a reasonable cost, in order to lessen risks from currency fluctuations. Its current practices is to implement global hedges covering similar risks. Hedge contracts are purchased to cover actual transactions and not for speculative purposes.

Distribution subsidiaries are currently billed in their local currencies by manufacturing subsidiaries (except where prohibited by law), so that currency risks can be managed at the corporate level. Whenever possible, the Company hedges currency risks from debt in currencies other than those of the country in which operations are located, so as to offset any accounting foreign-exchange risks.

The Group's exposure to exchange rate and other market risks is examined under paragraph 5.2.6 "Market risks" below. The impact of exchange rate fluctuations on revenue over the past two years is examined under the "Revenue" section below.

In addition to the impact of exchange rate fluctuations on the Company's income, many of its assets are measured in US dollars or other currencies because of its global operations. As a result, exchange rate fluctuations can cause variations in shareholders' equity. The Company does not hedge these variations at this time.

Comparable figures

The notion of "comparable figures" in the context of changes in revenue refers to the exclusion of the impact of exchange rate fluctuations, and changes in consolidation (acquisitions or divestitures of consolidated companies) and changes in accounting methods. The impact of exchange rate fluctuations is eliminated by recalculating sales for the year under review using the exchange rates for the previous year.

Seasonal nature of the business

The Group's business is not seasonal.

5.2.2 Year ended December 31, 2005 compared to year ended December 31, 2004

Changes in the scope of consolidation

- bioMérieux SA and Apibio SAS, a wholly-owned subsidiary of bioMérieux SA, merged with retroactive effect from January 1, 2005, pursuant to a merger agreement signed on March 22, 2005 and ratified by the shareholders' meeting of June 9, 2005.

- bioMérieux Inc purchased two-thirds of the shares held by the minority shareholder in bioMérieux Mexico, increasing the Group's equity interest in that company from 80% to 93%. The price paid was close to the corresponding portion of net acquired assets and accordingly generated only a small negative goodwill, which was immediately amortized.

- bioMérieux Inc sold its shares of bioMérieux Japan to bioMérieux SA which now holds all of that company's equity. This internal transfer had no impact on the consolidated financial statements.

- bioMérieux Hungary and bioMérieux Czech Republic were formed at the end of 2005. They are wholly owned by bioMérieux SA.

Net sales

Net sales totaled €994 million in fiscal 2005, up from €929 million in 2004, an increase of 5.7% on a comparable basis or 6.9% as reported.

In a highly competitive environment, sales were up in every region, especially Europe and Asia.

In millions of euros	**2005**	2004*	*Change*	
			(%)	***at constant exchange rates***
Europe (1)	**566.8**	533.0	*+6.4*	***+5.8***
North America	**255.9**	244.3	*+4.8*	***+4.3***
Asia-Pacific (2)	**107.5**	96.4	*+11.5*	***+10.0***
Latin America	**63.4**	55.6	*+14.0*	***+3.8***
Total	**993.6**	929.3	***+6.9%***	***+5.7%***

* Restated in accordance with IAS/IFRS
(1) Including the Middle East and Africa
(2) Including India, formerly included with Latin America

- Sales growth in the Europe, Middle East and Africa region, which accounted for 57% of the consolidated total, was led by the good results in bacteriology, notably the success of the VITEK®2

Compact systems and the BacT/ALERT® blood culture range. The molecular biology and industrial applications segments also reported sharp increases of 19% and 10% respectively. Sales were especially strong in some large markets, rising 7% in Germany, 8% in the United Kingdom and 5% in Spain. In Italy, however, growth slowed due to heightened competition for the VIDAS® range in routine tests. A comparable situation arose in France, where sales nonetheless recovered by 3.7%, thanks in large part to sales of VITEK®2 Compact instruments.

– In North America (26% of the consolidated total), clinical bacteriology sales rose 8% at constant exchange rates, led by the strong performance from the BacT/Alert® blood culture range and the second-half launch of the VITEK®2 Compact system. The VIDAS® range continued to enjoy fast growth (up 13%) in Emergency Rooms and Physician Office Labs. Sales growth, however, was impacted by a flat performance in industrial applications, due to high comparisons with the prior year, when instrument sales reached exceptional levels, and to a decline in sales of "Other" product ranges.

– In the Asia Pacific region (11% of the consolidated total), the VITEK® and BacT/Alert® bacteriology product lines enjoyed sustained growth, driven by instrument sales from a major tender in China. Growth was also fueled by sales of industrial applications (up 19% at constant exchange rates) and the VIDAS® range. In addition to China, where sales continued their rapid growth (up 22%), important gains were reported in South Korea, India and Thailand.

– In Latin America (6% of the consolidated total), the sharp increase in sales in bacteriology was offset by flat sales in Brazil, which accounts for more than one-third of business in the region. The lack of growth in Brazil was mainly caused by the non-renewal of the molecular biology tender for monitoring HIV viral load.

At constant exchange rates, clinical applications (€866 million) rose 5.3%, while industrial applications (€128 million) were up 8.3% for the year.

– In clinical applications, growth was led by bacteriology (up 10% for the year at constant exchange rates), thanks to the success of the VITEK®2 Compact system and strong demand for BacT/Alert®. Sales of the VIDAS® range continued to increase in Physician Office Labs in the United States and Germany, Emergency Rooms, and the Asia-Pacific region, despite difficulties in certain European countries in routine tests. In December 2005, the new VIDIA® system was pre-launched in France, Belgium and Portugal.

– In industrial applications, full-year sales were up 8.3% at constant exchange rates. In the pharmaceutical segment, growth was led by the development of the culture media range and the successful global introduction of the VITEK®2 Compact system. Broadening the VIDAS® menu and the range of chromogenic culture media boosted sales in the food industry, where the TEMPO® system was also launched.

Nearly 3,500 new instrument systems were installed, increasing the total installed base to around 42,000 units at December 31, 2005.

Instruments sales accounted for 11.8% of the consolidated total, compared with 10.4% in 2004. The increase was led by the rapid development of the VITEK®2 Compact system, which was successfully introduced in the main European countries in the first half of the year, then in the United States, Japan and the rest of the world in the second half.

The year also saw the launch of the easyMAG™ automated extraction system in molecular biology, the TEMPO® automated system for industrial applications and the first installations of the new immunoassay VIDIA® system. The launch of the last two platforms had only a very limited impact on 2005 sales. Their impact on 2006 sales will also be marginal because of the need to build up an installed base and develop the menu of related reagents.

Sales of reagents accounted for 83.8% of the consolidated total (versus 85.4% in 2004) and separately billed services represented 4.4% (4.2% in 2004). A total of 29 new reagents and software applications were introduced in 2005 across all product ranges.

The Company continued to expand its international network during the year. The creation of two new distribution subsidiaries in Hungary and the Czech Republic increased the number of bioMérieux subsidiaries outside France to 35. In China, where bioMérieux has operated for many years, the Company's headquarters were transferred to Shanghai.

A number of licensing agreements have also been signed, in particular with:

- Brahms, for the use of procalcitonin as a marker for the diagnosis of severe bacterial infections.
- Roche Diagnostics, for the use of proBNP as a marker for congestive heart failure and acute coronary syndrome.
- Gen-Probe, for access to ribosomal RNA markers for bacterial targets.

The Company also entered into important partnerships with:

- The Chinese Academy of Medical Sciences in the field of emerging pathogens
- US-based Affymetrix and French biotechnology company ExonHit Therapeutics in the area of oncology
- diagnoSwiss to develop electrochemical chips, with a focus on immunoassays
- Indian biotechnology company Avestha Gengraine in the area of tuberculosis.

In an increasingly strict regulatory environment, bioMérieux continued to deploy action plans initiated in 2004 to strengthen its quality assurance system, especially at its facility in Durham, North Carolina.

- In May, the US Food and Drug Administration (FDA) conducted an inspection of the microplate immunoassay product ranges produced at the facility and sold exclusively in the United States, and sent a warning letter to bioMérieux on July 29th. In response to observations from the FDA, the North American subsidiary focused its efforts on action plans to strengthen the quality assurance system at the plant. These initiatives consisted in upgrading facilities, improving processes and overhauling certain teams. A follow-up inspection by the FDA in late 2005 re-emphasized the need to step up the corrective action plans already underway.
- Inspections carried out during the year at other facilities, particularly in France and the United States, produced satisfactory results.

Gross profit and income

~~IAS / IFRS~~

Financial statements for the year ended December 31, 2005 were prepared in accordance with IAS/IFRS. Figures for 2004 have been restated in accordance with the new standards.

The changeover to IFRS has had no significant impact on net income, except for the elimination of goodwill amortization, which represented an expense of €4.4 million at December 31, 2004.

The introduction of the new standards has led to a reclassification of certain 2004 expenses, notably those related to the initial public offering, but this did not have any impact on net income. However, it did result in a €2.7-million reduction in 2004 operating income, as restated for purposes of comparison with 2005 figures.

Statement of income

Gross profit rose by €23.4 million to €520.4 million, representing 52.4% of sales, versus 53.5% in 2004 (following an increase of 160 basis points in 2004). The decline reflected measures to strengthen quality assurance systems and higher shipping costs, as well as the second-half impact of higher raw material costs and the relative weight of instrument sales, which generate lower gross margins than reagents.

Despite the strengthening of sales and marketing teams and the full-year impact of expenses related to the listing, **selling, general and administrative expenses** represented 26.1% of sales for the year, compared with 26.4% in 2004.

Research and development expenses amounted to €130.7 million, or 13.1% of sales (versus 13.6% in 2004). Funds allocated to develop the license portfolio (new bio-markers, Affymetrix, diagnoSwiss, etc.) totaled €8.2 million (€6.9 million in 2004).

Operating income before non recurring items amounted to €138.8 million, or 14% of sales, compared with 14.4% the previous year.

Operating income rose by 7.3% to €138.9 million. It represented 14% of sales, versus 13.9% in 2004, when €5.2 million in IPO-related expenses were recognized.

Net financial expense declined by €10.1 million, reflecting a lower debt, a reduction in average interest rates and the favorable impact of a number of non-recurring financial items. In particular, 2005 was marked by exchange rate gains and lower provisions for impairments of shares. In addition, there were no debt-restructuring costs, unlike in 2004.

Income tax rose by €9.1 million because of an increase in taxable earnings and a higher average tax rate, which stood at 34.9% of pretax income, versus 33% the year before.

In conclusion, **net income** rose by 13% to €90.1 million, or 9.1% of sales (compared with 8.6% in 2004).

Statement of cash-flows and balance sheet

Continued high earnings, stable working capital and disciplined management of capital expenditure helped to generate **free cash flow*** of roughly €89 million (prior to a total dividend payout of €15.8 million in June 2005). This represented an increase of nearly €16 million (21%) over the previous year.

Despite the increase in sales, **operating working capital requirement** was unchanged for the year. The increase in inventories (€16.3 million), resulting mainly from new products and the impact of strenghtening quality assurance systems, was offset by an increase in payables. It was also offset by the fact that substantial payments in Southern Europe held growth in receivables to a slight €2.7 million. As a result, the days sales outstanding were reduced by five days on a comparable basis.

Investments totaled €82 million for the year, of which €38 million for placed instruments. **Capital expenditures** amounted to €44 million, as follows:

- In France, at plants in:
  - Grenoble, where molecular biology operations in France have been consolidated. The new unit will be officially inaugurated on April 13, 2006.
  - Craponne, near Lyon, where the Petri dish production unit was expanded.
  - Plaine de l'Ain, at the International Distribution Center.
- In Italy, in Florence, with the extension of production facilities for the TEMPO® and VIDIA® instruments.
- In the United States, at the Durham plant, where the Company pursued its investment programs, in particular to respond to quality assurance requirements.

* Free cash flow is defined as the balance of cash flows from operations, net of cash allocated to capital expenditures, after the restatement of certain 2004 transactions preceding the bioMérieux IPO.

Net debt amounted to €43.3 million at December 31, 2005, a year-on-year decline of nearly €75 million, and represented 9% of equity.

5.2.3 Year ended December 31, 2004 compared to year ended December 31, 2003

The consolidated financial statements for fiscal 2004 and 2003 are presented in accordance with French CRC 99-02 accounting rules.

CONSOLIDATED INCOME STATEMENT – CRC RULE 99-02

In millions of euros	**Jan. 04-Dec. 04 12 months**	**Jan. 03-Dec. 03 12 months**
Net sales	**930.6**	**914.5**
Gross profit	**497.4**	**474.5**
Operating income	**132.2**	**102.1**
Net income before goodwill amortization	**80.1**	**61.2**
Net income before minority interests	**75.7**	**55.0**

CONSOLIDATED BALANCE SHEET – CRC RULE 99-02

Assets *In millions of euros*	**Net 12/31/2004**	**Net 12/31/2003**
Fixed assets	**374.4**	**373.8**
Current assets	**453.6**	**507.8**
Total assets	***828.0***	***881.6***
Liabilities and shareholders' equity	**12/31/2004**	**12/31/2003**
Shareholders' equity and minority interests	**389.9**	**348.8**
Provisions for risks and charges	**76.4**	**73.2**
Deferred tax liabilities	**4.7**	**5.3**
Liabilities	**357.0**	**454.3**
Total liabilities and shareholders' equity	***828.0***	***881.6***

CONSOLIDATED STATEMENT OF CHANGE IN NET INDEBTEDNESS – CRC RULE 99-02

In millions of euros	**Jan. 04-Dec. 04 12 months**	**Jan. 03-Dec. 03 12 months**
Cash flow from operating activities	**163.1**	**140.1**
Decrease (increase) in working capital requirements	**2.4**	**4.9**
Net cash flow from operations	**165.5**	**145.0**
Net cash flow from (used in) investment activities	**-75.2**	**-70.9**
Net cash flow from (used in) shareholders' equity	**-17.4**	**-19.0**
Change in net indebtedness (excluding exchange rate effects)	**72.9**	**55.1**

Analysis of change in net indebtedness		
Net indebtedness at the beginning of the year	178.8	237.1
Impact of currency changes on net indebtedness	3.3	-3.2
Change in net indebtedness	**-72.9**	**-55.1**
Net indebtedness at the end of the year	**109.2**	**178.8**

Highlights

~~Initial public offering~~

bioMérieux shares started trading on the Premier Marché of the Paris stock exchange on July 6, 2004, following a public offering of the interest previously held by Wendel Investissement. In connection with the IPO, bioMérieux also issued stock for an offering to its personnel.

In order to facilitate the IPO, bioMérieux first took the following steps:

– it merged with NBMA

– it prepaid the syndicated loan set up in 2001 in connection with the acquisition of OTD, and obtained another credit facility from a smaller number of banks.

The cost of the IPO was recognized as a non-recurring charge of €5.2 million, net of the portion paid by Wendel Investissement, and expenses incurred in connection with the offering to employees were charged to the corresponding paid-in capital from share premium (€0.8 million). €1.1 million in bank fees on the 2001 loan were recognized in general and administrative expenses, while fees of €0.4 million on the new loan have been deferred and will be spread over future periods.

~~Merger with NBMA~~

In order to facilitate the offering of its shares to the public, Nouvelle bioMérieux Alliance (NBMA), a holding entity that held 99.3% of bioMérieux' shares, was merged into bioMérieux, retroactively from January 1, 2004. The merger had no material impact on income.

The €3.3 million merger variance resulting from the negative difference between paid-in capital (€186.4 million) and the value of bioMérieux shares held by NBMA (€189.7 million), was charged to retained earnings available for distribution and accordingly did not affect the year's income.

The tax consolidation of bioMérieux SA and Apibio through NBMA, in effect since January 1, 2003, was replaced by a new tax consolidation of bioMérieux SA and Apibio starting January 1, 2004.

Purchase of all of the shares of Apibio

The 4.7% interest formerly held by CEA-Industrie in Apibio was acquired on December 22, 2004, making Apibio a wholly-owned company of bioMérieux SA effective December 31, 2004. The special shareholders' meeting of June 9, 2005 was asked to approve its merger into the Company.

Net sales

Net sales totaled €931 million for the year, an increase of 5.2% on a comparable basis (excluding changes in scope of consolidation and exchange rates).

Reported growth was 1.8%, due to the euro's continued strength against the dollar and most other currencies.

In all, growth was led by **reagent sales**, which rose 6% excluding the currency effect, while 3,500 new instrument systems were installed on customer premises.

In millions of euros	**2004**	2003	*Change*	
			(%)	***at constant exchange rates***
Europe, Middle East, Africa	**533.9**	515.7	*+3.5*	***+3.7***
North America	**244.4**	252.0	*-3.0*	***+6.1***
Asia-Pacific	**89.0**	85.1	*+4.5*	***+8.8***
Latin America - India	**63.3**	61.7	*+2.6*	***+9.1***
Total	**930.6**	**914.5**	***+1.8%***	***+5.2%***

Sales rose in all the operating regions, in local currencies:

- Sales in the Europe - Middle East - Africa region grew an aggregate 3.7% at constant exchange rates.
- Excluding France, the growth rate was 6.6% in local currencies, reflecting strong gains in Italy (up 9%) and Germany (up 8%). In France, business declined a slight 2% during the year, but the VITEK®2 Compact launched on December 1 got off to a good start.
- In North America, sales rose 6.1% at constant exchange rates, as strong demand for the main product ranges offset a smaller contribution from instrument sales than in 2003.
- In the **Asia-Pacific** and **Latin America-India** regions, sales increased across all product lines, rising around 9% at constant exchange rates, thanks to ongoing expansion in China and improved sales in the persistently difficult Japanese market.

Sales of clinical applications rose 4.7%, while industrial applications gained 8.9%, both at constant exchange rates.

In millions of euros	**2004**	2003 (1)	*Change*	
			(%)	***at constant exchange rates***
Clinical applications	**813.2**	**802.9**	***+1.3***	***+4.7%***
Bacteriology	**429.4**	420.5	*+2.1*	***+6.1%***
Immunoassays	**226.7**	218.2	*+3.9*	***+5.9%***
Hemostasis	**49.7**	53.1	*-6.5*	***-2.9%***
Molecular biology	**23.9**	22.2	*+7.7*	***+10.7%***
Other	**83.5**	88.9	*-6.1*	***-2.0%***
Industrial applications	**117.4**	**111.6**	***+5.1%***	***+8.9%***
Total	**930.6**	**914.5**	***+1.8%***	***+5.2%***

(1) Restated to match the 2004 classification

- In the Clinical segment, good results were reported in bacteriology, immunoassays (VIDAS®) and molecular biology. Increased competition weighted on hemostasis sales, but the other product ranges held up well.

- In **Industrial applications**, where the number of players increased, reagent sales rose sharply, while instrument sales declined from the previous year's very high figure, as more customers preferred placed instruments.

Gross profit and income

Operating income improved by 30% to €132.2 million, and represented 14.2% of sales versus 11.2% in 2003.

The increase was driven by higher sales, major productivity gains, control over research and development expenses, higher proceeds from royalties and lower restructuring charges.

Exchange-rate fluctuations, which had a negative impact on revenue, had very little effect on operating income, as they also caused a decline in operating expenses.

Gross profit totaled €497.4 million, or 53.5% of sales, compared with €474.5 million and 51.9% in 2003. The increase was driven by higher sales, the larger proportion of reagents in the revenue stream, savings from the restructuring programs carried out in 2003 and ongoing measures to improve productivity. Higher raw materials prices had only a slight impact on unit production costs.

Selling, general and administrative expenses rose by 3.9% to €246.4 million, reflecting the increased organizational resources deployed to prepare for the launch of new platforms and support international expansion.

Research and development expenses amounted to €126.8 million, or 13.6% of sales. This was 3.3% less than in 2003, when these expenses included particularly high licensing fees. Their amount reflects the extensive programs undertaken to develop new platforms and reagent menus.

The company continued to capture the value of its patent portfolio in 2004, when net received royalties rose to €8.9 million from €7.4 million the year before thanks to agreements signed with Bayer (Boom® Technology) and Gen-Probe (coagulation markers).

Restructuring costs declined sharply to €0.9 million from €11.7 million in 2003. Restructuring programs decided during the year concerned the consolidation of the French molecular biology teams in Grenoble and the closure of the laboratory in Saitama, Japan.

Despite the decline in average debt and interest rates, **net financial expenses** rose due to other non-recurring financial costs.

Net exceptional expenses increased to €3.7 million from €0.3 million in 2003. It primarily included the Company's share of IPO costs (€5.2 million), partially offset by the capital gain on the disposal of a building in Spain.

Income tax amounted to 33.1% of pretax income, versus 36.2% the year before. The decrease resulted from major tax credits or refunds and the reduced impact of unprofitable companies.

Goodwill amortization of €4.4 million was recognized, compared with €6.2 million in 2003.

Net income rose by 37% to €75.7 million or 8.1% of sales in 2004.

Earnings per share came to €1.93, up 37% in 2003.

~~Statement of change in net indebtedness and financial position~~

In 2004, the increase in income and disciplined management of capital expenditure and working capital helped generate free cash flow of €73 million, without the impact of the merger of NBMA into the Company (collection of receivables transferred by NBMA consisting of a tax credit of €11.4 million and proceeds from the sales of financial investment of €7.8 million, and liabilities of €1.7 million).

To support development and prepare for new platform launches, the Company pursued its capital expenditure program during the year. Outlays totaled €79.4 million, in line with previous years. Nearly half (€36.5 million) concerned the placement of instruments, while the remainder (€42.9 million) was committed to capital improvements at all manufacturing sites.

Working capital rose by €3.9 million. The €8.9-million increase in inventories, caused in part by the new platforms, was partly offset by a €5.6-million increase in trade accounts payable and other operating liabilities. Trade receivables remained stable on a like-for-like basis, in spite of the 5.2% increase in business, reflecting a 3-day reduction of the average collection period.

Net debt amounted to 109.2 million at December 31, 2004, when it represented 28% of shareholders' equity, compared with 51% a year earlier.

5.2.4 Liquidity

The Group's principal source of liquidity is cash flow from operations, which enables it to finance its capital expenditure and reduce its debt. As of December 31, 2005, the Company had €125 million of committed and unused lines of credit.

The Company considers that it has adequate resources to finance its day-to-day business, capital expenditure and debt servicing.

5.2.5 Off-balance-sheet commitments

Outstanding commitments given or received on December 31, 2005 were as follows:

- Real estate operating lease commitments by Group entities amounted to €31.4 million on December 31, 2005, of which €24.3 million was payable in more than one year.

- bioMérieux Inc, bioMérieux SA and bioMérieux BV are parties to various agreements that call for payments based on progress in corresponding research projects (€15.9 million).

- bioMérieux SA has signed a preliminary agreement to purchase two buildings in France, for €2.1 million.

- bioMérieux SA has agreed to purchase shares issued by Relia, a US corporation, for US$8 million, in return for a 15% equity interest in that company.

- bioMérieux Inc and the minority owner of bioMérieux Mexico have amended their agreement pertaining to the possible purchase by bioMérieux of the remaining 7% of the shares from this minority owner, on the basis of a formula that takes into consideration the revenue and income of bioMérieux Mexico; this has no material impact on the equity and net debt of bioMérieux.

- As part of the purchase of CEA-Industrie's interest in Apibio, bioMérieux SA agreed to an incentive clause with CEA-Industrie covering the period from 2010 to 2014, under which it would pay CEA-Industrie 3.5% of any revenue generated by the application of technologies developed by Apibio (primarily MICAM and OLISA), up to a ceiling of €1.1 million.

- Under the bonus share plan adopted by the special shareholders' meeting of June 9, 2005, bioMérieux SA is committed to buying back 78,000 of its own shares. This commitment represents an expense of €3.5 million on the basis of the December 31, 2005 trading price of its shares.

- As of December 31, 2005, bioMérieux SA had unused medium-term credit facilities of €125 million under a syndicated loan (see note 5.3.16.1).

- Bank guarantees obtained by the Group in connection with bids made by it totaled €8.8 million as of December 31, 2005.

- Other commitments of €0.1 million were received (sureties).

- Other commitments of €3.2 million were given (endorsements, and guarantees other than real estate lease obligations).

5.2.6 Market risks

Liquidity risks

The table below presents the maturity structure of our financial assets and liabilities as of December 31, 2005:

In millions of euros	**12/31/2005**		**12/31/2004**	
Over five years	1.4		6.0	
Between one and five years	15.5		108.5	
Total long-term debt	**16.9**	(a)	114.5	(d)
Short-term confirmed debt maturing in less than one year	2.4	(b)	1.7	
Other short-term debt	44.9		23.8	
Total short-term debt	**47.3**		**25.5**	
Total financial liabilities	**64.2**		**140.0**	
Short-term deposits	-0.6	(c)	-0.7	
Cash and cash equivalents	-20.3		-21.2	
Net indebtedness	**43.3**		**118.1**	

(a) Including a €7.7 million liability from the finance lease of the Plaine de l'Ain logistics facility, of which €5.2 million for the purchase option. The lease expires in 2010, at which time bioMérieux will have the choice to either continue to lease the facility or purchase the building for the option price.

(b) Including a €0.6 million liability for the capital lease of the Plaine de l'Ain logistics facility

(c) The book value of short-term deposits is identical to their market value.

(d) Primarily the syndicated loan for the acquisition of Organon Teknika

Interest rate risks

The Company uses swaps, caps and floors (or combinations of these instruments) in order to hedge its exposure to interest rate risks. The accrued rate differential is recognized in net financial income.

The note 5.3.16.4 to our consolidated financial statements describes the interest rate applicable to the debt. The note 5.3.27.2.2 gives additional information regarding hedging instruments in place as of December 31, 2005.

Given the hedging instruments in the Company's portfolio in fiscal 2005, its exposure to interest rate risk is not material.

Exchange rate risks

The Company operates in 150 countries, generating cash flows in various currencies. Its primary currencies are the euro, US dollar, Japanese yen, pound sterling, and Brazilian real. In this context, reported Group sales are analyzed on a comparable basis (see section 5.2.1 "Impact of exchange rate fluctuations" above).

An inter-company billing system has been implemented within the three principal operating companies in order to centralize exchange-rate risks, except in the case of countries for which this is not legally or economically feasible (currently Brazil, Argentina, Colombia, Chile, South Korea, Russia and India).

The Group hedges its currency exposure (see section 5.2.1 "Impact of exchange rates" above).

The table below shows the estimated position (in millions of euros) with respect to all currency hedging instruments in effect on December 31, 2005, broken down by type of instrument. Forward contracts are valued at the forward rate and options at their exercise price.

Currency hedges on December 31, 2005 *In millions of euros*	Amount	Expiration date < 1 year	 1 - 5 years	Market value (a)
Hedges of existing commercial transactions				
- Currency forward contracts	38.3	38.3		
- Options	20.6	20.6		
Total	58.9	58.9	0.0	
Hedges of future commercial transactions				
- Currency forward contracts	138.3	122.5	15.8	-2.5
- Options	21.5	21.5		0.0
Total	159.8	144.0	15.8	-2.5

(a) Difference between the discounted hedging rate at December 31, 2005 and the market value at December 31, 2005.

The negative market value of the entire portfolio of hedging instruments in existence on December 31, 2005 (€2.5 million) is recognized under other reserves (€2.3 million) and income (€0.2 million).

The forward sales, forward purchases and options outstanding on December 31, 2005 mature within 18 months.

Exchange gains or losses relating to operating activities are recorded in the corresponding income statement items (see section 5.3.22.3 below).

Exchange gains or losses resulting from the conversion of subsidiaries' accounts are recorded in the « translation reserve » line of the consolidated shareholders' equity (see section 5.3.13 below).

5.3 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDING DECEMBER 31, 2004 AND 2005

CONSOLIDATED INCOME STATEMENT

In millions of euros	**Jan. 05-Dec. 05 12 months**	**Jan. 04-Dec. 04 12 months**
Net sales (note 5.3.1.17.1)	**993.6**	**929.3**
Cost of sales	-473.2	-432.3
Gross profit	**520.4**	**497.0**
Other operating income (note 5.3.1.17.1)	8.3	8.9
Selling and marketing expenses	-177.3	-167.9
General and administrative expenses	-81.9	-77.1
Research and development expenses	-130.7	-126.8
Total operating expenses	**-389.9**	**-371.8**
Operating income before non-recurring items	**138.8**	**134.1**
Other non-recurring income (expenses) (note 5.3.23)	0.1	-4.6
Operating income	**138.9**	**129.5**
Cost of net financial debt (note 5.3.22.1)	-1.6	-9.3
Other financial items (note 5.3.22.2)	1.2	-1.2
Income tax (note 5.3.24)	-48.4	-39.3
Net income of consolidated companies	**90.1**	**79.7**
Attributable to the minority interests	0.0	0.0
Attributable to the parent company	**90.1**	**79.7**
Net income per share (a)	2.28	2.04

(a) In the absence of dilutive instruments, diluted net income per share is identical to basic net income per share.

CONSOLIDATED BALANCE SHEET

Assets *In millions of euros*	**Net** **12/31/2005**	**Net** **12/31/2004**
Non-currrent assets		
. Intangible assets (note 5.3.4)	19.5	20.5
. Goodwill (note 5.3.5)	69.6	66.2
. Property, plant and equipment (note 5.3.6)	276.2	260.6
. Financial assets (note 5.3.7)	15.8	11.3
. Other non-current assets (note 5.3.6.3)	22.6	16.5
. Deferred tax assets (note 5.3.15)	24.6	18.6
Total	**428.3**	**393.7**
Current assets		
. Inventories and work in progress (note 5.3.8)	156.0	129.1
. Accounts receivable (note 5.3.9)	277.7	263.5
. Other operating receivables (note 5.3.10)	14.2	18.3
. Non-operating receivables (note 5.3.10)	9.0	12.1
. Cash and cash equivalents (note 5.3.11)	20.9	21.9
Total	**477.8**	**444.9**
Total assets	***906.1***	***838.6***
Liabilities and shareholders' equity	**12/31/2005**	**12/31/2004**
Shareholders' equity		
. Share capital (note 5.3.12)	12.0	12.0
. Additional paid-in capital	63.7	63.7
. Retained earnings	312.8	248.6
. Other comprehensive income	-1.3	0.2
. Translation reserve	20.9	-13.4
. Net income for the year	90.1	79.7
Total equity before minority interests	**498.2**	**390.8**
Minority interests	**0.3**	**0.7**
Total shareholders' equity	**498.5**	**391.5**
Non-current liabilities		
. Long-term financial indebtedness (note 5.3.16)	16.9	114.5
. Deferred tax liabilities (note 5.3.15)	3.5	4.8
. Non-current provisions (note 5.3.14)	81.9	76.4
Total	**102.3**	**195.7**
Current liabilities		
. Short-term financial indebtedness (note 5.3.16)	47.3	25.5
. Accounts payable (note 5.3.17)	99.2	87.1
. Other operating liabilities (note 5.3.17)	131.5	116.4
. Tax liabilities (note 5.3.17)	14.5	10.6
. Non-operating liabilities (note 5.3.17)	12.8	11.8
Total	**305.3**	**251.4**

Total liabilities and shareholders' equity	***906.1***	***838.6***

CONSOLIDATED STATEMENT OF CHANGE IN NET INDEBTEDNESS

In millions of euros	Jan. 05-Dec. 12 months		Jan. 04-Dec. 12 months	
Net income of consolidated companies	90.1		79.7	
Net depreciation, provision and others	71.9		80.7	
(Incvrease) / Decrease in fair value of derivatives	0.2		0.3	
Net realized capital gains (losses)	-2.4		-1.3	
Cash flow from operating activities	**159.8**		**159.4**	
Cost of net financial debt	1.6		9.3	
Current income tax expense	52.6		37.2	
Cash flow from operating activities before cost of net financial and income tax	**214.0**		**205.9**	
Increase in inventories	-16.3		-9.9	
Increase in accounts receivable	-2.7		-4.5	
Increase (decrease) in accounts payable and other operating working capital requirements	20.0		5.6	
Decrease (increase) in operating working capital	**1.0**		**-8.8**	
Income tax paid	-46.0		-22.7	
Cost of net financial debt	-1.6		-9.3	
Other	-1.1		-2.7	
(Increase) / Decrease in non-current assets	-1.8		-1.5	
Decrease (increase) in working capital requirements	**-49.5**		**-45.0**	
Net cash flow from operations	**164.5**		**160.9**	
Purchase of property, plant and equipment	-81.6		-82.6	
Proceeds on fixed asset disposals	12.2		6.9	
Purchase of financial assets disposals of financial assets	-5.7		-0.4	
Impact of changes in the scope of consolidation	-0.5	(1)	-1.7	(2)
Loans and advances to affiliates			7.8	(3)
Net cash flow from (used in) investment activities	**-75.6**		**-70.0**	
Capital increase (bioMérieux SA)			12.6	(4)
Purchases and proceeds of treasury stocks	-0.1			
Dividends to bioMerieux SA shareholders	-15.8		-30.0	(5)
Net cash flow from (used in) shareholders' equity	**-15.9**		**-17.4**	
Change in net indebtedness (6)	**73.0**		**73.5**	
Analysis of change in net indebtedness				
Net indebtedness at the beginning of the year	118.1		188.3	
Impact of currency changes on net indebtedness	-1.8		3.3	
Change in net indebtedness:	**-73.0**		**-73.5**	
- Confirmed facilities	*-97.5*		*-101.4*	
- Cash and other bank deposits	*24.5*		*27.9*	
Net indebtedness at the end of the year (see note 5.3.16)	**43.3**		**118.1**	

(1) Partial buyout of bioMérieux Mexico minority shareholder
(2) Net indebtedness of NBMA at date of its merger into bioMerieux SA (prior to the IPO)
(3) Repayment of a debt by TSGH (prior to the IPO)
(4) Offering of new shares to employees, in connection with the IPO
(5) Dividend distribution approved by the shareholders' meeting of April 16, 2004 (prior to the IPO)
(6) Change in net indebtedness, excluding impact of exchange rates

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Group's share						Minority interests'
In millions of euros	**Share capital**	**Additional paid-in capital**	**Consolidated reserves**	**Changes in fair value (a)**	**Translation reserve**	**TOTAL**	**TOTAL**
Shareholders' equity at January 1, 2004	**11.9**	**51.2**	**281.9**	**-1.1**		**343.9**	**0.7**
Net income for the year			79.7			**79.7**	
Impact of the merger with NBMA (note [illegible])			-3.3			**-3.3**	
Capital increase (note 5.3.3.2.2)	0.1	12.5				**12.6**	
Dividends			-30.0			**-30.0**	
Variation of the OCI (a)				1.3		**1.3**	
Change in translation reserve					-13.4	**-13.4**	
Shareholders' equity at December 31, 2004	**12.0**	**63.7**	**328.3**	**0.2**	**-13.4**	**390.8**	**0.7**
Net income for the year			90.1			**90.1**	
Changes in the scope of consolidation (b)							**-0.5**
Treasury stock cancelled (c)			-0.1			**-0.1**	
Dividends (d)			-15.8			**-15.8**	
Variation of the OCI (a)				-1.5		**-1.5**	
Impact of shares granted without consideration			0.4			**0.4**	
Change in translation reserve					34.3	**34.3**	**0.1**
Shareholders' equity on December 31, 2005	**12.0**	**63.7** (e)	**402.9** (e)	**-1.3**	**20.9**	**498.2**	**0.3**

(a) Other comprehensive income
(b) Buyout of a 13% minority interest in bioMérieux Mexico
(c) Cumulative (negative) impact of treasury shares: €0.2 million
(d) Dividend per share: €0.40 in 2005
(e) Of which, distributable reserves of bioMérieux SA: €276 millions. The shareholders' meeting of June 8, 2006 will be asked to approve a dividend of €0.46 per share

INTRODUCTION

bioMérieux is a leading international diagnostics group that specializes in the field of in vitro diagnostics for clinical and industrial application. The Company designs, develops, manufactures and markets systems, i.e. (reagents, instruments and software).

The consolidated financial statements were approved by the Board of Directors on March 17, 2006.

The financial statements will be considered final only after they are approved by the shareholders' meeting of June 8, 2006.

5.3.1 Accounting principles

As required under European regulation 1606/2002, the consolidated financial statements for the year ended December 31, 2005 have been prepared in accordance with the accounting and valuation rules and interpretations of the International Financial Reporting Standards (IFRS) adopted by the European Commission as of December 31, 2005.

The 2004 financial statements provided for comparison purposes have been restated to be consistent with the principles applied on December 31, 2005.

IAS 32 and 39 have been applied in advance since January 1, 2004.

Standards approved in 2005 but going into effect after December 31, 2005 have not been applied.

The principal options permitted under IFRS and selected for the preparation of the transitional balance sheet, as well as the main differences between applied IFRS and former accounting principles are set forth in note 5.3.2.

The financial statements of the consolidated Group companies, which are prepared in accordance with accounting rules applicable in their respective countries, are restated to conform to the accounting principles used for the consolidated financial statements.

The consolidated financial statements are prepared in euros.

5.3.1.1 Estimates and judgments

When preparing the consolidated financial statements, estimates and assumptions are made that affect the book value of certain assets, liabilities, revenue and expenses and impact the information contained in certain notes to the financial statements. These estimates and judgments are reviewed on a regular basis, taking into consideration past experience and other factors deemed relevant in light of prevailing economic conditions. Changes in those conditions could accordingly result in different estimates in the Group's future financial statements.

5.3.1.2 Consolidation principles

Companies in which bioMérieux has majority control (more than 50% of direct or indirect control) are fully consolidated.

Companies over which bioMérieux exercises a significant influence (control between 20% and 50%) are accounted for under the equity method.

A list of consolidated companies is included in section 5.3.33.

All significant transactions between the consolidated companies, as well as intra-group income (in particular dividends, internal gains related to inventory or fixed assets), have been eliminated.

5.3.1.3 Fiscal year end date

All the Group companies are consolidated on the basis of their fiscal year, or, if the fiscal year dates differ, on audited financial statements for the period ending at the end of the Group's fiscal year.

5.3.1.4 Foreign currency translation principles

The euro is the Group's operating and accounting currency.

5.3.1.4.1 Translation of the financial statements of foreign companies

Financial statements in foreign currencies are translated as follows:

Normal circumstances: the financial statements of foreign subsidiaries operating in a currency other than the euro or that of an economy subject to hyperinflation are translated as follows:

- balance sheet items are translated using the official exchange rate at the end of year,
- income statement items are translated using the average exchange rate for each currency for the fiscal year,
- items in the statement of change in net indebtedness are translated using the average exchange rate for each currency for the fiscal year.

