REFERENCE DOCUMENT

2004

from diagnosis,
the seeds of better health

BIOMÉRIEUX

Limited Liability Corporation with a capital of €12,029,370
Head Office: Marcy l'Etoile (69280)
673 620 399 RCS Lyon

AMF AUTORITÉ DES MARCHÉS FINANCIERS

The original version of this reference document (*document de référence*) in French was deposited with the French Financial Market Authority (AMF) on May 18, 2005 in accordance with articles 211-1 to 211-42 of the AMF Règlement général. It may be used in connection with a financial transaction if completed by an Information notice approved by the AMF.

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.

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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

"*To the best of our knowledge, the information contained in this Reference Document is consistent with the facts; it includes all of the data needed by investors to form an opinion on the assets, transactions, financial position, earnings and outlook of bioMérieux and contains no omissions likely to affect it materially.*"

Marcy l'Etoile, May 18, 2005

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.

- Mr. Bernard Chabanel
  43 rue de la Bourse, 69002 Lyon
  Appointed by the shareholders' meeting of March 10, 1987 and reappointed by the shareholders' meetings of March 29, 1993 and March 30, 1999 for a term expiring at the close of the shareholders' meeting called to approve the financial statements for fiscal year ending December 31, 2004.

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.

- Commissariat Contrôle Audit, CCA
  43 rue de la Bourse, 69002 Lyon
  Appointed by the shareholders' meeting of 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.

1.3.3 Expiration of auditors' terms

- **Mr. Bernard Chabanel**

Mr. Bernard Chabanel's term ends at the forthcoming annual shareholders' meeting, at which the shareholders will be asked to appoint Commissariat Contrôle Audit CCA, 43 rue de la Bourse, 69002 Lyon, to replace him as principal auditor, for a six-year term expiring at the close of the Company's shareholders' meeting to be held in 2011 to approve the financial statements for the fiscal year ending December 31, 2010.

- **BEAS**

The term of BEAS ends at the forthcoming annual shareholders' meeting and the shareholders will be asked to reappoint that Company as alternate for principal auditor Deloitte & Associés, for a one-year term expiring at the close of the Company's shareholders' meeting to be held in 2006 to approve the financial statements for the fiscal year ending December 31, 2005.

- **Commissariat Contrôle Audit - CCA**

Commissariat Contrôle Audit CCA has informed the Company of its intention to resign from its position as alternate auditor at the forthcoming annual shareholders' meeting, at which the shareholders will accordingly be asked to appoint Diagnostic Révision Conseil (DRC), 45 rue de la Bourse, 69002 Lyon, as alternate for principal auditor Commissariat Contrôle Audit CCA, for a six-year term expiring at the close of the Company's shareholders' meeting to be held in 2011 to approve the financial statements for the fiscal year ending December 31, 2010.

1.4 - AUDITORS' ATTESTATION ON THE REFERENCE DOCUMENT FOR FISCAL YEAR 2004

As statutory auditors of bioMérieux and pursuant to AMF regulations 211-2 to 211-42, we have performed, in accordance with professional standards applicable in France, procedures on the information pertaining to the financial position and the previous years' financial statements contained in the "Reference Document".

This document has been prepared under the authority of the Chairman of your Company. Our responsibility consists of issuing an opinion regarding the fairness of the information on the financial position and the financial statements it contains.

We have performed tests and procedures, in accordance with professional standards applicable in France, to determine the accuracy and fairness of the information on the financial situation and the financial statements and to ascertain that such information was consistent with the financial statements examined by us. We have also examined other information contained in the Reference Document to obtain assurances that it was not materially inconsistent with the information on the financial position and the financial statements, and to report to you any errors that we may have identified based on our general knowledge of the Company, acquired during the course of our assignment. In the case of isolated estimates arrived at by a formal process, we have also examined the assumptions made by management and the data derived from those assumptions

We have audited the annual and consolidated financial statements for the 12-month period ended December 31, 2002, as prepared by the Board of Directors in accordance with professional standards, and have issued an unqualified opinion with no observations to make regarding those financial statements.

We have audited the annual statements for the 12-month period ended December 31, 2003, as prepared by the Board of Directors, in accordance with professional standards, and have issued an unqualified opinion regarding those financial statements. Our report on those financial statements contains an observation drawing attention to note 1.1, which describes the method used to account for long-service medal bonuses.

We have audited the consolidated financial statements for the 12-month period ended December 31, 2003, as prepared by the Board of Directors, in accordance with professional standards applicable in France, and have given them an unqualified certification regarding those financial statements. Our report on those financial statements contains an observation drawing attention to note 1.1, relating to the comparison of the financial statements in particular following the change in presentation of the consolidated income statement and the change in evaluation method for retirement and post-retirement provisions.

We have audited the annual and consolidated financial statements for the 12-month period ended December 31, 2004, as prepared by the Board of Directors in accordance with professional standards, and have issued an unqualified opinion with no observations to make regarding those financial statements.

Based on our audit, we have no observations to make regarding the fairness of the information concerning the financial position and the financial statements included in this document.

Lyon, April 1, 2005

The Auditors

Bernard Chabanel **Deloitte & Associés**

Alain Descoins

Note:

This document also includes:

- The Auditors' general report and report on the consolidated financial statements for the year ended December 31, 2004 (sections 5.6 and 5.4 of the document, respectively), with an explanation of assessments, as required by article L.225-235 of the Commercial Code;
- The Auditors' report (in section 5.10 of this document) on the report by the Chairman of the Board of Directors on the internal control procedures pertaining to the preparation and processing of accounting and financial information, prepared in accordance with the last paragraph of article L.225-235 of the Commercial Code.

1.5 - PERSON RESPONSIBLE FOR INFORMATION

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

Address: bioMérieux, Marcy l'Etoile, F69280

CHAPTER 2 - INFORMATION CONCERNING THE INITIAL PUBLIC OFFERING

The Company has been listed on July 7, 2004, as set forth below.

A total of 10,280,953 shares, representing approximately 26.42% of the Company's common stock and voting rights, were floated by WENDEL Investissement under the offering (this percentage does not take into account the 542,350 shares issued for an offering to employees).

The offering price of the shares was €30.

The initial public offering yielded gross proceeds of €308,428,590.

Another 454,663 shares were issued and acquired by French employees and retired personnel belonging to the Employee Savings Plan established by the Company and by employees belonging to the International Group Employee Savings Plan also set up by the Company.

An additional 87,687 shares were purchased by CALYON, under a leveraged stock purchase arrangement in connection with the employee stock offering.

This second offering yielded gross proceeds of €13,016,400.

Trading in bioMérieux shares on the *Premier Marché* of Euronext Paris S.A. started on July 7, 2004.

CHAPTER 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.

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

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.

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 bylaws)

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

(a) 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;

(b) 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;

(c) 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;

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(1) See §3.3.2 below

(d) 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

(e) 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, 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 Executive officers (art. 16 of the articles of incorporation and bylaws) (see 6.1.1.4 below)

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 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; the shares must be held in registered form until they are fully paid up.

Ownership of the shares is evidenced by an entry in the Company's books, in accordance with applicable regulations.

Whenever the owner of shares is not a French resident, an intermediary may act as the shareholder of record on behalf of that owner. The intermediary may do so for a collective account or for several accounts, each of which corresponds to a different owner. The financial intermediary must report that it is acting as an intermediary holding shares on behalf of a third party at the time the intermediary's account is opened with either the Company or an authorized financial intermediary, in accordance with applicable laws and regulations.

For the purpose of identifying holders of bearer shares, the Company may ask the central security depositary for the information referred to in article L. 228-2 of the Commercial Code. The Company is accordingly entitled to request at any time, for a fee, to be provided with the name and year of birth – or, in the case of legal entities, the name and date of incorporation –, nationality and address of holders of securities that can be voted at shareholders' meetings, immediately or in the future, as well as the number of securities held by each of such holder and the restrictions, if any, applying to those securities.

After examining the list provided by the central securities depositary, the Company has the right to request on the identical conditions the same information concerning the owners of shares, either through the depositary or directly, regarding listed persons which the Company believes may be acting on behalf of third parties. Whenever such persons are acting as intermediaries, they are required to disclose the name of the owners of the shares. The information is provided directly to the authorized financial intermediary, which must then forward it either to the Company or to the central security depositary, as the case may be.

In the case of securities in registered form with immediate or future rights to equity, the registered intermediary must disclose the identities of their owners upon request by the Company or its representative, which request may be made at any time.

As long as the Company believes that certain holders whose names have been provided to it are acting on behalf of third parties owning the securities, it has the right to request that those holders disclose the identities of the owners. After making such a request, the Company may ask any legal entity holding shares representing more that 2.5% of equity or voting rights, to report to it the names of the persons with a direct or indirect interest of more than one-third of equity or voting rights in the legal entity holding shares of the Company.

In the event that the foregoing obligations are not complied with, the shares and other securities with an immediate or future right to equity for which the obligations are not fulfilled will be barred from voting at all shareholders' meetings until the identification procedures have been completed, and dividend payments will be deferred until that date.

Furthermore, should the holder of record willfully disregard these obligations, a court for the district in which the Company's principal office is located may, at the request of the Company or of one or more shareholders with 5% or more of the shares, suspend the voting rights attached to the shares about which a request for information has been made by the Company for a period of up to five years, and possibly, suspend the payment of the corresponding dividends for a like period.