Differences resulting from the translation of the subsidiaries' financial statements are recognized in "translation reserve" and shown on a separate line under shareholders' equity.

Whenever a foreign subsidiary is sold, the translation reserve pertaining to that entity is recognized in the income statement according to the disposed portion of the entity.

The tables below show the principal exchange rate used for translations:

Average rates				
1 EURO =	**USD**	**JPY**	**GBP**	**BRL**
2005	1.25	137	0.68	3.04
2004	1.24	134	0.68	3.64
2003	1.13	131	0.69	3.47

Year-end rates				
1 EURO =	**USD**	**JPY**	**GBP**	**BRL**
2005	1.18	139	0.69	2.76
2004	1.36	140	0.70	3.62
2003	1.26	135	0.70	3.65

Rules applicable to the first-time adoption of IAS / IFRS: as permitted under IFRS 1, translation reserves on January 1, 2004 were cancelled and recognized as consolidated reserves (see note 5.3.2).

Special circumstances: the financial statements of subsidiaries operating in a currency other than that of the country in which they are located are translated as follows:

- Non-monetary items are translated at the applicable historical rate.
- Monetary items are translated at the year-end rate.
- Differences resulting from the translation of their financial statements are immediately recognized in income.

If the operating currency of the subsidiary concerned is not the euro, the financial statements are then translated into euros as shown under "Normal circumstances".

The only Group entity located in a country with a hyperinflationary economy is bioMérieux Turkey. This company does not have a material impact on the consolidated financial statements. Its financial statements are translated in a manner close to that prescribed by IAS 29 "Financial reporting in hyperinflationary economies".

5.3.1.4.2 Translation of transactions in foreign currencies

As prescribed by IAS 21 “The effect of changes in foreign exchange rates”, transactions in currencies other than the operating currency of the company performing them are translated using the exchange rate in effect on the date of the transaction. Exchange-rate gains or losses resulting from differences in rates between the transactions date and their payment date are recognized under the corresponding lines in the income statement (sales and purchases for commercial transactions).

Payables and receivables in foreign currencies are translated at the exchange rate in effect on December 31, The resulting currency translation gain or loss is recognized in the income statement at the end of the year.

Derivatives are measured and recognized in accordance with the general principles set forth in note 5.3.1.5 “Recognition and measurement of financial instruments”. Accordingly, foreign-exchange derivatives are recognized in the balance sheet at their fair value at the end of each period.

5.3.1.5 Recognition and measurement of financial instruments

Financial instruments include financial assets, financial liabilities and derivatives (swaps, forward contracts, etc.).

Financial instruments are accounted for under several balance-sheet items: financial assets, other non-current assets, accounts receivable, other receivables and other liabilities (e.g. fair value gains and losses on derivatives), current and non-current financial debt, accounts payable, cash and cash equivalents.

As prescribed by the revised IAS 39, financial instruments fall into five categories that do not correspond to specific balance-sheet headings. The classification determines the rules for recognition at the start and for measurements at the end of each period. The categories and rules applicable to each are as follows:

“~~Investments held to maturity~~” consist exclusively of fixed-income securities acquired with the intention of holding on to them until they mature. As this time, the Group does not own any financial instruments corresponding to this definition.

“~~Financial assets and liabilities at fair value through profit or loss~~” comprise financial instruments held for the purpose of short-term transactions and those initially considered as such under the option allowed by the standard. The assets concerned are:

- equity interests in publicly-traded companies (recognized in the balance sheet as “financial assets”), whenever their fair value can be reliably measured;
- “cash and cash equivalents”, including investment securities (reported in the balance sheet under that heading).

At this time, the Group does not have any financial liabilities in this category. The items falling into this class are initially recognized and measured at the end of each period at fair value (exclusive of transaction expenses). Changes in fair value are recognized in the income statement.

“~~Loans, receivables and liabilities~~” are financial assets and liabilities recognized and measured “at cost” or “amortized cost”, as the case may be.

Assets and liabilities measured “at cost” are primarily deposits and accounts receivable and payables. They are initially recognized at fair value, which, for the Group, means their face value. They are measured at the end of each period at their initial book value, written down if applicable to reflect impairments. Their net book value at the end of the period represents a reasonable approximation of their fair value.

Assets and liabilities measured at their “amortized” cost are primarily current and non-current financial debt, loans and receivables from finance leases, reported on the balance sheet as “non-current assets” or “accounts receivable”. These assets and liabilities are initially recognized at fair value, which, for the Group, is close to their implicit nominal value. Their book value at the end of the period corresponds to their initial value, net of any amortization and written down, if applicable, to reflect impairments. Their net book value at the end of the period represents a reasonable approximation of their fair value.

Financial assets and liabilities that do not belong to any of the above categories are recognized as “~~assets available for sale~~”. Since equity interests in publicly-traded companies are classified as “financial assets at fair value through profit or loss”, items assigned to this category are mainly the shares of non-consolidated unlisted companies, accounted for in the balance sheet as financial assets. As it is not possible to reliably estimate their fair value, these securities are measured at cost. A provision is recognized whenever their estimated value at the end of the period, measured on the basis of financial criteria applicable to the company concerned, is less than their net book value. Depreciations are recognized in the income statement and can be reversed only when the shares are sold.

Currency or interest-rate “~~derivatives~~” (e.g. swaps, forward contracts, options, etc.) are initially recognized at fair value. They are measured at fair value at the end of each period and recognized in the balance sheet as non-operating assets and liabilities. Accounting for changes in their fair value depends on the derivative and the hedging relationship:

- Fair value gains and losses on derivatives not qualifying as hedging instruments are recognized in the income statement.

- Fair value gains and losses on derivatives qualifying and used as fair-value hedges (e.g. hedges of receivables and liabilities in foreign currencies) are recognized in the income statement for their full value, symmetrically with the hedged item.

- Fair value gains and losses on derivatives qualifying and used as cash-flow hedges (e.g. hedges of future interest expense on variable-interest debt, hedges of future commercial transactions in foreign currencies) are recognized directly in reserves for the effective portion of the hedges, and in income for their non-effective portion (mainly the time value of money in the case of forward currency transactions). Sums recognized in reserves are reversed in the income statement in a symmetrical manner when the hedge item is accounted for.

The foregoing rules are applied provided that the hedging relationship is clearly set forth and documented at the time the item is hedged, and that the effectiveness of the hedge can be demonstrated.

5.3.1.6 Intangible assets

5.3.1.6.1 Research and development expenses

As prescribed by IAS 38 “Intangible assets”, research costs are not capitalized.

Under IAS 38 “Intangible assets”, development expenses must be capitalized as intangible assets whenever specific conditions prevail, related to technical feasibility and marketing and profitability prospects. Given the high uncertainty attached to development in the Group, these conditions are not satisfied until the regulatory procedures required for the sale of products have been finalized. As most expenses are incurred before that stage, development costs are recognized as expenses for the period in which they are incurred.

5.3.1.6.2 Other intangible assets

Other intangible assets include mainly patents, licenses and computer software. All have a finite life. They are initially measured as follows:

- If purchased: at their purchase price
- If acquired through business combinations: at fair value
- If produced in-house: at Group cost.

Costs directly attributable to the production or improvement of software are capitalized if it is considered probable that these expenses will generate future economic benefits. Other development costs are recognized as expenses when incurred.

Intangible assets are amortized on a straight-line basis, generally over five years in the case of patents and licenses and three to six years in the case of computer software.

Intangible assets are carried on the balance sheet at their initial cost less accumulated amortization and, if applicable, value impairments. Amortization allowances are recognized in income statement lines, based on the assets' function. Impairment losses are recognized in the income statement under "Other non-recurring income and expenses" if the definition applies to them (see note 5.3.1.17.2).

5.3.1.7 Goodwill

Goodwill represents the difference between the cost of business combinations and the Group's part in the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities on the acquisition date. Goodwill is measured in the operating currency of the acquired entity. The cost of business combination includes expenses directly related to the acquisition and the impact of price adjustment clauses, whenever they can be reliably estimated. The clauses are discounted, if necessary, whenever they have a material negative impact.

Positive goodwill is recognized in the balance sheet on a separate "Goodwill" line. Negative goodwill is recognized directly in the income statement.

As prescribed by IFRS 3 "Business combinations", goodwill is not amortized. On the acquisition date, it is allocated to a cash-generating unit selected on the basis of synergies expected by the Group. Goodwill impairment tests are performed as soon as there are indications that goodwill may be impaired and at least once a year. The procedure followed for these impairment tests and the manner in which impairment loss of value is recognized are set forth in note 5.3.1.9.

Goodwill is presented in the balance sheet at cost, net of impairments, if any. Impairment losses are accounted for under "Other non-recurring incomes and expenses" in the income statement and cannot be reversed.

As permitted under IFRS 1 options, the net book value of goodwill has not been restated on January 1, 2004 and accumulated amortization up to that date has been deducted from its gross value (see note 5.3.2).

5.3.1.8 Property, plant and equipment

As prescribed by IAS 16 "Property, plant and equipment", property, plant and equipment is initially recorded in the balance sheet at its purchase or production cost, or at fair value on the date of business combinations. It is not revalued. Any revaluations by Group companies are eliminated when preparing the consolidated financial statements.

The value of property, plant and equipment is measured using the component approach. According to this method, each component of property, plant and equipment with a value that is material in terms of the aggregate cost of the asset and with a useful life that is different from that of the principal asset must be separately accounted for and depreciated. The only Group assets to which this method is applied are buildings.

Borrwing costs directly attributable to an acquisition are not capitalized but recognized in the income statement under “cost of net financial debt” during the period in which they are incurred.

Normal maintenance and repair costs of property, plant and equipment are recognized as expenses for the period in which they are incurred. Other subsequent expenses are capitalized if they satisfy accounting conditions, such as for replacing an identified component.

Property, plant and equipment is carried at cost less accumulated depreciation and impairment.
The depreciable value of property, plant and equipment is its cost, as it is not considered to have residual value. It is depreciated on a straight-line basis.

The term over which property, plant and equipment is depreciated depends on the estimated useful life of asset categories:

Category	Useful life
Equipment	3 to 10 years
Instruments*	3 to 5 years

**Placed instruments or used internally*

In the case of buildings, depreciation is calculated separately for components:

Category	Useful life
Shell	30 to 40 years
Finishing work, fixtures and fittings	10 to 20 years

The useful life of assets is periodically reviewed. The impact of any change in their useful life is accounted for prospectively as a change in estimate.

Whenever events or market developments indicate that there is a risk that the value of assets may be impaired, the net value of the property, plant and equipment concerned is reviewed. If their recoverable value (see note 5.3.1.9) is less than their net book value, either the useful life is adjusted or an impairment is recorded and recognized in “other non-recurring income and expenses”, if the definition applies to it (see note 5.3.1.17.2).

Capital gains on intra-group transactions of property, plant and equipment (mainly instruments) are eliminated from the financial statements. However, the value of the corresponding assets is not adjusted by the amount of the write-off. The impact, which is not material in terms of the value of assets, is recognized in “deferred revenue” (€6.9 million on December 31, 2005).

~~Finance leases~~

As lessee: Leases are considered “finance leases” whenever they transfer to the lessee substantially all risks and benefits attached to the leased asset. Leases qualify as such on the basis of the nature of each contract, if they meet the following criteria:

- Ownership of the leased asset is transferred to the lessee at the end of the lease;
- The lease contains a purchase option at a low price;
- The term of the lease covers most of the estimated economic life of the leased asset;
- The present value of minimum future lease payments is substantially equal to the fair market value of the leased asset;

– The leased asset is of a specialized nature such that only the lessee can use it without making substantial modifications.

Whenever the Group leases property under an agreement classified as a finance lease, the fair value of the asset concerned or, if it is lower, the present value of minimum future lease payments, is capitalized and depreciated over the useful life of the asset. The corresponding debt is recognized in the balance sheet. Lease payments are broken down into principal repayments and interest expense.

Other leases are considered operating leases and lease payments are recognized as expenses over the term of the lease.

As lessor: when the Group leases assets to third parties on terms equivalent to a sale, the assets are recorded as though they had been sold, as prescribed by IAS 17 "Leases". Corresponding lease payments receivables are recorded as "other non current assets" on the balance sheet, for the portion payable in more than one year and "accounts receivable" for short-term payments. However, the corresponding financial revenue is recognized in the income statement during the period concerned, under "other financial items".

5.3.1.9 Impairment of fixed assets

Impairment tests are performed every year on all intangible assets with an indefinite useful life and on goodwill.

Impairment tests are performed on property, plant and equipment and intangible assets with a finite useful life whenever there are indications that their value may be impaired.

For this purpose, assets are assigned to cash-generating units, which in practice correspond to the Group's subsidiaries . Impairment tests on assets that cannot be assigned (such as goodwill generated by the acquisition of the diagnostics division of Organon Teknika - OTD) are performed at the Group level.

The recoverable amount of a cash-generating unit or of a group of such units is mainly based on the discounted cash flow projections over the next five years and an end-value. The discount rate used to calculate the present value is the weighted average cost of capital before tax, and was 8.2% in 2004 and 8.7% in 2005. The assumptions made regarding growth are consistent with available business information; the final end-value is estimated on the basis of conservative assumptions.

In the event that the carrying value of a unit exceeds its recoverable value, an impairment is recognized on the corresponding assets, unless their identifiable fair value is higher.

Impairments are immediately recognized in the income statement as non-recurring income and expenses. Those pertaining to goodwill cannot be reversed.

5.3.1.10 Financial assets

Financial assets include investment in non-consolidated companies, including pension funds whenever they are not definitively allocated to cover corresponding obligations, as well as deposits made. They are accounted for and measured in accordance with the rules set forth in note 5.3.1.5.

5.3.1.11 Inventories

As prescribed by IAS 2 “Inventories”, inventories are measured at the lower of cost and net realizable value.

Inventories of raw materials and consumables are measured at their purchase price plus related expenses using the FIFO (first-in-first-out) method. Work-in-progress and finished goods are measured at their standard production cost, adjusted for changes recorded during the manufacturing period of products on hand. Standard production costs are calculated assuming a normal level of activity; they include both direct and indirect manufacturing expenses.

Borrowing costs are not included in the value of inventories.

A provision on inventory value is recognized, if applicable, to reflect selling prices, obsolescence, residual shelf life, condition, sale prospects and, in the case of spare parts, changes in the corresponding installed base.

5.3.1.12 Cash and cash equivalents

This line includes immediately available cash balances as well as short-term, risk-free investments (see note 5.3.1.5).

5.3.1.13 Employee benefits

5.3.1.13.1 Short-term employee benefits

Short-term employee benefits include salaries and social security taxes, paid vacation and bonuses. They are recognized as expenses for the period in which employees render the corresponding services. Sums outstanding at the end of the period are shown as “Other operating liabilities”.

5.3.1.13.2 Post-employment benefits

These comprise pensions, retirement indemnities and post-employment health insurance. They are covered by either defined contribution plans or defined benefit plans.

~~Defined contribution plans~~: The Group pays contributions based on salaries to organizations responsible for paying out pensions and social security benefits, in accordance with the laws and agreements applicable in each country. The Group’s obligation is limited to the payment of contributions. Contributions are recognized as expenses for the period in which employees perform the corresponding services. Sums outstanding at the end of the period are shown as “Other operating liabilities”.

~~Defined benefit plans are the other systems~~:

- regular or supplementary pension plans (primarily in the United States, the Netherlands, Germany and France) and contractual retirement payments (primarily in France, Italy and Japan);

- health insurance for retired employees.

Pension commitments are calculated in accordance with the "projected credit unit" method, taking into consideration actuarial assumptions such as pay increases, employee turnover and mortality rates. The principal assumptions made are shown in the table below:

	bioMérieux SA (%)	bioMérieux Inc (%)	bioMérieux BV (%)
Salary increases			
2004	3.00	3.75	2.00 to 5.00 *
2005	3.00	3.75	2.00 to 5.00 *
Discount rate			
2004	4.50	6.00	4.50
2005	4.25	5.50	4.25
Expected return			
2004	4.50	8.00	5.25
2005	4.50	8.00	5.25

** depending on age*

Actuarial gains and losses are deferred and amortized in accordance with the corridor method, based on the average working life or life expectancy of the employees covered by the plan.

The cost of contributions for past service due to changes in plans is spread over the average remaining vesting period.

5.3.1.13.3 Other long-term benefits

Other long-term benefits include long-service pay and 'jubilee' bonuses. The corresponding liabilities are recognized on an actuarial basis whenever they have a material impact. Actuarial gains and losses and past service costs are immediately recognized in the income statement.

5.3.1.14 Provisions – Contingent assets and liabilities

As prescribed by IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recognized when the Group has a legal or constructive liability to a third party, which constitutes a probable obligation that will require the outlay of funds in favor of that third party, without equivalent consideration expected in return, and the amount of the liability can be reliably estimated . In the case of restructurings, a provision is accrued as soon as a restructuring is announced publicly and the corresponding plan is detailed or implemented.

Provisions are discounted if the impact is material.

Contingent assets and liabilities are disclosed in the notes to the financial statements whenever the event from which they arise is considered probable.

5.3.1.15 Deferred income taxes

Deferred income taxes are calculated for all the timing differences between the tax value of assets and liabilities and their book value in the consolidated financial statements. These differences arise in particular from:

- timing differences between financial reporting and tax reporting (non-deductible provisions, employee profit sharing, etc);
- consolidation restatements (accelerated depreciation, provisions, unrealized transferred profit in inventories and fixed assets, etc);
- not refundable withholding tax on the dividend distributions which will occur during the next fiscal year.

Deferred tax assets resulting from timing differences, consolidation restatements or tax losses carried forward are not recognized unless it is sufficiently probable that they will be used in the foreseeable future. The Group uses a two-year period.

Deferred tax assets and liabilities are measured using the comprehensive liability method, taking into account probable dates of payment. They are recognized at the enacted tax rate (or nearly enacted rate) for their nominal value without discounting.

Deferred tax assets and liabilities are included under “non-current assets” and “non-current liabilities”, respectively. They are offset on the balance sheet if they are levied by the same taxing authority on the same entity (or group of entities) and if the entity has the legal right to settle on a net a basis.

5.3.1.16 Non-operating receivables and liabilities

Non-operating receivables and liabilities are receivables and liabilities that are not related to operations. They include receivables from the disposal of assets, payables to property, plant and equipment and accrued receivable income tax credits.

5.3.1.17 Presentation of the income statement

5.3.1.17.1 Recognition of revenue

Revenue is accounted for as prescribed by IAS 18 “Revenue”.

~~Net sales~~

Revenue from the sale of products (reagents and instruments) and related services (technical support, training, shipping, etc.) is reported as “Net sales” in the income statement.

Revenue arising from the sale of goods is recognized when all of the following criteria have been satisfied:

- the significant risks and rewards of ownership have been transferred to the buyer;
- the Group no longer has effective control over the goods sold;
- the amount of revenue resulting from the transaction can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group.

In the case of products, the foregoing criteria are satisfied when reagents are delivered or when sold instruments are installed.

In the case of services (training, technical support, etc.), revenue is recognized only after services have been performed. Revenue from instrument maintenance contracts is deferred and recognized on the basis of the elapsed portion of the service contract.

When the Group provides goods to third parties under leases that have the effect of a sale, the goods concerned are accounted for as sold, as prescribed by IAS 17 (see note 5.3.1.8).

Net sales are measured at the fair value of consideration received or receivable, net of discounts and rebates granted to buyers; sales taxes and value-added taxes are not included in net sales.

Other revenue from business

Related revenue, which consists essentially of net proceeds from royalties, is shown in “Other operating incomes” and is recognized when earned.

Financial income

Interest and dividend income is not generated by the Group’s ordinary business. It is therefore considered as financial in nature and recognized either in “net cost of financial debt” if it represents interest income from assets recorded as “cash and cash equivalents”, or in “other financial income and expenses” if generated by other financial assets. Interest is recognized on an accrual basis, whereas dividends are recognized only when they are received.

5.3.1.17.2 Classification of expenses

The cost of sales includes the following:

- The cost of raw materials consumed, including freight, direct and indirect payroll expenses for production personnel, the depreciation of assets used in production, external expenses of any kind related to manufacturing (utilities, maintenance, tools, etc.), as well as indirect expenses (portion of purchasing department, quality control, human resources, IT…). The budgets of the quality control, quality assurance, engineering, processes, logistics and other departments are included in production expenses.

- Distribution expenses, including shipping and warehousing, as well as the cost of shipping finished products to clients.

- Depreciation of instruments placed with or leased to customers.

- Technical support services, including the cost of installing and maintaining instruments placed or sold, regardless of whether such services are billed separately. Also included under this heading are personnel expenses, travel expenses and the cost of spare parts, as well as provisions for warranty on sold instruments.

Selling and marketing expenses include the expenses incurred by the strategy, marketing, sales and sales administration departments. They also include sales bonuses and commissions paid to employees of the sales departments and to independent sales agents. Advertising and promotion expenses are also considered as selling and marketing expenses.

General and administrative expenses include the cost of general management and support services (human resources, corporate secretariat, finance, IT, purchasing, infrastructures) net of allocations made to other departments, which use their services. Insurance premiums are also included in general and administrative expenses.

Research and development expenses include all spending for in-house and outsourced research and development work on new products as well as expenses related to regulations, intellectual property, technological monitoring and research and development quality assurance. Research and development grants are deducted from expenses under this heading.

Non recurring incomes and expenses include mainly the net capital gains from disposals of assets and other “material, unusual and non-recurring” items such as the cost of IPO, restructuring charges and provisions for impairments (see note 5.3.1.9).

Restructuring costs are expenses recognized when the closing of a facility or a reduction in activity is officially announced, in the ordinary course of business, as well as subsequent adjustments reflecting costs actually incurred (allowances net of provisions, assumed expenses, etc.).

Royalty payments (fixed or proportional) are included in the cost of the corresponding products . If no product is marketed or marketable in the short term, they are considered research and development expenses.

Variable compensation (performance related bonuses, commissions, incentives and profit-sharing) is included in the corresponding payroll expenses.

Currency translation gains and losses are included in the income statement line corresponding to the transactions nature (mostly net sales, cost of sales and financial expenses).

5.3.1.17.3 Financial income and expenses

Financial income and expenses are shown on two separate lines:

- "Cost of net debt", which includes interest expense, fees and foreign-exchange gains and losses on the debt, and income generated by cash and cash equivalents.
- "Other financial items", which include financial income on leased instruments, late-payment interest charged to customers and the non-effective portion of hedge contracts on commercial transactions.

5.3.1.18 Share-based payments

The only transaction for which shares were used as payment is the bonus-share distribution approved by the special shareholders' meeting of June 9, 2005.

As prescribed by IFRS 2 "Share-based payment", the fair value of consideration granted in this connection is recognized as an expense in the period during which the rights to bonus shares vest, with a corresponding increase in shareholders' equity.

Its ultimate value is definitively measured on the distribution date of the shares. On the other hand, the estimate of the number of shares is revised when necessary.

At the end of the bonus share distribution period, the total sum recognized remains in shareholders' equity, regardless of whether all shares are allotted or not.

5.3.1.19 Net income per share

Basic net income per share is calculated by dividing net income of consolidated entities by the weighted average number of shares outstanding for the period (net of treasury shares held for market-making purposes).

In the absence of dilutive instruments, diluted net income per share is identical to basic net income per share.

5.3.1.20 Consolidated statement of change in net indebtedness

The cash-flow statement is for the most part in the form prescribed by the French Accounting Board (*Conseil National de la Comptabilité*) in its recommendation no. 2004.R.02 of October 27, 2004. It measures changes in net indebtedness, meaning all loans and debts , regardless of their maturity, less cash and cash equivalents.

It lists separately:

- cash flow from operations,
- cash flow from investing activities,
- cash flow from shareholders' equity.

Cash flow from investing activities includes the cash and cash equivalents of companies acquired or sold on the date of their consolidation or removal from consolidation.

"Cash flow from operating activities before cost of financial debt and income tax" corresponds to the aggregate of net income of consolidated companies, depreciation and provision allowances (except on current assets), fair value gains and losses on financial instruments, gains or losses on capital transactions, the net cost of debt, current income tax expense and impairments, if any.

5.3.1.21 Segment reporting

As prescribed by IAS 14 "Segment reporting" and taking into consideration the Group's risk exposure and profitability, the first level of segment reporting is based on geographical segments. The Group's internal organization systems and management structure divide the business into four regions:

- Europe
- North America
- Asia-Pacific
- Latin America.

Africa and the Middle East are included with Europe.

Even though Europe and North America together account for more than 75 % of the Group's business, the four regions are separately presented .

Furthermore, bioMérieux operates only on the single segment of *in vitro* diagnostics.

The accounting principles applicable to segment reporting are the same as those used for the consolidated financial statements.

5.3.1.22 Treasury shares

The Company has signed a market-making agreement with an investment firm, for the specific purpose of maintaining an orderly market in its shares. In this connection, it sometimes holds a small number of its own shares, which are deducted from shareholders' equity; conversely, all corresponding transactions are recognized directly in consolidated reserves (gains and losses from disposals, provisions, etc.).

5.3.2 Impact of first-time adoption of IFRS

This note provides information on:

- the principles used for preparing the opening IFRS balance sheet for January 1, 2004;
- difference with previously applied French accounting principles;
- the impact on shareholders' equity at the beginning and the end of the year and on income for 2004;
- the transition from French standards to IAS / IFRS for the opening balance sheet;
- significant differences affecting the consolidated statement of change in net indebtedness.

The 2004 consolidated financial statements have been prepared in accordance with IFRS 1 "First-time adoption of IFRS" and the IAS / IFRS applicable on December 31, 2005. IAS 32 and 39 have been applied since in January 1, 2004.

5.3.2.1 Procedure followed for the first-time adoption of IFRS

5.3.2.1.1 General principle

Accounting principles in effect on the closing date of the first financial statements prepared under IFRS were applied to the financial statements for fiscal 2004 and 2005, and retrospectively to the opening balance sheet for January 1, 2004.

On the transition date, the impact of adjustments made was recognized directly in shareholders' equity at the start of the period.

5.3.2.1.2 Options selected

The principal options selected for the preparation of the opening balance sheet under IFRS are as follows:

- Business combinations prior to January 1, 2004 have not been restated.
- Property, plant and equipment have not been reevaluated at their market value.
- The Group's foreign currency translation reserves on January 1, 2004 have cancelled and recognized as consolidated reserves.

5.3.2.1.3 Principal differences with previously applied accounting principles

The following differences have been identified:

~~IAS 14~~: Mandatory data was added to information on segments, which continues to be reported for regions.

~~IAS 16~~: The component approach has been used for property, plant and equipment and the depreciation schedule has been adapted accordingly. Changes concern buildings, for which the useful life has been set as follows:

Number	Component	Depreciation period
1	Building shells, masonry, earthwork, roof, grading, etc.	30 to 40 years
2	Metal structures, sidings, doors, outside woodwork, carpentry, metal claddings, etc.	20 years
3	Indoor fixtures, partitions, indoor woodwork, tiling, floor coverings, dropped ceilings, etc.	10 years
4	Electricity, power supply, etc.	15 years
5	Building services, air conditioning, heating, ventilation, air filtering, plumbing, fluids, etc.	15 years
6	Weather-tightness	10 years
7	Low-voltage wiring, computer cables, access control, etc.	10 years

Accumulated depreciation has been recalculated on the basis of the above. The restatement caused shareholders' equity on January 1, 2004 to be reduced by €2.4 million.

~~IAS 17 and 27~~: Finance leases were already recognized on the consolidated balance sheet . However, the specific nature of the Plaine de l'Ain logistics center, leased since 1999, required accounting adjustments for the building and the corresponding features. This added €9.5 million to the Group's liabilities on January 1, 2004, but the adjustment had no material impact as the property concerned was reported as an asset with approximately the same book value.

~~IAS 18~~: Previous practices concerning the reporting of revenue were generally consistent with international standards, including the accounting for placed instruments; the only adjustment required concerned discounts given to clients for immediate payment, which are now treated as a reduction of sales, whereas they were up to now considered financial expenses. The discounts represented an expense of €1 million in 2004.

IAS 19: Provisions for future pension and related benefit obligations have been accounted for in a manner consistent with IAS 19 since January 1, 2003, so that the adoption of the standard did not require additional adjustments to shareholder's equity or income for fiscal 2004.

IAS 36: Goodwill is no longer amortized and its net book value was permanently set on January 1, 2004. This had a positive impact of €4.4 million on restated net income for fiscal 2004. Impairment tests were performed on all intangible and other fixed assets, including goodwill. Tests performed to date justify the net book values of fiscal 2004.

IAS 32 and 39:

Foreign currency hedges

Currency hedges are reported on the balance sheet at their market value.

Fair value hedges are now accounted for as:

- operating income, in the case of changes in their intrinsic value;
- financial result, in the case of changes in their time value.

Cash flow hedges, which used to be reported as off balance sheet items, are now accounted for:

- in a special reserve account, in the case of changes in their intrinsic value,
- as financial income, in the case of changes in their time value.

The impact on net equity on January 1, 2004 was not material (€0.5 million).

Interest-rate hedges

Only the "accrued interest" portion was heretofore reported as interest income or expense. Henceforth, changes in the market value (exclusive of accrued interest) of interest-hedges backed by assets or liabilities are reported on the balance sheet in a specific reserve account. Any interest-rate hedge not backed by assets or liabilities is accounted for directly as financial income or expense.

The above had a negative impact of €1.6 million on net worth.

Borrowing costs

The cost of arranging for loans is reported as interest expense under "cost of net financial debt" and is spread over the term of the loans concerned.

This caused an increase of €1.1 million in current operating income before non-recurring items.

IAS 38: this standard requires development costs to be capitalized and subsequently depreciated once there is a sufficient probability that they will generate a positive cash flow. The standard also specifies that development expenses must be capitalized. A study of the pharmaceutical sector has demonstrated that given the high uncertainty of development projects prior to regulatory approvals, only a minor portion of the development costs qualify for capitalization.

Under the circumstances, application of the standard did not affect shareholder's equity.

5.3.2.2 Impact on shareholder's equity on January 1, 2004 and December 31, 2004

Change in Group shareholders' equity net of minority interests							
In millions of euros	Share capital	Additional paid-in capital	Consolidated reserves	Income	Changes in fair value (1)	Translation reserve	Total
Shareholders' equity on January 1, 2004 (CRC 99-02)	**11.9**	**51.2**	**325.5**		**0.0**	**-40.5**	**348.1**
Transfer of translation reserves to consolidated reserves			-40.5			40.5	0.0
Retroactive restatement of recognition and depreciation of fixed assets by component			-2.4				-2.4
Recognition of leases as finance leases			-0.6				-0.6
Trademark registration expenses			-0.1				-0.1
Impact on consolidated reserves of changeover to IAS / IFRS			-3.1				-3.1
Recognition of currency hedges on future cash flows					0.5		0.5
Recognition of interest-rate hedges in consolidated reserves					-1.6		-1.6
Fair value gains and losses on financial instruments					-1.1		-1.1
Shareholders' equity on January 1, 2004 – IAS / IFRS	**11.9**	**51.2**	**281.9**		**-1.1**	**0.0**	**343.9**
Fiscal 2004 (CRC 99-02)	0.1	12.5	-33.3	75.7		-13.9	41.1
IAS / IFRS adjustments to income				4.0			4.0
Changes in fair value (1)					1.3		1.3
- *currency hedges*					*0.4*		*0.4*
- *interest-rate hedges*					*0.9*		*0.9*
Impact of IAS / IFRS entries on changes in translation reserve						0.5	0.5
Shareholders' equity on December 31, 2004 - IAS / IFRS	**12.0**	**63.7**	**248.6**	**79.7**	**0.2**	**-13.4**	**390.8**

(1) Changes in the fair value of cash-flow hedging financial instruments

Change in Minority interests						
In millions of euros	-		Consolidated reserves	Changes in fair value (1)	Translation reserve	- ~~To tal~~
Shareholders' equity on January 1, 2004 (CRC 99-02)			**1.1**		**-0.4**	**0.7**
Transfer of translation reserves to consolidated reserves			-0.4		0.4	0.0
Shareholders' equity on January 1, 2004 – IAS / IFRS			**0.7**		**0.0**	**0.7**

5.3.2.3 Impact on 2004 income

In millions of euros	Net sales	Gross profit	Operating income	Net income
Income under CRC regulation 99-02	**930.6**	**497.4**	**132.2** (1)	**75.7**
Extraordinary items and initial public offering expenses			-3.7	
IAS / IFRS adjustments				
Impact of non-amortization of goodwill				4.4
Reclassification of discounts out of sales	-1.3	-1.3	-1.0	
Recognition of leases as -finance leases		0.1	0.1	-0.1
Application of new depreciation plans		-0.2	-0.2	-0.1
Reclassification of bank fees on new loans to cost of net financial debt			1.1	
Recognition of currency and interest-rate hedges		1.0	1.0	-0.2
Impact of IAS / IFRS adjustments	-1.3	-0.4	1.0	4.0
Income under IAS / IFRS	**929.3**	**497.0**	**129.5**	**79.7**

(1) Operating income

5.3.2.4 Impact on the balance sheet at January 1, 2004

Balance sheet on December 31, 2003 under French standards *In millions of euros*			Reclassifications	Restatements	Opening IAS / IFRS balance sheet on January 1, 2004 *In millions of euros*	
Fixed assets					**Fixed assets**	
. Intangible assets	25.2	A		-0.2	. Intangible fixed assets	25.0
. Goodwill	67.3				. Goodwill	67.3
. Property, plant and equipment	251.5	B		6.1	. Property, plant and equipment	257.6
. Financial assets	29.8	C	-23.1		. Financial assets	6.7
		D	16.2		. Other non-current assets	16.2
		E	21.8	1.3	. Deferred tax assets	23.1
Total	**373.8**		**14.9**	**7.2**	**Total**	**395.9**
Current assets					**Current assets**	
. Inventories and work in progress	121.9				. Inventories and work in progress	121.9
. Accounts receivable	257.9	F	6.9		. Accounts receivable	264.8
. Other operating receivables	19.1				. Other operating receivables	19.1
. Non-operating receivables	36.5				. Non-operating receivables	36.5
. Deferred tax assets	21.8	E	-21.8		. Cash and cash equivalents	
Cash and cash equivalents	50.6					50.6
Total current assets	**507.8**		**-14.9**	**0.0**	**Total**	**492.9**
Total assets	***881.6***		***0.0***	***7.2***	***Total assets***	***888.8***
Shareholders' equity *					**Shareholders' equity ***	
. Share capital	11.9				. Share capital	11.9
. Additional paid-in capital	51.2				. Additional paid-in capital	51.2
. Retained earnings	325.5	G	-40.5	-3.1	. Retained earnings	281.9
					. Other comprehensive income	-1.1
		H		-1.1		
. Translation reserve	-40.5	I	40.5		. Translation reserve	0.0
Total before minority interests	**348.1**		**0.0**	**-4.2**	**Total shareholders' equity**	**343.9**
Minority interests	0.7				Minority interests	0.7
Total shareholders' equity	**348.8**		**0.0**	**-4.2**	**Total equity**	**344.6**
					Non-current liabilities	
		K	162.3	8.9	. Long-term financial indebtedness	171.2
Deferred tax liabilities	**5.3**			0.1	. Deferred tax liabilities	5.4
Provisions for risks & charges	**73.2**	J			. Non current provisions	73.2
					Total	**249.8**
Liabilities					**Current liabilities**	
. Financial indebtedness	229.4	L	-162.3	0.6	. Short-term financial indebtedness	67.7
. Accounts payable	90.9				. Accounts payable	90.9
. Other operating liabilities	107.4				. Other operating liabilities	107.4
		M	9.0		. Tax liabilities	9.0
. Non-operating liabilities	26.6	N	-9.0	1.8	. Non-operating liabilities	19.4
Total liabilities	**454.3**		**-162.3**	**2.4**	**Total**	**294.4**
Total liabilities and shareholders' equity	***881.6***		***0.0***	***7.2***	***Total liabilities and shareholders' equity***	***888.8***

* including minority interests

A - Recognition of previously capitalized registration costs of trademarks as expenses (negative impact of €0.2 million before taxes)
B - Application of IAS 17 (positive impact of €8.6 million euros) and IAS 16 (negative impact of €2.5 million before taxes) – see note 5.3.1.8
C - Reclassification of receivables on certain leased instruments as "other non current assets" and "accounts receivable"

D - Reclassification of the long-term portion of receivables from leased instruments as "non-current assets"

E - Recognition of deferred tax assets as "non-current assets"

F - Reclassification of the short-term portion of receivables from leased instruments as "accounts receivable"

G - Transfer of translation reserves to consolidated reserves (negative impact of €40.5 million) and effect on consolidated reserves of IAS adjustment entries (negative impact of €3.1 million)

H - Recognition at fair value of hedges on future cash flow (positive impact of €0.5 million) and interest rates (negative impact of €1.6 million) – see note 5.3.1.5

I - Transfer of translation reserves to consolidated reserves

J - Reclassification of provisions as non-current liabilities

K - Reclassification of the long-term portion of financial debt as "non-current liabilities" and recognition of the long-term portion of the financial debt under the capital-lease contract for the Plaine de l'Ain logistics facility (positive impact of €8.9 million) – see note 5.3.1.8
L - Reclassification of the short-term portion of financial debt as "current liabilities" and recognition of the short-term portion of the financial debt under the capital-lease contract for the Plaine de l'Ain logistics facility (positive impact of €0.6 million) – see note 5.3.1.8
M - Recognition of tax liabilities on a separate line

N - Reclassification of tax liabilities on a separate line and recognition at fair value of interest rate hedges (positive impact of €2.4 million) and currency hedges (negative impact of €0.6 million) – see note 5.3.1.5

5.3.2.5 Impact on the consolidated statement of change in net indebtedness

The consolidated statement of change in net indebtedness has been adjusted to be consistent with IAS / IFRS. The principal changes made concern the following items:

– Introduction of the notion of "cash flow before cost of net debt and taxes". This corresponds to the aggregate of the income of reporting entities, net depreciation, amortization and provision allowances (except on current assets), fair value gains and losses on financial instruments, net income from investment transactions, the cost of net debt, current and deferred tax expenses and any value impairments.