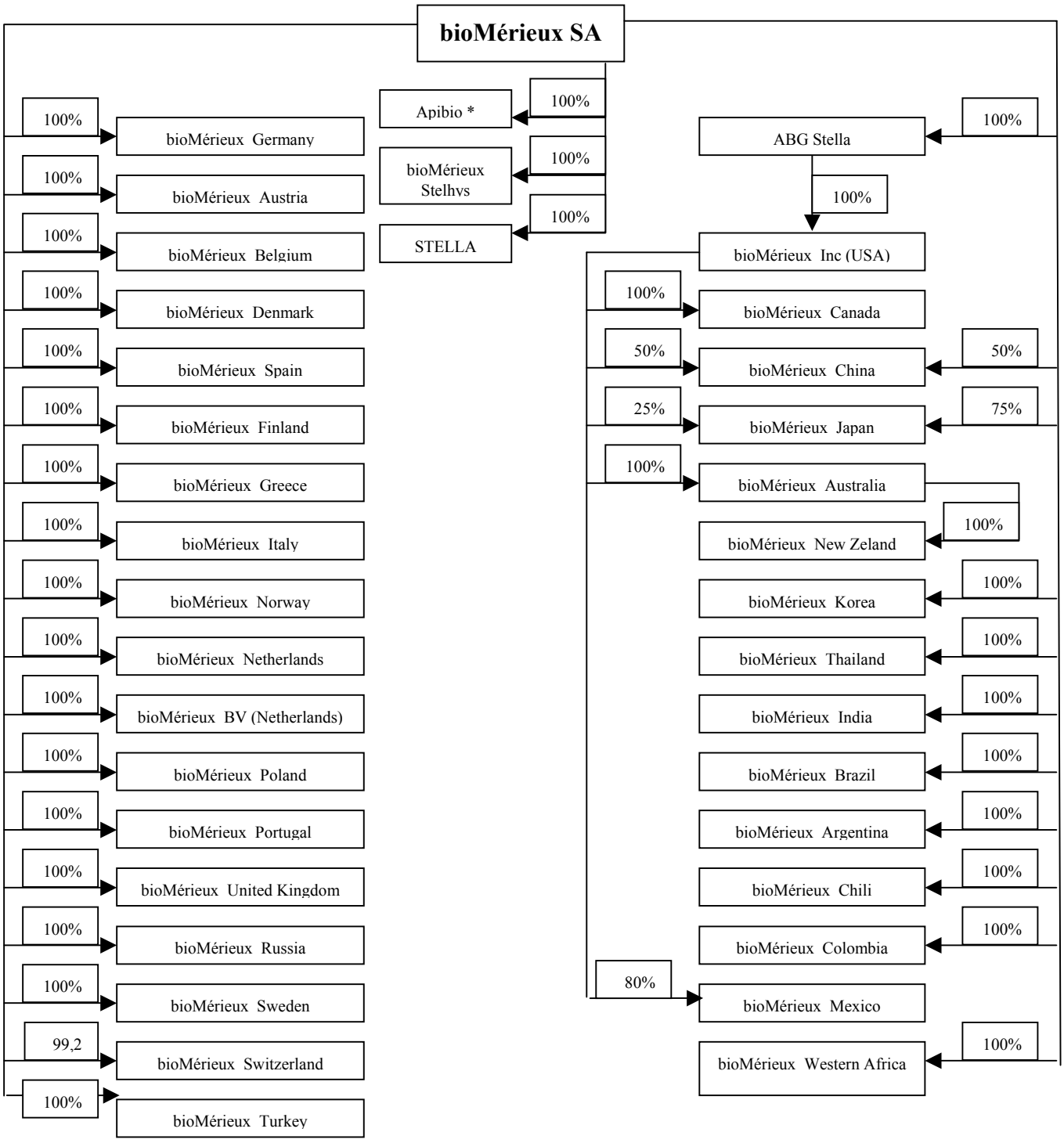
3.1.12 Requirements for holdings crossing certain thresholds

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%, 20%, 33 $^{1}/_{3}$%, 50% or 66 $^{2}/_{3}$% (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 our Company, 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.

3.1.13 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**").



* The Board of Directors settled the terms of a project to merge Apibio into bioMérieux at its meeting of March 18, 2005; the merger will be submitted to the next special shareholders' meeting for approval (see section 7 below).

3.1.14 Other information concerning subsidiaries and investments

- **Apibio**

The Company has purchased the remaining 4.7% of Apibio's shares, bringing its interest in that Company to 100%.

In order to simplify the corporate structure, there is a plan for Apibio to be merged into the Company (it is currently a wholly owned subsidiary) (see section 7 below).

The planned merger is described in a separate report by the Board of Directors.

- **InoDiaG**

At the end of December 2004, the Company acquired a minority interest (close to 7 percent, in the form of shares with warrants) in InoDiaG, a Marseille start-up company that develops new diagnostic methods and instruments, for a price of €299,600.

- **Asia-Pacific**

  - China: the regional office for Asia and the Pacific is now located in Shanghai, along with a logistics center.

  - Japan: the subsidiary has been restructured in order to concentrate on distribution of products in Japan and it was decided to close the Saitama manufacturing facility.

- **Europe**

Two subsidiaries are in the process of being formed in the Czech Republic (Prague) and Hungary (Budapest).

- **Acquisition of controlling interests**

No controlling interest was acquired during the fiscal year. It should be noted, however, that the Company formed a new wholly owned subsidiary, STELLA SAS, in December 2004.

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).
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 April 16, 2004 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, up to 10 percent of the Company's shares outstanding may be purchased, sold and transferred at any time (including during periods when tender offers are in effect) and by any means, over the counter, through block trades (without a limit on the portion of the buy-back program that may be carried out in such a manner), by means of derivatives (including options) or by issuing securities convertible, exchangeable, redeemable or exercisable for Company shares, or otherwise entitled to rights to such shares. The authorization is intended to enable the Company to trade in its own shares depending on stock-market conditions, for such purposes as (i) managing the Company's finances and assets in the best possible manner, (ii) maintaining an orderly market in the shares of the Company by trading against the market, (iii) granting stock options to the Company's employees and officers and/or those of its group, or offering shares to them as provided for by articles L. 443-1 *et seq*. of the Labor Code and by article L. 225-209 §3 and article L. 225-177 of the Commercial Code, (iv) distributing shares to employees under Company profit-sharing plans, (v) using shares to provide compensation or otherwise, including in connection with acquisitions or as part of financial and asset management measures, (vi) delivering shares in response to the exercise of rights attached to securities redeemable, convertible, exchangeable or exercisable for shares of the Company, or otherwise entitled to rights to such shares, or (vii) retiring them.

The Board of Directors has also been granted authority for a period of eighteen (18) months to reduce capital stock by retiring shares purchased by the Company under a share buyback program.

The annual and special shareholders' meeting of April 16, 2004 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.

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

That "share management" agreement is consistent with the code of conduct of the French Association of Investment Companies (AFEI), approved by the "Commission des Opérations de Bourse" on April 10, 2001.

The table below summarizes the trades in Company shares performed by Crédit Agricole Cheuvreux during the fiscal year 2004, under the agreement of December 23, 2004 with the Company.

Number of shares bought	Average purchase price	Number of shares sold	Average selling price	Fees and commissions	Number of treasury shares at the end of the year	Value of treasury shares at year's end (average purchase Price in €)	Book value on 12/31/04	Par value of the shares	Purpose of trades	Portion of shares outstanding accounted for by treasury shares at year's end
1600	31.32 €	0	-	0	1,600	51,840	47,208	-	Share management	0.004%

3.2.4 Authorized capital not issued

State of the authorizations voted by the annual shareholders' meeting of April 16, 2004.

Securities concerned	Authorization duration and expiration date	Ceiling	Ceiling on the increase in capital stock	Use of the delegation by the Board of Directors during the exercise
Bonds and notes	26 months June 2006	€500 million	–	No
Capital increase by capitalization of reserves	26 months June 2006	–	35% of capital stock at the close of the combined annual and special shareholders' meeting of April 16*	Yes (see hereunder for details)
Equity issue without preemptive rights**				
(capital increase, all securities combined)	26 months June 2006	Debt securities: €500 million	35% of capital stock at the close of the combined annual and special shareholders' meeting of April 16*	No
Rights offering**				
(capital increase, all securities combined)	26 months June 2006	Debt securities: €500 million	35% of capital stock at the close of the combined annual and special shareholders' meeting of April 16*	No
Offering to qualified investors	Annual shareholders' meeting call to approve the financial statements or fiscal 2004	–	35% of capital stock at the close of the combined annual and special shareholders' meeting of April 16* (the amount counting against the above ceiling)*	No
Offering to employees (and related persons)				
Stock options	38 months June 2007	10% of capital stock on the date options are granted	–	No
Offering to employees members of a Company savings plan	24 months April 2006	–	€225,416	Yes (see hereunder for details)
Offering to US employees members of a Company savings plan	24 months April 2006	–	€11,864 ***	Yes (see hereunder for details)
Equity issue earmarked for CALYON for a so-called leverage stock offering to certain foreign employees members of Company savings plans.	12 months April 2005	–	€118,640 ***	Yes (see hereunder for details)
Share buyback program	18 months October 2005	10% of capital stock on the program implementation date	–	No
		0.5% of Capital Stock		Yes (see hereunder 3.2.3) under a share management agreement

* *The aggregate nominal value for which the four authorizations have been granted is 35% of the Company's capital stock at the close of the combined annual and special shareholders' meeting of April 16.*

** *The 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 and listed on the Premier Marché of Euronext Paris S.A., that the two authorizations should remain in effect in the event of a tender offer for the Company's shares.*

*** *A ceiling has been set on the authorizations, in terms of both the increase in capital stock nominal value and the number of shares.*

At its meeting of June 18, 2004, the Company's Board of Directors made use of the authority granted to it to issue shares for offering to employees enrolled in a group savings plan and to US employees enrolled in a Company savings plan, as well as of its authority to issue shares to CALYON, in connection with a so-called leveraged employee stock ownership arrangement for certain foreign employees enrolled in employee savings plans.

In all three instances above, Company shares were offered to the employees concerned at a price of €24.