– The recognition of receivables from sales in connection with lease-finance contracts in "trade receivables" and "other fixed assets".

– The presentation of fixed-asset purchases under "disbursals for asset purchases" net of changes in liabilities to fixed-asset suppliers. Proceeds from disposals are also recognized net of related receivables, with the exception of receivables from sales of instruments, which are included in trade receivables.

5.3.3 Important developments and changes in consolidation over the past three fiscal years

5.3.3.1 Changes in consolidated entities in 2005

~~Merger of APIBIO into the Company~~

bioMérieux SA's wholly-owned subsidiary Apibio SAS was merged into the Company, with retroactive effect from January 1, 2005, as provided for in a March 22, 2005 merger agreement ratified by the shareholders' meeting of June 9, 2005.

Buyout of certain bioMérieux Mexico minority interests

Following the purchase by bioMérieux Inc of two-thirds of the shares of bioMérieux Mexico held by its minority owner, the Group's equity interest in that company rose from 80% to 93%.

The price paid was close to the corresponding portion of net worth and accordingly generated only a small negative goodwill, which was immediately amortized.

Restructuring of bioMérieux Japan

bioMérieux Inc sold its shares of bioMérieux Japan to bioMérieux SA, which now holds all of that company's equity. The internal transfer had no impact on the consolidated financial statements.

Two new distribution subsidiaries formed

bioMérieux Hungary and bioMérieux Czech Republic were formed at the end of 2005. They are wholly-owned subsidiaries of bioMérieux SA.

5.3.3.2 Fiscal 2004

5.3.3.2.1 Changes in consolidated entities

Merger of NBMA into the Company

Nouvelle bioMérieux Alliance (NBMA), a holding entity that held 99.3% of the shares of bioMérieux, was merged into bioMérieux SA, retroactively from January 1, 2004. The merger had no material impact on the 2004 income statement.

In particular, the €3.3-million excess of the price paid resulting from the negative difference between paid-in capital (€186.4 million) and the value of bioMérieux shares held by NBMA (€189.7 million), was charged to retained earnings available for distribution and accordingly did not affect the year's income.

The tax consolidation of bioMérieux SA and Apibio through NBMA, in effect since January 1, 2003, was replaced by a new consolidation of bioMérieux SA and Apibio starting January 1, 2004.

Other transactions

The interest held by CEA-Industrie in Apibio was acquired on December 22, 2004, making Apibio a fully-owned entity as of December 31, 2004.

5.3.3.2.2 Important developments

Initial public offering

bioMérieux shares started trading on the Premier Marché of the Paris stock exchange on July 6, 2004, following a public offering of the interest held by Wendel Investissement. In connection with the IPO, bioMérieux also issued stock for an offering to its personnel.

In order to facilitate the IPO, bioMérieux first:

- merged with NBMA (see note 5.3.3.2.1).
- prepaid the syndicated loan extended to it in 2001 in connection with the acquisition of OTD, and obtained another credit facility from a smaller number of banks.

The total cost of the IPO and of refinancing the debt amounted to €16.6 million.

The cost of the IPO was recognized as a non-recurring charge of €5.2 million, net of the portion paid by Wendel Investissement (€9.1 million) and expenses incurred in connection with the offering to employees were charged to the corresponding share premium (€0.8 million).

5.3.3.3 Transactions prior to 2004

Disposal of ABL

To focus on its core diagnostic activity, bioMérieux, Inc. divested itself of 100% of its shares of ABL (Maryland, United States) on December 31, 2003. ABL specializes in immunotherapy commercial research. bioMérieux, Inc. has retained the fixed assets required for producing the ingredients used in manufacturing its diagnostic reagents. These materials will continue to be produced under sub-contract by ABL.

ABL, which reported income of $0.5 million in 2003, did not have a material impact on the consolidated financial statements.

5.3.4 Intangible assets

Gross value *In millions of euros*	Patents Technologies	Software	Advances & deposits	Other	Total
Total on January 1, 2004	**31.2**	**21.8**	**1.1**	**2.6**	**56.7**
Translation adjustment	-1.1	-0.4			-1.5
Acquisitions / Increases	0.5	2.4	1.3	0.2	4.4
Disposals / Decreases	-3.2	-0.1	-0.3		-3.6
Reclassifications		1.1	-0.6		0.5
Total on December 31, 2004	**27.4**	**24.8**	**1.5**	**2.8**	**56.5**
Translation adjustment	2.2	0.9			3.1
Acquisitions / Increases	0.6	2.6	1.0	0.1	4.3
Disposals / Decreases	-0.6	-0.5			-1.1
Reclassifications	-0.1	1.7	-1.4	-0.1	0.1
Total on December 31, 2005 (a)	**29.5**	**29.5**	**1.1**	**2.8**	**62.9**

Amortization and impairments *In millions of euros*	Patents Technologies	Software	Advances & deposits	Other	Total
Total on January 1, 2004	**12.4**	**16.8**		**2.5**	**31.7**
Translation adjustment	-0.6	-0.3			-0.9
Increases	5.4	3.0	0.3		8.7
Disposals / Decreases	-3.1	-0.1	-0.3		-3.5
Total on December 31, 2004	**14.1**	**19.4**	**0.0**	**2.5**	**36.0**
Translation adjustment	1.1	0.7			1.8
Increases	3.1	3.5		0.1	6.7
Disposals / Decreases	-0.6	-0.5			-1.1
Total on December 31, 2005 (a) (b)	**17.7**	**23.1**	**0.0**	**2.6**	**43.4**

Net value *In millions of euros*	Patents Technologies	Software	Advances & deposits	Other	Total
Total on January 1, 2004	**18.8**	**5.0**	**1.1**	**0.1**	**25.0**
Translation adjustment	-0.5	-0.1			-0.6
Acquisitions / Increases	-4.9	-0.6	1.0	0.2	-4.3
Disposals / Decreases	-0.1				-0.1
Reclassifications		1.1	-0.6		0.5
Total on December 31, 2004	**13.3**	**5.4**	**1.5**	**0.3**	**20.5**
Translation adjustment	1.1	0.2			1.3
Acquisitions / Increases	-2.5	-0.9	1.0		-2.4
Disposals / Decreases					
Reclassifications	-0.1	1.7	-1.4	-0.1	0.1
Total on December 31, 2005 (a)	**11.8** (c)	**6.4**	**1.1**	**0.2**	**19.5**

(a) There were no changes in consolidated entities during the fiscal years for which data is presented.
(b) Impairment tests did not lead to the recognition of impairment losses during the fiscal years for which data is presented.
(c) Including bioMérieux Inc (€6.7 million), bioMérieux BV (€3 million) and bioMérieux SA (€2.1 million)

5.3.5 Goodwill

Breakdown *In millions of euros*	**Gross value 12/31/2005**	**Gross value 12/31/2004**
Organon Teknika	54.2	51.8
Biotrol	4.8	4.8
bioMérieux Inc (Vitek)	2.9	2.5
Micro Diagnostics Inc (USA)	2.2	1.9
bioMérieux Greece	1.9	1.8
bioMérieux Poland	1.7	1.7
Micro Diagnostics (Australia)	1.5	1.4
bioMérieux Brazil	0.4	0.3
Total (a)	**69.6**	**66.2**

(a) Impairment tests did not lead to the recognition of impairment losses during the fiscal years for which data is presented

Change *In millions of euros*	**Gross value**
January 1, 2004	**67.3**
Translation adjustment	-1.1
December 31, 2004	**66.2**
Translation adjustment	3.4
December 31, 2005	**69.6**

5.3.6 Property, plant and equipment – receivables from finance leases

5.3.6.1 Property, plant and equipment – Detailed information

Gross value *In millions of euros*	**Land**	**Buildings**	**Equipment**	**Capitalized instruments**	**Other fixed assets**	**Fixed assets in progress**	**Advances and deposits**	**Total**
Total on January 1, 2004	**16.2**	**180.8**	**143.1**	**224.3**	**54.1**	**8.7**	**1.4**	**628.6**
Translation adjustment	-0.2	-2.7	-2.8	-2.3	-1.4	-0.4		**-9.8**
Acquisitions / Increases	0.7	6.5	8.4	36.5	3.2	17.9	1.8	**75.0**
Disposals / Decreases	-0.1	-2.2	-4.6	-17.7	-2.3			**-26.9**
Reclassifications		4.1	4.3	0.1	1.6	-9.4	-1.1	**-0.4**
NBMA merger					4.9			**4.9**
Total on December 31, 2004	**16.6**	**186.5**	**148.4**	**240.9**	**60.1**	**16.8**	**2.1**	**671.4**
Translation adjustment	0.5	6.3	6.5	11.3	3.6	1.0		**29.2**
Acquisitions / Increases	0.2	15.9	8.5	38.0	6.6	8.3	1.3	**78.8**
Disposals / Decreases	-2.1	-3.0	-4.0	-17.8	-5.9			**-32.8**
Reclassifications	0.2	10.1	3.8	1.5	1.8	-14.7	-1.4	**1.3**
Total on December 31, 2005 (a)	**15.4**	**215.8**	**163.2**	**273.9**	**66.2**	**11.4**	**2.0**	**747.9**

Depreciation and impairments *In millions of euros*	**Land**	**Buildings**	**Equipment**	**Capitalized instruments**	**Other fixed assets**	**Fixed assets in progress**	**Advances and deposits**	**Total**
Total on January 1, 2004	**0.1**	**75.1**	**95.3**	**161.2**	**39.2**	**0.0**	**0.1**	**371.0**
Translation adjustment		-1.2	-1.7	-1.6	-1.1			**-5.6**
Increases	0.1	10.6	14.0	32.0	5.8	0.6	0.3	**63.4**
Disposals / Decreases		-1.6	-4.5	-13.2	-2.0			**-21.3**
Reclassifications		0.9		0.2	-1.1			**0.0**
NBMA merger					3.3			**3.3**
Total on December 31, 2004	**0.2**	**83.8**	**103.1**	**178.6**	**44.1**	**0.6**	**0.4**	**410.8**
Translation adjustment		2.6	4.0	8.1	2.6			**17.3**
Increases		10.4	14.2	32.5	6.7			**63.8**
Disposals / Decreases		-2.3	-3.8	-11.3	-5.8		-0.7	**-23.9**
Reclassifications				1.5	-0.2		0.3	**1.6**
Impairment losses recognized under IAS 36 (b)		2.1						**2.1**
Total on December 31, 2005 (a)	**0.2**	**96.6**	**117.5**	**209.4**	**47.4**	**0.6**	**0.0**	**471.7**

Net value *In millions of euros*	**Land**	**Buildings**	**Equipment**	**Capitalized instruments**	**Other fixed assets**	**Fixed assets in progress**	**Advances and deposits**	**Total**
Total on January 1, 2004	**16.1**	**105.7**	**47.8**	**63.1**	**14.9**	**8.7**	**1.3**	**257.6**
Translation adjustment	-0.2	-1.5	-1.1	-0.7	-0.3	-0.4		**-4.2**
Acquisitions / Increases	0.6	-4.1	-5.6	4.5	-2.6	17.3	1.5	**11.6**
Disposals / Decreases	-0.1	-0.6	-0.1	-4.5	-0.3			**-5.6**
Reclassifications		3.2	4.3	-0.1	2.7	-9.4	-1.1	**-0.4**
NBMA merger					1.6			**1.6**
Total on December 31, 2004	**16.4**	**102.7**	**45.3**	**62.3**	**16.0**	**16.2**	**1.7**	**260.6**
Translation adjustment	0.5	3.7	2.5	3.2	1.0	1.0		**11.9**
Acquisitions / Increases	0.2	5.5	-5.7	5.5	-0.1	8.3	1.3	**15.0**
Disposals / Decreases	-2.1	-0.7	-0.2	-6.5	-0.1		0.7	**-8.9**
Reclassifications	0.2	10.1	3.8		2.0	-14.7	-1.7	**-0.3**

Impairment losses recognized under IAS 36 (b)		-2.1						**-2.1**
Total on December 31, 2005 (c) (d)	**15.2**	**119.2** (e)	**45.7**	**64.5** (f)		**18.8**	**10.8**	**2.0**	**276.2** (g)

(a) There was no change in consolidated entities in 2005.
(b) Additional depreciation of the Boxtel facility (see note 5.3.23)
(c) The net book value of unused property, plant and equipment was zero on December 31, 2005
(d) No pledge of property, plant and equipment has been granted.
(e) Including bioMérieux SA (€73.8 million), bioMérieux Inc (€21.4 million) and bioMérieux BV (€12 million)
(f) Most of the capitalized instruments are placed with customers
(g) Detailed information on leased assets is provided in note 5.3.6.2

5.3.6.2 Leased assets

Whenever the Group leases assets under a finance lease equivalent to a purchase, the leased assets are accounted for as property, plant and equipment as set forth in note 5.3.1.8.

Total depreciation allowances on those assets amounted to €1.1 million in fiscal 2005 and €1.6 million in 2004.

The corresponding liability, which is included in the balance sheet under financial debt was €11.8 million on December 31, 2005 and €10 million on December 31, 2004 (see note 5.3.16.5.1).

Leased property included under property, plant and equipment					
In millions of euros	Land	Buildings	Equipment	Other	Total
12/31/2005 Gross value	0.8	14.3	1.3	1.9	18.3
Accumulated depreciation		-5.1	-1.2	-1.2	-7.5
Net value	**0.8**	**9.2**	**0.1**	**0.7**	**10.8**
12/31/2004 Gross value	0.8	12.0	1.9	3.1	17.8
Accumulated depreciation		-4.3	-1.6	-2.3	-8.2
Net value	**0.8**	**7.7**	**0.3**	**0.8**	**9.6**

5.3.6.3 Receivables from finance leases

Certain instruments are sold under finance lease agreements (see note 5.3.1.8). The usual term of such leases is five years and interest rates charged are approximately 10%.

Receivables from finance lease contracts amounted to €33.1 million on December 31, 2005 and €26.1 million on December 31, 2004:

Breakdown *In millions of euros*	Under one year (a)	1 to 5 years (b)	Over 5 years (b)	**Total**
Gross value of receivables from finance lease contracts	13.8	26.4	0.1	**40.3**
Accrued interest	-3.1	-3.7		**-6.8**
Present value of minimum future lease payments	10.7	22.7	0.1	**33.5**
Provisions	-0.2	-0.2		**-0.4**
Present net value of minimum future lease payments	10.5	22.5	0.1	**33.1**

(a) Recognized as accounts receivable
(b) Recognized as other non-current assets

5.3.7 Financial assets

In millions of euros	Net book value on 12/31/2005	Net book value on 12/31/2004
Loans and receivables	5.8 (a)	5.4
Investments held for sale	7.1	1.6
Financial assets at fair value through profit or loss	2.8	4.1
Investment in associates (b)	0.1	0.2
Total	**15.8**	**11.3**

(a) Of which €3.2 million to cover future pension commitments (Germany)

(b) Bergerie de la Combe au Loup, a non-material entity

Change *In millions of euros*	**Gross value**	**Provisions**	**Net value**
January 1, 2004	**7.8**	**1.1**	**6.7**
Translation adjustment			
Acquisitions / Increases	1.1	2.9	-1.8
Disposals / Decreases	-0.8		-0.8
Impact of NBMA merger	9.6	2.4	7.2
December 31, 2004	**17.7**	**6.4**	**11.3**
Translation adjustment	0.2		0.2
Acquisitions / Increases	6.1	1.4	4.7
Disposals / Decreases	-0.5		-0.5
Reclassifications	0.1		0.1
December 31, 2005	**23.6**	**7.8**	**15.8**

Other investments *In millions of euros*	Ownership %	Net value	Shareholders' equity Before net income	 Net income
Investments held for sale				
ExonHit (a)	6.3	4.0	20.6	-4.2
Avesthagen	6.0	1.4	0.7 (b)	0.2 (b)
OPI	5.1	0.7	10.3	0.0
InoDiag	10.2	0.6	2.1	-0.7
Altabiopharma	0.9	0.1	19.4	-7.3
Sofinnova Ventures III	1.3	0.1	4.8	-0.6
Sofinnova IV	0.6	0.1	9.7	-0.3
Europroteome	8.8	0.0	In liquidation	
Other		0.1		
		7.1		
Financial assets at fair value through profit or loss				
Dynavax Technologies	1.4	1.5	49.0 (c)	-7.0 (c)
Oscient Pharma	0.9	1.3	98.8 (c)	-60.6 (c)
Total		**2.8**		

(a) Investment included in investment held for sale until their fair value can be reliably determined
(b) Last full fiscal year at March 31, 2005
(c) For the period ended September 30, 2005 (9 months)

5.3.8 Inventories and work in progress

In millions of euros	12/31/2005	12/31/2004
Raw materials	60.0	46.9
Work in progress	29.3	24.8
Finished goods and other materials	81.5	68.3
Total gross value	**170.8** (a)	**140.0**
Provisions		
Raw materials	-5.5	-4.3
Work in progress	-2.2	-1.8
Finished goods and other materials	-7.1	-4.8
Total provisions	**-14.8**	**-10.9**
Raw materials	54.5	42.6
Work in progress	27.1	23.0
Finished goods and other materials	74.4	63.5
Net value	**156.0** (b)	**129.1**

(a) Including gross value of inventories relating to instrumentation: 38%
(b) As of December 31, 2005, no pledge of inventories had been granted.

5.3.9 Accounts receivable

In millions of euros	**12/31/2005**	**12/31/2004**
Accounts receivable	289.4	274.4
Provisions	-11.7	-10.9
Net value (a)	**277.7**	**263.5**

(a) Including short-term portion of receivables from finance lease contracts (see note 5.3.6.3)

5.3.10 Other receivables

In millions of euros	**12/31/2005**	**12/31/2004**
Advances and deposits	0.4	1.1
Pre-paid expenses	5.3	4.0
Other receivables	8.5	13.2
Total gross value	**14.2**	**18.3**
Provisions s		
Net value of other operating receivables	**14.2** (a)	**18.3**
Non-operating receivables	10.8	19.1
Total gross value	**10.8** (b)	**19.1**
Provisions	-1.8	-7.0
Net value of non-operating receivables	**9.0** (c)	**12.1**

(a) The maturity of most other receivables from operations is less than one year

(b) Including €2.8 million in tax refunds receivable

(c) The net book value of non-operating receivables includes net receivables from the Italian government (€2.6 million) that could be collected in more than one year.

5.3.11 Cash and cash equivalents

Cash and cash equivalents include available cash balances and short-term investments as defined in note 0.

In millions of euros	**12/31/2005**	**12/31/2004**
Short-term deposit (a)	0.6	0.7
Cash	20.3	21.2
Cash and cash equivalents	**20.9**	**21.9**

(a) Cash balances are invested in the following instruments:

	2005	**2004**
Name	SICAV CA AM 3 months	SICAV CA AM 3 months
Total	€0.6 million	€0.7 million
Type	Euro money-market fund	Euro money-market fund
ISIN code	FR0000296881	FR0000296881

5.3.12 Share capital

As of December 31, 2005, share capital amounted to €12,029,370 and was divided into 39,453,740 shares, of which 80,266 were entitled to double voting rights. All references to the par value of shares were deleted by decision of the shareholders' meeting of March 19, 2001. There were no potentially dilutive rights outstanding on December 31, 2005.

The number of shares outstanding did not change during fiscal 2005.

As of December 31, 2005, the parent company held 4,000 of its own shares under a market-making agreement with an independent intermediary (see note 5.3.1.22). The Company bought 84,358 of its own shares during fiscal 2005 and sold 81,958.

5.3.13 Changes in the translation reserve

In millions of euros	**Dollar** (a)	**Latin America**	**Other**	**TOTAL**
Translation reserve on January 1, 2004	**0.0**	**0.0**	**0.0**	**0.0**
Impact of the translation on				
- shareholders' equity at closing exchange rates	-10.7		1.3	-9.4
- net income at average exchange rates	-4.1	-0.1	0.2	-4.0
Total	-14.8	-0.1	1.5	-13.4
Translation reserve on December 31, 2004	**-14.8**	**-0.1**	**1.5**	**-13.4**
Impact of the translation on				
- shareholders' equity at closing exchange rates	26.6	3.6	1.0	31.2
- net income at average exchange rates	3.0	0.1	0.1	3.2
Total	29.6	3.7	1.1	34.4
Translation reserve on December 31, 2005	**14.8**	**3.6**	**2.6**	**21.0** (b)

(a) US dollar and related currencies (includes the USA, Canada, China, Australia and Russia)

(b) Including a translation reserve of €0.1 million on minority interests

5.3.14 Provisions – Contingent assets and liabilities

Provisions are classified as non-current.

In millions of euros	Pensions and retirement indemnities	Product warranties (a)	Restructuring	Other contingencies	TOTAL
January 1, 2004	**37.9**	**2.6**	**8.2**	**24.5**	**73.2**
Allowances	7.4	3.9	1.6	11.2	24.1
Reversal (used)	-5.5	-3.7	-4.9	-2.0	-16.1
Reversal (unused)	-1.7		-1.6	-1.1	-4.4
Net allowances	0.2	0.2	-4.9	8.1 (b)	3.6
NBMA merger	0.2			0.3	0.5
Reclassifications	0.2				0.2
Translation adjustment	-0.7	-0.1	-0.1	-0.2	-1.1
December 31, 2004	**37.8**	**2.7**	**3.2**	**32.7** (c)	**76.4**
Allowances	7.6	4.0	0.1	8.0	19.7
Reversal (used)	-6.8	-3.8	-1.6	-3.5	-15.7
Reversal (unused)			-0.4	-0.7	-1.1
Net allowances	0.8	0.2	-1.9	3.8 (d)	2.9
Reclassifications	-0.1				-0.1
Translation adjustment	1.5	0.2	0.2	0.8	2.7
December 31, 2005	**40.0**	**3.1**	**1.5**	**37.3** (c)	**81.9**

(a) Estimate of the costs likely to be incurred for instruments sold under warranty over the remaining warranty period.

(b) Including net allowances affecting current operating income (€8.9 million) and net reversals recognized in other non-recurring incomes and expenses (€0.8 million)

(c) Including litigation provisions of €31.3 million on December 31, 2005 and €27 million on December 31, 2004; for reasons of confidentiality, the breakdown between litigation cases is not disclosed;

(d) Including net allowances affecting current operating income (€2.7 million) and non-recurring incomes and expenses (€1.1 million)

5.3.14.1 Pension and other long-term benefit obligations

5.3.14.1.1 Pension obligations: defined benefit plans

Reconciliation of net liabilities with balance-sheet provisions

Provision for pensions *In millions of euros* Company	Type of liability	On December 31, 2005 Present value of future obligations	Fair value of funds (a)	Deferred actuarial gains or losses (b)	Provision	
France	Contractual retirement payments	12.6	8.0	-0.3	**4.9**	
USA	Pensions	53.7	37.2	8.1	**8.4**	
Netherlands	Pensions and early retirement	43.0	29.9	5.5	**7.6**	
Germany	Pensions	5.6	1.8	0.9	**2.9**	(c)
Italy	Contractual retirement payments "TFR"	3.8		0.1	**3.7**	
Japan	Contractual retirement payments	1.2			**1.2**	
		119.9	76.9	14.3	**28.7**	

Provision for pensions *In millions of euros* Company	Type of liability	On December 31, 2004 Present value of future obligations	Fair value of funds (a)	Deferred actuarial gains or losses (b)	Provision	
France	Contractual retirement payments	11.9	6.8		**5.1**	
USA	Pensions	36.5	26.7	1.7	**8.1**	
Netherlands	Pensions and early retirement	36.8	25.2	4.2	**7.4**	
Germany	Pensions	4.6	1.7		**2.9**	(c)
Italy	Contractual retirement payments "TFR"	3.3			**3.3**	
Japan	Contractual retirement payments	1.2			**1.2**	
		94.3	60.4	5.9	**28.0**	

(a) Fund or regular payments

(b) All past-service liabilities have been recognized.

(c) The corresponding fund is not irrevocably assigned to covering the liabilities and is booked in financial assets (see note 5.3.7)

Changes in net obligations during the fiscal year

The tables below show the principal pension obligations.

In millions of euros	USA	Nether-lands	France	Germany	Italy	Japan	Total
Defined benefit obligation							
At the beginning of the fiscal year	**36.5**	**36.8**	**11.9**	**4.6**	**3.3**	**1.2**	**94.3**
Net current service costs	3.7	2.4	0.7		0.4	0.2	7.4
Interest cost	2.4	1.6	0.4	0.3	0.1		4.8
Benefits payments	-0.6	-0.6	-0.2	-0.2	-0.1	-0.3	-2.0
Settlements and special termination benefits						0.1	0.1
Translation adjustment	6.2						6.2
Actuarial gains (losses)	5.5	2.8	-0.2	0.9	0.1		9.1
At the end of the fiscal year	**53.7**	**43.0**	**12.6**	**5.6**	**3.8**	**1.2**	**119.9**
Funding of obligations							
At the beginning of the fiscal year	**26.7**	**25.2**	**6.8**	**1.7**	**0.0**	**0.0**	**60.4**
Employer contributions	4.7	2.6	1.0	0.2	0.1	0.3	8.9
Expected return on funds	2.2	1.2	0.3	0.1			3.8
Benefit payments	-0.6	-0.6	-0.2	-0.2	-0.1	-0.3	-2.0
Translation adjustment	4.5						4.5
Actuarial gains (losses)	-0.3	1.5	0.1				1.3
At the end of the fiscal year	**37.2**	**29.9**	**8.0**	**1.8**	**0.0**	**0.0**	**76.9**
Of which, payments scheduled for 2006	3.9						**3.9**
Deferred actuarial gains or losses							
At the beginning of the fiscal year	**1.7**	**4.2**					**5.9**
Expenses recognized in 2005							0.0
New deferred items in 2005	5.8	1.3	-0.3	0.9	0.1		7.8
Translation adjustment	0.6						0.6
At the end of the fiscal year	**8.1**	**5.5**	**-0.3**	**0.9**	**0.1**	**0.0**	**14.3**

Net expense for the fiscal year

In millions of euros	2005
Net current service cost	7.4
Interest cost	4.8
Expected return on plan assets	-3.8
Other	0.1
Total	**8.5**

Information on pension plan assets

Pension funds are invested as follows:

In millions of euros	12/31/2005				12/31/2004			
	Stocks	Bonds	Other	**Total**	Stocks	Bonds	Other	**Total**
France	1.4	6.0	0.6	**8.0**	1.2	5.0	0.6	**6.8**
USA	19.9	13.4	3.9 (a)	**37.2**	14.1	9.3	3.3 (a)	**26.7**
Netherlands	5.8	23.8	0.3	**29.9**	4.8	19.3	1.1 (a)	**25.2**
Germany			1.8	**1.8**			1.7	**1.7**

(a) Scheduled contribution

The table below shows the return on assets in 2005:

	2005 return (%)
France	5.9
USA	6.7
Netherlands	10.2
Germany	3.3

5.3.14.1.2 Other long-term employee benefits

Other long-term benefits *In millions of euros* Company	Type of liability	December 31, 2005 Present value of obligations	Fair value of funds	Deferred actuarial gains or losses	Provision
France	Long service payments	4.8			**4.8**
Netherlands	Long service payments	0.4			0.4
					5.2
Other					
France	Other liabilities	1.0			1.0
USA	Health insurance for retired staff	2.7		0.4	2.3
					3.3
Other countries					
Other	Pensions and other benefits				**2.8**
Total provision for other long-term employee benefits					**11.3**

Other long-term benefits *In millions of euros* Company	Type of liability	December 31, 2004 Present value of obligations	Fair value of funds	Deferred actuarial gains or losses	Provision
France	Long service payments	3.9			**3.9**
Netherlands	Long service payments				
					3.9
Other					
France	Other liabilities	1.0			1.0
USA	Health insurance for retired staff	2.0			2.0
					3.0
Other countries					
Other	Pensions and other benefits				**2.9**
Total provision for other long-term employee benefits					**9.8**

5.3.14.2 Other provisions

5.3.14.2.1 Provisions for litigation

The Company is involved in litigation arising in the ordinary course of business. bioMérieux believes that no current or pending litigation will have a material adverse impact on its operations. The Group is not aware of any exceptional circumstances or litigation that may have a substantial impact on its activity. When a risk is identified, a provision is recognized as soon as the risk can be reliably evaluated. The provision for litigation covers all the litigation in which the Group is involved and amounted to €31.3 million on December 31, 2005. The main pending litigation is described below.

Litigation cases pertaining to the use of patents related to AIDS

The disputes concern the patents for AIDS screening held by the Institut Pasteur, some of which have been licensed under exclusive agreements to Bio-Rad Pasteur.

In 1989, Bio-Rad granted Cambridge Biotech (CBC) a sub-license to certain HIV2-testing patents for a price lower than that charged to bioMérieux in 1993. bioMérieux acquired CBC in 1996 and has paid this preferential rate since then. Bio-Rad Pasteur and Institut Pasteur are seeking payment of license fees under the 1993 contract, along with damages. They are also suing bioMérieux for infringement in a separate case. bioMérieux believes that it has been entitled to use Cambridge Biotech's 1989 license since 1996 and will continue to defend itself in this litigation.

In a related development, Institut Pasteur sued bioMérieux in September 2005, claiming that some of the Company's HIV1 products infringed its patents. The charges are being carefully examined by bioMérieux, which will respond accordingly.

Because the patents concerned have expired or are near expiration, the Company does not believe that any of the above litigation is liable to have an adverse impact on future revenue.

D.B.V. Litigation

On May 5, 2004 the Paris Court of Appeals ruled against bioMérieux SA in an infringement suit brought by Diffusion Bactériologie du Var ("D.B.V.") initially before in the courts of Lyon, on the ground that the "Mycoplasma IST" kit sold by the Company infringed one of DBV's patents. The Company was ordered to pay compensation and penalties, the amount of which is to be determined. The Company decided to stop selling the kits in France. However, it believes it has solid grounds for appeal and has asked the Court of Cassation to overturn the May 5 decision.

International Microbio and D.B.V. have filed similar infringement suits against the Company's subsidiaries in Italy, Germany and Spain. As of the date of this note, this has resulted in two opposite decisions. In Germany, the courts before which the infringement case was brought ruled in favor of the plaintiffs, forcing the Company to suspend sales of the product concerned. The decision has been appealed and another German court must still rule on the validity of the patent. In Italy, a court dismissed all complaints by International Microbio and D.B.V., ruling that the patent was invalid and that there had been no infringement.

In the opinion of bioMérieux, overall revenue would not be materially affected by restrictions on the sale of this kit, should the outcome of the proceedings go against the Company.

Dispute with Wiener (Argentina)

The dispute between bioMérieux SA and Wiener concerning damages for the unilateral breach by Biotrol of a distribution agreement was settled with the payment by bioMérieux of €0.8 million in compensation. A provision of €0.7 million was recognized for this purpose at December 31, 2004.

5.3.14.2.2 Restructuring charges

The provisions for restructuring charges include provisions for charges resulting from recent measures and restructurings in progress (see note 5.3.21). As of December 31, 2005, they concerned the cost of vacant premises (primarily future rent) at the closed Rockland facility.

5.3.14.3 Contingent assets and liabilities

There were no material contingent assets or liabilities on December 31, 2005.

5.3.15 Deferred income tax

Change *In millions of euros*	Deferred tax assets	Deferred tax liabilities
January 1, 2004	**23.1**	**5.4**
Translation adjustment	-1.0	0.1
Net allowances	-2.7	-0.6
Recognition in reserves	-1.1	-0.1
Other movements	0.3 (a)	
December 31, 2004	**18.6**	**4.8**
Translation adjustment	2.3	
Net allowances	2.9	-1.3
Recognition in reserves	0.8	
December 31. 2005	**24.6**	**3.5**

(a) Reclassification of deferred taxes previously recognized as taxes payable (€0.3 million)

There are deferred tax assets mainly in the United States, France and Italy, due to temporary tax differences resulting mainly from the depreciation period of fixed assets, the non-deductibility of certain provisions and the unrecognized transferred profit in inventories.

Deferred tax assets *In millions of euros*	Pension provisions	Unrecognized transferred profit in inventories and PPE	Other	**Total**
January 1, 2004	5.3	9.3	8.5	**23.1**
Changes for the period	-0.2	0.0	-3.3	**-3.5**
Translation adjustment	-0.2	-0.3	-0.5	**-1.0**
December 31, 2004	4.9	9.0	4.7	**18.6** (a)
Changes for the period	0.0	0.4	3.3	**3.7**
Translation adjustment	0.4	0.7	1.2	**2.3**
December 31, 2005	5.3	10.1	9.2	**24.6**

(a) Including €0.8 million for bioMérieux Greece, a loss-making company in 2004

The deferred tax liabilities arise mainly from booking bioMérieux B.V. fixed assets at their fair value (€2.9 million) when this company was acquired.

Deferred tax assets resulting from entries in shareholders' equity (in the Group's case primarily the recognition of financial instrument at fair value) amounted to €0.9 million.

Deferred tax assets resulting from losses carried forward amounted to €0.4 million on December 31, 2005.

Tax losses carried forward, which are not included in the calculation of deferred tax assets, amount to €28.2 million (i.e. a potential tax saving of €9.4 million). Furthermore, no deferred tax assets are recognized on the restatements pertaining to the concerned entities; the restatements amount to €14.7 million (for potential tax savings of €4.6 million).

5.3.16 Net debt

5.3.16.1 Debt refinancing

As of December 31, 2005, bioMérieux SA had access to a €250-million syndicated credit facility extended to it in April 2004 in two tranches of €125 million each, intended primarily for refinancing the syndicated loan obtained at the time of the acquisition of OTD. The first tranche consists of a term loan, repayable in annual installments of €25 million. The second tranche is in the form of a multi-currency, €125-million revolving-credit facility and must be repaid no later than April 13, 2009.

The terms of the credit facility include interest at Euribor or Libor, depending on the currency of the drawdown, plus a margin that varies with the ratio of consolidated net debt to earnings before interest, taxes and goodwill amortization.

As of December 31, 2005, no drawdowns had been made under this facility.

The facility was amended on January 30, 2006. Its amount was increased to €260 million, its maturity was extended to 7 years (to January 2013), the tranches were combined into a single revolving loan repayable at maturity, the margin was lowered and some of the debt convenants were made less restrictive (see note 5.3.16.3).

5.3.16.2 Maturity of the debt

In millions of euros	**12/31/2005**		**12/31/2004**	
Over five years	1.4		6.0	
Between one and five years	15.5		108.5	
Total long-term debt	**16.9**	(a)	114.5	(d)
Short-term confirmed debt maturing in less than one year	2.4	(b)	1.7	
Other short-term debt	44.9		23.8	
Total short-term debt	**47.3**		**25.5**	
Total financial liabilities	**64.2**		**140.0**	
Short-term deposits	-0.6	(c)	-0.7	
Cash and cash equivalents	-20.3		-21.2	
Net indebtedness	**43.3**		**118.1**	

(a) Including a €7.7 million liability from the finance lease of the Plaine de l'Ain logistics facility, of which €5.2 million for the purchase option. The lease expires in 2010, at which time bioMérieux will have the choice to either continue to lease the facility or purchase the building for the option price.

(b) Including a €0.6 million liability for the capital lease of the Plaine de l'Ain logistics facility

(c) The book value of short-term deposits is identical to their market value.

(d) Primarily the syndicated loan for the acquisition of Organon Teknika

5.3.16.3 Debt covenants

As of December 31, 2005, the syndicated loan to bioMérieux SA (see note 5.3.16.1) required the Company to meet certain financial ratios (on a consolidated basis):

- the debt-to-equity ratio must not exceed 100%.
- the net debt-to-income ratio before interest, tax and goodwill amortization must not exceed 2.5.
- net interest expense must not exceed 20% of EBITDA over any period of 12 successive months.

These ratios were met on December 31, 2005.

Effective January 30, 2006, all these ratios were replaced by a single ratio: "net indebtedness to current operating income before deprecation and acquisition expenses", which must be 3 or less.

As of December 31, 2005, the long-term debt consisted mainly of a debt arising from the leased Plaine de l'Ain logistics facility (IDC); the lease has no financial-ratio clauses.

5.3.16.4 Interest rates

During 2005, the Company's average debt was mainly accounted for by drawdowns under the syndicated credit facility. The average interest rate on the drawdowns was 2.4% (including the margin but excluding the cost of hedge contracts).

On December 31, 2005, the €64.2 million financial debt is fully made of floating rate drawdowns, among which 40 millions of euros have been hedged (see note 5.3.27.2.2).

5.3.16.5 Debt on assets under finance-leases

5.3.16.5.1 Debt (principal portion)

In millions of euros	**12/31/2005**	**12/31/2004**
Under one year	1.0	0.9
One to five years	9.4	3.1
Over five years	1.4	6.0
Total	**11.8**	**10.0**

5.3.16.5.2 Future lease payments

In millions of euros	**12/31/2005**	**12/31/2004**
Minimum future payments	**13.1**	**11.3**
under one year	*1.3*	*1.2*
two to five years	*10.4*	*4.0*
over five years	*1.4*	*6.1*
Less interest portion	-1.3	-1.3
Present value of future lease payments	**11.8**	**10.0**

5.3.16.6 Breakdown of debt by currency

In millions of euros	12/31/2005	12/31/2004
Euro zone – IAS / IFRS	92.1	132.5
Other		
Japanese yen	13.3	15.3
Indian rupee	2.9	3.0
UK sterling	2.1	3.0
US dollar	-63.3	-32.1
Swiss franc	-0.2	-1.0
Other currencies	-3.6	-2.6
Total	**43.3**	**118.1**

5.3.16.7 Loan guarantees

None of the Group's assets have been pledged as collateral to a bank.

Most of the loans taken out by Group subsidiaries are guaranteed by bioMérieux SA.