The Chairman, under a delegation of authority granted by the Board of Directors, recorded that:

- 408,014 new shares were subscribed for through the Opus Classic and Opus Multi employee funds on behalf of employees enrolled in an employee savings plan;
- 46,649 new shares were subscribed for through the Opus Classic and Opus Multi leveraged systems on behalf of US employees enrolled in an employee savings plan;
- 87,687 new shares set aside for CALYON were subscribed by it and used to provide a so-called leveraged stock purchase opportunity to certain foreign employees enrolled in employee savings plans.

A total of 542,350 new shares were issued by the Company, for an aggregate price of €13,016,400, increasing capital stock by €165,361.47 and generated other paid-in capital of €12,851,038.53.

The Company's Board of Directors also made use of its authority to increase capital stock by incorporating retained earnings, at its meeting of September 30, 2004; as a result, the Company's capital stock was increased by €0.53 through the addition of the corresponding sum from the Company's retained earnings.

3.2.5 Other equity securities

As of the filing date of this document, the Company had not issued other equity securities.

3.2.6 Securities other than equity securities

As of the filing date of this document, the Company had not issued securities other than equity securities.

3.2.7 Changes in capital to December 31, 2004 [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	Cumulative 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
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 - OUR PRINCIPAL SHAREHOLDERS

3.3.1 Ownership

The table below shows the number of shares, percentage of share capital and percentage of voting rights held by our principal shareholders at March 31 2005:

Shareholders (as of March 31, 2005)	Number of shares	% of share capital	Number of voting rights	% of voting rights
ACCRA*	23.240.090	58,90%	23.240.090	58,78%
Public	10.726.716	27,19%	10.812.561	27,35%
Groupe Industriel Marcel Dassault	2.013.470	5,10%	2.013.470	5,09%
WENDEL Investissement	1.136.067	2,88%	1.136.067	2,88%
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 (FCP France + US Employees)	388.327	0,99%	388.327	0,98%
Apicil Prévoyance	162.130	0,41%	162.130	0,41%
Treasury shares **	3.500	0,01%	0	0
Total	39.453.740	100 %	39.536.085	100 %

* ACCRA 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.

3.3.2 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 ACCRA[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 ACCRA 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 ACCRA (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 ACCRA, WENDEL Investissement and Groupe Industriel Marcel Dassault) proportionately to the interest they held in Nouvelle bioMérieux Alliance. In July 2003,

[9] For a description of the capital of ACCRA, see section 3.3.1above

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%).

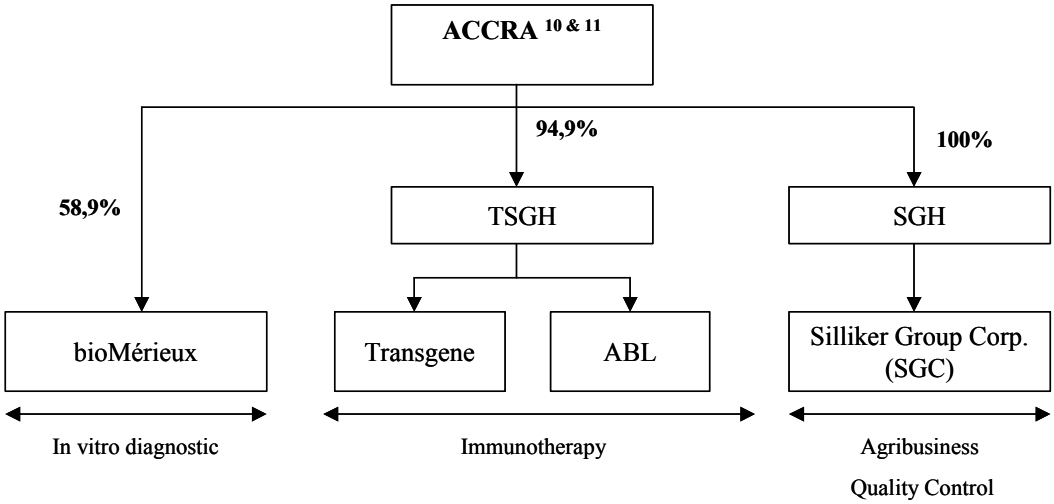
- In order to streamline the Group's structure, the shareholders' meetings of Nouvelle bioMérieux Alliance and of the Company resolved, on April 16, 2004, to merge Nouvelle bioMérieux Alliance into the Company. Subsequent to that transaction, ACCRA held directly 59.72% of the Company's equity, WENDEL 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 Premier Marché 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 Company's employees were also offered an opportunity to become shareholders. Applications by employees to buy shares resulted in the issue of 542,350 new shares for a price of €24 each, as decided by the Chairman of the Board of Directors on July 23, 2004, acting under authority delegated by the annual and special shareholders' meeting of April 16, 2004.

- 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:



3.3.3 Changes in equity ownership over the past three years

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

	December 31, 2002			December 31, 2003			April 30, 2004			March 31 2005			
Shareholders	**Number of shares**	**% of equity**	**% of voting rights**	**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**
ACCRA	–	–	–	–	–	–	23.240.090	58,90	58,78	23.240.090	58,90	23.240.090	58,78
NBMA*	3.867.378	99,27	99,27	3.869.371	99,31	98,93							
Other	28.696	0,73	0,61	26.700	0,69	1,07	-	-	-	-	-	-	-
WENDEL Investissement							1.197.317	3,04	3,03	1.136.067	2,88	1.136.067	2,88
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	388.327	0,99	388.327	0,98
Treasury shares ***	-	-	-	-	-	-	1.600	0,00	0	3.500	0.01	0	0,00
Public	-	-	-	-	-	-	10.721.656	27,03	27,18	10.721.656	27,19	10.804.001	27,35
GIMD**							2.013.470	5,10	5,09	2.013.470	5,10	2.013.470	5,09
Total	**3.896.071**	**100**	**100**	**3.896.071**	**100**	**100**	**39.453.740** (12)	**100**	**100**	**39.453.740** (12)	**100**	**39.536.085**	**100**

* *Nouvelle bioMérieux Alliance, held by ACCRA (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.*

(10) For a description of the capital of ACCRA, see section 3.3.1

(11) ACCRA 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.

(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.

The table below summarizes the principal changes in ownership of the Company over the past three fiscal years.

Shareholders	Transaction date	Transaction	Number of shares	Share trading price (euros)
BMH	November 2002	Sale by one individual	1	127.90
NBMA	February 2003	Sale by one individual	495	315.00
NBMA	March 2003	Sale by one individual	1,000	315.00
NBMA	April 2003	Sale by two individuals	165	315.00
NBMA	May 2003	Sale by one individual	334	315.00
CIC Lyonnaise de Participation	May 19, 2004	Sale by WENDEL Investissement*	113,492	308.40
Banque de Vizille	May 19, 2004	Sale by WENDEL Investissement	64,852	308.40
APICIL Prévoyance	May 19, 2004	Sale by WENDEL Investissement	16,213	308.40

**WENDEL Investissement became a direct shareholder of the Company following the merger of Nouvelle bioMérieux Alliance into the Company, as authorized by the combined annual and special shareholders' meeting of April 16, 2004.*

3.3.4 Pledging of the Company's shares

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

3.3.5 Principal owners

As of the filing date of this Reference Document, ACCRA holds 24,324,090 shares, representing 58.90% of those outstanding, entitling it to 58.78% of the voting rights in the Company.

3.4 - EXCHANGE ON WHICH THE COMPANY'S SECURITIES ARE TRADED

On the filing date of this document, the Company's shares were traded exclusively on the Eurolist by Euronext Paris. The Company has not issued any other securities admitted to trading on a regulated exchange.

3.5 - DIVIDENDS DISTRIBUTED BY THE COMPANY

3.5.1 Dividends per share for the past five years

We may declare dividends upon the recommendation of our Board of Directors and the approval of our shareholders at their annual General Meeting. Under the French Commercial Code and our by-laws (*statuts*), our right to pay dividends is limited in specific circumstances. The following table below sets forth dividend distributions per share for the years indicated.

(in euros)	**2000**	**2001**	**2002**		**2003**		**2004**
			Shareholders' Meeting	**Others**	**Shareholders' Meeting***	**Others****	**Shareholders' Meeting*****
Gross dividend per share....	0	0	1.545	1.95	6.93	7.70	0.40
Net dividend per share	0	0	1.03	1.3	4.62	7.70	0.40
Tax credit.....	0	0	0.515	0.65	2.31	-	0[13]
Total paid dividend.....	0	0	4 ,012,953	5,064,892	17,999,848	29,961,770	15,781,496

* *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*

3.5.2 Distribution policy

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

3.5.3 Statute of limitations

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

[13] The dividend tax credit was eliminated effective January 1, 2005.

3.5.4 Summary of the prices of stock exchanged over the last 9 months

The shares of bioMérieux have been traded publicly since July 7, 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.

Month	High	Low	Close	Volume
July 2004	30.72 €	29.50 €	30.00 €	4,711,906
August 2004	30.00 €	26.02 €	27.55 €	546,040
September 2004	29.29 €	26.40 €	27.99 €	632,718
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

CHAPTER 4 - INFORMATION ON THE COMPANY'S ACTIVITY [14]

4.1 - BUSINESS SUMMARY

4.1.1 Global presentation of the Company summary

We are a worldwide group specialized in the field of *in vitro* diagnostics for clinical and industrial applications. We design, develop, manufacture and market 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.

Our 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.

We also provide services such as installation and maintenance of systems and training of our customers in their use.

We have an installed base of approximately 38,000 instruments, giving us a high degree of visibility and regularity for our reagent sales, which accounted for 85% of our total revenues in 2004 (70% of our reagent sales were from sales of reagents used in our instruments, and the balance were from manual products). The vast majority of our instruments are closed systems, which means that they only work with reagents specifically developed by us for our instruments, and thus provide us with a steady revenue stream.

In the clinical segment, which accounted for 87.4% of our revenues in 2004, our 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 12.6% of our revenues in 2004, our customers are large international agribusiness, pharmaceutical and cosmetic companies.