5.3.17 Accounts payable and other liabilities

In millions of euros	12/31/2005		12/31/2004
Accounts payable	**99.2**		**87.1**
Advances and deposits received	1.1		0.5
Tax and payroll	96.0		85.6
Deferred income	23.4		20.1
Other	11.0		10.2
Other operating liabilities	**131.5**	(a)	**116.4**
Taxes outstanding	**14.5**		**10.6**
Payables on property, plant and equipment	10.0		8.4
Other (b)	2.8		3.4
Non-operating liabilities	**12.8**	(c)	**11.8**

(a) Operating liabilities are generally due in less than one year, with the exception of the sums owed to the bioMérieux SA employee profit-sharing plan (€2.7 million) and in connection with the Boxtel social plan (€1 million), as well as certain deferred revenues under maintenance contracts

(b) Including derivative instruments of €2.7 million 2005 and €0,3 million in 2004

(c) Non-operating liabilities have maturities of less than one year

5.3.18 Payroll and benefits

In millions of euros	**2005 12 months**	**2004 12 months**
Wages and salaries (a)	246.2	236.2
Benefits	84.7	80.5
Employee profit sharing (b)	7.5	5.9
Total (c) (d)	**338.4**	**322.6**
Average number of employees	**5 498**	**5 430**
No. of employees as of Dec. 31	**5 570**	**5 456**

(a) Of which €0.4 million corresponds to the fair value of the 78,000 shares distributed under a bonus share plan. The bonus shares were allotted by the Chairman under authority granted by the special shareholders' meeting of June 9, 2005 and the board of directors meeting of September 23, 2005. The shares will vest in the recipients after a two-year waiting period that starts on September 27, 2005

(b) bioMérieux SA

(c) Including €1 million in restructuring charges recognized in other non-recurring incomes and expenses

(d) Including €17.1 million in contributions to defined contribution pension plans (excluding Spain and Portugal, for which the information is not available)

5.3.19 Operating leases expenses

In millions of euros	**2005 12 months**	**2004 12 months**
Operating leases expenses	17.6	16.7

5.3.20 Net depreciation allowances and provisions

Net depreciation allowances and provisions *In millions of euros*	**2005 12 months**	**2004 12 months**
Depreciation allowance for property, plant and equipment	71.9	72.1
Provisions	2.9	3.6
Provisions of current assets	-3.3	3.6
Provisions of financial assets	1.4	2.9
Total	**72.9**	**82.2**

5.3.21 Restructuring operations

The 2005 income statement includes new provisions or adjustments to existing provisions for restructuring in connection with the following:

- Saitama, Japan. The decision to close this manufacturing facility was announced in December 2004 and it was shut down in July 2005. The impact on the income statement was the reversal of an excess provision of €0.3 million.

- Grenoble, France. The transfer of all French molecular biology research and development to a single site in Grenoble was announced in April 2004. The move was completed in fiscal year 2005 and generated restructuring charges of €0.3 million for relocating employees.

5.3.22 Net financial expenses

5.3.22.1 Cost of net financial debt

In millions of euros	2005 12 months	2004 12 months
Interest on loans	-3.5	-5.1
Foreign-exchange gains (losses) on loans	2.3	-0.4
Arranging fees	-0.1	-1.1
Interest-rate hedges	-0.2	-2.7
Currency hedges	-0.1	
Total	**-1.6**	**-9.3**

5.3.22.2 Other financial items

In millions of euros	2005 12 months	2004 12 months
Interest income on leased assets	3.3	2.8
Provisions on non-consolidated investments	-1.4 (a)	-2.9 (b)
Other	-0.7	-1.1
Total	**1.2**	**-1.2**

(a) Of which Dynavax (€0.8 million), Oscient Pharma (€0.5 million)

(b) Of which Dynavax (€0.2 million), Oscient Pharma (€1.7 million), Europrotéome (€1 million)

5.3.22.3 Foreign-exchange gains and losses

Foreign-exchange gains and losses result from variations between the recognized rate and the rate at the time of payment (or the rate at the close of the fiscal year, if the payment has not been made). These differences only partially reflect the impact of currency fluctuations.

Transactions are initially translated at the exchange rate in effect on the date they take place. The exchange rate applicable to payments is either the rate in effect on the date of payment or the hedge rate (exclusive of time value) if the transaction was covered by a currency hedge.

Exchange gains or losses relating to operating activities are recorded in the corresponding income statement items, as follows:

In millions of euros	2005 12 months	2004 12 months
Sales	0.3	-0.5
Cost of material supplies and other external charges	-5.9	-0.8
Financial items	2.3	-0.4
Total	**-3.3**	**-1.7**

5.3.23 Non-recurring incomes and expenses

In millions of euros	Income	Expenses	**Net 2005**	Net 2004
Gains (losses) on capital transactions	12.2	11.9	**0.3** (a)	1.3 (c)
Restructuring charges	2.0	2.1	**-0.1** (b)	-0.9 (d)
Initial public offering expenses				-5.2 (e)
Other	2.0	2.1	**-0.1**	0.2
Total	**16.2**	**16.1**	**0.1**	**-4.6**

(a) Of which: €2.1 million from the sale of land and a building at Boxtel (Netherlands); €2.1 million additional impairment of the Boxtel (Netherlands) facility due to the underutilization of certain buildings

(b) See note 5.3.21

(c) Including €1.6 million from the sale of the Spanish bioMérieux headquarters

(d) Of which, expenses of €0.6 million at Saitama (Japan), €1 million at Grenoble (France) and €0.8 million at Rockland (United States); income of €1.5 million at Boxtel (Netherlands)

(e) Initial public offering expenses of €5.2 million incurred by bioMérieux SA

5.3.24 Income tax

5.3.24.1 Analysis of income tax expenses

In millions of euros	**2005 12 months**		**2004 12 months**	
	Tax	**Rate**	**Tax**	**Rate**
Theoretical tax at French normal rate (a)	**47.7**	**34.4**	**41.6**	**34.9**
- Impact of reduced tax rates on certain incomes and foreign tax rates	0.9	0.6	1.9	1.6
- Taxes on dividends	2.1	1.5	1.9	1.6
- Impact of permanent differences	0.4	0.3	-0.8	-0.6
- Deferred tax assets not recognized on losses carried forward	2.7	2.0	2.5	2.1
- Use of deferred tax assets not previously recognized	-0.8	-0.6	-1.9	-1.7
- Tax credits (including tax credit on R&D expenditure)	-4.6	-3.3	-5.9	-4.9
Actual consolidated tax expenses	**48.4**	**34.9**	**39.3**	**33.0**

(a) Normal French corporate income tax rate applied to income before taxes of consolidated companies.
The basic corporate income tax rate in France is 33.33%. Act no 99-1140 of December 29, 1999 on the Funding of Social Security created an additional tax that raised the legal rate by 1.1%. The Finance Act 2004-1484 of December 30, 2004 provides for the gradual elimination of the additional tax, since 2002 at 3% of basic tax payable. The tax was lowered to 1.5% on January 1, 2005 and will disappear in 2006.

5.3.24.2 Breakdown of income tax expense

In millions of euros	**2005**	**2004**
Income tax on current operating income	48.8	45.4
Income tax on non-recurring income and expenses	-0.3	-2.4
Income tax on net financial expenses	-0.1	-3.7
Net Income tax expense	**48.4**	**39.3**
of which current income tax expense	52.6	37.2
of which net deferred income tax expense	-4.2	2.1

5.3.25 Segment reporting

bioMérieux is organized by geographical region (Europe, North America, Asia-Pacific and Latin America). Africa and the Middle East are part of the European region.

The accounting principles applicable to segment reporting are the same as those used for the preparation of the consolidated financial statements.

December 31, 2005 *In millions of euros*	**Europe**	**North America**	**Asia-Pacific**	**Latin America**	**Intra-group transactions**	**Consolidated total**
~~Net sales~~						
Consolidated net sales (based on end-customer's nationality)	**566.8**	**255.9**	**107.5**	**63.4**		**993.6**
Net export sales from the region	576.6	260.6	101.3	55.1		993.6
Inter-region sales	86.9	131.6		0.3	-218.8	0.0
Net sales generated by the region	**663.5**	**392.2**	**101.3**	**55.4**	**-218.8**	**993.6**
~~Income~~						
Current operating income for the sector	65.9	67.7	6.4	3.6	-4.8	138.8
Other unallocated operating income and expenses						0.1
Operating income						**138.9**
Cost of net financial debt						-1.6
Other unallocated financial expenses						1.2
Income before taxes						**138.5**
Income tax						-48.4
Net income of consolidated companies						**90.1**
~~Other information~~						
Total capital expenditures (including long-term finance leases)	**59.2**	**18.2**	**4.8**	**2.9**		**85.1**
Depreciation and amortization	**-46.8**	**-15.2**	**-5.4**	**-2.7**		**-70.1**
Unallocated depreciation and **amortization**s						-2.8
Total depreciation and amortization						**-72.9**
~~Balance sheet~~						
~~Assets~~						
Segment assets	524.9	229.3	54.3	37.9	-69.5	776.9
of which PPE	*202.9*	*72.1*	*10.3*	*10.4*		*295.7*
Unallocated assets						129.2
Consolidated assets						**906.1**
~~Liabilities and shareholders' equity~~						
Segment liabilities	259.9	88.9	15.1	28.1	-69.5	322.5
Shareholders' equity (incl. minority interests)						498.5
Financial debt						64.2
Other unallocated liabilities						20.9
Consolidated liabilities and shareholders' equity						**906.1**

December 31, 2004 *In millions of euros*	**Europe**	**North America**	**Asia-Pacific**	**Latin America**	**Intra-group transactions**	**Consolidated total**
~~Net sales~~						
Consolidated net sales (based on end-customer's nationality)	**533.0**	**244.3**	**96.4**	**55.6**		**929.3**
Net export sales from the region	542.4	248.9	88.9	49.1		929.3
Inter-region sales	76.7	117.7		0.1	-194.5	0.0
Net sales generated by the region	**619.1**	**366.6**	**88.9**	**49.2**	**-194.5**	**929.3**
~~Income~~						
Current operating income for the sector	60.4	64.9	3.5	6.8	-1.5	134.1
Other unallocated operating income and expenses						-4.6
Operating income						**129.5**
Cost of net financial debt						-9.3
Other unallocated financial expenses						-1.2
Income before taxes						**119.0**
Income tax						-39.3
Net income of consolidated companies						**79.7**
~~Other information~~						
Total capital expenditures (including long-term finance leases)	**55.6**	**18.2**	**4.6**	**2.5**		**80.9**
Depreciation and amortization	**-64.4**	**-13.7**	**-4.4**	**-1.8**		**-84.3**
Unallocated depreciation and **amortization**s						2.1
Total depreciation and amortization						**-82.2**
~~Balance sheet~~						
~~Assets~~						
Segment assets	503.3	198.6	44.6	31.5	-59.8	718.2
of which PPE	*198.9*	*63.3*	*10.7*	*8.2*		*281.1*
Unallocated assets						120.4
Consolidated assets						**838.6**
~~Liabilities and shareholders' equity~~						
Segment liabilities	238.5	74.9	24.0	10.8	-59.8	288.4
Shareholders' equity (incl. minority interests)						391.5
Financial debt						140.0
Other unallocated liabilities						18.7
Consolidated liabilities and shareholders' equity						**838.6**

5.3.26 Auditors' fees

In thousands of euros	2005				2004			
	Deloitte & Associés	Bernard Chabane	Other	**Total**	Deloitte & Associés	Bernard Chabane	Other	**Total**
Auditing	678	145	178	**1 001**	772	128	83	**983**
Associated missions	18		2	**20**	204 (a)	96 (a)	2	**302**
Audit	**696**	**145**	**180**	**1 021**	**976**	**224**	**85**	**1 285**
Legal, tax, social	91 (b)		42	**133**	152		10	**162**
Other	5		3	**8**	26		5	**31**
Other missions	**96**		**45**	**141**	**178**		**15**	**193**
Total	**792**	**145**	**225**	**1 162**	**1 154**	**224**	**100**	**1 478**

(a) Auditors' fees charged in connection with the IPO
(b) including fiscal for 86 thousand and social for 5 thousand euros

5.3.27 Management of currency and market risks

5.3.27.1 Currency risks

5.3.27.1.1 Group policy

Because much of the Company's business is conducted outside the euro zone, its revenue, income, and some items on its balance sheet can be significantly affected by fluctuations in exchange rates between the euro and other currencies. Revenue, in particular, is affected by changes of the euro against the US dollar , and, to a lesser extent, against other currencies.

However, some operating expenses, in particular those incurred in the United States, are paid in US dollars, lessening the impact of fluctuations of the US dollar on operating income. This natural hedge is less effective in the case of other currencies in which the Company operates.

The Company may also be exposed to currency risks arising from borrowings by certain subsidiaries in currencies other than their own (such as euros or dollars) in countries where the volatility of those currencies is higher and where it may not always be possible to hedge exchange risks (such as in certain Latin American countries).

The Company's current policy, which is subject to change, is to seek to hedge the impact of exchange rate fluctuations on budgeted net income. It uses hedging instruments, when they are available at a reasonable cost, in order to lessen risks from currency fluctuations. Its current practice is to put in place global hedges covering similar risks. Hedge contracts are purchased to cover actual transactions and not for speculative purposes.

Distribution subsidiaries are currently billed in their local currencies by manufacturing subsidiaries (except where prohibited by law), so that currency risks can be managed at the corporate level. Whenever possible, the Company hedges currency risks from debt in currencies other than those of the country in which operations are located, so as to offset any accounting risks.

The Group's hedge contracts consist primarily of forward currency purchases or sales (all of which had maturities of less than 18 months on December 31, 2005). Detailed information on the notional amount, the breakdown between current and future transaction hedges and the market value of hedging instruments is provided in note 5.3.27.1.3.

5.3.27.1.2 Currency exposure

The table below shows the currencies of sales by Group entities

In millions of euros	2005		2004	
	12 months	**%**	**12 months**	**%**
Euro	**471**	***47***	**447**	***4***
Other				
US dollar	253	*26*	243	*26*
Japanese yen	35	*4*	34	*4*
UK sterling	43	*4*	40	*4*
Brazilian real	24	*2*	21	*2*
Other currencies	168	*17*	144	*16*
Total	**994**	***100***	**929**	***100***

5.3.27.1.3 Currency hedging instruments

bioMérieux uses hedging instruments to reduce currency risks that may have an impact on budgeted results. Its general policy is to use global hedges to cover series of operations exposed to similar risks. The hedges are limited to transactions planned in the budget and are not speculative.

The table below shows currency hedging instruments not yet allocated to specific payables or receivables as of December 31, 2005.

Hedging on December 31, 2005 *In millions of euros*	Amount	Maturity		Market value (a)
		under 1 year	1 to 5 years	
Commercial transaction hedges				
- Forward exchange	38.3	38.3		
- Options	20.6	20.6		
Total	58.9	58.9	0.0	
Future commercial transaction hedges				
- Forward exchange	138.3	122.5	15.8	-2.5
- Options	21.5	21.5		0.0
Total	159.8	144.0	15.8	-2.5

(a) Difference between the discounted hedging rate at December 31, 2005 and the market value at December 31, 2005

Currency hedges in effect on December 31, 2005 had a negative value of €2.5 million, which was recognized in other reserves (€2.3 million) and income (€0.2 million).

The forward sales, forward purchases and options outstanding on December 31, 2005 mature within 18 months.

5.3.27.2 Market risk

5.3.27.2.1 Liquidity risk

The maturity of the debt table in note 5.3.16.2 indicates the maturity of the Group's debt on December 31, 2005.

5.3.27.2.2 Interest rate risk

At December 31, 2005, the following hedges were in effect:

Interest rate hedging on December 31, 2005 *In millions of euros*	Notional amounts	Maturity		Market value (a)
		under 1 year	1 to 5 years	
Interest-rate swap (floating to fixed rate)	40.0	20.0	20.0	-0.2

(a) Difference between the present value of the hedge instrument on December 31, 2005 and its market value on December 31, 2005

The underlying liability (the syndicated loan) for which the hedge contracts were purchased having since been prepaid, the fair value loss on those instruments (€0.2 million) was recognized in the income statement on December 31, 2005.

5.3.27.2.3 Counterparty risks

The Group's financial transactions (credit facilities, financial market transactions, etc.) are with leading banks and the Group ensures that they do not involve a too limited number of counterparties.

5.3.28 Off-balance-sheet commitments

Outstanding commitments given or received on December 31, 2005 were as follows:

- Real estate operating lease commitments by Group entities amounted to €31.4 million on December 31, 2005, of which €24.3 million was payable in more than one year.

- bioMérieux Inc, bioMérieux SA and bioMérieux BV are parties to various agreements that call for payments based on progress in corresponding research projects (€15.9 million).

- bioMérieux SA has signed a preliminary agreement to purchase two buildings in France, for €2.1 million.

- bioMérieux SA has agreed to purchase shares issued by Relia, a US corporation, for US$8 million, in return for a 15% equity interest in that company.

- bioMérieux Inc and the minority owner of bioMérieux Mexico have amended their agreement pertaining to the possible purchase by bioMérieux of the remaining 7% of the shares of the Mexican subsidiary from this minority owner, on the basis of a formula that takes into consideration the revenue and income of bioMérieux Mexico; this has no material impact on the equity and net debt of bioMérieux.

- As part of the purchase of CEA-Industrie's interest in Apibio, bioMérieux SA agreed to an incentive clause with CEA-Industrie covering the period from 2010 to 2014, under which it would pay CEA-Industrie 3.5% of any revenue generated by the application of technologies developed by Apibio (primarily MICAM and OLISA), up to a ceiling of €1.1 million.

- Under the bonus share plan adopted by the special shareholders' meeting of June 9, 2005, bioMérieux SA is committed to buying back 78,000 of its own shares. This commitment represents an expense of €3.5 million on the basis of the December 31, 2005 trading price of its shares.

- As of December 31, 2005, bioMérieux SA had unused medium-term credit facilities of €125 million under a syndicated loan (see note 5.3.16.1).

- Bank guarantees obtained by the Group in connection with bids made by it totaled €8.8 million as of December 31, 2005.

- Other commitments of €0.1 million were received (sureties)

- Other commitments of €3.2 million were given (endorsements, sureties and guarantees other than real estate lease obligations).

5.3.29 Transactions with related parties

5.3.29.1 Compensation of board members

A total of €200,000 was paid to board members as directors' fees in fiscal 2005.

In addition, some directors are entitled to supplementary pension benefits because of previous service with the Company. No expenses were recognized or disbursements made in this connection during the fiscal year.

5.3.29.2 Transactions with entities accounted for by the equity method

In 2005, bioMérieux SA purchased raw materials for €2.4 million from La Bergerie de la Combe au Loup, a company in which it holds a 20% equity interest and which is accounted for by the equity method in the consolidated financial statements.

5.3.29.3 Other transactions with non-consolidated affiliates

Mérieux Alliance, which held 58.9% of bioMérieux SA's shares on December 31, 2005, provided consultancy and support services to bioMérieux SA, bioMérieux Inc. and bioMérieux BV valued at €2.9 million for the year.

bioMérieux SA sold a patent to Transgene (a company in which Mérieux Alliance holds a 53.8% indirect interest through TSGH), on which it made a capital gain of €0.2 million. It also billed Transgene €0.1 million for related research conducted since the date of the transaction.

The Group provided reagents and instruments valued at €2.3 million in fiscal 2005 to companies of the Silliker Group Corp., of which Mérieux Alliance is a majority owner.

ABL, which is wholly owned by TSGH, owned at 95% by Mérieux Alliance, is a bioMérieux Inc subcontractor; it billed a total of €3.8 million for goods supplied in 2005. bioMérieux Inc also provided services to ABL valued at €1.2 million during the year.

bioMérieux SA contributed €1.1 million to Fondation Rodolphe Mérieux and €0.3 million to Fondation Mérieux for humanitarian projects.

5.3.30 Developments subsequent to the end of the fiscal year

There were no events subsequent to the end of the fiscal year likely to have a material impact on the income or financial position of the Group.

5.3.31 Consolidation

bioMérieux is a fully consolidated subsidiary of Mérieux Alliance SA (17 Rue Bourgelat, 69002 - Lyon).

5.3.32 Summary financial statements and notes – CRC Rule 99-02

Consolidated income statement
CRC Rule 99-02

In millions of euros	**Jan. 04-Dec. 04 12 months**	**Jan. 03-Dec. 03 12 months**
Net sales	**930.6**	**914.5**
Cost of sales	-433.2	-440.0
Gross profit	**497.4**	**474.5**
Selling and marketing expenses	-168.2	-164.3
General and administrative expenses	-78.2	-72.7
Research and development expenses	-126.8	-131.1
Total operating expenses	**-373.2**	**-368.1**
Royalties received	8.9	7.4
Restructuring costs	-0.9	-11.7
Operating income	**132.2**	**102.1**
Financial expenses (net)	-8.8	-5.9
IPO costs (note 5.3.3.2.2)	-5.2	
Extraordinary Exceptional income (loss)	1.5	-0.3
Income tax	-39.6	-34.7
Net income before goodwill amortization	**80.1**	**61.2**
Amortization of goodwill (note 5.3.32.2)	-4.4	-6.2
Net income before minority interests	**75.7**	**55.0**
Minority interests		0.1
Net income	**75.7**	**55.1**
Net income per share (a)	**1.93**	**1.41**

(a) In the absence of dilutive instruments, diluted net income per share is identical to basic net income per share.

Consolidated balance sheet
CRC Rule 99-02

Assets *In millions of euros*	**Net 12/31/2004**	**Net 12/31/2003**
Fixed assets		

. Intangible assets (note 5.3.32.1)	20.8	25.2
. Goodwill (note 5.3.32.2)	61.2	67.3
. Property, plant and equipment (note 5.3.32.3)	254.9	251.5
. Financial assets (note 5.3.32.4)	37.5	29.8
Total	**374.4**	**373.8**
Current assets		
. Inventories and work in progress (note 5.3.32.5)	129.0	121.9
. Accounts receivable (note 5.3.32.6)	254.0	257.9
. Other operating receivables (note 5.3.32.7)	18.2	19.1
. Non-operating receivables (note 5.3.32.7)	12.1	36.5
. Deferred tax assets (note 5.3.32.8)	18.4	21.8
. Cash and cash equivalents (note 5.3.32.10)	21.9	50.6
Total	**453.6**	**507.8**
Total assets	***828.0***	***881.6***

Liabilities and shareholders' equity	**12/31/2004**	**12/31/2003**
Shareholders' equity		
. Share capital	12.0	11.9
. Additional paid-in capital	63.7	51.2
. Retained earnings	292.2	270.4
. Translation reserve (note 5.3.32.9)	-54.4	-40.5
. Net income for the year	75.7	55.1
Total shareholder's equity	**389.2**	**348.1**
Minority interests	**0.7**	**0.7**
Provisions for risks and charges	**76.4**	**73.2**
Deferred tax liabilities (note 5.3.32.8)	**4.7**	**5.3**
Liabilities		
. Financial Indebtedness (note 5.3.32.10)	131.1	229.4
. Accounts payable (note 5.3.32.11)	87.1	90.9
. Other operating liabilities (note 5.3.32.11)	116.4	107.4
. Non-operating liabilities (note 5.3.32.11)	22.4	26.6
Total liabilities	**357.0**	**454.3**
Total liabilities and shareholders' equity	***828.0***	***881.6***

Consolidated statement of change in net indebtedness
CRC Rule 99-02

In millions of euros	**Jan. 04-Dec. 04 12 months**		**Jan. 03-Dec. 03 12 months**	
Net income before minority interests	75.7		55.0	
Depreciation, amortization and provisions, net	88.7		83.6	
Net realized capital gains (losses)	-1.3		1.5	
Cash flow from operating activities	**163.1**		**140.1**	
(Increase)decrease in inventories	-8.9		1.6	
(Increase)decrease in accounts receivable	-0.6		-12.8	
Decrease(increase) in accounts payable and other operating working capital requirements	5.6		22.3	
Decrease (increase) in working capital	**-3.9**		**11.1**	
Increase (decrease) in income tax payable	14.1		-3.7	
Other	-7.8		-2.5	
Decrease (increase) in working capital	**2.4**		**4.9**	
Net cash flow from operations	**165.5**		**145.0**	
Capital expenditures	-79.4		-81.2	
Sale of property, plant and equipment	6.9		4.3	
Change in net payables related to fixed assets	-3.3		2.1	
Investment securities			3.3	(1)
Impact of changes in the scope of consolidation	-1.7	(2)	-1.0	(3)
Loans and advances to affiliates	7.8	(4)	8.7	(5)
Changes in other financial fixed assets	-5.5		-7.1	
Net cash flow from (used in) investment activities	**-75.2**		**-70.9**	
Capital increase – bioMerieux SA	12.6	(6)		
Dividends to bioMerieux SA shareholders	-30.0	(7)	-19.0	
Net cash flow from (used in) financing	**-17.4**		**-19.0**	
Change in net indebtedness (Excluding exchange rate effects)	**72.9**		**55.1**	
Analysis of change in net indebtedness				
Net indebtedness at the beginning of the year	178.8		237.1	
Impact of currency changes on net indebtedness	3.3		-3.2	
Change in net indebtedness:	**-72.9**		**-55.1**	
- Confirmed facilities	*-100.8*		*-45.5*	
- Cash and other bank deposits	*27.9*		*-9.6*	
Net indebtedness at the end of the year (see note 5.3.32.10)	**109.2**		**178.8**	

(1) Sale of ABL
(2) Net indebtedness of NBMA on the date of its merger into bioMerieux SA (pre-IPO transaction)
(3) Net cash position of ABL at date of sale
(4) Repayment of a debt by TSGH (pre-IPO transaction)
(5) Transaction relating to NBMA
(6) Offering of new shares to employees, in connection with IPO
(7) Distribution of dividends decided by the Shareholders meeting of April 16, 2004 (pre-IPO transaction)

Statement of change in consolidated shareholders' equity – Group's share
CRC Rule 99-02

In millions of euros	Share capital	Share premium	Retained earnings	Translation reserve	Total
Shareholders' equity at December 31, 2003	**11.9**	**51.2**	**325.5**	**-40.5**	**348.1**
Net income for the year			75.7		**75.7**
Impact of merger with NBMA(note 5.3.3.2.1)			-3.3		**-3.3**
Capital increase (note 5.3.3.2.2)	0.1	12.5			**12.6**
Dividends			-30.0		**-30.0**
Change in translation reserve (note 5.3.32.9)				-13.9	**-13.9**
Shareholders' equity on December 31, 2004	**12.0**	**63.7**	**367.9**	**-54.4**	**389.2**

5.3.32.1 Intangible assets

Breakdown *In millions of euros*	**Gross value**	**Amortization and provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**
Patents, technology, software	66.2	47.2	19.0 (a)	24.0
Goodwill	2.2	2.2		
Advances and deposits	1.5		1.5	1.1
Other	0.6	0.3	0.3	0.1
Total	**70.5**	**49.7**	**20.8**	**25.2**

(a) Including €5.4 million software

Change *In millions of euros*	**Gross value**	**Amortization and provisions**	**Net value**
December 31, 2003	**71.5**	**46.3**	**25.2**
Translation adjustment	-2.5	-1.9	-0.6
Acquisitions / Increases	4.4	8.7	-4.3
Disposals / Decreases	-3.4	-3.4	
Reclassifications	0.5		0.5
December 31, 2004	**70.5**	**49.7**	**20.8**

5.3.32.2 Goodwill

Under French accounting principles, goodwill is amortized on a straight-line basis over 20 years or less.

Impairment is recognized whenever the fair value of goodwill, calculated on the basis of the present value of projected future cash flows from the underlying assets, appears to be durably less than its carrying value.

Breakdown *In millions of euros*	**Gross value**	**Amortization and provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**
Organon Teknika	61.5	12.8	48.7	52.8
Biotrol	7.5	3.5	4.0	4.8
bioMérieux Inc (Vitek)	37.2	35.1	2.1	2.6
Micro Diagnostics Inc (USA)	2.6	0.8	1.8	2.1
bioMérieux Greece	1.9	0.3	1.6	1.7
bioMérieux Poland	2.2	0.7	1.5	1.5
Micro Diagnostics (Australia)	1.7	0.4	1.3	1.5
bioMérieux Brazil	1.5	1.3	0.2	0.3
Total	**116.1**	**54.9**	**61.2**	**67.3**

Changes *In millions of euros*	**Gross value**	**Amortization and provisions**	**Net value**
December 31, 2003	**121.5**	**54.2**	**67.3**
Translation adjustment	-4.5	-3.3	-1.2
Increases		4.9 (a)	-4.9
Decreases (b)	-0.9	-0.9	
December 31, 2004	**116.1**	**54.9**	**61.2**

(a) The amortization booked in the income statement includes tax savings obtained when the amortization of goodwill is deductible, in particular in the United States, Italy, the Netherlands, Spain and Germany.

In millions of euros	**2004**
Amortization of goodwill	4.9
Corresponding tax saving	-0.5
Amortization of goodwill in the income statement	4.4

(b) Reversal of fully amortized goodwill

5.3.32.3 Property, plant and equipment

5.3.32.3.1 Property, plant and equipment

Breakdown *In millions of euros*	**Gross value**	**Amortization and provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**
Land	15.8	0.1	15.7	15.3
Buildings	175.1	77.3	97.8 (a)	100.4
Equipment	148.4	103.1	45.3	47.8
Capitalized instruments	240.9	178.6	62.3 (b)	63.1 (b)
Other fixed assets	60.1	44.1	16.0	14.9
Fixed assets in progress	16.8	0.7	16.1	8.7
Advances and deposits	2.1	0.4	1.7	1.3
Total	**659.2**	**404.3**	**254.9**	**251.5**

(a) Including bioMérieux SA (€46.6 million), bioMérieux Inc (€24.3 million) and bioMérieux BV (€18.3 million)
(b) Most of the capitalized instruments are placed at customers

Change *In millions of euros*	**Gross value**	**Amortization and**	**Net value**
December 31, 2003	**616.4**	**364.9**	**251.5**
Translation adjustment	-9.8	-5.1	-4.7
Acquisitions / Increases	75.0	62.5	12.5
Disposals / Decreases	-26.9	-21.3	-5.6
Reclassifications	-0.4		-0.4
NBMA merger	4.9	3.3	1.6
December 31, 2004	**659.2**	**404.3**	**254.9**

5.3.32.3.2 Leased assets

Whenever the Group leases property under a financial-lease agreement substantially equivalent to a purchase, the market value of the corresponding asset is capitalized.

Leased assets included under property, plant and equipment *In millions of euros*	**12/31/2004**	**12/31/2003**
Buildings	0.6	0.4
Equipment and tooling	1.9	1.8
Other fixed assets	3.1	3.3
Total gross value	**5.6**	**5.5**
Depreciation	-3.9	-3.9
Net value	**1.7**	**1.6**

The depreciation allowance on these assets was €0.9 million in 2004.

The corresponding liability, recorded under financial debt totaled €1.2 million at December 31, 2004.

5.3.32.4 Financial assets

Breakdown *In millions of euros*	**Gross value**	**Provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**
Investments	12.1	6.4	5.7	1.4
Receivables from instrument leasing	26.1		26.1	23.1
Other	5.7		5.7 (a)	5.3
Total	**43.9**	**6.4**	**37.5**	**29.8**

(a) Including €3.2 million invested to cover future pension commitments (Germany), and €0.2 million of investment accounted for by the equity method.

Change *In millions of euros*	**Gross value**	**Provisions**	**Net value**
December 31, 2003	**30.9**	**1.1**	**29.8**
Translation adjustment	-2.0		-2.0
Acquisitions / Increases	17.4	2.9	14.5
Disposals / Decreases	-11.9		-11.9
NBMA merger	9.6	2.4	7.2
Reclassifications	-0.1		-0.1
December 31, 2004	**43.9**	**6.4**	**37.5**

5.3.32.5 Inventories and work in progress

In millions of euros	**12/31/2004**	**12/31/2003**
Raw materials	46.9	48.6
Work in progress	24.8	24.5
Finished goods and other materials	68.3	61.1
Total gross value	**140.0** (a)	**134.2**
Provisions for losses	-11.0	-12.3
Net value	**129.0**	**121.9**

(a) including gross value of inventories relating to instrumentation: 32%

5.3.32.6 Accounts receivable

In millions of euros	**12/31/2004**	**12/31/2003**
Accounts receivable	265.4	270.2
Provisions for losses	-11.4	-12.3
Net value	**254.0**	**257.9**

5.3.32.7 Other receivables

In millions of euros	**12/31/2004**	**12/31/2003**
Advances	1.1	1.0
Pre-paid expenses	4.0	4.8
Other receivables	13.1	13.3
Total gross value	**18.2**	**19.1**
Provisions for losses		
Net value of operating receivables	**18.2**	**19.1**
Loan to NBMA		33.2
Other non-operating receivables	19.1	5.1
Total gross value	**19.1**	**38.3**
Provisions for losses	-7.0	-1.8
Net value of non-operating receivables	**12.1**	**36.5**

The maturity of most of the other operating receivables is less than one year.

5.3.32.8 Deferred income tax

Change *In millions of euros*	Deferred tax liabilities	Deferred tax assets	
December 31, 2003	**5.3**	**21.8**	
Translation adjustment		-0.7	
Net change for the year	-0.6	-3.0	
Other movements		0.3	(a)
December 31. 2004	**4.7**	**18.4**	

(a) Reclassification of deferred income tax previously classified as operating tax liability (€0.3 million)

5.3.32.9 Changes in the translation reserve (Group)

In millions of euros	**Dollar** (a)	**Latin America**	**Other**	**TOTAL**
Translation reserve as of December 31, 2003	**-18.1**	**-15.9**	**-6.5**	**-40.5**
Impact of the translation on				
- shareholders' equity at closing exchange rates	-11.0		1.1	-9.9
- net income at average exchange rates	-4.0	-0.2	0.2	-4.0
Total	-15.0	-0.2	1.3	-13.9
Translation reserve on December 31, 2004	**-33.1**	**-16.1**	**-5.2** (b)	**-54.4**

(a) US dollar and related currencies (includes the United States, Canada, China, Australia and Russia)

(b) Including a loss of €2.9 million in the eurozone. The reserve was frozen when the euro exchange rates were set

5.3.32.10 Debt

5.3.32.10.1 Maturity of net debt

In millions of euros	**12/31/2004**	**12/31/2003**
Over five years	0.2	
Two and five years (a)	106.0	162.3
Total long-term debt	**106.2**	**162.3**
Short-term debt confirmed (a)	1.1	45.5
Other short-term debt	23.8	21.6
Total debt	**131.1**	**229.4**
Short-term deposit(b)	-0.7	-34.3
Cash and cash equivalents	-21.2	-16.3
Net indebtedness	**109.2**	**178.8**

(a) Syndicated loan implemented for the acquisition of Organon Teknika Diagnostic mainly

(b) The book value of Short-term deposits is equal to the market value

5.3.32.10.2 Borrowings on assets under capital leases

In millions of euros	**12/31/2004**	**12/31/2003**
Under one year	0.3	0.5
One to five years	0.7	0.7
Over five years	0.2	
Total	**1.2**	**1.2**

5.3.32.10.3 Breakdown of net indebtedness by currency

After taking into account the exchange rate hedging, the indebtedness broken down by currency is as follows:

In millions of euros	**12/31/2004**	**12/31/2003**
Euro zone	123.6	161.7
Other		
Japanese yen	15.3	14.4
UK sterling	3.0	6.9
Indian rupee	3.0	3.5
US dollars	-32.1	-6.0
Swiss francs	-1.0	-3.8
Other currencies	-2.6	2.1
Total	**109.2**	**178.8**

5.3.32.11 Accounts payable and other liabilities

In millions of euros	**12/31/2004**	**12/31/2003**
Accounts payable	**87.1**	**90.9**
Advances and deposits	0.5	0.5
Tax and payroll	85.6	79.4
Deferred income	20.1	17.8
Other	10.2	9.7
Other operating liabilities	**116.4**	**107.4**
Payables on property, plant and equipment	8.4	16.3
Income tax liabilities	10.3	9.0
Other	3.7	1.3
Non-operating liabilities	**22.4**	**26.6**

5.3.33 List of consolidated companies as of December 31, 2005

The following entities are fully consolidated (the percentages of equity and voting rights held are identical).

bioMérieux SA	69280 Marcy l'Etoile - France R.C.S. Lyon B 673 620 399	Parent company
ABG STELLA	1409 Foulk Road, Suite 102, P.O.Box 7108 Wilmington, DE 19803-0108 - USA	100%
bioMérieux West Africa	08 BP 2634 - AbidJan. 08 - Ivory Coast	100%
bioMérieux Germany	Weberstrasse 8 – D 72622 Nürtingen - Germany	100%
bioMérieux Argentina	Av. Congreso 1745 - (C1428BUE) Capital Federal Buenos Aires - Argentina	100%
bioMérieux Australia	Unit 25, Parkview Business Centre - 1 Maitland Place Baulkham Hills NSW 2153 - Australia	100%
bioMérieux Austria	Eduard-Kittenberger-Gasse 97, A-1230 Wien - Austria	100%
bioMérieux Belgium	Media Square - 18-19 Place des Carabiniers - 1030 Bruxelles Belgium	100%
bioMérieux Benelux BV	Boseind 15 - PO Box 23 - 5281 RM Boxtel - Netherlands	100%
bioMérieux Brazil	Estrada Do Mapuá, 491 Jacarepaguá - CEP 22710 261 Rio de Janeiro - RJ - Brazil	100%
bioMérieux BV	Boseind 15 - PO Box 84 - 5281 RM Boxtel - Netherlands	100%
bioMérieux Canada	7815 Henri Bourassa - West - H4S 1P7 Saint Laurent (Québec) Canada	100%
bioMérieux Chile	Seminario 131 - Providencia - Santiago - Chile	100%
bioMérieux China	17/Floor, Yen Sheng Center 64 Hoi Yuen Road, Kwun Tong - Kowloon - Hong Kong - China	100%
bioMérieux Colombia	Avenida 15 n° 100-43 - Piso 2 - Bogota - Colombia	100%
bioMérieux Korea	7th floor Yoo Sung Building #830-67, Yeoksam-dong, Kangnam ku - Seoul - Korea	100%
bioMérieux CZ	Praha 5, Kosire, Jinonickà 80/804 – Czech Republic	100%
bioMérieux Denmark	Smedeholm 13C - 2730 Herlev - Denmark	100%
bioMérieux Spain	Manuel Tovar 45 - 47 - 28034 Madrid - Spain	100%
bioMérieux Finland	Rajatorpantie 41C - 01640 Vantaa - Finland	100%
bioMérieux Greece	Papanikoli 70 - 15232 Halandri - Athens - Greece	100%
bioMérieux Hungary	Foti ut. 56 – HU – 1047 Budapest - Hungary	100%
bioMérieux Inc	100 Rodolphe Street - Durham NC 27712 - USA	100%
bioMérieux India	D-45, Defense Colony - New Delhi 110024 - India	100%

bioMérieux Italy	Via Fiume Bianco, 56 - 00144 Rome - Italy	100%
bioMérieux Japan	Seizan Bldg., 12-28, Kita-Aoyama 2-chome Minato-ku - Tokyo 107-0061 - Japan	100%
bioMérieux Mexico	Chihuahua 88, col. Progreso - Mexico 01080, DF - Mexico	93%
bioMérieux Norway	Økernveien 145 - N-0580 Oslo - Norway	100%
bioMérieux New Zealand	22/10 Airbourne Road - North Harbour – Auckland New Zealand	100%
bioMérieux Poland	ul. Zeromskiego 17 - Warsawa 01-882 - Poland	100%
bioMérieux Portugal	Rua do Alto do Montijo, Lotes 1 e 2 - 2790-012 Carnaxide Portugal	100%
bioMérieux United Kingdom	Grafton Way, Basingstoke - Hampshire RG 22 6HY United Kingdom	100%
bioMérieux Russia	Petrovsko - Razoumovskii proyezd, 29 - Stroyeniye 2 127287 Moscou - Russia	100%
bioMérieux Sweden	Hantverksvagen 15 - 43633 Askim - Sweden	100%
bioMérieux Switzerland	51 Avenue Blanc - Case Postale 2150 - 1211 Genève 2 Switzerland	100%
bioMérieux Thailand	Regent House Bldg, 16th floor - 183 Rajdamri Road – Lumpini Pathumwan - Bangkok 10330 - Thailand	100%
bioMérieux Turkey	Yeni Sahra Mah – Caliskan Sok. N°4. 34746 Kadikoy - Istanbul - Turkey	100%
Stelhys*	69280 Marcy l'Etoile - France	100%

* Dormant company

One company accounted for by the equity method:

Bergerie de la Combe Au Loup	Bazourgues - Boisset St Priest - 42560 St Jean Soleymieux France	20%

5.4 AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

COMMISSARIAT CONTROLE
AUDIT - C. C. A.
43 Rue de la Bourse
69002 Lyon
==========

DELOITTE & ASSOCIES
81 Bd Stalingrad

69100 Villeurbanne

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of bioMérieux for the year ended 31 December 2005.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit. These consolidated financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union. They include comparative information restated in accordance with the same standards in respect of financial year 2004.