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[14] Except notice, sources and figures in this document are estimations made by bioMérieux on the basis of internal and external informations as publicated sales from competitors or analysts.

Since our creation in 1963, we have experienced regular and sustained growth resulting from both organic development and targeted acquisitions. In 2004, our consolidated revenues were €931 million, our consolidated operating income was €132 million, and our net income was €76 million (see §5.3.3 *below*). We are present in over 130 countries, through 33 subsidiaries (see §3.1.13 *above*) and a large network of distributors. In 2004, we earned 57% of our consolidated revenues in Europe, including 18% in France, and we earned 26% of our consolidated revenues in North America.

Our commercial success has resulted in large part from the strong reputation of our product lines and reagents, which incorporate all of the technologies necessary for the diagnosis of infectious diseases. Our expertise in these technologies has allowed us to be a pioneer in the field of industrial diagnostics and, more recently, to extend our activities to new fields such as cardiovascular pathologies and cancers. Our technological platforms are the following:

- Bacteriology. Bacteriology permits the detection of bacteria and the evaluation of their sensitivity to antibiotics by manual or automated means. We are one of the two worldwide leaders in bacteriology with our API®[(15)], VITEK® and BacT/Alert® product lines;

- Immunoassays. Immunoassay tests detect antigen-antibody reactions that identify the presence of microorganisms such as viruses or bacteria, as well as other biological elements such as proteins and tumor or cardiac markers. We are focused on high value-added niches with our VIDAS® product line, the industry standard for small and mid-sized laboratories;

- Haemostasis. Haemostasis systems permit the analysis of blood fluidity and related pathologies. We carry a complete line of these systems (MDA® and MTX), and we are also evaluating Waveform, a new technology currently in the research phase. Waveform could permit an early stage diagnosis of an infectious state through the analysis of blood coagulation; and

- Molecular Biology. Molecular biology technology permits the detection of DNA or RNA sequences that are characteristic of bacteria, a virus or a cell. We have proprietary extraction and amplification technologies (BOOM® and NASBA®) that we use in our Extractor and EASYQ® (real-time molecular biology diagnostics system) systems, and we also commercialize the FoodExpert-ID.

With a high degree of expertise in these complementary technologies, we optimize our commercial offerings to satisfy our customers' needs, and we respond to the emergence of new pathologies and applications requiring the use of multiple techniques.

[(15)] bioMérieux®, the blue logo®, API®, Apibio®, ATB®, BacT/Alert®, BOOM®, MDA®, NASBA®, NUCLISENS®, NUCLISENS EASYQ®, SLIDEX®, VIDAS®, VIKIA®, VITAL® and VITEK® are registered trademarks that are the property of bioMérieux and/or one of its subsidiaries. Additionally, bioMérieux has U.S. trademark applications published or pending for the following trademarks: DA VINCI, FoodExpert-ID, MiniMAG, TEMPO and VIDIA. Affymetrix® and GeneChip® are registered trademarks that are the property of Affymetrix, Inc. and/or one of its subsidiaries or affiliates. GeneXpert® is a registered trademark that is the property of Cepheid Corp.

4.1.2 Overview of the In Vitro Diagnostics market

We estimate that the worldwide *in vitro* diagnostics ("IVD") market in 2004 comprised approximately €22 billion in sales including €1 billion in sales in the industrial segment or $27 billion (including $1.2 billion for the industrial applications)(source: Merrill Lynch, November 16, 2004). Approximately 85% of the worldwide market is concentrated in North America, Europe and Japan (source: Kalorama, October 1, 2004). Since 2000 and based on our estimates, the market has experienced compounded average annual growth rate of approximately 5% in the clinical segment and nearly 10% in the industrial segment.

We believe that the demand for diagnostic tests for infectious diseases and industrial applications should grow more quickly than the overall IVD market over the next five years, for the following reasons:

- Infectious Diseases: globalization of exchanges, facilitating the emergence and rapid spread of new pathogens such as SARS and avian flu; increase of bacteria that are resistant to antibiotics and other treatments; and the fight against bio-terrorism.

- Industrial: industrial globalization, growing public concern regarding the traceability of raw materials and the contamination risks associated with food (for example *salmonella* or *listeria*) or the environment (for example, *legionella*) and increasing government regulation. Demand from this segment is expected to grow faster than in the clinical segment, in spite of increased competition. It could also fluctuate widely from one year to the next due to changes in regulations or the outbreak of food crisis.

Over the medium-term, we believe that pathologies such as cardiovascular diseases and cancers are significant growth areas for our business, due to technological developments that increase the potential role of diagnostics in the analysis and management of treatments, as well as to the increasing frequency of these pathologies as a result of changing lifestyles (sedentary lifestyles, obesity) and the aging population.

We believe that growth in these fields will be reinforced by the emergence of new markets, particularly China and India, and the development of new technologies such as molecular biology, human genetics and nanotechnologies that address unmet medical needs and provide new applications.