5.4.1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and the financial position of the Group as of 31 December 2005 and of the results of its operations for the year then ended in accordance with IFRS adopted by the EU.

5.4.2 Justification of assessments

Pursuant to the Article L.823-9, of the French Commercial Law (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- - As disclosed in notes 1.13 and 14.1 to the consolidated financial statements, provisions to cover Group pension commitments are calculated based on actuarial estimates by experts appointed by the Group companies concerned. Our procedures consisted in examining the data used and assessing the assumptions made by these actuaries.

- - As disclosed in note 1.7 to the consolidated financial statements, your company systematically conducts impairment test for goodwill. We have examined, in particular, the appropriateness of the approach adopted and the data and assumptions used by your company to value goodwill.

- - Finally, the Group raises provision to cover disputes and litigation, as disclosed in notes 1.14 and 14.2 to the consolidated financial statements. Our procedures consisted in assessing the data and assumptions on which these estimates rely, reviewing the information on these risks disclosed in the consolidated financial statements, and examining management's approval procedures for these estimates.

These assessments are part of our audit approach to the consolidated financial statements taken as a whole and therefore contribute to the expression of our opinion given in the first part of this report.

5.4.3 Specific procedures and disclosures

In accordance with professional standards applicable in France, we have also verified the information given in the Group Management Report.

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

Lyon and Villeurbanne, 7 April 2006

THE STATUTORY AUDITORS

COMMISSARIAT CONTROLE AUDIT C.C.A.	**DELOITTE & ASSOCIES**
Bernard Chabanel	**Alain Descoins**

5.5 BIOMERIEUX SA ANNUAL FINANCIAL STATEMENTS FOR FISCAL 2003, 2004 AND 2005

INCOME STATEMENT

In millions of euros	**Jan. 05-Dec. 05 12 months**	**Jan. 04-Dec. 04 12 months**	**Jan. 03-Dec. 03 12 months**
Sales	455.0	382.1	362.8
Other revenues	25.8	23.4	21.2
Net sales	**480.8**	**405.5**	**384.0**
Production included in inventories	4.7	5.6	-0.5
Capitalized production	4.8	4.7	4.9
Total production	**490.3**	**415.8**	**388.4**
Cost of material and supplies	-176.2	-122.9	-109.7
Changes in raw material and instrument inventories	8.0	2.7	0.3
External charges	-89.4	-81.5	-74.1
Added value	**232.7**	**214.1**	**204.9**
Taxes, other than income tax	-12.4	-10.7	-9.8
Payroll and benefits	-141.9	-131.5	-123.0
Gross operating income	**78.4**	**71.9**	**72.1**
Depreciation and provisions	-29.7	-29.7	-27.4
Other operating income (expenses)	-6.3	-1.5	-1.6
Operating income	**42.4**	**40.7**	**43.1**
Financial expenses (net)	-2.9	-3.2	-4.1
Net investment income	21.2	20.8	14.8
Income before exceptional items and taxes	**60.7**	**58.3**	**53.8**
Exceptional items	1.7	-10.7	7.2
Employee profit-sharing	-2.6	-1.2	-3.1
Income tax	-8.5	-5.9	-15.7
Net income	**51.3**	**40.5**	**42.2**
Net income per share (a)	**1.30**	**1.04**	**1.08**

(a) In the absence of dilutive instruments, diluted net income per share is identical to basic net income per share.

BALANCE SHEET

Assets *In millions of euros*	**Net 12/31/2005**	**Net 12/31/2004**	**Net 12/31/2003**
Fixed assets			
. Intangible assets	8.1	8.7	8.9
. Property, plant and equipment	118.2	104.2	92.4
. Financial assets	247.0	256.1	264.2
Total	**373.3**	**369.0**	**365.5**
Current assets			
. Inventories and work in progress	68.7	57.3	48.5
. Accounts receivable	129.3	120.4	109.8
. Other operating receivables	10.0	11.9	9.0
. Non-operating receivables	3.9	12.7	37.7
. Cash and cash equivalents	4.4	1.7	36.2
Total	**216.3**	**204.0**	**241.2**
Foreign currency translation adjustment	**0.9**	**0.4**	**2.6**
Total assets	***590.5***	***573.4***	***609.3***
Liabilities and shareholders' equity	**12/31/2005**	**12/31/2004**	**12/31/2003**
Shareholders' equity (note 5.5.4.2)			
. Share capital (note 5.5.4.1)	12.0	12.0	11.9
. Additional paid-in capital	63.5	63.5	51.1
. Retained earnings	162.4	141.2	133.3
. Statutory provisions and grants	23.9	15.5	10.3
. Net income for the year	51.3	40.5	42.2
Total	**313.1**	**272.7**	**248.8**
Provisions (note 5.5.5)	**32.0**	**30.1**	**21.3**
Liabilities			
. Financial debt	99.1	145.1	216.4
. Accounts payables	76.1	65.0	54.0
. Other operating liabilities	55.9	51.0	48.0
. Non-operating liabilities	13.7	8.9	19.9
Total	**244.8**	**270.0**	**338.3**
Foreign currency translation adjustment	**0.6**	**0.6**	**0.9**
Total liabilities and shareholders' equity	***590.5***	***573.4***	***609.3***

STATEMENT OF CHANGE IN NET INDEBTEDNESS

In millions of euros	Jan 05-Dec 05 12 months		Jan 04-Dec 04 12 months		Jan 03-Dec 03 12 months	
Net income	51.3		40.5		42.2	
Depreciation, amortization and provisions, net	26.0		41.2		22.4	
Net realized capital gains (losses)	0.2		0.3		0.2	
Loss on merger	2.2	(1)				
Cash flow from operating activities	**79.7**		**82.0**		**64.8**	
Decrease (increase) in inventories	-12.8		-8.4		0.2	
Decrease (increase) in accounts receivable	-8.9		-11.0		8.9	
Increase (decrease) in accounts payable and other operating working capital	17.4		13.1		-0.7	
Decrease (increase) in operating working capital requirements	**-4.3**		**-6.3**		**8.4**	
Increase (decrease) in income tax payable	8.4		8.1		-2.0	
Other	4.7		-8.9		-1.9	
Decrease (increase) in working capital requirements	**8.8**		**-7.1**		**4.5**	
Net cash flow from operations	**88.5**		**74.9**		**69.3**	
Capital expenditures	-33.1		-34.5		-30.9	
Sale of property, plant and equipment	0.8		0.6		0.4	
Change in net payables related to fixed assets	1.5		-7.3		2.3	
Investment securities	-11.7	(2)			-2.0	(3)
Loans and advances to affiliates	20.1		12.8		4.5	
Loans and advances to TSGH and NBMA			7.8	(4)	8.7	(5)
Increase in other financial fixed assets	-1.8		-0.1			
Net cash flow from (used in) investment activities	**-24.2**		**-20.7**		**-17.0**	
Equity issues and other paid-in capital from mergers			13.0	(6)		
Other changes in shareholder's equity			-0.4			
Dividends	-15.8		-30.0	(7)	-19.0	
Special 2.5% tax on special reserve for long-term capital gains	-0.2					
Net cash flow from (used in) shareholder's equity	**-16.0**		**-17.4**		**-19.0**	
Change in net debt (Excluding exchange rate effects)	**48.3**		**36.8**		**33.3**	
Analysis of change in net indebtedness						
Net **indebtedness** at the beginning of the year	143.4		180.2		213.8	
Impact of currency fluctuations on net **indebtedness**	-0.4		-0.1		-0.3	
Change in net indebtedness:	**-48.3**		**-36.8**		**-33.3**	
- Confirmed facilities	*-99.7*		*-36.2*		*-28.2*	
- Cash and other bank deposits	*51.4*		*-0.6*		*-5.1*	
Net debt from mergers			0.1	(8)		
Net indebtedness at the end of the year	**94.7**		**143.4**		**180.2**	

(1) Loss on the Apibio merger
(2) Including purchases of new shares issued by bioMérieux Brazil (€6.3 million) and ExonHit (€4 million) and purchase of existing bioMérieux Japan shares (€1.3 million)
(3) Organon Teknika BV price adjustment (€4.6 million euros), purchase of new shares issued by Apibio (€2.4 million euros), bioMérieux Turkey (€2.3 million), bioMérieux Colombia (€1.8 million)
(4) Repayment of debt by TSGH (prior to the merger)
(5) Transactions related to the loan extended to NBMA
(6) Offering of new shares to employees, in connection with IPO
(7) Distribution of dividends decided by the shareholders' meeting of June 9, 2005
(8) Net indebtedness of NBMA on the date of its merger

5.5.1 Preliminary remarks

5.5.1.1 Merger with Apibio

Apibio SA, a wholly-owned subsidiary of bioMérieux SA, was merged into bioMérieux SA, as provided for in a merger agreement dated March 22, 2005 approved by the shareholders' meeting of June 9, 2005 .

Apibio SA's merger into bioMérieux SA was made retroactive to January 1, 2005.

A loss on cancelled shares (€2.2 million), was recognized in financial income, as prescribed by new regulations on mergers in effect since January 1, 2005.

5.5.1.2 Changes in accounting methods

Effective January 1, 2005, the Company has applied regulation CRC 2002-10 on the depreciation and impairment of assets and regulation CRC 2004-06 on the definition, recognition and measurement of assets.

These changes in accounting method had an impact of €4.4 million on shareholder's equity at the beginning of the period due to asset depreciations (see note 5.5.4.2), and of €3 million due to the recognition of inventories in the suppliers.

5.5.2 Notes to the financial statements and accounting principles

The financial statements have been prepared in accordance with French Accounting Rules Board (*Comité de la Réglementation Comptable*) regulation 99-03 of April 29, 1999.

5.5.2.1 Intangible fixed assets

Intangible assets consist of patents and licenses, most of which are amortized over a five-year period, and computer software, which is amortized over its probable useful life of three to six years.

Assets are valued at cost (purchase price and directly attributable expenses, exclusive of acquisition fees).

Intangible assets acquired in consideration for the payment of royalties on sales are valued at the time of acquisition on the basis of an estimate of royalty proceeds over the period in which they are in effect. Their value is subsequently adjusted to reflect actual royalties.

5.5.2.2 Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at its purchase price or production cost.

In accordance with the new rules regarding assets, which went into effect on January 1, 2005, components are recognized and depreciated separately whenever their cost is material to the aggregate cost of the asset and their useful life is not the same as that of the main asset.

The only fixed assets for which this applies are buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of various categories of assets, which mainly consist of:

Equipment and tools	3-10 years
Instruments *	3-5 years

* Instruments placed with customers or used internally

Buildings are depreciated in accordance with the component method:

Building shells	30-40 years
Finishing work, fixtures and fittings	10-20 years

When the new rules on assets were first applied, a retrospective calculation showed that there was excess accumulated deprecation of €4.4 million at the start of the period, which was adjusted as follows:

Net reversals of depreciation	€4.4 million
Accelerated depreciation	€7.7 million
Net	€3.3 million

This resulted in a reduction of €0.3 million in the depreciation allowance for the year.

When there is a risk that a tangible fixed asset has lost value due to events or changes in market conditions, the net value of these assets is analyzed. If its fair value is less than its net book value, an exceptional provision is recognized to align the book value with the fair value.

5.5.2.3 Financial assets

Financial assets are recorded at their acquisition cost.

A provision is recognized when the utility value of investments falls below their net book value. It is calculated by taking into account revenue, debt and the technological and real estate assets of the investments .

The value of other investments may be depreciated if their market value falls below their purchase price. In particular, listed securities are recognized at their average trading price over the last month of the fiscal period.

5.5.2.4 Treasury shares

The Company has signed a market-making agreement with an investment firm for the purpose of maintaining an orderly market in its shares. Treasury shares are recognized in the balance sheet under other financial assets and are measured at their average trading price for the last month of the year.

5.5.2.5 Inventories

Inventories are evaluated at cost or net realizable value, if lower.

Inventories of raw materials and consumables are valued at their purchase price plus related expenses, using the FIFO (first-in-first-out) method. Work-in-progress and finished goods are valued at their standard production cost, adjusted by variances recorded during the year.

5.5.2.6 Cash and cash equivalents

This line includes immediately available cash balances as well as short-term investments.

5.5.2.7 Provisions

Provisions for risks and charges are recognized in accordance with Regulation C.R.C. 2000-06 on measurement liabilities.

5.5.2.8 Contractual retirement payments

The Company has not opted to recognize its liabilities for retirement bonuses, which are estimated in a manner consistent with the actuarial and accounting principles of IAS 19.

5.5.2.9 Foreign currency translation principles

Transactions in foreign currencies are translated at the time of the transactions at the cumulative average exchange rate for the period of the transaction. Currency translation gains and losses arising from exchange rate differences between the transaction date and the payment date are classified under the corresponding income statement items (sales and purchases for commercial transactions).

Receivables and liabilities in foreign currencies are translated at the exchange rates in effect at the end of the period or, if they have been hedged, at the hedge rate. Differences resulting from this valuation are reported on the balance sheet in “foreign currency translation adjustment” accounts. A provision is recognized for unrealized foreign-exchange losses and charged to the sales or purchases whenever the liability or receivable concerns a commercial transaction.

Unrealized foreign exchange gains and losses may be offset when they are in the same currency, concern the same third party and have nearby maturities.

5.5.2.10 Dividends received

Dividends received are recognized net of tax withholding in the countries where they originate.

5.5.2.11 Research and development

Research and development expenditure is recognized as expenses for the period in which they are incurred.

5.5.2.12 Net income per share

Basic net income per share is obtained by dividing net income by the weighted average number of shares outstanding during the period.

5.5.2.13 Financial instruments

Financial instruments are used solely as hedges, to reduce the impact of currency and interest rate fluctuations on existing assets or liabilities at the end of the period or on future transactions.

5.5.2.14 Statement of change in net indebtedness

The statement of change in net indebtedness reports changes in the Company's financial debt, meaning all loans and financial debts, regardless of their maturity, less cash and cash equivalents.

It lists separately:

- cash flow from operations,
- cash flow from investing activities,
- cash flow from equity financing.

Cash flow from operating activities for the year is the aggregate of net income, depreciation allowances, net additions to provisions (for current assets and for risks and charges), net of capital gains or losses on disposals of assets.

5.5.2.15 Consolidated Group

The Company prepares consolidated financial statements which consolidate fully the annual financial statements of its subsidiaries in full whenever bioMérieux effectively controls them, and which use the equity method for those in which the Company has a significant influence.

The Company is in turn fully consolidated by Mérieux Alliance SA (17 Rue Bourgelat, 69002 - Lyon)

5.5.2.16 Tax consolidation

Since January 1, 2005, bioMérieux SA has been the parent company of a tax consolidation of bioMSA and Stella, which is consolidated for tax purposes.

5.5.3 Consolidated entities as of December 31, 2005

See table below

	Share capital (currency millions)		Reserves and retained earnings before income allocation (currency millions)	Percentage of equity held	Book value of shares held, before impairment depreciation (In millions of euros)	Book value of shares held, after impairment depreciation (In millions of euros)	Outstanding loans and advances by the Company (In millions of euros	Revenue for the last fiscal year (currency millions)	Net income for the last fiscal year (currency millions)	Dividends received by the Company during the year (In millions of euros)	Notes
A - SUBSIDIARIES (50% or more of the equity held by bioMérieux):											
. ABG Stella	USD	0.0	287.4	100.0%	55.5	55.5		475.7	55.2	15.1	01/01/05 - 12/31/05
. bioMérieux West Africa	EUR	0.1	0.1	100.0%	0.1	0.1		0.4	0.0		01/01/05 - 12/31/05
. bioMérieux Argentina	ARS	4.7	3.2	99.0%	7.0	4.7		27.0	2.4		01/01/05 - 12/31/05
. bioMérieux Colombia	COP	502.9	11 595.7	99.0%	2.2	2.2		23 701.9	2 097.5	0.6	01/01/05 - 12/31/05
. bioMérieux Brazil	BRL	29.1	10.6	99.9%	24.0	21.2		72.8	0.2		01/01/05 - 12/31/05
. bioMérieux Germany	EUR	3.5	2.9	100.0%	3.8	3.8	2.3	47.9	1.1	1.8	01/01/05 - 12/31/05
. bioMérieux Austria	EUR	0.1	1.9	100.0%	0.1	0.1		13.7	1.2	1.5	01/01/05 - 12/31/05
. bioMérieux Belgium	EUR	0.3	2.7	99.9%	0.3	0.3		22.2	1.0	1.5	01/01/05 - 12/31/05
. bioMérieux Chile	CLP	1 686.6	58.6	100.0%	3.1	3.1		3 524.1	335.0		01/01/05 - 12/31/05
. bioMérieux Korea	KRW	1 000.0	1.521.1	100.0%	0.7	0.7		14 417.5	1.357.7		01/01/05 - 12/31/05
. bioMérieux Denmark	DKK	0.5	3.8	100.0%	0.5	0.5	0.5	28.8	0.4		01/01/05 - 12/31/05
. bioMérieux Finland	EUR	0.0	0.2	100.0%	0.1	0.1		2.8	0.1		01/01/05 - 12/31/05
. bioMérieux Greece	EUR	2.0	0.5	100.0%	4.1	4.1	1.5	12.9	0.8		01/01/05 - 12/31/05
. bioMérieux Benelux BV	EUR	0.0	2.6	100.0%	0.1	0.1	1.6	27.6	0.9	0.9	01/01/05 - 12/31/05
. bioMérieux China	HKD	1.5	61.5	50.0%	0.1	0.1		239.3	17.2		01/01/05 - 12/31/05
. bioMérieux Hungary	HUF	3		96.7%							1st year
. bioMérieux India	INR	60.8	-32.4	100.0%	1.4	1.4		515.3	30.5		01/01/05 – 12/31/05
. bioMérieux Italy	EUR	9.0	10.5	100.0%	12.8	12.8	29.4	87.7	2.9		01/01/05 – 12/31/05
. bioMérieux Japan	JPY	480.0	-1 155.0	100.0%	5.9	5.9	6.5	4 748.0	236.1		01/01/05 – 12/31/05
. bioMérieux Spain	EUR	0.2	11.7	100.0%	0.3	0.3	2.6	41.4	2.6	2.0	01/01/05 – 12/31/05
. bioMérieux Norway	NOK	2.8	3.2	100.0%	0.3	0.3		41.3	2.4		01/01/05 – 12/31/05
. bioMérieux Poland	PLN	0.4	43.2	100.0%	1.5	1.5		91.5	11.8		01/01/05 – 12/31/05
. bioMérieux Portugal	EUR	1.6	9.4	100.0%	2.0	2.0		19.6	0.9	1.3	01/01/05 – 12/31/05
. bioMérieux Czech Republic	CZK	0.2		100.0%							1st year
. bioMérieux Russia	USD	0.3	0.2	100.0%	0.2	0.2		5.5	-0.3		01/01/05 – 12/31/05
. bioMérieux Sweden	SEK	0.5	3.3	100.0%	0.2	0.2		31.1	1.1		01/01/05 - 12/31/05
. bioMérieux Switzerland	CHF	0.4	2.1	100.0%	0.6	0.6		21.9	1.0	0.8	01/01/05 - 12/31/05
. bioMérieux Thailand	THB	35.0	23.9	99.99%	0.9	0.9	0.2	238.6	15.9		01/01/05 - 12/31/05
. bioMérieux Turkey	EUR	2.9	7.1	100.0%	2.7	2.7		17.8	3.2	0.4	01/01/05 - 12/31/05
. bioMérieux England	GBP	0.0	5.9	100.0%	1.2	1.2	2.5	29.3	2.0	0.9	01/01/05 - 12/31/05
. bioMérieux BV	EUR	22.7	-17.1	100.0%	53.3	53.3	9.3	29.2	-7.5		01/01/05 - 12/31/05
. bioMérieux Stelhys	EUR	1.4	-1.6	100.0%	1.4	0.0		0.0	0.0		01/01/05 - 12/31/05
. Stella	EUR	0.0	0.0	100.0%	0.0	0.0		0.0	0.0		01/01/05 - 12/31/05
B – INVESTMENTS (5% to 50% of the equity held by bioMérieux)											
. Théra Conseil	EUR	0.0	0.2	14.9%	0.0	0.0		1.7	0.1	0.0	01/01/04 - 12/31/04
. Bergerie Combe aux Loups	EUR	0.1	0.6	20.0%	0.0	0.0	0.0	3.3	0.1	0.0	01/01/05 - 12/31/05
. Inodiag	EUR	0.1	1.3	10.2%	0.6	0.6		0.0	-0.7		01/01/05 - 12/31/05
. Exonhit	EUR	0.4	16.0	6.01%	4.0	4.0		4.5	-4.2		01/01/05 - 12/31/05
TOTAL SUBSIDIARIES AND INVESTMENTS					**191.2**	**184.6**					
C – OTHER INVESTMENTS											
. Sofinnova Ventures II NV	USD	1.0	-0.3	1.0%	0.0	0.0		N/A	0.3		01/01/05 - 12/31/05
. Europroteome AG	EUR			8.8%	2.0	0.0					In liquidation
. Sofinnova IV	USD	70.6	-59.5	0.57%	0.3	0.1		0.0	-0.3		01/01/05 - 12/31/05
. Altabiopharma	USD	124.4	-10.5	0.94%	0.4	0.1		0.0	3.1		01/01/05 - 12/31/05
. Dynavax	USD	159.2	-109.6	1.4%	4.4	1.5		14.1	-11.8		Period ended 30/09/05
. Oscient Pharma	USD	365.6	-320.5	0.9%	3.5	1.3		14.1	-71.5		Period ended 30/09/05
. Orphan Pharma International	EUR	0.5	10.5	5.02%	0.7	0.7		10.9	0.4		01/01/05 - 12/31/05
. Avesthagen	INR	29.4	15.2	5.95%	1.4	1.4		106.5	9.5		01/04/04 – 31/03/05
Total other invesments					**12,7**	**5,1**					
TOTAL					**203,9**	**189,7**					

5.5.4 Shareholders' equity

5.5.4.1 Share capital

Since July 23, 2004, share capital has amounted to €12,029,370, divided into 39,453,740 shares, of which 80,266 are entitled to double voting rights. All references to the par value of shares were deleted by decision of the shareholders' meeting of March 19, 2001. There were no potentially dilutive rights outstanding on December 31, 2005.

The number of shares outstanding did not change during fiscal 2005.

As of December 31, 2005, the parent company held 4,000 of its own shares under a market-making agreement with an independent intermediary (see note 5.3.1.22). The Company bought 84,358 of its own shares during fiscal 2005 and sold 81,958.

5.5.4.2 Statement of changes in consolidated shareholders' equity

In millions of euros	**Share capital**	**Additional paid-in capital**	**Retained earnings**	**Statutory provisions**	**Grants**	**Total**
December 31, 2003	**11.9**	**51.1**	**175.5**	**10.2**	**0.1**	**248.8**
Net income for the year			40.5			40.5
Impact of NBMA merger			-4.3			-4.3
Capital increase	0.1	12.4				12.5
Dividends			-30.0			-30.0
Other movements				5.2		5.2
December 31, 2004	**12.0**	**63.5**	**181.7**	**15.4**	**0.1**	**272.7**
Net income for the year			51.3			51.3
Impact of new regulation			-3.3	7.7		4.4
Dividends			-15.8			-15.8
Other movements			-0.2	0.7		0.5
December 31, 2005	**12.0**	**63.5**	**213.7**	**23.8**	**0.1**	**313.1**

5.5.5 Provisions for risks and charges

In millions of euros	Other employee benefits	Product warranties (a)	Other contingencies	Total
December 31, 2003	**4.0**	**0.4**	**16.9**	**21.3**
Allowances		0.5	10.6	11.1
Reversal (used)	-0.1	-0.4	-3.7	-4.2
Reversal (unused)				
Net allowances	-0.1	0.1	6.9	6.9
NBMA merger	0.2		1.7	1.9
December 31, 2004	**4.1**	**0.5**	**25.5**	**30.1**
Allowances	1.0	0.7	9.1	10.8
Reversal (used)		-0.5	-2.0	-2.5
Reversal (unused)			-6.4	-6.4
Net allowances	1.0	0.2	0.7	1.9
December 31, 2005	**5.1**	**0.7**	**26.2** (b)	**32.0**

(a) Estimate of the costs likely to be incurred for instruments sold under warranty over the remaining warranty period.
(b) Including litigation provisions of €23.3 million and provisions for restructuring charges of €0.1 million. For reasons of confidentiality, the breakdown between litigation cases is not disclosed.

5.5.5.1 Other employee benefits

These provisions include €4.9 million set aside for long service payments, calculated in accordance with IAS 19. The actuarial assumptions used take into consideration the staff's length of service, turnover rate and life expectancy, as well as projected pay increases of 3 % annually and a discount rate of 4.5 %.

5.5.5.2 Provisions for risks and charges

The Group is not aware of any exceptional circumstances or litigation that may have a substantial impact on its activity.

Provisions are recognized for identified probable liabilities that can be evaluated with sufficient accuracy. Provisions for litigation, which cover all disputes in which the Company is involved, amounted to €23.3 million on December 31, 2005.

The main litigations in progress are:

Litigation cases pertaining to the use of patents related to AIDS

The dispute concerns the patents for AIDS screening held by the Institut Pasteur, some of which have been licensed under exclusive agreements with Bio-Rad Pasteur.

- In 1989, Bio-Rad granted Cambridge Biotech (CBC) a sub-license to certain HIV2-testing patents for a price lower than that charged to bioMérieux in 1993. bioMérieux acquired CBC in 1996 and has paid this preferential rate since then. Bio-Rad Pasteur and Institut Pasteur are seeking payment of license fees under the 1993 contract, along with damages. They are also suing bioMérieux for infringement in a separate case. bioMérieux believes that it has been entitled to use Cambridge Biotech's 1989 license since 1996 and will continue to defend itself in this litigation.

- In a related development, Institut Pasteur sued bioMérieux in September 2005, claiming that some of the Company's HIV1 products infringed its patents. The charges are being carefully examined by bioMérieux, which will respond accordingly.

Because the patents concerned have expired or are near expiration, the Company does not believe that any of the above litigation is liable to have an adverse impact on future revenue.

D.B.V. Litigation

On May 5, 2004 the Paris Court of Appeals found against bioMérieux SA in an infringement suit brought by Diffusion Bactériologie du Var ("D.B.V.") in the courts of Lyon, on the ground that the "Mycoplasma IST" kit sold by the Company infringed one of DBV's patents. The Company was ordered to pay compensation and penalties, the amount of which is to be determined. The Company decided to stop selling the kits in France. However, it believes it has solid grounds for appeal and has asked the Court of Cassation to overturn the May 5 decision.

International Microbio and D.B.V. have filed similar infringement suits against the Company's subsidiaries in Italy, Germany and Spain. As of the date of this note, this has resulted in two opposite decisions. In Germany, the courts before which the infringement case was brought ruled in favor of the plaintiffs, forcing the Company to suspend sales of the product concerned. The decision has been appealed and another German court must still rule on the validity of the patent. In Italy, a court dismissed all complaints by International Microbio and D.B.V., ruling that the patent was invalid and that there had been no infringement.

In the opinion of bioMérieux, overall revenue would not be materially affected by restrictions on the sale of this kit, should the outcome of the proceedings go against the Company.

Dispute with Wiener (Argentina)

The dispute between bioMérieux SA and Wiener concerning damages for the unilateral breach by Biotrol of a distribution contract was settled with the payment by bioMérieux of €0.8 million in compensation. A provision of €0.7 million had been recognized in this connection on December 31, 2004.

5.5.5.3 Restructuring charges

These provisions cover personnel costs (severance payments, notice, etc.), rent on vacant premises, inventories written off and penalties for breach of supply contracts.

On December 31, 2005, this provision corresponded to charges expected for the transfer of the Moulin à Vent facility to Grenoble.

5.6 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

COMMISSARIAT CONTROLE
AUDIT - C. C. A.
43, Rue de la Bourse
69002 LYON
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DELOITTE & ASSOCIES
81 Bd Stalingrad

69100 VILLEURBANNE
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This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended 31 December 2005, on:

- the audit of the accompanying financial statements of bioMérieux,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

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

5.6.1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the company as at 31 December 2005 and the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying the above opinion, we draw your attention to the change in accounting method during the year, as described in Note 1-2 to the financial statements, arising from the first-time application, as at 1 January 2005, of the component approach with respect to property, plant and equipment.

5.6.2 Justification of our assessments

Pursuant to the Article L. 823-9 of the French Company Law (Code de Commerce) relating to the justification of our assessments, we hereby inform you of the following matters:

- As described in Note 2-3 to the financial statements, your company writes down its investments when the value in use is lower than the net carrying amount. Our procedures consisted in assessing the validity of the methodology applied, as well as the assumptions and data used by your company to value these investments and reviewed the calculations performed.

- - Your company also recognises provisions for litigation, as described in Notes 2-7 and 15-2 to the financial statements. Our procedures consisted in assessing the data and assumptions on which these estimates rely, reviewing the information on these risks disclosed in the financial statements, and examining management's approval procedures for these estimates.

These assessments are part of our audit approach to the financial statements taken as a whole and therefore contribute to the expression of our opinion given in the first part of this report.

5.6.3 Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

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

In accordance with the law, we verified that information relating to acquisition of investments and controlling interests and the identity of the shareholders were disclosed in the management report.

Lyon and Villeurbanne, 7 April 2006

THE STATUTORY AUDITORS

COMMISSARIAT CONTROLE AUDIT C.C.A.	**DELOITTE & ASSOCIES**
Bernard Chabanel	**Alain Descoins**

5.7 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

Commissariat Contrôle
Audit - C.C.A
43 rue de la Bourse
69002 LYON

Deloitte & Associés
Immeuble Park Avenue
81 boulevard de Stalingrad
69100 VILLEURBANNE

In our capacity as statutory auditors of your company, we hereby report on the agreements involving members of the Board of Directors.

Agreements authorised during the current year

Pursuant to Article L.225-40 of the French Company Law (Code de Commerce), we have been informed of the agreements which have received the prior authorisation of the Board of Directors.

The terms of our engagement do not require us to identify such agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article 92 of the decree of 23 March 1967, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France. These standards require that we conduct procedures in order to agree the information provided to us with the relevant source documents.

With Biomerieux Inc.

~~Director concerned~~: Christophe Merieux.

~~Nature and purpose~~: During fiscal year 2005, your company acquired all the shares of Biomerieux Japan held by Biomerieux Inc., thus increasing its interest from 75% to 100%.

~~Terms and conditions~~: The purchase price of these shares amounted to $1,600,000, or €1,334,334.

With Biomerieux Thailand

~~Legal entity concerned~~: Biomerieux SA.

~~Nature and purpose~~: As part of the restructuring of the Group's activities in Southeast Asia and following the closing of the philippines sales office, your company sold various office furniture and equipment to Biomerieux Thailand, as well as receivables related to said sales office.

~~Terms and conditions~~: The sale price for these assets amounted to €128,076.

With Merieux Alliance

Directors concerned: Messrs Alain Merieux, Christophe Merieux, Alexandre Merieux and Philippe Villet.

Nature and purpose: Your company entered into an IT and telephone service agreement with Merieux Alliance for a term of one year and thereafter tacitly renewable for an identical period. The re-invoicing of these IT services by your company includes a 10% margin, while an annual lump sum of €1,500 has been set for the telephone service.

Terms and conditions: With respect to fiscal year 2005, the total amount invoiced by your company amounts to €74,625.

With Thera McCann

Legal entity concerned: Biomerieux SA

Nature and purpose: Your company entered into a two-year agreement with Thera McCann with respect to advisory, assistance and implementation services in the area of promotional communication. The invoicing by Thera McCann is based on services provided with the possibility of discounts according to annual revenue.

Terms and conditions: With respect to fiscal year 2005, your company was invoiced by Thera McCann in the amount of €854,100.

With Silliker

Directors concerned: Messrs Alain Merieux and Alexandre Merieux.

Nature and purpose: Your company entered into an IT hosting agreement with Silliker. The agreement, which excludes operational responsibility, is set to expire at the end of 2006 with the possibility of extension.

Terms and conditions: This agreement had no impact during fiscal year 2005.

With Fondation Rodolphe Merieux

Directors concerned: Messrs Alain Merieux, Alexandre Merieux and Christophe Merieux.

Nature and purpose: Your company entered into a humanitarian patronage agreement with Fondation Rodolphe Merieux with respect to a one-year mission in Cambodia. As part of the agreement, your company will be responsible for the project managership relating to the settlement of a technical platform and for the direct payment on behalf of the Fondation of certain invoices issued by suppliers for the purpose of such settlement.

Terms and conditions: The costs relating to project managersheep incurred by your company have been deducted from the annual subsidies garanted to the Fondation. Furthermore, your company has paid in advance €658,014 to the Fondation.

With Transgene

Directors concerned: Messrs Alain Merieux, Christophe Merieux and Philippe Archinard.

Nature and purpose: Your company has transferred certain immunotherapy research and development programs to Transgene so as to redirect them towards applications likely to ensure better long-term development. The transfer includes patents and shares in patents held by Biomerieux.

Terms and conditions: The transfer was valued at €150,000, mainly representing the expenses incurred by your company relating to the transferred patents. An earn-out clause is provided for under the form of milestones based on the reach of certain phases of development and/or of regulatory registrations and of royalties on future sales.

Agreements approved during previous years and having continuing effect during the current year

In addition, pursuant to the decree of 23 March 1967, we have been advised that the following agreements entered into and approved in previous years have had continuing effect during the year.

With Merieux Alliance (formerly Accra)

Nature and purpose: Merieux Alliance has the possibility of using the family name "Merieux" for identified activities that are distinct from those of your company, provided such use is not detrimental to the interests of your company. Merieux Alliance may also be granted the exclusive use of the family name "Merieux" should your company come to be controlled by a third party not wishing to conserve the corporate name.

Terms and conditions: This agreement had no impact during the fiscal year.

Nature and purpose: Your company entered into a service agreement with Merieux Alliance as of 1 January 2002. The remuneration is based on services rendered by Merieux Alliance (expenses and personnel costs plus 8%).

Terms and conditions: With respect to fiscal year 2005, your company recorded an expense of €1,582,280.

Nature and purpose: Your company initiated a common defined benefit pension plan for managers with a professional classification coefficient of 800, within the meaning of the national collective agreement governing the pharmaceutical industry. Following the group restructuring, Merieux Alliance employees were eligible to become plan beneficiaries. The purpose of the agreement therefore was to secure the membership of Merieux Alliance.

Terms and conditions: Alain Merieux was the plan's sole beneficiary. The agreement was terminated and no amount was paid in 2005.

With Fondation Rodolphe Merieux

Nature and purpose: Your company entered into a humanitarian patronage agreement with Fondation Rodolphe Merieux. The amount paid is subject to annual approval by the Board of Directors.

Terms and conditions: With respect to fiscal year 2005, your company recorded an expense of €1,052,500.

With Biomerieux Inc.

Nature and purpose: Your company entered into a molecular biology joint development agreement with Biomerieux Inc. A contract dated 11 October 1996 sets forth the terms of cooperation between the research teams of your company and those of Biomerieux Inc.

Terms and conditions: This agreement had no impact during the fiscal year.

With Biomerieux Stelhys and Transgene

Nature and purpose: Your company entered into a three-party memorandum of agreement relating to multiple sclerosis with Biomerieux Stelhys and Transgene, the terms and conditions of payment attaching to this agreement being agreed between the parties prior to any direct or indirect commercial exploitation.

Terms and conditions: This agreement had no impact during the fiscal year.

With Biomerieux Stelhys

Nature and purpose: Your company entered into a non-exclusive licensing agreement relating to multiple sclerosis with Biomerieux Stelhys, the terms and conditions of payment attaching to this agreement being agreed between the parties prior to any direct or indirect commercial exploitation.

Terms and conditions: This agreement had no impact during the fiscal year.

With Fondation Merieux

Nature and purpose: Your company entered into an agreement to provide support to Fondation Merieux, under which it pledges to contribute to the financing of the foundation's activities.

Terms and conditions: With respect to fiscal year 2005, your company’s contribution amounted to €352,500.

Nature and purpose: Your company entered into an administrative assistance agreement with Fondation Merieux, dated 26 April 2002. Under the agreement, management of the Hurriet law protocols is remunerated based on a 12% deduction from the cumulative amount of compensation paid by your company.

Terms and conditions: This agreement had no impact during the fiscal year.

With Silliker Group Corp

Nature and purpose: Your company entered into a corporate services agreement dated 4 January 1999.

Terms and conditions: With respect to fiscal year 2005, your company invoiced Silliker Group Corp in the amount of €7,347.

With Transgene

Nature and purpose: Transgene conducts research for your company involving the production of preclinical batches of poxvirus vectors (MVA-TAT-REV programme).

Terms and conditions: This agreement had no impact during the fiscal year.

Nature and purpose: Transgene conducts research for your company involving the construction of a vector (MCA.HCV 1). As set forth in the contract of 19 January 2004, Transgene re-invoices your company for the time spent by researches and technicians.

Terms and conditions: This agreement had no impact during the fiscal year.

Lyon and Villeurbanne, 10 April 2006
The Statutory Auditors

Commissariat Contrôle Audit C.C.A.	Deloitte & Associés
Bernard Chabanel	Alain Descoins

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

5.8 BOARD OF DIRECTORS' REPORT ON ACTIVITIES BEFORE THE ANNUAL AND SPECIAL SHAREHOLDERS' MEETING OF JUNE 9, 2005

5.8.1 General management

Pursuant to article 148 of the Decree of March 23, 1967, the board of directors has decided to combine the position of chairman of the board of directors and chief executive officer, as provided by article L. 225-51-1 of the Commercial Code. Accordingly, Mr. Alain Mérieux, Chairman of the Board of Directors, is also the Company's Chief Executive Officer.

5.8.2 Position and business of the Company

The main highlights of the year ended December 31, 2005 were as follows:

5.8.2.1 Activity

See section 5.2.2 above.

5.8.2.2 New products

Sales of instruments represented 11.8% of total sales, up from 10.4% in 2004. The increase was primarily accounted for by the rapid development of VITEK®2 Compact, which was successfully brought out in the leading European markets during the first half, then successively in the United States, Japan and the rest of the world during the second half.

The Company also started marketing its easyMAG™ automated extraction system for molecular biology and TEMPO® automated system for industrial applications, and it installed the first VIDIA® immunoassay system. The last two systems have only had a very limited impact on 2005 sales. Their contribution to sales is expected to remain marginal in 2006, because of the need to build up an installed base and develop the menu of associated reagents.

Reagent sales accounted for 83.8% of revenue in 2005 (85.4% in 2004) and services for 4.4% (4.2% in 2004). A total of 29 new reagents and software programs were released in 2005 in all product lines.

5.8.2.3 Key alliances and partnerships

See section 4.4.5 and 4.7 above.

5.8.2.4 Industrial developments and capital expenditures

The Company continued to initiate capital projects in support of its development and with the aim of bringing out new systems. Capital expenditures amounted to €82 million, in line with the previous year's budgets. Almost half of the total (€38 million) was accounted for by the cost of instruments on consignment with clients, the balance (approximately €44 million) representing industrial investments at all facilities.

5.8.2.5 Food and Drug Administration

See section 4.6.2 - Audits

5.8.2.6 Legal Proceedings

See section 4.9 “Legal proceedings” above.

5.8.2.7 Corporate patronage

See section 6.2.4

5.8.3 Recent events / Prospects

See section 7 below.

5.8.4 Research and Development

5.8.4.1 Strategy

See section 4.4.1 above.

5.8.4.2 Research and development projects

See section 4.4.3 above.

5.8.5 Ownership – subsidiaries and investments

5.8.5.1 Ownership on December 31, 2005

The table below shows the ownership and control of the Company on the dates indicated.

	Situation on December 31, 2004			Situation on December 31, 2005		
Shareholders	**Number of shares**	**% of share capital**	**% of voting rights**	**Number of shares**	**% of share capital**	**% of voting rights**
Mérieux Alliance (formerly ACCRA)*	23,240,090	58.90	58.78	23,240,090	58.90	58.79
Wendel Investments	1,197,317	3.04	3.03	****	****	****
GIMD**	2,013,470	5.10	5.09	2,013,470	5.10	5.09
Public	10,493,573	26.60	26.54	11,865,381	30.08	30.22
Other***	2,509,290	6.36	6.56	2,334,799	5.92	5.90
Total	**39,453,740**	**100%**	**100%**	39,453,740	100%	100%

* Mérieux Alliance SA is the Mérieux family’s holding entity. Its principal shareholders are Alain Mérieux, Doctor Christophe Mérieux and Alexandre Mérieux, and the Rodolphe Mérieux Foundation at Institut de France, pursuant to an endowment authorized on February 10, 2005.

** Groupe Industriel Marcel Dassault (Marcel Dassault Industrial Group)

*** Prior to the initial public offering of July 6, 2004, “Other shareholders” consisted mainly of certain senior executives who held Company shares; on December 31, 2004, this also included the employees owning shares through funds, treasury shares held in connection with the market-making agreement, as well as other registered shareholders, including Company officers; no single shareholder held more than 5 % of the shares outstanding or voting rights.

**** WENDEL Investissement’s shares of the Company ceased to be registered in 2005 and the Company is accordingly not able to provide information on the number of shares held by WENDEL Investissement on December 31, 2005.

5.8.5.2 Equity investments

See section 3.1.15 above.

5.8.5.3 Acquisitions

See section 3.1.15 above.

5.8.6 Organization chart

The organization chart is included in section 3.1.14 of this document; the 2005 results of subsidiaries are summarized in the table showing subsidiaries and investments in section 5.5.3 of this document.

5.8.7 Employee stock ownership

As required by article L. 225-102 of the Commercial Code, we hereby inform you that, at the close of the fiscal year on December 31, 2004, the Company's employees held, through mutual funds, 385,229 shares, amounting to 0.98% of those outstanding.

Neither the Company nor any of its affiliates granted stock options to any officers or employees during fiscal 2004. As of December 31, 2004, there were no stock options outstanding that were likely to be exercised. The Company has not purchased any shares for distribution to its employees under a profit-sharing plan.

The Company distributed 78,000 bonus shares in September 2005; a special report was prepared explaining this transaction (see section 6.3.2).

5.8.8 Presentation of consolidated financial statements; economic and financial results

See sections 5.2 and 5.3 above.

5.8.9 Presentation of the company financial statements

The annual financial statements for the year ended December 31, 2005 have been prepared in accordance with the presentation rules and valuation methods of applicable regulations.

Preliminary remark

- bioMérieux SA and Apibio SA, a wholly-owned subsidiary of bioMérieux SA, merged as provided for in a March 22, 2005 merger agreement ratified by the shareholders' meeting of June 9, 2005. Apibio SA became part of bioMérieux SA with retroactive effect from January 1, 2005.

- The Company has acquired the interest held by bioMérieux Inc. in bioMérieux Japan, amounting to 25% of the shares, for €1.6 million, and now owns all of the shares of its bioMérieux Japan subsidiary.

- bioMérieux SA provided €6.3 million in new equity to its bioMérieux Brazil subsidiary by exchanging its debt of €4.4 million for equity and injecting an additional €1.9 million in cash.

Change of accounting method

See sections 5.5.1.2 and 5.5.2

5.8.9.1 Business

Net sales by the Company for the year ended December 31, 2005 amounted to €480.8 million, an increase of 18.6% from €405.5 million the previous year.

On a comparable exchange-rate basis, sales increased by 17.5 %.

Additional revenue of €49.9 million was generated by changes in logistics systems implemented in 2004.

The growth in revenue was attributable in part to sales of instruments, led by VITEK®2 Compact, and to sales of reagents for molecular biology (up €10.2 million) and immunoassays (up €9.2 million) and of prepared culture media (up €6.6 million euros).

Export sales to subsidiaries and distributors rose sharply, in particular to European countries (+31%) and the Asia-Pacific region (+43.1%). The increase in domestic sales was more modest.

5.8.9.2 Cash flow

Cash flow amounted to €78.4 million, or 16.3% of revenue, up 9.1% from the previous year.

The change reflected significantly higher purchases, primarily due to the reorganization of logistic systems carried out in 2004, the full impact of which was felt in 2005.

Purchases of services rose less sharply, although transportation costs related to sales continued to represent the bulk of the expenses incurred.

5.8.9.3 Operating income

Operating income, after depreciation and amortization allowances, was €42.3 million (€40.7 million in 2003) and represented 8.8% of revenue, compared with 10% a year ago.

5.8.9.4 Financial income

Net financial income amounted to €19.1 million, versus €17.6 million in 2004. It reflected a reduction of €48.7 in debt and an increase of €2.7 million in dividends from subsidiaries.

5.8.9.5 Current income

There was a current profit before taxes of €60.7 million, up from €58.3 million in 2004.

5.8.9.6 Extraordinary items

The Company had extraordinary gains of €1.7 million, as compared with a loss of €10.7 million in 2004.

The previous year's charges were accounted for chiefly by the cost of the initial public offering (€5.6 million) and by the recognition of accelerated depreciation of €5 million.

5.8.9.7 Net income

Net income for the year amounted to €51.3 million (€40.5 million in 2004) and represented 10.7% of revenue, compared with 10% in fiscal 2004.

5.8.9.8 Capital expenditures

During the year, a total of €33.1 million was spent to acquire intangible assets and property, plant and equipment, including €4.9 million for instruments.

The Company completed construction of a facility in Grenoble for housing its molecular biology research and development activities, as well as the extension of its Marcy l'Etoile site.

Assets with a book value of €1 million were sold or otherwise disposed of.

The value of financial assets declined by €13.5 million, as advances to subsidiaries fell by €20.1 million while investment holdings rose €6.7 million, partly due to the subscription of ExonHit shares for €4 million.

5.8.9.9 Debt

The Company's debt declined by €48.7 million to €94.8 million.

5.8.9.10 Detailed company financial statements

Income statement, balance sheet, statement of change in net indebtedness, notes to the financial statements and accounting principles (see section 5.5 above).

5.8.10 Appropriation of income

It is proposed that distributable earnings at the end of fiscal 2005, consisting of income from the year of €51,277,279.16 and retained earnings from previous periods of €16,005,723.97, for a total of €67,282,973.13 euros, be appropriated as follows:

– A sum of €69,756.32 would be allocated to the "Special Patronage Reserve", increasing it from €191,282.29 to €261,038.61:	€69,786.32
– A sum of €29,000,000.00 would be allocated to the "General Reserve", increasing it from €145,000,000 to €174,000,000:	€29,000,000.00
– A sum of €18,148,720.40 would be used to pay a dividend of €0.46 on each of the 39,453,740 shares outstanding.	€18,148,720.40(*)
– The balance of €20,064,496.41 would be transferred to "Retained Earnings":	€20,064,496.41(*)
Total earnings available for distribution:	€67,282,973.13

(*) Provided that all dividends payable on shares held by bioMérieux SA on the dividend date will be added to retained earnings. It should also be noted that, as provided by article 158.3 (2) of the French General Tax Code, only individuals subject to income tax are entitled to the tax abatement resulting from the annual dividend.

5.8.11 Consequences of the initial application of new rules on the reporting of assets

For the purpose of applying the new rules on the reporting of assets (CRC 2002-10 and CRC 2004-06) in effect since January 1, 2005, we propose that a sum of - €3,272,551.74 be charged to "Retained earnings", corresponding to the impact of the change in accounting methods.

We remind you that accelerated depreciation of €7,646,232.57 was recognized in this connection, making the final impact of the change on net worth €4,373,680.83.

5.8.12 Prior years' dividends

See section 3.4.1 above.

5.8.13 Non-deductible expenses

The financial statements for the year ended do not include any expense that cannot be deducted from taxable income within the meaning of articles 223 (4) and 223 (5) of the General Tax Code.

5.8.14 Positions held by Company officers

See section 6.1.1.2 below.

5.8.15 Compensation of Company officers

See sections 6.2.1, 6.2.3 and 6.3.2 below.

5.8.16 Polluting or hazardous operations

The Company does not operate any facility that exceeds the higher threshold of the Seveso Directive.

5.8.17 Social and environmental impact

5.8.17.1 Social impact

See section 4.10 above.

5.8.17.2 Environmental impact

See section 4.13 above.

5.8.18 Auditors' report on regulated agreements

The Auditors' general report and special report on agreements governed by articles L. 225-38 *et seq*. of the Commercial Code are available on request and will be read at the shareholders' meeting.

The shareholders will also be informed that a list of ordinary agreements entered into on arm's-length terms and which are considered material due to their purpose or financial implications for the parties has been provided to the directors and the auditors.

5.8.19 Terms of office of the directors and directors' fees

No resolution has been submitted to the shareholders' meeting to appoint or extend the term of directors.

5.8.20 Terms of office of the auditors

See section 1.3.3.

5.8.21 Risk factors

See sections 4.11 and 5.2 above.

5.8.22 Conclusion

We ask you to formally confirm to your directors the information contained herein, to approve the company and consolidated financial statements for the year ended, as submitted to you, to approve the proposals made by your board of directors and to discharge your directors for the performance of their duties over the past fiscal year.

APPENDICES

Five-year company financial summary

	Year ending 12/31/2005	Year ending 12/31/2004	Year ending 12/31/2003	Year ending 12/31/2002	Year ending 12/31/2001 15 months	Year ending 30/09/2000
I. Capital at the end of the year						
Share capital	12.029.370	12,029,370	11,879,045	11,879,045	11,879,045	11,802,819
Common shares outstanding	39.453.470	39,453,740	3,896,071	3,896,071	3,896,071	3,871,071
Preferred, non-voting shares outstanding		0	0	0	0	0
Maximum number of shares to be issued		0	0	0	0	0
for the conversion of bonds		0	0	0	0	0
for the exercise of options		0	0	0	0	25,000
II. Transactions and income for the year						
Net sales	480.775.659	405,451,004	384,024,025	369,956,812	425,024,066	288,906,157
Income before taxes, employee profit sharing, depreciation and amortization	90.392.367	94,590,784	83,484,421	69,587,705	42,849,446	58,221,362
Corporate income tax	8.472.519	5,851,708	15,705,903	9,632,750	-178,112	7,237,422
Employee profit-sharing contribution	2.636.451	1,230,705	3,138,822	2,259,433	5	1,309,573
Income after taxes, employee profit sharing, depreciation and amortization	51.277.249	40,532,742	42,155,670	36,510,863	15,615,153	28,720,514
Distributed earnings (1)	18.000.000	15,781,496	17,999,848	4,012,953	0	0
Special distribution from general reserves	0	29,961,770	0	5,064,892	0	0
III. Income per share (2)						
Income before taxes and employee profit sharing, but before depreciation and amortization	11.04	2.22	16.56	14.81	11.04	12.83
Income after taxes, employee profit sharing, depreciation and amortization	4.01	1.03	10.82	9.37	4.01	7.42
Dividend per share (3)	0.00	0.40	4.62	1.03	0.00	0.00
IV. Personnel						
Average workforce during the year	1.863	2,123	2,057	2,034	1,863	1,745
Total payroll for the year	96.733.823	90,603,261	84,114,056	83,729,701	96,733,823	64,386,479
Employee benefits paid during the year (social security, social programs)	42.192.748	40,952,473	38,921,734	37,731,793	42,192,748	29,052,133

(1) Subject to the unpaid dividend on treasury shares held on the payment date

(2) A 10-for-1 stock split occurred in 2004, following the merger with Nouvelle bioMérieux Alliance and prior to the IPO

(3) The amount of special dividends per share is not shown in this table.

Table and report on authority granted to issue shares (see 3.2.4 above)

5.9 REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK AND ON INTERNAL CONTROL PROCEDURES

5.9.1 Preparation and organization of the board of directors' work

5.9.1.1 Board of Directors

Our Board of Directors is currently composed of nine members.

A list of the Company's directors is included in section 6.1.1.2 .

5.9.1.2 Frequency of meetings

The Company's board of directors met four times last year, or once every quarter.

5.9.1.3 Notices of meetings and attendance by the directors

Meeting notices are sent to the directors by regular mail, sufficiently in advance, as provided in the articles of incorporation and bylaws. On average, notices of board of directors' meetings are sent fourteen days before the meeting date.

The board of directors' attendance rolls show that all directors were present or represented at each meeting held in 2005.

As provided by article L. 225-238 of the Commercial Code, the company auditors are invited to attend meetings of the board of directors at which interim and annual financial statements are examined and approved.

5.9.1.4 Chairing of board of directors meetings

All four meetings of the board of directors held last year were presided over by its chairman.

5.9.1.5 Minutes

Minutes of board of directors meetings are prepared after each meeting and submitted to the directors approval at the next meeting, following which they are signed and entered into the minute book.

5.9.1.6 Activities of the Board of Directors in 2005

The board of directors met four times in 2005. It conducted quarterly reviews of business and of the Company's major projects. It approved the company and consolidated financial statements for fiscal year 2004 and prepared the shareholders' meeting, examined the planned merger of Apibio into the Company, discussed proposals for share repurchases, equity and debt issues and distributions of bonus shares and made an assessment of its own work. The board approved the interim financial statements, a capital increase by the capitalization of reserves, the proposed budget for fiscal 2006 and the regulated agreements.

At the board's meeting of June 9, 2005, it conducted a self-assessment using, *inter alia*, a questionnaire

in which each directors expressed his position. An analysis of the replies, which was discussed by the board, indicates that its members consider the composition, the structure and the way the board of directors works to be satisfactory.

5.9.1.7 Activities of the Audit Committee in 2005

The make-up of the audit committee is described in section 6.1.2.1.1 of this document.

The audit committee met twice in 2005:

- On March 15, 2005, with all of its members and the Company auditors attending, to examine the main aspects of the financial statements for fiscal 2004, the draft board of directors' report, the principal risks to which the Company is exposed and the draft of a press release on the financial results for the year.

- On September 20, 2005, with all of its members and the Company auditors attending, to examine the principal features of the interim financial statements for the six months to June 30, 2005, the draft interim report on business and the draft press release on the half-year financial results.

The committee also met via conference calls to review press releases on revenue for the third quarter of fiscal 2005.

As required by its own rules, the audit committee reported to the board of directors on the performance of its assignment and presented the observations it deemed relevant.

5.9.1.8 Activities of the Compensation Committee in 2005

The make-up of the compensation committee is described in section 6.1.2.2.1 of this document.

The compensation committee met three times in 2005, with all of its members attending, on March 17, September 22 and December 15. The main issues dealt with at those meetings were the measures taken with regard to the disclosure of officers' compensation and the amount of that compensation in relation to other firms, preparations for a planned distribution of bonus shares and the general matter of executive compensation and bonuses, as well as the handling of persons with senior executive potential.

As required by its own rules, the audit committee reported to the board of directors on the performance of its assignment and presented the observations it deemed relevant.

5.9.2 Executive management of the Company and restrictions on the authority of the chief executive officer

The Company's board of directors has opted to combine the positions of chairman of the board of directors and chief executive officer.

The board of directors did not impose any special restrictions on the authority of the chief executive officer in 2005, other than certain clauses of its internal rules and regulations that require the chief executive officer to submit the following for approval: (i) the strategic plans of the Company and its subsidiaries, (ii) the annual budget and its quarterly implementation, and (iii) the authority to engage in any strategic transactions (acquisitions, exchange, compromise, creation of security interests, financing of any kind, etc.) not previously included in the strategic plan or the budget and involving more than €30 million.
The chairman and chief executive officer has extensive authority to act on behalf of the Company in all circumstances. He may exercise such authority within the scope of the Company's corporate purpose and subject to the powers expressly granted by law to the shareholders' meetings and the board of directors. He represents the Company in its relations with third parties.

5.9.3 Internal control procedures

5.9.3.1 Objectives of the Company's internal internal control procedures

The main purposes of the internal control procedures introduced by the Company and its Group are:

- to ensure that the management and performance of operations and the conduct of employees are consistent within the framework of guidelines set forth regarding corporate business by the governing bodies, applicable laws and regulations and the Company's internal rules and regulations.

- to ascertain that accounting, financial and management information provided to the Company's governing bodies fairly reflects the business and position of the Company and the Group.

Internal control cannot however guarantee absolutely that the above mentioned objectives will be attained.

The description of the Company's internal control systems contained in this report was prepared on the basis of a full review of existing procedures, through interviews with the main executives in charge of the Company and an examination of available documents relating to issues at hand.

5.9.3.2 Internal control of operations

5.9.3.2.1 Executives in charge of internal control

In order to deal with its expansion and operations in many countries, bioMérieux has structured its organization in such a way as to enable facilities in all countries to have the skills that they require, given the nature of their business and the size of their operations.

The officiers of bioMérieux are assisted in their work by several committees:

- **The Strategy Committee** currently has five members (Alain Mérieux, Doctor Christophe Mérieux,
  Benoît Adelus, Dominique Takizawa and Jean Le Dain). The committee proposes medium to long-term strategic objectives for the Group, focusing on (i) business activities and development goals, (ii) scientific and technological options, (iii) geographical expansion objectives, (iv) strategic alliances and partnerships, and (v) corporate communication strategy and image. It ascertains that business is carried out in a manner consistent with these strategic choices.

Personal information on strategy committee members

- ***Alain Mérieux.*** Alain Mérieux is the Company's founder. He has been its chairman and chief executive officer since 1965 and is also the chairman of Accra, the family holding entity, which holds a majority of the Company's shares. He holds a doctorate in pharmacology, served as an intern at the *Hospices Civils de Lyon* and holds degrees from the School of Medicine and Pharmacology in Lyon as well as from Harvard Business School (1968). Alain Mérieux is based at the Company's principal office in Marcy L'Etoile (Rhône).

- ***Doctor Christophe Mérieux.*** Doctor Christophe Mérieux is deputy chairman of the board of directors and has been the Company's director of research and development and of medical affairs since 2001. He is a doctor of medicine, a former intern at the *Hospices Civils de Lyon* and holds a degree from the School of Medicine and Pharmacology in Lyon, where he specialized in infectious diseases and oncology; he joined the Company in 1998 as director of medical affairs. Doctor Christophe Mérieux is based at the Company's principal office in Marcy L'Etoile (Rhône).

- ***Benoît Adelus.*** Benoît Adelus, 46, is the Company's executive vice president. He joined bioMérieux in 2000 after having worked for three years at Merial and nine years at

Rhône-Mérieux, where he served in several management positions in Latin America, the United States and France. He is a doctor of veterinary medicine and holds an MBA from *Hautes Etudes Commerciales*. Benoît Adelus is based at the Company's principal office in Marcy L'Etoile (Rhône).

- ***Dominique Takizawa.*** Mrs. Takizawa, 48, joined Accra, the family holding entity, in 2001 and the Company itself in November 2004. Her duties as corporate secretary include assisting Alain Mérieux and the management team in the development of the Group and its relations with investors. She previously served as chief financial officer and controller at Institut Mérieux, Merial and Aventis Cropscience, at times of strategic reorientations. A graduate of the *Ecole des Hautes Etudes Commerciales*, Mrs. Takizawa is based at the Company's corporate office in Marcy L'Etoile (Rhône).

- ***Jean Le Dain.*** Jean Le Dain, 58, joined the Group in 1999 as vice president for organization and management. He advises Alain Mérieux on all issues relating to management and human resources in France and abroad. He previously held various executive positions in human resources at pharmaceutical companies, including Aventis. He holds a master's degree in literature as well as a law degree. Jean Le Dain is based at the Company's corporate office in Marcy L'Etoile (Rhône).

– **The Management Committee** is chaired by Group executive vice president Benoît Adelus and includes two vice presidents for commercial operations with authority for all four regions (Europe/Africa/Middle East, North America, Latin America and Asia-Pacific), the vice presidents for molecular biology and industrial applications, the vice presidents for corporate divisions (research and development, manufacturing, quality assurance and strategic marketing), the vice presidents for finance, human resources, communications and public affairs and the corporate secretary. The committee meets once a month to monitor strategic orientations and their implementation by profit centers and operational divisions; it prepares the budget and action projects and ensures that projects are in line with corporate objectives.

– **The Capital Project Committee** is made up of the executive vice president, the manufacturing operations division and the financial division, and meets once a month. It makes decisions on all industrial capital projects (for either capital goods or intangibles) above a given amount set annually, and monitors the implementation of the projects. Commitments made are reported to the Management Committee.

– **The Project Approval Committee** is chaired by the executive vice president and includes the vice presidents in charge of research and development, marketing, industrial operations, quality assurance, commercial operations, molecular biology and industrial applications. The committee makes decisions regarding the start of new projects under the development program. It selects project teams and allocates resources. It monitors and validates the various project stages up to the moment a product is brought out. Projects are reviewed at least once a year and may be subject to special reviews in the event of important changes.

Certain departments also play a key role in the internal control of operations:

The **corporate quality assurance and regulatory compliance division** is responsible for overseeing:

- the conformity of processes used to design, produce, distribute, install and maintain bioMérieux products in accordance with the needs of its clients and legal and regulatory requirements
- the effectiveness of the quality management system at all bioMérieux entities,
- the consistency of bioMérieux products with the needs of its clients and legal and regulatory requirements,
- the tracking of customer complaints and the implementation of monitoring measures.

The division carries out the measures necessary to comply with, or to ensure that all of the Company's personnel complies with, the rules necessary to achieve quality objectives. It also plays a key role in authorizing the marketing of products, deciding on information to be released to customers and, if necessary, recalling products. A procedure known as "post market surveillance" was also set forth. It is used to regularly ascertain that products are consistent with current scientific information. The division is in charge of documents relating to products, and tracks client complaints and how they are handled. It ascertains that regulatory requirements are complied with in all of the countries where bioMérieux products are sold.

For the purpose of these various objectives, the division is divided into departments:

- a monitoring department, which keeps in touch with supervisory authorities,
- a Group quality systems management department,
- a research and development quality systems management department,
- a manufacturing operations quality systems management department, and
- regulatory affairs departments in Europe and the United States.

Internal auditors also ascertain periodically that the quality systems of facilities and subsidiaries are in compliance.

The **legal affairs and intellectual property division** oversees the Company's relations with third parties (suppliers, clients, partners, governments, etc.) and the functioning of corporate governance, and sees to it that existing rules and regulations are complied with and that the Company's interests are protected. Jointly with the divisions concerned, it oversees the protection and appreciation of scientific innovations generated by bioMérieux. In order to achieve these objectives, the division has two main offices in France and the United States and employs consultants in other parts of the world. It is structured along operating and geographic lines.

The **Infrastructures, Property and Security Division** creates, promotes and controls the implementation of health, safety and environmental policies.

The Company has clearly stated a health, safety and environmental policy that forms part of its general quality approach. It encompasses a wide range of measures, including (i) the prevention of occupational accidents and diseases, using specific indicators to monitor occurrences, (ii) the development of greater energy efficiency, the protection of natural resources and the environment, and (iii) the restriction of access to facilities and to sensitive locations and information. Each entity's management implements this policy and is responsible for ensuring the protection of persons and assets on the operations under its authority and for limiting the impact of bioMérieux's activities on the environment.

The Information Systems Division is in charge of:

– contributing to the bioMérieux business strategy and systems by providing services and equipment meeting the needs of users of information systems, while complying with applicable laws and regulations;

– ensuring the availability, continuity and quality of applications provided;

– managing and protecting information in terms of its security and integrity, in accordance with confidentiality levels;

– providing technical support and assistance to customers within the Group.

In order to fulfill its objectives, the division operates out of two facilities in France and the United States and relies on a network of IT correspondants at all Group subsidiaries.

5.9.3.2.2 General procedures for the internal control of operations

Quality Policy

The Company's quality policy has three objectives:

– to satisfy customer demand while complying with regulatory restrictions,

– to ensure that everyone is responsible for or involved in attaining this compliance objective,

– to anticipate differences in clients' needs and to contribute actively to progress and innovation.

For each production facility or region, quality assurance manuals describe the bioMérieux quality management system that covers all of the Company's activities, from the design of products to their distribution, installation and maintenance. Those manuals are used as permanent references for the implementation, operation and improvement of the Quality Management System, as well as for relations between bioMérieux and its clients, as they describe all measures carried out to guarantee the quality of products and services sold.

Company-wide procedures apply to management practices for certain processes involving more than one facility, in particular project management, capital expenditures, etc.

Regulatory standards

All bioMérieux products are designed, manufactured and distributed in accordance with regulatory standards applicable to *in vitro* diagnostics.

The quality control system for the development and manufacture of products has obtained ISO 9001 version 2000 and ISO 13485 certifications, voluntarily or when required by regulation.

All production facilities are ISO 9001 certified, but for the Saitama facility in Japan (which closed in 2005). The main manufacturing facilities are also ISO 13485 certified[*].

[*] except in Brazil, where the Company has been granted a good manufacturing practice certificate by the local ANVISA authority, as required under new Brazilian regulations.

Audits

The Company's facilities are subject to audits and inspections by regulatory authorities (FDA, Afssaps), agencies acting on behalf of regulatory authorities and certifying organizations hired by the Company in connection with the voluntary measures referred to above, to ensure conformity with the ISO 9001 and ISO 13485 standards. Other audits and inspections are performed mainly by customers wishing to ascertain that the Group's products and processes comply with applicable standards and their own requirements, or for the purpose of obtaining quality assurances.

Manufacturing processes are inspected during the course of production. In addition, batches of finished products are released only after it has been determined that they meet the relevant specifications.

These regulatory features are described in detail in section 4 above under the heading "Quality Systems and Applicable Regulations".

Except for the inspections of the Company's facility in Durham (United States), the most recent of which are described below, audits conducted by regulatory authorities in various countries (France, United States, etc.) since 2000 have not found any material breach of applicable regulations or else have resulted in action plans that made it possible to resolve the problems (Saint Louis in the United States and Boxtel in the Netherlands, in 2004).

A 2004 FDA inspection of blood culture and hemostasis production at the Durham facility resulted in a warning letter being issued. In addition, in May, the US Food and Drug Administration (FDA) conducted an inspection of the microplate immunoassay product ranges produced at the facility and sold exclusively in the United States, and sent a warning letter to bioMérieux on July 29. The agency took issue mainly with certain manufacturing and control methods, as well as with the procedure for following through on customer complaints and for implementing corrective measures. In response to observations from the FDA, the North American subsidiary focused its efforts on action plans to strengthen the quality assurance system at the plant. These initiatives focused on upgrading facilities, improving processes and overhauling certain teams. A follow-up inspection by the FDA in late 2005 re-emphasized the need to step up the corrective action plans already underway.

5.9.3.2.3 Control procedures applicable to subsidiaries

The operational control of subsidiaries is provided by:

- regional management structures (Europe, North America, Latin America, Asia) that, together with support structures, verify that the appropriate human, financial and business resources are available locally;

- a financial and administrative management structure in each subsidiary;

- detailed monthly reports prepared by each subsidiary and sent to the head of the region and the international management control department;

- a monthly review by the management committee of the subsidiaries' main performance indicators, pertaining primarily to their revenue and financial structure. Following those reviews, the head of the region informs each subsidiary of the management committee's observations and decisions, and ascertains that any measure to be taken is duly implemented.

5.9.3.3 Internal accounting and financial control

5.9.3.3.1 Persons and departments in charge of internal control

The administrative and financial management structure of bioMérieux includes:

- the administrative and financial management structures of each Group entity, under the authority of the general manager of the subsidiary concerned and of the Group's finance division;
- a management control structure, adapted to the Group's own structure, comprising:
  - controllers for manufacturing, distribution or supporting activities (e.g. research and development) who are in charge of analyzing, in liaison with the managers concerned, the performance and cost of the Group's principal structures,
  - international controllers, who are responsible for the financial and accounting control of subsidiaries outside France; in the case of bioMérieux Inc., international control is provided by specialized local staff;
- a treasurer's office;
- a financial reporting and consolidation structure;
- a taxation structure.

This set-up enables corporate management to set budgetary objectives for each structure and subsidiary, which can then be monitored on a monthly basis so that detailed accounting and financial information on the various corporate levels can be analyzed.

The Group's chief administrative and financial officer is a member of the management committee and is responsible for reporting on all indicators monitored by it.

The accounting and financial structure employs two main software tools: Movex, an ERP system used at large facilities, and Solomon, a system for smaller entities.

In addition to the organizational measures and internal control outlined above, significant internal control systems have been put in place for accounting and finance, management audits, consolidation and cash management.

5.9.3.3.2 Accounting and finances

bioMérieux has issued a "manual of accounting and consolidation principles" for use by the Group's entities. It lists the principal items in the consolidated financial statements and describes what is included under each; the manual was updated in 2005 to reflect the adoption of accounting rules consistent with IFRS.

For bioMérieux SA and its principal subsidiaries, the procedures necessitated by the application of those principles and local regulations when accounting for ordinary and recurrent transactions are incorporated in the accounting software, in order to make data processing secure and automatic. A limited number of entries are made by hand at those entities.

The administrative and financial management of each entity also performs credit management functions to decide and periodically review the amount of credit allowed for individual clients, and to anticipate risks of insolvency, including by subscribing to credit-rating services.

5.9.3.3.3 Controller

The annual budget is prepared on the basis of the three-year corporate strategic plan and validated by

the board of directors. The budget serves as a basis to evaluate the performance of each Group entity and business division.

bioMérieux and its subsidiaries all have controllers whose duties include controlling the budget. In addition, certain structures (such as research and development and manufacturing) have their own controller's office, which draws up their annual budget, coordinates it with those of other Group entities and provides budgetary control.

5.9.3.3.4 Consolidation

The consolidation process is carried out at the bioMérieux corporate level. It provides an opportunity for the consolidating staff to ascertain that the financial statements of the Company's subsidiaries are prepared in accordance with the Group's accounting principles.

The consolidation process includes a thorough analysis of the financial statements:

- the financial statements of each subsidiary are examined by the controller's office before being included in consolidation;

- the staff in charge of consolidation compares the consolidated financial statements with the available financial indicators for the Group (including sales statistics) and the budgetary forecast and results of previous periods. Corporate debt is compared with cash records. The internal audit is summarized in a report attached to the consolidated financial statements and submitted to the Group's top management.

5.9.3.3.5 Cash management

Because of the large number of countries in which bioMérieux operates, cash management plays an important role in the internal accounting and financial control system. It is a corporate activity carried out locally under the authority of the Group treasurer. It is mainly concerned with:

- maintaining a balance between the finances of Group entities, by means of:

  - annual cash forecasts revised monthly on the basis of schedules included in reporting guidelines;

  - a cash pooling system under which bioMérieux coordinates the cash needs and resources of seventeen subsidiaries; the system is backed up by fund transfer procedures established with one of the Group's principal banks;

  - very prudent investment practices for temporary cash surpluses, which are invested exclusively in money-market instruments;

- managing currency risks so as to mitigate the impact of exchange-rate fluctuations on budgeted income; this is done through:

  - a policy of billing third parties exclusively in strong currencies;

  - the hedging, whenever possible, of 80 to 90 % of the exposed cash flow at the start of the year,

  - monthly adjustments in hedges depending on actual transactions.

Nevertheless, some risk exposure exists, due in part to the volume of business and the debt in emerging countries.

In addition to having an impact on the Company's income, exchange-rate fluctuations can affect its net worth. The Company does not hedge the risk to which its assets are exposed in this respect.

5.9.3.4 External audit

As required by law, the financial statements of bioMérieux are audited by independent financial auditors. The terms of their assignment cover all consolidated entities; the financial statements of each entity are either fully audited or subject to a limited audit, as the case may be.

In addition to the reports required by law, the audits by the independent auditors are summarized in a report that covers the significant items identified and the manner in which they have been resolved, as well as recommendations regarding the Group's internal auditing system. These recommendations are examined with the management of the subsidiaries concerned and their implementation is monitored.

Alain Mérieux
Chairman of the Board

5.10 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

To the Shareholders,

In our capacity as statutory auditors of Biomerieux and in accordance with the requirements of the article L.225-235 of the French Commercial Code, we present below our report on the report prepared by the Chairman of your company in application of article L.225-37 of the French Commercial Code for the year ended 31 December 2005.

In his report, the Chairman of the Board of Directors is required to comment on the conditions applicable for the preparation and organization of the work carried out by the Board of Directors and the internal control procedures implemented within the Company.

Our responsibility is to report to you our comments on the information contained in the Chairman's report concerning the internal control procedures related to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. Those guidelines require us to perform procedures to assess the fairness of the information set out in the Chairman's report concerning the internal control procedures related to the preparation and processing of financial and accounting information. These procedures included:

- examining the objectives and general organisation of the Company's internal control environment, and the internal control procedures related to the preparation and processing of financial and accounting information, as described in the Chairman's report;
- acquiring an understanding of the work performed to support the information given in the report.

Based on procedures performed, we have no matters to report concerning the information provided on the Company's internal control procedures related to the preparation and processing of financial and accounting information, as contained in the report of the Chairman of the Board of Directors, prepared in accordance with the last paragraph of article L.225-237 of the French Commercial Code.

Lyon and Villeurbanne, 7 April 2006

The Statutory Auditors

COMMISSARIAT CONTROLE AUDIT C.C.A.	**DELOITTE & ASSOCIES**
Bernard Chabanel	Alain Descoins

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

5.11 DRAFT RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS

I. BEFORE THE ORDINARY SHAREHOLDERS' MEETING

RESOLUTION 1

(The purpose of this resolution is to approve the Company's annual financial statements for the year ended December 31, 2005)

The Shareholders, having examined the Company's financial statements for the year ended December 31, 2005 and having heard the Board of Directors' report and the Auditors' general report, approve the annual financial statements for the year ended December 31, 2005 as submitted to them, showing income of €51,277,249.16. They further approve the transactions reflected in those financial statements or summarized in those reports.

The Shareholders take note of (i) the report by the Chairman of the Board of Directors on the conditions in which the work of the Board of Directors is prepared and on internal control procedures implemented by the Company, and (ii) the Auditor's reports concerning the said report.

RESOLUTION 2

(The purpose of this resolution is to approve the consolidated financial statements for the year ended December 31, 2005)

The Shareholders, having heard the Board of Directors' report on the management of the Group included in its general report, as required by article L. 233-26 of the Commercial Code and the Auditors' general report on the consolidated financial statements, approve the consolidated financial statements for the year ended December 31, 2005 as submitted to them and approve the transactions reflected in those financial statements or summarized in the report on the management of the Group.

RESOLUTION 3

(The purpose of this resolution is to decide the appropriation of income for fiscal 2005)

The Shareholders note that the financial statements for the year ended December 31, 2005 show income of €51,277,249.16 that, combined with retained earnings of €16,005,723.97, adds up to distributable earnings of €67,282,973.13.

They therefore resolve, on a motion by the Board of Directors, to appropriate distributable earnings as follows:

- a sum of €69,756.32 shall be transferred to the "Special Patronage Reserve" the balance of which will be increased from €191,282.29 to €261,038.61;
- a sum of €29,000,000 shall be transferred to the "General Reserve" the balance of which will be increased from €145,000,000 to €174,000,000;
- a sum of €18,148,720.40 shall be distributed as dividends, amounting to €0.46 per share on each of the 39,453,740 shares outstanding (*);
- the balance of €20,064,496.41 shall be allocated to "Retained earnings".

The Shareholders take note of the fact that the following sums have been distributed as dividends and have, as applicable, produced the following tax credits, over the past three fiscal years:

Year ended	Dividend distributed (€)	Tax credit and tax withheld (€)	Actual income (€)
12/31/2005	18,148,720.40*	none	18,148,720.40
12/31/2004	15,781,496.00*	none	15,781,496.00
12/31/2004	29,955,788.55	5,981.75	29,961,770.30
12/31/2003	17,999,848.00	8,999,924.01	26,999,772.01

* The Company has not and will not earn dividends on any of its own shares held by it on the dividend date or which it may hold in the future. It should also be noted that annual dividends have qualified and will continue to qualify for a tax abatement exclusively to the extent that shares are owned by individuals subject to personal income tax, as provided by article 158.3 (2) of the French General Tax Code.

RESOLUTION 4

(The purpose of this resolution is to approve the transactions required under the new regulations applicable to assets)

Pursuant to the new regulations governing assets (CRC 2002-10 and CRC 2004-06) in effect since January 1, 2005, the Shareholders resolve, on a motion by the Board of Directors, to charge to "Retained earnings" a sum of of -€3,272,551.74 resulting from the required change in methods.

RESOLUTION 5

(The purpose of this resolution is to approve the regulated agreements entered into by the Company and described in the Auditors' special report)

The Shareholders, having heard the Auditors' special report on agreements governed by articles L. 225-38 *et seq.* of the Commercial Code, as required by article L. 225-40 of that same Code, take note of the information contained in that report and approve the agreements referred to therein and the report's conclusions.

RESOLUTION 6

(The purpose of this resolution is to reappoint an Auditor)

As the appointment of Deloitte et Associés expires at this shareholders' meeting, the Shareholders resolve to reappoint Deloitte et Associés, of 81 Boulevard Stalingrad, 69100 Villeurbanne, for a six-year term expiring at the close of the shareholders' meeting held in 2012 to approve the financial statements for the year ending December 31, 2011.

RESOLUTION 7

(*The purpose of this resolution is to reappoint an alternate Auditor*)

As the appointment of BEAS expires at this shareholders' meeting, the Shareholders resolve to reappoint BEAS as the alternate to Deloitte et Associés, for a six-year term expiring at the close of the shareholders' meeting held in 2012 to approve the financial statements for the year ending December 31, 2011.

RESOLUTION 8

(The purpose of this resolution is to grant authority to the Board of Directors to enable repurchases by the Company of its own shares)

The Shareholders, subject to the quorum and majority voting requirements applicable to ordinary shareholders' meetings, having reviewed the Board of Directors' report, the special report on past share repurchases authorized by the shareholders' meeting and the description of the program filed with the Financial Markets Authority (AMF), grant authority to the Board of Directors, which authority may be delegated in accordance with the laws and regulations applicable at the time of such delegation, and sub-delegated in accordance, *inter alia*, with the provisions and requirements of articles L. 225-209 *et seq*. of the Commercial Code, to purchase on behalf of the Company, in one or more transactions and at such times as it decides, the Company's own shares up to the number permitted by law.

The authority hereby granted is intended to enable the Company to:

- provide liquidity in the market for its shares, under a market-making agreement with a financial service provider acting with full discretion, in accordance with the AFEI code of conduct approved by the Financial Markets Authority;

- remit shares upon the exercise of rights attached to securities with rights to shares of the Company and to stock option plans, or in connection with the distribution of bonus shares to employees and officers of the Company or affiliates, or the offering of shares to employees under profit-sharing plans, share-ownership plans or employee savings plans;

- hold on to shares so that they can be used subsequently as means of exchange or payment in connection with acquisitions;

- retire shares, subject to the adoption of resolution 9 authorizing such reductions of capital.

Under the authority hereby granted, the Company shall be permitted to buy back its own shares provided it complies with the following requirements (which may be adjusted in connection with transactions affecting the capital of the Company):

- the price at which shares may be purchased shall not exceed €80, exclusive of fees and commissions;

- the aggregate funds used to carry out share repurchases under this plan shall not exceed €315,629,920. However, the Board of Directors shall be authorized to adjust the abovementioned purchase price in the event of changes in the par value of shares, increases in capital by means of the capitalization of reserves and the distribution of bonus shares, stock splits or reverse splits, retirements of shares or reductions of capital, distributions of reserves or other assets and any other operation affecting equity, in order to take into account the impact of such transactions on the value of shares.

The Shareholders resolve that purchases, sales and transfers of the Company's own shares may be carried out by any means, including the use of derivatives, on stock exchanges or over the counter, except the sale of put options other than in connection with exchanges of shares in accordance with applicable regulations. No restriction shall apply to the portion of repurchases accounted for by block trades, which may account for the entire program.

Shares held for purposes that are no longer compatible with the Company's strategy may be disposed of subject to the approval of the Board of Directors and provided that the financial markets are informed thereof.

Full authority is accordingly granted to the Board of Directors, in particular for the purpose of determining the advisability of initiating a share buyback program and of setting the terms and conditions thereof, to use the authority hereby granted or to delegate same to the Chief Executive Officer or, subject to the CEO's approval, to one or more Executive Vice Presidents, who shall report to the Board of Directors on how this authority has been used, by placing all trading orders, entering into all agreements and completing all registrations and formalities with government agencies, in particular the AMF, including amending the articles of incorporation and by-laws and, as a general matter, doing whatever is necessary.

The authority hereby granted replaces and supersedes all authorizations previously granted for the same purpose and is for a period of no more than eighteen (18) months from this shareholders' meeting, expiring at the close of the annual shareholders' meeting called to approve the financial statements for the year ending December 31, 2006. It may be used at any time, included during a period when a tender offer for cash or stock is in effect, subject to applicable laws and regulations.

The Board of Directors shall report to the annual shareholders' meeting on transactions performed pursuant to the authority hereby granted.

II. BEFORE THE SPECIAL SHAREHOLDERS' MEETING

RESOLUTION 9

(The purpose of this resolution is to grant authority to the Board of Directors to reduce capital by retiring shares).

The Shareholders, subject to the quorum and majority voting requirements applicable to special shareholders' meetings, having reviewed the Board of Directors' report and the Auditors' special report, subject to the adoption of resolution 8 before this Meeting, authorize the Board of Directors, pursuant to article L. 225-209 of the Commercial Code, to reduce the Company's capital stock by retiring shares repurchased pursuant to resolution 8 of this Meeting, at its discretion, in one or more transactions, by up to 10 % of the capital over a period of twenty-four (24) months from this Meeting, and to reduce capital by the corresponding amount. The said 10% limit applies to the capital stock of the Company, which may be adjusted to take into consideration transactions with an impact on the said capital stock subsequent to this shareholders' meeting.

The shareholders grant full authority to the Board of Directors, which may delegate such authority as permitted by law, for the purpose of executing all documents and completing all formalities or registrations necessary to finalize reductions of capital under the authority hereby granted, and to amend the articles of incorporation and bylaws accordingly.

The authority hereby granted to the Board of Directors is for the period from this Meeting until the Company's next shareholders' meeting called to approve the financial statements for fiscal 2006. It replaces, effective this day, the previous authority granted by the shareholders' meeting of June 9, 2005.

RESOLUTION 10

(The purpose of this resolution is to grant authority to the Board of Directors to issue shares for offering to "qualified investors" or to those belonging to a "limited circle of investors")

The Shareholders, subject to the quorum and majority voting requirements applicable to special shareholders' meetings, having reviewed the Board of Directors' report and the Auditors' special report, pursuant to article L. 225-138 of the Commercial Code:

– resolve to grant the Board of Directors authority to increase capital stock, in one or more transactions, by issuing shares without preemptive subscription rights for offering to the following categories of investors:

  - investment funds,
  - investment holding companies,
  - industrial corporations,

  active in particular in the field of medical and health-care technology, bio-medical and pharmaceutical research, with the understanding that the Board of Directors shall draw up a list of investors in the above categories at the time it uses the authority hereby granted (the "Investors");

– delegate authority to the Board of Directors, which may further delegate such authority as provided by law, to draw up a final list of Investors and of the number of shares to be offered to each within the limits below, in accordance with article L. 225-138 of the Commercial Code;

– resolve that this delegation of authority to issue shares shall expire on the date of the annual shareholders' meeting immediately following this shareholders' meeting;

– resolve that the nominal value of shares issued, immediately or in the future, under this delegation of authority shall not exceed 35% of capital stock as of the date of this Meeting, with the further specification that the shares issued, immediately or in the future, under the authority hereby delegated shall count against the ceiling set by resolution 17 of the combined ordinary and special shareholders' meeting of June 9, 2005;

- resolve to waive, in favor of the Investors, the preemptive rights of shareholders to subscribe for shares issued pursuant to this authorization;

- resolve that the issue price of the new shares offered to Investors pursuant to this delegation of authority shall not be less than the weighted average trading price of existing shares on the Euronext Paris SA Eurolist over the three trading days preceding the start of the offering period;

- resolve that the Board of Directors shall be granted full authority, including the right to delegate that authority as permitted by law, to be used, one or more times, to:

  · decide the maximum number of shares to be issued, within the limits set by this resolution;

  · record the final amount of each capital increase and amend the articles of incorporation and bylaws accordingly,

  · set the dates and all other terms and conditions of share issues, including the date, which may be retroactive, from which new shares shall earn dividends;

  · if applicable, charge the cost of shares issued to the resulting proceeds from premiums and deduct from such additional paid-in capital the sums necessary to bring the legal reserve to one-tenth of the new capital stock resulting from the share issue;

  · as a general matter, execute all agreements, including to finalize all contemplated issues, take all steps and decisions and complete all formalities required by the issuance, listing and servicing of the shares issued under the authority hereby delegated, as well as the exercise of rights attached thereto or resulting from completed share issues.

RESOLUTION 11

(Issue of shares for offering to employees enrolled in a company savings plan)

The Shareholders, subject to the quorum and majority voting requirements applicable to special shareholders' meetings, having reviewed the Board of Directors' report and the Auditors' special report, pursuant to articles L. 443-1 *et seq*. of the Labor Code and articles L. 225-129-6 and L. 225-138-1 of the Commercial Code and subject to the provisions of that Code,

– authorize the Board of Directors to issue shares and other equity securities of the Company, over a period of twenty-six months from the date of this resolution, in one or more transactions and at its discretion, for offering to members of company savings plans of the Company's French and foreign affiliates, within the meaning of article L. 225-180 of the Commercial Code and L. 444-3 of the Labor Code, with an aggregate nominal value of up to 5% of the Company's capital stock on the date this authorization is used;

– resolve that the details of other equity securities shall be decided by the Board of Directors in accordance with applicable regulations;

– resolve to waive, in favor of employees enrolled in a company savings plan, the preemptive right to shares to which the shares or other equity securities issued pursuant to this resolution entitle them, now or in the future, and to waive any right to shares or other securities resulting from the implementation of this resolution

– resolve to grant full powers to the Board of Directors, with the right to further delegate such powers as permitted by law, for the purpose of implementing this resolution, within the limits and subject to the conditions set forth above, including by:

  - deciding the characteristics of the securities to be issued and the number offered and setting, *inter alia*, the offering price, dates, waiting periods and subscription, payment and delivery terms and conditions, as well as the effective date of the securities, subject to applicable laws and regulations;

  - recording the increase in capital by the value of effectively subscribed shares or other securities issued pursuant to this authorization;

  - if applicable, charging the cost of capital increases to the value of effectively subscribed shares or other securities issued pursuant to this authorization;

  - executing all agreements, performing or arranging to have performed all of the transactions and procedures, including completing the formalities required by capital increases and the corresponding amendments to the articles of incorporation and bylaws and, as a general matter, doing all that is necessary;

  - as a general matter, entering into all agreements, including those aimed at finalizing the contemplated equity issues, taking all steps and completing all formalities required by the issuance, listing and servicing of securities issued under this authorization and the exercise of rights attached thereto;

– resolve that this authorization terminates, effective on this date, previous authorizations – or the unused portion thereof – granted to the Board of Directors to increase the Company's capital by issuing shares for offering to members of employee savings plans, with waivers of preemptive subscription rights in favor of said members.

RESOLUTION 12

(The purpose of this resolution is to grant full powers to the bearer of the minutes for the purpose of completing formalities)

The combined ordinary and special shareholders' meeting grants full powers to the bearer of the minutes of this Meeting, or of a copy or extract thereof, for the purpose of completing all necessary formalities.

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5.12 DESCRIPTION OF THE COMPANY'S SHARE REPURCHASE PROGRAM

Subject to adoption by the combined ordinary and special shareholders' meeting of June 8, 2006, the Company intends to carry out a share repurchase program on the following terms and conditions:

- Share concerned: common stock
- Maximum percentage of shares to be repurchased: 10%
- Maximum percentage of shares to be repurchased by the Company for holding and subsequent use as a means of payment or exchange in connection with mergers, demergers or acquisitions: 5%
- Maximum cost of the plan: €315,629,920
- Maximum purchase price: €80 per share
- Objectives of the repurchase program, ranked in decreasing order of importance:
    - providing liquidity in the market for its shares, under a market-making agreement with a financial service provider acting with full discretion, in accordance with the AFEI code of conduct approved by the Financial Markets Authority;
    - remitting shares in consideration for the exercise of rights attached to securities with rights to shares of the Company and to stock option plans, or in connection with the distribution of bonus shares to employees and officers of the Company or affiliates, the offering of shares to employees under profit-sharing plans, share-ownership plans or employee savings plans;
    - holding on to shares for subsequent use as means of exchange or payment in connection with acquisitions;
    - retiring shares, subject to the adoption of resolution 9 authorizing reductions in capital.

Term of the plan: up to eighteen months, terminating at the end of the annual shareholders' meeting called to approve the financial statements for the year ending December 31, 2006,.

The Company's shares are traded on the Euronext Paris Eurolist, Compartment A, under ISIN code FR0010096479.

A market-making agreement, compliant with the AFEI code of conduct approved by the AMF, was entered into by the Company and Crédit Agricole Cheuvreux on December 23, 2004 and was later revised to conform to the new AFEI code of conduct included as an attachment to the AMF decision of March 22, 2005.

Under the market-making agreement, Crédit Agricole Cheuvreux made various trades in the Company's shares during the year ended December 31, 2005.

I – Transactions by means of purchases, sales or transfers under the previous share repurchase program

The Company did not retire any shares during the past 24 months and did not purchase any of its own share prior to October 13, 2004, when new regulations went into effect governing share repurchase programs, as a result of the implementation of the European "Market Abuse" Directive.

Summary of trades by the Company in its own shares from January 1, 2005 to December 31, 2005, under the market-making agreement with Crédit Agricole Cheuvreux

Shares purchased	84,358
Average purchase price	€37.64
Shares sold	81,958
Average selling price	€38.41
Fees and commissions	0
Own shares held on December 31, 2005	4,000
Value of shares held at the end of the year, at their average purchase price	€166,260.69
Book value on December 31, 2005	€178,280.00
Par value of the shares	N/A
Purpose of trades	Maintaining an orderly market
Percentage of shares outstanding held at the end of the year	0.01%

Allocation of treasury shares to various objectives: all of the Company's own shares held by it are allocated to the market-making agreement.

The table below summarizes the trading by the Company in its own shares from January 1, 2005 to December 31, 2005:

	Cumulative gross transactions		Open positions on the date this information was submitted			
	Purchases	Sales / Transfers	Open buy positions		Open sell positions	
Number of shares	84,358	81,958	Call options bought	Forward sales	Call options sold	Forward sales
Average maximum maturity			none	none	none	none
Average trading price* (€)	37.6418	38.4090	none	none	none	none
Average strike price (€)	none	none	none	none	none	none
Amount (€)	3,175,387.61	3,147,922.16	none	none	none	none

(*) Including stock-exchange taxes

The trades in shares described above were carried out for one of the objectives of the program authorized by the joint ordinary and special shareholders' meeting of June 9, 2005, to provide liquidity in the market for the shares, under a market-making agreement with a financial service provider acting with full discretion, in accordance with a code of conduct approved by the Financial Markets.

The Company has not made use of derivatives in connection with this share repurchase program and had no open buy or sell position on derivatives as of the filing date of this document.

II – Maximum percentage of shares outstanding, maximum number and characteristics of the shares that the Company contemplates purchasing, and maximum purchase price:

bioMérieux may not purchase more than 10% of its own shares outstanding, subject to a limit of 5% as indicated below; for informational purposes, this would correspond to 3,945,374 shares today. Given the fact that bioMérieux held 10,121 of its own shares on March 31, 2006, the maximum number that could be purchased under this program would be 3,935,253 shares, or approximately 9.97% of those outstanding, subject to subsequent changes in the number of treasury shares held by the Company.

The Company shall repurchase no more than 5% of its shares outstanding for the purpose of holding and subsequent use as means of payment or exchange in connection with mergers, demergers or acquisitions.

The maximum purchase price is €80 per share. Accordingly, the maximum sum that bioMérieux could pay would be €314,820,240 in the event that it should buy 3,935,253 shares at the highest price authorized by the shareholders' meeting.

SECTION 6

CORPORATE GOVERNANCE

6.1 COMPOSITION AND FUNCTIONNING OF MANAGEMENT BODY

The Company is a French corporation (*société anonyme*) with a Board of Directors (*Conseil d'administration*).

6.1.1 Board of Directors

6.1.1.1 Legal framework

The Board of Directors is composed of a minimum of three members and a maximum number equal to the maximum permitted by law. Board membership may be revoked at any time by the shareholders voting at a General Meeting.

In terms of corporate governance, the Company complies with applicable legal obligations, including those of the French "New Economic Regulations" Act (*Loi sur les Nouvelles Régulations Economiques*) and "Financial Security Act" (*Loi de Sécurité Financière*). It also follows the recommendations set forth in the AFEP/MEDEF report on current corporate governance practices.

6.1.1.2 Composition of the Board of Directors

The Boards of Directors is currently composed of 9 members.

Name	Number of shares held	First elected on	Expiration date of current term	Management experience and expertise	Principal Company position	Principal offices and positions held in other companies	Other positions and offices held
Alain Mérieux *67* *born 7/10/1938* *Father of Christophe Mérieux and Alexandre Mérieux (directors); business address: Chemin de l'Orme – 69280 Marcy l'Etoile*	90	7/10/1986	shareholders' meeting called to approve the 2009 financial statements	- Harvard Business School graduate (1968); - Company Chairman of the Board and Chief Executive Officer since 1965; - 30 years as senior business executive; - Chairman of the Board of Mérieux Alliance, the family holding and majority owner of the Company	Chairman and Chief Executive Officer	None	- Chairman of Mérieux Alliance (formerly ACCRA SA) - Trustee and honorary chairman of Fondation Rodolphe Mérieux - Chairman of the Board of Fondation Mérieux - Director of Compagnie Plastic Omnium SA - Member of the Supervisory Board of Eurazeo - Director of Transgene SA * - Member of the Supervisory Board of Akzo Nobel (the Netherlands) - Chairman of the Board of bioMérieux Hellas (Greece) * - Chairman of the Board bioMérieux Italia SpA (Italy) * - Chairman of the Board of Silliker Group Corp. (United States) *
Christophe Mérieux *39* *born 12/31/1966* *Son of Alain Mérieux (Chairman and CEO) and brother of Alexandre Mérieux (director); business address: Chemin de l'Orme – 69280 Marcy l'Etoile*	10	3/30/1999	shareholders' meeting called to approve the 2010 financial statements	- Head of research and development and medical affairs since 2001; - Chairman of TSGH SAS * - Manager of bioMérieux Stelhys SNC * - Chief Executive Officer of Transgene SA	Head of research and development and medical affairs	- Manager of bioMérieux Stelhys SNC * - Chairman of TSGH SAS *	- Director of Mérieux Alliance (formerly ACCRA SA) - Director of Association Bioforce - Manager of bioMérieux Stelhys SNC * - Vice-chairman and trustee of Fondation Mérieux - Director of Fondation Rodolphe Mérieux - Chairman of the Board of Transgene SA * - Chairman of TSGH SAS * - Director of bioMérieux China (China) * - Director of bioMérieux Inc. (US) * - Chairman of the Board of Advanced Bioscience Laboratories Inc. (ABL) * - Chairman of the Board of bioMérieux Canada Inc. * - Director of bioMérieux Japan (Japan) *

* Company controlled by Mérieux Alliance (formerly ACCRA SA) within the meaning of article L.233-16 of the Commercial Code – See sections 3.3.2; 3.1.13 and 3.1.14

Name	Number of shares held	First elected on	Expiration date of current term	Management experience and expertise	Principal Company position	Principal offices and positions held in other companies	Other positions and offices held
~~***Alexandre Mérieux***~~ *32* *born 1/15/1974* Son of Alain Mérieux (Chairman and CEO) and brother of Christophe Mérieux (director); business address: Chemin de l'Orme – 69280 Marcy l'Etoile	20	4/16/2004	shareholders' meeting called to approve the 2009 financial statements	- HEC Montreal; - Vice president for marketing of Silliker* in 2003 and 2004	Vice president, industrial applications	None	- Director of Mérieux Alliance (formerly ACCRA SA) - Trustee of Fondation Rodolphe Mérieux - Chairman of SGH SAS * - Manager of SCI Mérieux Alliance* - Director of Silliker Group Corp. (United States) *
~~***Philippe Villet***~~ *68* *Born 7/7/1937*	8,750	7/20/2001	shareholders' meeting called to approve the 2006 financial statements	Graduate of ESSEC Chief financial officer and General Secretary of bioMérieux S.A.	None	None	- Director of Mérieux Alliance (fomerly ACCRA SA)
~~***Michele Palladino***~~ *65* *born 6/13/1940* ***Independant director ******	1,000	7/6/2004	shareholders' meeting called to approve the 2009 financial statements	CEO of bioMérieux S.A. until 1993; Chairman of the Board and CEO of Max Meyer until 1997	None	Senior executive of Michele Palladino & C SAS	None
~~***Michel Angé***~~ *56* *born 11/27/1939* ***Independant director ******	160	9/30/2004	shareholders' meeting called to approve the 2009 financial statements	Graduate of Institut Technique de Banque; CEO of Lyonnaise de Banque for 13 years	None	None	- Director of Lyonnaise de Banque SA - Member and vice chairman of the supervisory board of Banque de Vizille SA - Director of Tessi SA - Vice chairman of Apicil Prévoyance - Vice chairman of the supervisory board of Apicil Assurance SA - Vice chairman of Apicil Preci SA - Director of Centre Technique des Institutions de Prévoyance - Vice chairman and director of Fonds de Garantie des Institutions de Prévoyance

* Company controlled by Mérieux Alliance (formerly ACCRA SA) within the meaning of article L.233-16 of the Commercial Code – See sections 3.3.2; 3.1.13 and 3.1.14

** Independant director under the definition contained in the bylaws of the Company's board of directors (see 6.1.1.4 below)

Name	Number of shares held	First elected on	Expiration date of current term	Management experience and expertise	Principal Company position	Principal offices and positions held in other companies	Other positions and offices held
~~*Georges Hibon*~~ *68* *born 11/3/1937* ***Independant director*** **	10	7/6/2004	shareholders' meeting called to approve the 2009 financial statements	H.E.C. Paris - Chairman of MSD Chibret France - Vice chairman of Merck International - Chairman of the Board and CEO of Pasteur Mérieux Connaught	None	None	- Director of Cerep SA - Director of Care France - Director of Epimmune (United States)
~~**Groupe Industriel Marcel Dassault**~~ represented by Benoît Habert 41 born 7/12/1964 **Independant director ** **	2, 013,470	4/16/2004	shareholders' meeting called to approve the 2009 financial statements	- Vice president of Groupe Industriel Marcel Dassault; - Chairman and CEO of Dassault Développement.	None	- Vice President of Groupe Industriel Marcel Dassault; - Chairman and CEO of Dassault Développement	- Vice president of Groupe Industriel Marcel Dassault - Director of Chapitre.com - Chairman of the Board and CEO of Dassault Développement - Director of Groupe Industriel Marcel Dassault - Director of Transgene SA * - Permanent representative of Dassault Développement, director of Unimédecine - Permanent representative of Groupe Industriel Marcel Dassault, director of bioMérieux
~~**T.S.G.H.***~~ represented by Philippe Archinard 46 born 11/21/1959	10	4/16/2004	shareholders' meeting called to approve the 2009 financial statements	- Harvard Business School graduate; - General manager of Innogenetics (Belgium) from 2000 to 2003; - CEO of Transgene SA.	None	- CEO of Transgene SA.	- CEO and director of Transgene SA * Other office held by TSGH *: Director of Transgene SA*

* Company controlled by Mérieux Alliance (formerly ACCRA SA) within the meaning of article L.233-16 of the Commercial Code – See sections 3.3.2; 3.1.13 and 3.1.14

** Outside director under the definition contained in the bylaws of the Company's board of directors (see 6.1.1.4 below)

History of appointments	2004	2003	2002	2001
Alain Mérieux	- Chairman of the Board of Mérieux Alliance SA - Trustee and honorary chairman of Fondation Rodolphe Mérieux - Chairman of Fondation Mérieux (formerly Fondation Marcel Mérieux) - Director of Compagnie Plastic Omnium SA - Member of the supervisory board of Eurazeo - Chairman of the Board of SGH SA * - Director of Transgene SA * - Member of the supervisory board of Akzo Nobel (Netherlands) - Chairman of the Board of bioMérieux Hellas (Greece) * - Chairman of the Board of bioMérieux Italia SpA (Italy) * - Chairman of the Board of Silliker Group Corp. (USA) *	- Chairman of the Board of Mérieux Alliance SA - Trustee and honorary chairman of Fondation Rodolphe Mérieux - Chairman of Fondation Mérieux - Director of Compagnie Plastic Omnium SA - Member of the supervisory board of Eurazeo - Chairman of the Board and Director of Nouvelle bioMérieux Alliance SA * - Chairman of the Board of SGH SA * - Manager of SCI Mérieux Alliance* - Director of Transgene SA * - Director of Rue Impériale de Lyon SA - Director of Wendel Investissement SA - Member of the supervisory board of Akzo Nobel (Pays-Bas) - Chairman of the Board of bioMérieux Hellas (Greece) * - Chairman of the Board of bioMérieux Italia SpA (Italy) * - Chairman of the Board of Silliker Group Corp. (USA) * - Director of Lazard LLC (USA)	- Chairman of the Board of Mérieux Alliance SA - Chairman of Fondation Marcel Mérieux - Director of Compagnie Plastic Omnium SA - Member of the supervisory board of Eurazeo - Chairman of the Board of SGH SA * - Manager of SCI Mérieux Alliance* - Chairman of the Board and Director of Transgene SA * - Director of Rue Impériale de Lyon SA - Director of Wendel Investissement SA - Chairman of the Board of Nouvelle bioMérieux Alliance SA* - Chairman of BMH* - Member of the supervisory board of Akzo Nobel (Pays-Bas) - Chairman of the Board of bioMérieux Hellas (Greece) * - Chairman of the Board of bioMérieux Italia SpA (Italy) * - Chairman of the Board of Silliker Group Corp. (USA) * - Director of Lazard LLC (USA)	- Chairman of the Board of Mérieux Alliance SA - Chairman of Fondation Marcel Mérieux - Director of Compagnie Plastic Omnium SA - Member of the supervisory board of Eurazeo - Manager of SCI Mérieux Alliance* - Chairman of the Board and Director of Transgene SA * - Director of Rue Impériale de Lyon SA - Chairman of the management board of bioMérieux Pierre Fabre * - Chairman of the Board of BMA SA * - Chairman of the Board of BMH* - Director of CGIP - Manager of FM Sarl - Permanent representative of bioMérieux Pierre Fabre, director of TSGH SA * - Member of the supervisory board of Akzo Nobel (Netherlands) - Chairman of the Board of bioMérieux Italia SpA (Italy) * - Chairman of the Board of Silliker Group Corp. (USA) * - Director of Lazard LLC (USA)
Christophe Mérieux	- Director of Mérieux Alliance SA - Director of Bioforce - Manager of bioMérieux Stelhys SNC * - Vice chairman and trustee of Fondation Mérieux (formerly Fondation Marcel Mérieux); - Trustee of Fondation Rodolphe Mérieux; - Chairman of the Board of Transgene SA * - Chairman of TSGH SAS * - Director of bioMérieux China(China)* - Director of bioMérieux Inc. (USA) * - Chairman of the Board of Advanced Bioscience Laboratories Inc. (ABL) * - Chairman of the Board of bioMérieux Canada Inc.* - Director of bioMérieux Japan (Japan) *	- Director of Mérieux Alliance SA - Director of Bioforce - Manager of bioMérieux Stelhys SNC * - Vice chairman and trustee of Fondation Mérieux - Trustee of Fondation Rodolphe Mérieux - Director of Nouvelle bioMérieux Alliance* - Chairman of the Board and CEO of Transgene SA * - Chairman of TSGH SAS * - Director of Laboratoires Marcel Mérieux - Director of bioMérieux China(China) * - Director of bioMérieux Inc. (USA)* -Director of Europrotéome (Germany) - Director of bioMérieux Japan (Japan) *	- Director of Mérieux Alliance SA * - Director of Bioforce - Manager of bioMérieux Stelhys SNC * - Trustee of Fondation Marcel Mérieux - Director of Transgene SA * - Director of Nouvelle bioMérieux Alliance * - Director of bioMérieux China (China)* - Director of bioMérieux Inc. (USA) * - Director de Europrotéome (Germany) - Director of bioMérieux Japan (Japan) *	- Director of Mérieux Alliance SA - Director of Transgene SA * - Manager of bioMérieux Stelhys SNC * - Director of Bioforce - Trustee of Fondation Marcel Mérieux - Chairman of the Board and CEO of Transgene SA * - Permanent representative of Mérieux Alliance SA, director of bioMérieux Alliance * - Director of bioMérieux Inc. (USA) * - Director of Europrotéome (Germany)

Company controlled by Mérieux Alliance (formerly ACCRA SA) within the meaning of article L.233-16 of the Commercial Code – See sections 3.3.2; 3.1.13 and 3.1.14

History of	2004	2003	2002	2001

appointments				
lexandre Mérieux	- Director of Mérieux Alliance SA - Trustee of Fondation Rodolphe Mérieux - Director of SGH SA * - Manager of SCI Mérieux Alliance* - Director of Silliker Group Corp. (USA) *	- Director of Mérieux Alliance SA * - Trustee of Fondation Rodolphe Mérieux - Director of SGH SA * - Director of Silliker Group Corp. (USA)*	- Director of Mérieux Alliance SA * - Trustee of Fondation Rodolphe Mérieux - Director of SGH SA * - Director of Silliker Group Corp. (USA)*	- Director of Mérieux Alliance SA * - Trustee of Fondation Rodolphe Mérieux - Director of SGH SA * - Director of Silliker Group Corp. (USA)*
hilippe Villet	- Director of Mérieux Alliance SA * - CEO and director of SGH SA * - Director of Silliker SA *	- Director of Mérieux Alliance SA * - CEO and director of SGH SA * - Director of Silliker SA * - Director of Nouvelle bioMérieux Alliance *	- Director of Mérieux Alliance SA * - CEO and director of SGH SA * - Director of Silliker SA * - Director of Nouvelle bioMérieux Alliance * - Permanent representative of bioMérieux Pierre Fabre SA, director of BMH SA *	- Director of Mérieux Alliance SA * - Director of Silliker SA * - Director of BMA * - Member of the supervisory board of bioMérieux Pierre Fabre SA * - Permanent representative of bioMérieux Alliance, director of BMH SA * - Permanent representative of bioMérieux Pierre Fabre SA, director of TSGH SA *
lichele Palladino	None	None	None	None
lichel Angé	- Director of Lyonnaise de Banque SA - Member and vice chairman of the supervisory board of Banque de Vizille SA - Director of Tessi SA - Vice chairman of the employer group of Apicil Prévoyance - Vice chairman of the supervisory board of Apicil Assurance SA - Vice chairman of Apicil Preci SA - Director of Centre Technique des Institutions de Prévoyance - Vice chairman and director of Fonds de Garantie des Institutions de Prévoyance	- Director of Lyonnaise de Banque SA - Member and vice chairman of the supervisory board of Banque de Vizille SA - Director of Tessi SA - Vice chairman of the employer group of Apicil Prévoyance - Chairman of the supervisory board of Apicil Assurance SA - Chairman of the Board of Apicil Preci SA - Director of Centre Technique des Institutions de Prévoyance - Chairman of GIE Santelog	- Director of Lyonnaise de Banque SA - Member and vice chairman of the supervisory board of Banque de Vizille SA - Director of Tessi SA - Vice chairman of the employer group of Apicil Prévoyance - Chairman of the supervisory board of Apicil Assurance SA - Chairman of the Board of Apicil Preci SA - Director of Centre Technique des Institutions de Prévoyance - Chairman of GIE Santelog	- Director of Lyonnaise de Banque SA - Member and vice chairman of the supervisory board of Banque de Vizille SA - Director of Tessi SA - Vice chairman of the employer group of Apicil Prévoyance - Chairman of the supervisory board of Apicil Assurance SA - Chairman of the Board of Apicil Preci SA - Director of Centre Technique des Institutions de Prévoyance - Chairman of GIE Santelog

* Company controlled by Mérieux Alliance (formerly ACCRA SA) within the meaning of article L.233-16 of the Commercial Code – See sections 3.3.2; 3.1.13 and 3.1.14

History of appointments	2004	2003	2002	2001
Groupe Industriel Marcel Dassault, represented by Benoît Habert	- Vice president of Groupe Industriel Marcel Dassault - Director of Chapitre.com - Chairman of the Board and CEO of Dassault Développement - Director of Groupe Industriel Marcel Dassault - Director of Transgene SA * - Permanent representative of Dassault Développement, director of Unimédecine - Permanent representative of Groupe Industriel Marcel Dassault, director of bioMérieux S.A. *	- Director of Chapitre.com - Chairman of the Board and CEO of Dassault Développement - Director of Groupe Industriel Marcel Dassault - Director of Transgene SA * - Permanent representative of Dassault Développement, director of Unimédecine - Permanent representative of Groupe Industriel Marcel Dassault, director of bioMérieux S.A..*	- Director of Chapitre.com - Chairman of the Board and CEO of Dassault Développement - Director of Groupe Industriel Marcel Dassault - Director of Nouvelle bioMérieux Alliance* - Director of Transgene SA * - Permanent representative of Dassault Développement, director of Unimédecine - Permanent representative of Groupe Industriel Marcel Dassault, director of bioMérieux S.A. *	- Director of Chapitre.com - Chairman of the Board and CEO of Dassault Développement - Director of Dassault Industrie - Director of TSGH* - Director of Transgene SA * - Permanent representative of Dassault Développement, director of Unimédecine
.S.G.H.* represented by hilippe Archinard	- CEO of Transgene SA * - Director of Innogenetics - Belgique Other offices held by TSGH: Director of Transgene SA *	- Director of Innogenetics - Belgium	- Director of Innogenetics - Belgium	- Director of Innogenetics - Belgium

* Company controlled by Mérieux Alliance (formerly ACCRA SA) within the meaning of article L.233-16 of the Commercial Code – See sections 3.3.2; 3.1.13 and 3.1.14

The members of the board of directors can be contacted at the Company's principal office at Marcy L'Etoile (Rhône).

As of the filing date of this document, the board of directors also had an honorary chairman, Gérard Trouyez, elected to that position on May 18, 1990.

The Company's board of directors does not include any employees-elected member.

To the best of the Company's knowledge:

- no member of the board of directors or top officer of the Company was found guilty of fraud in the past five years;

- no member of the board of directors or top officer of the Company was involved, over the past five years, in a bankruptcy, court-ordered receivership or liquidation, in his or her capacity as members of company boards or executive officers;

- no sentence was pronounced over the past five years against members of the board of directors or top officers of the Company barring them from serving on a public company's board or from participating in the management of a public company's affairs and business;

- no member of the board of directors or top officer of the Company was charged or formally sanctioned by legal or regulatory authorities (including recognized trade bodies).

To the best of the Company's knowledge, there is no potential conflict of interest involving the corporate duties of any member of the board of directors or top officer of the Company. In addition, the Company has established some corporate governance procedures (see 6.1.1.4 and 6.1.2 below)

Information on transactions under regulated agreements is provided in sections 5.7 and 6.2.2 of this document of reference.

The Company's articles of incorporation and bylaws (*statuts*), as amended by the shareholders' meeting of April 16, 2004, provide that up to three advisors (*censeurs*) may be appointed to assist the board of directors in their work. These advisors to the board may be selected from among individuals or entities holding shares of the Company or third parties. Advisors participate in meetings of the board of directors but may not vote. Their general mission is to advise the directors, who are not required to follow their advice or recommendations. Advisors are bound by the same confidentiality rules as directors and may be discharged at any time by the annual shareholders' meeting. As of the filing date of this document, the board of directors did not include any advisors.

6.1.1.3 Interests held by the Company officers in the Company and its affiliates

Alain Mérieux, Dr. Christophe Mérieux and Alexandre Mérieux are the main shareholders and own together an absolute majority of the shares and voting rights of Mérieux Alliance, the holder of the majority of the Company's shares. The Company's officers do not hold any significant direct interest in the Company or its affiliates.

To the best of the Company's knowledge, the Company's governing bodies and management are not directly and personally bound by any service agreement with the Company or any of its subsidiaries, other than as set forth in sections 5.7 and 6.2.2.

6.1.1.4 Internal rules of the Board of Directors

The Company's Board of Directors adopted a set of rules on March 15, 2004, setting forth its operation and complementing the provisions contained in the law, regulations and the Company's articles of incorporation and bylaws.

Those rules provide that, prior to taking their seat, all directors must make sure that they are fully informed of their general and specific obligations and are familiar with securities regulations pertaining to breaches of exchange regulations. They must become acquainted with, *inter alia*, laws and regulations, the articles of incorporation and bylaws, the Board of Directors' rules and any additional instructions that the Board of Directors may give them, and must comply with same. The rules also provide that directors (i) while they are themselves shareholders and must own at least ten shares, represent all of the shareholders and must in all circumstances act with the interest of the Company in mind, (ii) are required to report to the Board of Directors any conflict of interest situation or potential situation and must abstain from voting on any related issue, (iii) must give all of the necessary time and attention to the performance of their duties, (iv) must be diligent and participate in all meetings of the Board of Directors and, if applicable, of committees on which they serve, (v) must consider themselves bound by an obligation of confidentiality that goes beyond the simple requirement contained in laws and regulations to refrain from disclosing non-public information acquired as a result of their position, (vi) are bound by an obligation of loyalty and (vii) must refrain from trading in the Company's shares.

The rules and regulations of the Board of Directors provide that the Chairman or chief executive officer of the Company must provide all directors, in a timely manner, with all documents and information required by them to perform their duties. Accordingly, all directors may request from the Chairman or chief executive officer that they receive, sufficiently in advance and subject to the confidential nature thereof, all information they may need to effectively discuss the agenda of Board of Directors' meetings, or any other information that may help them perform their duties.

The rules and regulations of the Board of Directors provide that a director is considered independent when he or she does not have any direct or indirect relationship of any nature whatsoever with the Company, the group or management which could compromise his or her independent judgment. The Board of Directors will determine each year, prior to the publication of the annual report, which of its members is independent.
On the basis of the foregoing definition, there are four independent directors on the board out of a total of 9 members:

- Groupe Industriel Marcel-Dassault Benoît, represented by Mr. Benoît Habert,
- Mr. Georges Hibon,
- Mr. Michele Palladino,
- Mr. Michel Angé.

Pursuant to the rules and regulations, the Board of Directors must include in its standing orders of business, once a year, a discussion of its operation intended, *inter alia*, to (i) form an opinion on the quality and effectiveness of debates by the Board of Directors (by ascertaining whether major issues are adequately prepared and discussed, directors have access to information and meetings are properly prepared), (ii) assess the actual role of the Board of Directors with regards to its assignments and (iii) examine the reasons underlying any malfunctions identified by the Chairman, the directors or the shareholders. The Chairman of the Board must prepare an annual report, which is included with the Board of Directors' report, on the conditions in which the work of the Board of Directors is prepared and organized, as well as on internal control procedures implemented by the Company.

6.1.1.5 Duties of the Board of Directors

The Board of Directors sets general guidelines for the Company's business and ensure that they are followed. Subject to the authority expressly granted to shareholders' meetings and within the limit of the corporate purposes, it deals with any matter pertaining to the progress of the Company and settles issues concerning it. The Board of Directors carries out all controls and verifications it deems appropriate.

The rules and regulations of the Board of Directors also provide that it has the specific obligation to reach decisions on (i) the strategic plans of the Company and its subsidiaries, (ii) the annual budget and its quarterly implementation, and (iii) all key transactions (acquisitions, exchanges, negotiations, creation of security interests, financing by any means, etc.) of more than 30 million euros not provided for in the strategic plan or the budget.

Lastly, the rules and regulation also provide that the Board of Directors must be kept informed about any important event affecting the operation of the Company and more specifically its financial position, cash position and liabilities.

6.1.1.6 Activities of the Board of Directors

The Chairman schedules and oversees the work of the Board of Directors and reports thereon to the shareholders' meeting (see the Board of Directors' report on the preparation and organization of its work and the report on internal control procedures in section 5.9). He ensures that the Company's management bodies operate properly and, in particular, that the directors are in a position to accomplish their duties.

6.1.2 Committees of the Board of Directors

The rules and regulations of the Board of Directors provide that the board may decide to establish one or more standing or *ad hoc* committees to help it accomplish its work and contribute to the preparation of its decisions.

The committees are in charge of examining issues assigned to them by the Board of Directors or the Chairman of the board, preparing the Board of Directors' work on these issues, and reporting their findings to the Board of Directors in the form of reports, proposals, communications or recommendations.

The committees' role is strictly consultative. The Board of Directors determines at its own discretion how to follow up on the matters reported by the committees. The directors remain free to vote as they may choose and are not bound by the work, investigations or reports of the committees, nor by any recommendations they may issue. The Company's annual report includes a review of the activity of each committee for the year ended.

At the registering date of this document, the Company's Board of Directors had established two committees: the audit committee and the compensation committee.

6.1.2.1 The audit committee

6.1.2.1.1 Composition of the audit committee

Pursuant to the Board of Directors' rules and regulations, adopted by the Board on March 15, 2004:

- the audit committee is made up of three persons appointed by the Board of Directors among its members;
- the majority of the committee's members must be outside directors.

The members of the audit committee, which was established on December 20, 2002, were as of the filing date of this document Michel Angé, Benoît Habert and Philippe Villet. Mr. Angé et Mr. Habert are outside directors within the meaning of the Board's rules and regulations (see section 6.1.1.4). Two-thirds of the committee's members are outside directors. Michel Angé serves as chairman of the committee.

6.1.2.1.2 Functioning of the audit committee

The committee meets (including by telephone conference calls) as often as it deems necessary and at least twice a year, before the review by the Board of Directors of the annual and interim financial statements. The committee appoints a Chairman from among its members, who may not hold any elected office (other than as director) or management position with the Company or the Group.

The Company's chief financial officer or its General Counsel may be invited to attend meetings of the audit committee, at the committee's discretion. The committee may also, after consulting with the Chairman of the board, obtain any resources it needs to carry out its assignment. In particular, it may interview accounting department executives and the financial auditors and, if necessary, the auditing firm. The committee reports on the fulfillment of its assignment to the Board of Directors.

The rules and regulations of the Board of Directors provide that the audit committee is responsible for assisting the board in the areas of accounting policy, reporting, internal auditing, financial auditing and financial information, as well as in the area of risk management.

In the areas of accounting policy and internal auditing, the audit committee's tasks include: (i) reviewing the Company and consolidated annual and interim financial statements, including the notes thereto, at least two days before their examination by the Board of Directors, along with, if applicable, the Board of Directors' report, and reporting to the board any observations it deems relevant; (ii) ascertaining that the accounting methods selected for the preparation of the Company and consolidated financial statements are appropriate and that those methods are duly applied; (iii) verifying the accounting treatment of all significant transactions carried out by the Company; (iv) examining the Company's significant off balance sheet commitments; (v) ascertaining that the internal procedures for collecting and analyzing data adequately guarantee the quality and reliability of the Company's financial statements; (vi) reviewing the entities included in consolidation and, if necessary, the reasons why certain entities may not be consolidated; (vii) examining any question that the Board of Directors may have regarding the foregoing points; and (viii) reporting its observations on accounting and financial matters to the Board of Directors, including in connection with the preparation of the Company and consolidated annual and interim financial statements.

In the area of risk management, the audit committee's tasks are to (i) review all litigation, including tax disputes, liable to have a material adverse effect on the Company's financial statements or financial position; (ii) examine the Company's exposure to significant financial risks, including financial market exposure (interest rates, exchange rates, stock markets), and to the risk that its debt may be accelerated (pursuant to so-called "event of default" clauses) in the event of adverse developments; and (iii) review the conclusions of the internal audit reports.

In the area of external auditing, the audit committee's tasks are to (i) make recommendations to the Board of Directors concerning the choice of independent auditors (auditing firms and networks) for the purpose of their appointment or reappointment by the shareholders' meeting, and examine and issue an opinion on the definition of their assignment, their fee, the scope and schedule of audits, and (ii) examine and issue an opinion regarding the audit-related services and the work other than the financial audits performed by the independent auditors, taking into consideration the possible impact that such work may have on the independence of the auditors and on their recommendations, and on measures taken based on those recommendations.

In the area of financial information, the audit committee's task is to review the Company's financial information plans concerning the interim and annual financial statements and quarterly revenue turnover.

The audit committee reports to the Board of Directors on its assignment and submits to it the observations it deems relevant.

6.1.2.2 Compensation committee

6.1.2.2.1 Composition of the Compensation committee

Pursuant to the Board of Directors' rules and regulations, adopted by the Board:

- the compensation committee is made up of three persons appointed by the Board of Directors from among its members;
- the majority of the committee's members must be outside directors.

The compensation committee was established by the Board of Directors at its meeting of March 15, 2004.

The members of the compensation committee were as of the filing date of this document, Georges Hibon, Christophe Mérieux and Michele Palladino. Mr. Hibon et Mr. Paladino are outside directors within the meaning of the Board's rules and regulations (see section 6.1.1.4). Two-thirds of the committee's members are outside directors.

Georges Hibon serves as chairman of the committee.

6.1.2.2.2 Functioning of the Compensation committee

The compensation committee meets at least once a year, or as often as necessary whenever convened by the Chairman of the Board of Directors.

With regards to the compensation of the Company's executive officers, the tasks of the compensation committee are to: (i) make recommendations to the board concerning the fixed and variable compensation, supplementary and specific pension death and disability benefits, benefits in kind and other financial benefits to which the Chairman and chief executive officer and, if applicable, the deputy chief executive officer, may be entitled; (ii) propose to the Board of Directors the aggregate sum to be earmarked for directors' fees, the rules governing the distribution of such fees and the sums paid to individual directors as fees, taking into consideration their attendance at board and committee meetings; and (iii) propose rules to the Board of Directors for setting the variable portion of compensation paid to officers and oversee their implementation. The compensation committee also receives information on the compensation of the Company's principal senior executives other than its executive officers.

In the area of stock options or bonus shares, the compensation committee reports to the Board of Directors its observations regarding the Company's overall stock option or bonus shares policy as proposed by the Chairman and chief executive officer and, if applicable, the deputy chief executive officer, and issues opinions on such matters as categories of employees to whom options are granted, options granted to executive officers being examined on a case-by-case basis by the committee.

6.1.3 Executive officers

The Company's chief executive officer is the Chairman of the Board of Directors (as decided by the Board of Directors on October 20, 2002 and reaffirmed on April 16, 2004).

The CEO has extensive authority to act in all circumstances on behalf of the Company. He exercises their authority within the limits of the corporate purposes and subject to those expressly granted by law to the shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

At the suggestion of the CEO, the Board of Directors may appoint one or more individuals to assist the chief executive officer, who are given the title of deputy chief executive officers.

The CEO is assisted in his duties by a Strategy Committee and a Management Committee, described in the section on the chairman's report on internal control procedures (5.9.3.2.1).

6.1.4 Internal control

The Company has internal control procedures for both operational and financial matters; they are described in the special report by the Chairman of the board.

The special report of the Chairman of the board, prepared in accordance with the provisions of article L. 225-37 § 6 of the Commercial Code for the fiscal year ended December 31, 2005, and the auditors' report with their observations, were submitted to the shareholders' meeting of June 8, 2006. They are included as attachments to Chapter 5.9 below of this document.

6.2 COMPENSATION FOR THE BOARD OF DIRECTORS

6.2.1 Compensation

Fees paid to directors are set on the basis of their attendance at Board of Directors and committee meetings.

Directors' fees paid to members of the Board of Directors are summarized in the table below::

In €	2005	2004
Alain Mérieux	16,000	14,000
Dr. Christophe Mérieux	28,000	17,000
Alexandre Mérieux	16,000	10,000
Philippe Villet	24,000	17,000
TSGH/Philippe Archinard	12,000	11,000
GIMD/Benoît Habert	24,000	12,000
Michel Angé	24,000	8,000
Georges Hibon	28,000	12,000
Michele Palladino	28,000	12,000
TOTAL	**€200,000**	**€113,000**

The above persons did not receive any directors' fees for the service on the boards of Group subsidiaries.

Michele Palladino was also paid six thousand euros for an assignment performed at the request of the Board of Directors.

Other than in the form of directors' fees paid by the Company, with the exception of Alain Mérieux, Christophe Mérieux and Alexandre Mérieux, and of Michele Palladino as explained above, the directors did not receive any compensation from the Company, entities controlled by the Company within the meaning of article L. 233-16 of the Commercial Code, or the company controlling bioMérieux S.A. within the meaning of the same article.

In 2005, Alain Mérieux, Christophe Mérieux and Alexandre Mérieux were paid the following compensation by Mérieux Alliance (which controls bioMérieux S.A. within the meaning of article L. 233-16 of the Commercial Code):

- Alain Mérieux: €280,000 (the same as in 2004) in gross fixed compensation; as in 2004, he did not receive any variable compensation or benefits in kind in 2005,

– Christophe Mérieux: €230,000 euros (€189,810 in 2004) in gross fixed compensation, €159,000 in gross variable compensation, €3,396 in the form of benefits in kind (€3,936 in 2004).

– Alexandre Mérieux: €80,000 (€59,790 in 2004) in gross fixed compensation, €9,000 (€6,900 in 2004) in gross variable compensation, €2,345 in the form of benefits in kind.

The gross variable compensation paid to Alexandre and Christophe Mérieux is based on two factors:

– the Company's financial results;

– their individual performance, measured in terms of objectives set at the beginning of the year.

As of December 31, 2005, only Alain Mérieux was covered by a special supplementary pension plan. The plan, for senior executives of the Company, was closed and no contributions were made in 2005.

The Company has not made any commitments whatsoever in favor of its officers, amounting to compensation, indemnities or benefits payable or likely to be payable in connection with the assumption, termination or change of position or subsequent thereto.

Payments made by the Company to Mérieux Alliance are described below.

6.2.2 Information regarding transactions with members of the Board of Directors or with companies whose directors also serve on the Company's board, other than in the ordinary course of business.

The Company and its principal subsidiaries (bioMérieux Inc. and bioMérieux B.V.) have each entered into service agreements with Mérieux Alliance. Under the terms of these agreements, Mérieux Alliance furnishes advice and assistance in (i) defining and implementing the Company's general policy and strategic development, (ii) industrial and financing matters, (iii) human resource matters and (iv) leveraging the Company's scientific potential and synergies in research of innovations. Aggregate compensation paid to Mérieux Alliance by various bioMérieux entities amounted to close to €2.9 million before taxes in 2005.

The amounts paid to Mérieux Alliance included sums that Mérieux Alliance re-billed under the terms of the above-referenced agreements for services rendered by certain Mérieux Alliance employees who are also officers of the Company Some of these Mérieux Alliance employees devote their time only to the Company and its subsidiaries, while others also devote time to other companies that are controlled by the Alain Mérieux family (Transgene and Silliker). For the employees who devote time to several companies, Mérieux Alliance receives payments determined on the basis of a formula that takes into account three factors: the revenues, assets and number of employees of each beneficiary Company (on this basis, in 2005, approximately 82.97% of the Mérieux Alliance services was attributed to the group bioMérieux). For the others, the expenses are entirely affected to the activity domain concerned. In any case, a margin is being applied to the basis of expenses to be shared out in order to cover the overheads of Mérieux Alliance. These service agreements will be maintained as well as the principles governing the cost sharing between the companies controlled by Mérieux Alliance.

The Company has entered into two agreements with Transgene (in which Mérieux Alliance held, through TSGH, a 66.7% equity interest until July 1, 2005, which interest has now declined to 56,68%) concerning the production by Transgene of viral vectors for use in clinical trials for therapeutic vaccination. Pursuant to those agreements, the Company refunds Transgene for all normal costs and expenses incurred by it. The Company has also sold a patent to Transgene (see 5.3.29.3 below). The two companies signed a research and development agreement in 2006.

The Company intends to contribute each year approximately 0.5% of the revenues of its French companies (those revenues amounted to €480.8 million in 2005) to the support of various charitable projects[16]. In this context, the Board of Directors decided during its December 19, 2003 meeting to dedicate €1.8 million to charitable contributions, with up to 80% of this amount (or a maximum of €1.44 million) allocated to the Rodolphe Mérieux Foundation and the Mérieux Foundation. Formed under the auspices of the Institut de France, the Rodolphe Mérieux Foundation's goal is to facilitate biological research applied to public health in developing countries, and in the fight against infectious diseases, and to encourage scientific and education projects. The Mérieux Foundation[17], is a foundation recognized for its public utility. The balance of charitable contributions may be allocated to various grants or direct funding activities administered by the Company directly.

Funds used for charitable contributions and other donations:

(€ 000)	2005	2004	2003
Charitable contributions [19]	1 628	1 538	599
of which to Fondation Mérieux	*353*	*430*	*305*
of which to Fondation Rodolphe Mérieux	*1 053*	*900*	
Patronage, other donations and fund of works by living artists	253	198	81
	1 880	1 736	680

Representatives of the Mérieux family also sit on the Board of the Mérieux Foundation recognized for its public utility since 1976 along with representatives from INSERM, the Rhône Prefect, CNRS and the Ministry of Research. The Mérieux Foundation aims at promoting scientific research and international scientific cooperation in the area of infectious diseases and assisting public health policies. In 2005, it received €352,500, in corporate patronage, in order to finance part of its activities.

Several members of the Mérieux family are members of the Board of Directors of the Rodolphe Mérieux Foundation. This foundation is chaired by Pierre Messmer, Chancellor of the *Institut de France*, and, along with Chantal, Alain, Christophe and Alexandre Mérieux, it has four other representatives from the *Institut de France*. The Company has entered into a sponsorship agreement (for two years and renewable) with the Rodolphe Mérieux Foundation [18] under which it has donated €1,052,500 for the year 2005. The amount donated each year is subject to adjustment by the bioMérieux Board of Directors.

Some of the projects supported by the Foundations have been undertaken with bioMérieux, including in Haiti, Mali and Phnom Penh (Cambodia).

The amounts donated in the form of corporate patronage give rise to a tax credit of 60% of the sum donated, limited to 0.5% of the annual revenue of French companies [19]

[16] law n° 2003 – 709 form August 1, 2003, on donations, associations and foundations.
[17] formerly known as the Marcel Mérieux Foundation
[18] On June 6, 2004
[19] The net expense amounted to approximately €239 thousand in 2003, 615 thousand in 2004 and 651 thousand in 2005.

On March 16, 2004 the Company entered into an agreement with Mérieux Alliance relating to the use of the surname "Mérieux." It continues to retain full international and domestic intellectual property rights to the "bioMérieux" name, and in accordance with current industrial property rules, the "bioMérieux" trademark gives it priority allowing it to contest the use the "Mérieux" name by any other party. Under the agreement, Mérieux Alliance has the right to use the name Mérieux for business and activities outside of the Company's field of activity. Mérieux Alliance has formally recognized the Company's rights with respect to this name. In addition, this agreement provides that, in the event that the Company comes under the control of a third party not wishing to retain the bioMérieux brand, or which fails to diligently make use of the bioMérieux brand for two years, Mérieux Alliance will receive the exclusive right to use the brands bioMérieux and Mérieux.

At the end of 2003, Mérieux Alliance subscribed to a common pension program established in 1995 between bioMérieux and bioMérieux Alliance (the holding Company for bioMérieux at that date). This program, which has since been terminated, benefited senior executives as well as directors and specified officers of Mérieux Alliance. As of December 31, 2005, Mr. Alain Mérieux is the only senior executive to benefit from such a program.

In October 2002, the company entered into a three-year framework agreement with Silliker Group Corp. (SGC), a Company indirectly controlled by Mérieux Alliance, covering the supply of reagents and the placement of the instruments used by the European subsidiaries of SGC for their quality control business. This agreement was entered into under normal market conditions.
For additional information on transactions entered into with members of the administrative bodies or companies with overlapping directors with the Company, not involving on-going, day-to-day operations, see Chapter 5.7 of the Auditors' special report[20].

The service agreement between Mérieux Alliance and the bioMérieux Group referred to above and in the Auditors' special report (section 5.7 above) will be extended, as will the principles governing the allocation of services to specific fields. However, the Board of Directors is expected to reexamine the value of the premises used to calculate rebilled costs.

6.2.3 Loans extended and guarantees provided to Company officers

None.

6.3 EMPLOYEE PROFIT SHARING

6.3.1 Voluntary and mandatory profit-sharing plans

A new voluntary profit-sharing plan was negotiated for the Company's employees for the period from 2004 to 2006. The profit-sharing rates applicable for 2005 are 3% of consolidated operating income and 1% of the Company's operating income.

A mandatory profit-sharing plan is also in effect at the Company, for which a reserve is set aside calculated on the basis of the legal formula.

6.3.2 Stock options – bonus shares

There is no stock option plan in effect at this time. Neither the Company nor the Group granted stock options to any officer or employee in fiscal 2005. On the date of this report, no options were outstanding and exercisable for new or existing shares of the Company.

[20]) This special report also deals with agreements for on-going day-to-day operations.

Pursuant to the authority granted to it by the ordinary and special shareholders' meeting of June 9, 2005 and under the bonus share plan established by the Board of Directors, the Board of Directors decided, following consultations with the remuneration committee, to distribute 78,000 shares on September 27, 2005, at the end of the waiting period set by the Board of Directors and subject to compliance by recipients with the applicable terms and conditions, as follows:

Recipients	Number of shares allocated	Share price on 9/27/2005
Number of bonus shares distributed to the top ten recipients other than officers and executives	78,000	€42,47

The principal features of this grant of bonus shares are set forth below.

Waiting period

The above recipients will gain title to the shares at the end of a two-year period from the date of the grant, or as of September 27, 2007.

Delivery of the shares

At the end of the waiting period set by the Board of Directors and provided that beneficiaries comply with terms and conditions set by the Board, the Company will transfer to recipients the number of shares decided by the Board of Directors. Recipients will have title to the shares but will be barred from disposing of them during the lock-up period set by the Board of Directors.

Lock-up period

The recipients will undertake to refrain from selling or transferring their shares for a period of two years (the lock-up period) from the expiration of the waiting period, or until September 27, 2009.

Rights of recipients

Even though the shares will not be immediately transferable, beneficiaries holding title to shares will be entitled to all other rights attached to such shares during the lock-up period:

- preemptive subscription rights;
- right to information;
- right to participate in shareholders' meetings;
- voting rights;
- right to dividends and, if applicable, distributions of reserves.

SECTION 7

RECENT DEVELOPMENTS AND PROSPECTS

7.1 RECENT COMPANY DEVELOPMENTS

7.1.1 Developments concerning the Board of Directors and the Committees of the Board

The Board of Directors met on March 17, 2006. The principal items discussed at the meeting were the approval of the company and consolidated financial statements for the year ended December 31, 2005; a proposed share buyback program; proposals concerning the reappointment of the auditors and alternate auditors.

At that meeting, the Board of Directors decided to submit certain draft resolutions to the ordinary and special shareholders' meeting, including on the usual grants of authority to the Board of Directors.

The audit committee met on March 13, 2006. The principal items discussed were the closing of the financial statements for fiscal 2005; a review of the off-balance-sheet commitments and of work concerning the change of accounting rules (IFRS); the financial aspects of the management report; a report on the work done on the chairman's report on internal control procedures; a report on the work done in preparation of the Company's annual report and reference document; and the draft of a press release on the financial results for the year.

The Compensation committee met on March 16, 2006. The principal items discussed were the review of the provisions pertaining to the compensation of officers; the bioMérieux compensation policies in France and elsewhere; the positioning of the compensation of members of the executive committee in relation to the market; and the project for developing high potentials.

7.1.2 NucliSENS® EasyQ® Influenza H5 et N1

bioMérieux has launched an avian Influenza H5N1 detection test, for research purposes only. It can detect the presence of the virus in 90 minutes and will be used with the bioMérieux's NucliSENS® range of molecular biology systems.

7.1.3 VIDAS® LDUO

bioMérieux offers food-processing industries an innovative and efficient approach for Listeria risk control with VIDAS® LDUO. This new test now enables the simultaneous detection and differentiation of Listeria spp and Listeria monocytogenes in a single test for food products and environmental samples. The combined use of VIDAS® LDUO with LX broth enables faster growth of bacteria for enhanced detection, outperforming the ISO standard 11290-1. Besides, the test has recently obtained official validation by AFNOR in compliance with ISO 16140 (BIO-12/18-03/06).

7.1.4 Syndicated loan

The syndicated credit facility agreement of April 3, 2004 was amended on January 30, 2006. Its limit was increased to €260 million, its term was set at 7 years (to January 2013), the two tranches were combined into a single revolving facility repayable in its entirety on the maturity date. The interest-rate margins were reduced and the acceleration clauses were made more flexible (see section 5.3.16.1).

7.1.5 GeNeuro

The Company has acquired an initial 10-percent interest in GeNeuro, a Swiss corporation formed jointly with Éclosion, a Swiss venture capital firm specializing in start-up biotechnology companies. In a related development, bioMérieux has entered into a licensing agreement with GeNeuro aimed at making use of patents pertaining to multiple sclerosis filed by the Company.

7.1.6 Litigation

On March 28, 2006, the "Cour de Cassation" reversed a May 5, 2004 judgment by the Paris Court of Appeal under which bioMérieux had been found guilty of infringing a patent held by DBV. The case was sent back to a differently constituted Paris Court of Appeal. The new trial will give bioMérieux an opportunity to present all of its arguments in support of the absence of patent infringement.

At the date of the present Reference Document, bioMérieux considers that it has built-up sufficient reserves to cover the litigations

7.1.7 ExonHit

bioMérieux and ExonHit Therapeutics, a French drug and diagnostic discovery company, have reached an important research milestone in the diagnosis of breast cancer.

Scientific data, presented on April 4, 2006 at the 97th Annual AACR (American Association for Cancer Research) meeting in Washington, DC, USA, are expected to lead to the development of novel diagnostic tests that will enable the early detection of breast cancer from blood. Such diagnostic tests could enable clinicians to make a better therapeutic decision more quickly, thus improving the chances of successfully treating patients.

A prospective multi-centre clinical study in 1000 women has been initiated to validate the specificity and selectivity of the markers identified.

The research efforts that would enable the development of these novel molecular diagnostics in cancer are based on ExonHit's expertise in identifying specific genetic signatures from alternative RNA splicing associated with diseases and will capitalise on bioMérieux's know-how in developing and commercialising diagnostic tests.

7.1.8 Frost & Sullivan

bioMérieux has been the recipient of 2006 Frost and Sullivan Technology Innovation of the Year award in the field of *in vitro* diagnostics, for the development of the NucliSENS® easyMAG™ system.

7.1.9 First Quarter 2006 sales

Sales amounted to €255.6 million for the first quarter of 2006, an increase of 7.8% at constant exchange rates and of 12.3% as reported. The robust growth was led by a 9.9% increase in sales of strategic lines, at constant exchange rates, reflecting both the launch of new products and favorable prior-year comparatives.

in € millions	**Q1 2006**	Q1 2005	% change	**% Change** (at constant exchange rates)
Europe (1)	**145.8**	135.2	+7.9	**+7.4**
North America	**66.5**	56.7	+17.1	**+6.9**
Asia-Pacific	**27.0**	22.3	+20.9	**+15.5**
Latin America	**16.3**	13.4	+22.3	**+3.5**
TOTAL	**255.6**	227.6	+12.3%	**+7.8%**

(1) Including the Middle East and Africa

Business expanded in every region, particularly Europe, North America and the Asia-Pacific.

Sales in the Europe – Middle East – Africa region, which accounted for 57% of consolidated business, increased by 7.4% at constant exchange rates, led by gains in Italy (up 13%), the United Kingdom (up 14%) and Spain (up 9%). Growth was especially strong in bacteriology reagents, following the introduction of the VITEK®2 Compact, in molecular biology and in industrial applications. The Middle East-Africa region also reported fast growth, notably in the VIDAS® immunoassay range. On the other hand, sales in France were down 2% after the high instrument billings in first-quarter 2005.

In North America (26% of the consolidated total), sales were up 6.9% for the quarter, at constant exchange rates. Growth in the clinical applications was supported by higher sales of the VITEK®2 line, the sustained development of the VIDAS® range in Emergency Rooms and Physician Office Labs, and strong growth in molecular biology products. Sales of industrial applications were up 11%. Overall growth, however, was dampened by declines in other lines, particularly hemostasis.

Business continued to expand at a brisk pace in the Asia-Pacific region (11% of the consolidated total), rising 15.5% at constant exchange rates during the quarter. Except for Japan, all of the countries in the region reported strong growth, led by the strategic ranges.

Sales were up 3.5% at constant exchange rates in Latin America (6% of the consolidated total), where recovery in Mexico and growth in Colombia were offset by a decline in Brazil. Growth in the strategic lines was impacted by weaker sales in other ranges, particularly microplates.

At constant exchange rates, clinical applications rose 6.3% during the quarter, while industrial applications were up 13.9%.

in € millions	**Q1 2006**	Q1 2005	% change	**% Change** (at constant exchange rates)
Clinical Applications	**222.2**	199.3	+11.5	**+6.9**
Industrial Applications	**33.4**	28.3	+18.2	**+13.9**
TOTAL	**255.6**	227.6	+12.3%	**+7.8%**

In clinical applications, bacteriology sales continued to be driven by the success of the VITEK®2 Compact system, as well as by the solid performance from reagents in the BacT/ALERT® blood culture range. The VIDAS® line of immunoassays continued to expand in Emergency Rooms and Physician Office Labs, while gaining new markets in the Middle East-Africa region during the period. Molecular biology sales surged 68%, at constant exchange rates, on the success of the easyMAG® system, but the other lines, including hemostasis, contracted over the period despite firm sales of the microplates line.
In industrial applications, sales growth was led by all of the bacteriology lines (culture media, VITEK®2 Compact and BacT/ALERT®) as well as by the VIDAS® system.

Upcoming events
June 8, 2006: Annual Meeting of Shareholders
July 18, 2006: Second-quarter sales

7.2 FUTURE PROSPECTS

In 2006, like-for-like sales growth is expected to be 5 to 6%, with a relatively sharper increase in the first quarter. In this context, the Company targets a 2006 operating margin on a par with 2005, at comparable exchange rates and scope of consolidation.

These above forecasts and objectives have been set up within the framework of the accounting rules used for the financial statements of the Company according to the IAS /IFRS standard. The hypothesis taken into account are the following: (1) same scope of consolidation as in 2005, (2) foreign exchange rates close to those of 2005, (3) continuation of deployment of the new VITEK®2 Compact, TEMPO®, easyMAG™ and VIDIA® platforms, stimulating the increase in the installed base, (5) maintain of important expenses in research and development, (6) compensation of costs linked to the continuing impact of measures to strengthen quality assurance systems, to the roll out of new platforms and to higher raw material prices, by productivity and cost optimization programs.

The above forecasts and objectives are based, entirely or partially, on assessments or judgments that may change or be modified due to uncertainties concerning the economic, financial, regulatory or competitive environment. Besides, should certain risks mentioned in Section 4 of this reference document materialize, this would impact the activity of the Company and its capacity to meet its objectives. The achievement of the objectives also relies on the success if the commercial strategy described in section 4.3 and the absence of unforeseen break off in the *in vitro* diagnostic market.

Accordingly, the company cannot give any assurance or make any representation as to whether the objectives will be met. The company does not undertake to update or otherwise revise any forecasts or objectives presented herein, except in compliance with the disclosure obligations applicable to companies whose shares are listed on a stock exchange.

7.3 STATUTORY AUDITOR'S REPORT ON THE FORECAST RESULTS

For the attention of Mr Alain Mérieux, Chairman of the Board of Directors and Chief Executive Officer of Biomerieux,

In our capacity as statutory auditors and in accordance with EU regulation 809/2004, we report on the forecast results of Biomerieux as disclosed in Section 7.2. of the 2005 Registration document dated 22 May 2006.

It is management's responsibility to prepare the profit forecasts, together with the material assumptions upon which they are based, in accordance with the requirements of EC regulation n° 809/2004 and CESR guidance n° forecasts.

It is our responsibility, based on our procedures, to express a conclusion, under the terms and conditions required by appendix I, point 13.3 of EC Regulation 809/2004, on the adequacy of the preparation of these forecasts.

We performed our work in accordance with the professional doctrine applicable in France. Our work includes an evaluation of the procedures undertaken by management in compiling the profit forecasts and the consistency of the profit forecasts with the accounting principles adopted by Biomerieux, i.e., the IFRS as adopted by the EU. We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the profit forecasts have been properly compiled based on the disclosed assumptions.

Since the profit forecasts and the assumptions on which they are based relate to the future and may be therefore affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the profit forecasts and differences may be material.

In our opinion:

– the profit forecast have been properly compiled based on the disclosed assumptions;

– the basis of accounting used to prepare the profit forecasts is consistent with the accounting principles applied by Biomerieux.

This report has been issued for the sole purpose of registration of the reference document by the AMF and shall not be used in another context.

Lyon and Villeurbanne, 22 May 2006

The Statutory Auditors

COMMISSARIAT CONTROLE AUDIT C.C.A.	**DELOITTE & ASSOCIES**
Bernard Chabanel	Alain Descoins

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

CROSS REFERENCE

Items from appendix 1 to European regulation 809/2004	Section of the "Document de Référence 2005" filed with the AMF on April 18, 2006 – corresponding sections in the "Document de Référence 2004" and the «Document de Base»
1. Persons responsible	
1.1. The persons responsible	1.1
1.2. Declarations by the persons responsible	1.2
2. Statutory auditors	
2.1. Identity of the statutory auditors	1.3.1; 1.3.2; 1.3.4; 1.3.5
2.2. Information on the statutory auditors	1.3.3
3. Selected financial data	
3.1. Historical data	5.1
3.2. Interim data	N/A
4. Risk factors	4.11
5. Information concerning the Issuer	
5.1. Company history and development	
5.1.1. Name	3.1.1
5.1.2. Registration	3.1.5
5.1.3. Incorporation	3.1.3
5.1.4. Principal office and legal form	3.1.1; 3.1.2
5.1.5. Highlights	4.3.1
5.2. Capital expenditures	
5.2.1. History of principal investments	4.5.3.1; 5.8.2.4
5.2.2. Principal capital projects in progress	4.5.3.2
5.2.3. Principal future capital projects	4.5.3.3
6. Summary of business	
6.1. Principal business	
6.1.1. Principal business	4.3
6.1.2. New products/services	5.8.2.2; 7.1
6.2. Principal markets	4.2; 4.3; 5.2.2; 5.2.3
6.3. Extraordinary events	N/A
6.4. Dependence	4.7; 4.11
6.5. Competitive position	4.2.4; 4.3
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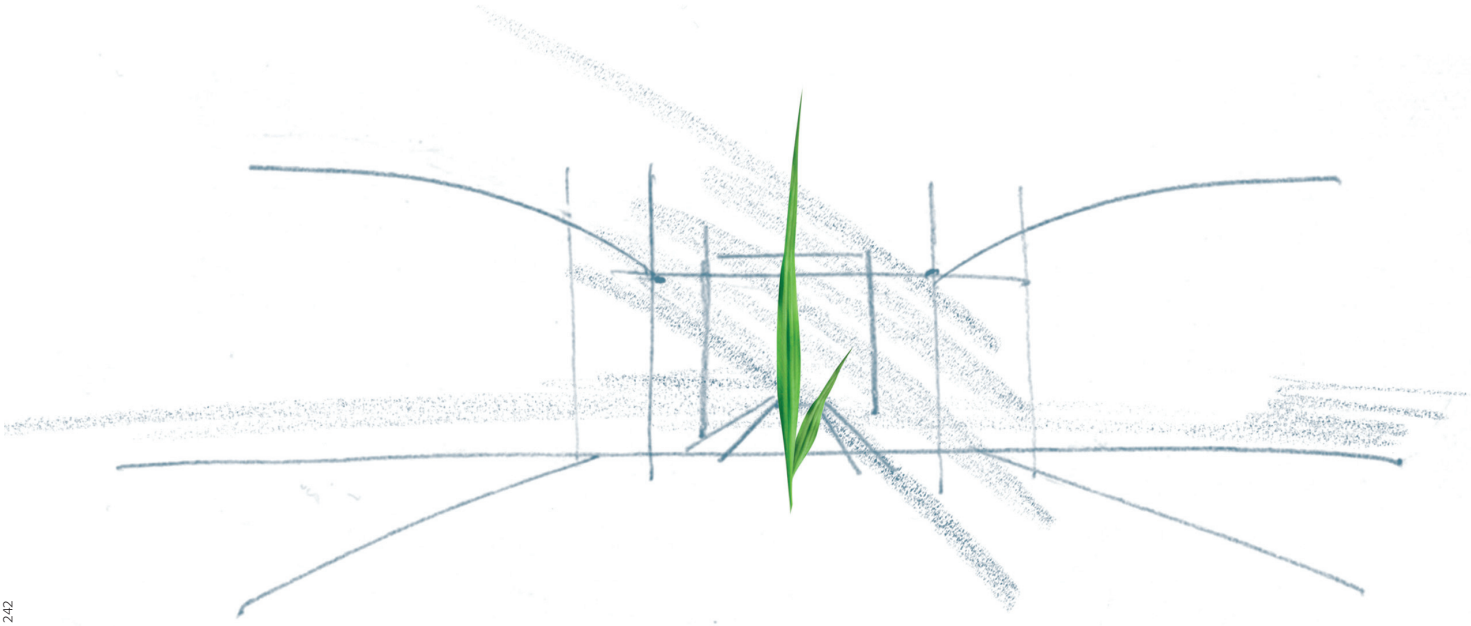

bioMérieux sa
69280 Marcy l'Etoile
France
Tel.: 33 (0)4 78 87 20 00
Fax: 33 (0)4 78 87 20 90

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