4.1.3 Our key strengths

We believe that we are particularly well positioned to be a leader in the strategic areas that we have targeted. Our principal strengths are the following:

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

- ***Our complete product lines*** are known for their reliability and durability, and integrate all of the traditional technologies used in our target areas (bacteriology, immunoassays, haemostasis) as well as the latest technologies in molecular biology,

- ***Our proprietary technologies*** (BOOM® and NASBA®) give us the potential to become a leader in molecular biology,

- ***Our pioneering role in industrial diagnostics*** and our strong market position should help us capture the substantial growth potential in this area,

- ***Our worldwide presence*** puts us close to our customers around the world, and allows us to react quickly to the proliferation of pathologies that are not limited by borders,

- ***The strong visibility of our revenues*** results from our large installed base of instruments, which is comprised primarily of closed systems, and

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

4.1.4 Our strategy

Our ambition is to be one of the world leaders in the diagnosis of infectious diseases and selected key pathologies that we expect to experience high growth by pursuing the following strategy:

- ***Focus on selected high-growth applications and technologies***:
  - Applications. We intend to reinforce our 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. We will continue to increase our industrial application business, and develop new specialized applications for pathologies such as selected cardiovascular diseases and cancers;

  - Technologies. We are one of the world leaders in bacteriology, a high value-added niche player in immunoassays and haemostasis, and the owner of key technologies in molecular biology. We plan to continue our tradition of developing commercially successful products based on the most innovative technologies.

- ***Launch new products and improve our commercial position.***
  The launch, after VITEK ® 2 Compact at the end of 2004 and TEMPO ® at the beginning of 2005, of two other new platforms in the next years should allow the Group to spread its customers base and increase sales to our existing customers. Our regular introduction of broader menus, new reagents with high clinical value and new applications for our instruments should allow us to reinforce our current market position.

- ***Leverage our global reach to take advantage of growth opportunities.*** We have developed a worldwide presence and organized our sales force in order to be close to our customers, so that we understand and anticipate their needs and specificities. We are well placed to increase our revenues in regions where technological leadership is key, such as the United States and Europe, and in fast growing countries such as China and India, where diagnostics is increasingly important to the healthcare system.

- ***Pursue major efforts in research and development.*** Our ongoing efforts in research and development are focused on increasing the reagents we offer in our target areas and on improving the functionality of our instruments. Over the medium and long-term, we intend to develop new instrument product lines with cutting-edge technologies.

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

- ***Maintain a balanced financial strategy.*** We intend to rely on our regular operating cash-flows to finance our organic growth and to maintain a strong financial condition that we can leverage to seize external growth opportunities.

4.2 - HISTORY AND DEVELOPMENT OF OUR BUSINESS

The foundation of our 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, our 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 our initial products relied to a large extent on the expertise of Institut Mérieux, which initially was our principal shareholder (the Institut Mérieux transferred its shareholdings in our Company to the Mérieux family in 1968).

We initially targeted the French-speaking markets and focused our business on infectious disease diagnostics, principally in bacteriology and haemostasis. We then rapidly pursued international expansion by creating our 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, we pursued a policy of external growth through targeted acquisitions, permitting us to progressively expand our product lines in order to respond to our customers' changing needs and the emergence of new pathologies.

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

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

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

In 1996, we identified the need for new technologies to help fight the most virulent pathogens that require real time analyses. We partnered with Affymetrix when we entered into the molecular biology field with DNA chips (multi-detection bio-chips).
We are also distributing on a worldwide level outside the United States the Gen-Probe manual range of products.

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

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

- New technologies, particularly the NASBA® molecular biology amplification technology, which we have already integrated into our 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 we relocated our North American headquarters;

- 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 our revenues before the acquisition; and

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

At the end of 2003, we entered into a strategic alliance with the California Company Cepheid. We will combine our NASBA® amplification system with Cepheid's GeneXpert® platform, and thus strengthen our 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, we divested our activities that were not specific to *in vitro* diagnostics, and merged with our holding companies. These transactions allowed us to simplify our 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.

Lastly, bioMérieux was granted access to Gen-Probe's ribosomal RNA markers for molecular bacterial identification.

4.3 - IN VITRO DIAGNOSTICS TECHNIQUES

4.3.1 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 our 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.

4.3.2 Technologies

The *in vitro* diagnostics market uses several types of technologies, four of which constitute our 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;

- Haemostasis. Analysis of the viscosity of blood and associated pathogens, in particular thrombotic diseases (diagnosis of phlebitis or pulmonary embolism); and

- 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 four technologies, the *in vitro* diagnostics market includes primarily biochemical techniques (in particular tests related to diabetes) and the techniques used in haematology.

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. 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.

4.4 - 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.

We are not aware of any independent analysis of future growth of the *in vitro* diagnostics market. We have conducted our 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 our own knowledge of the market.

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

We estimate that the worldwide *in vitro* diagnostics ("IVD") market in 2004 comprised approximately €22 billion in sales including €1 billion in sales in the industrial segment or $27 billion (including $1.2 billion for the industrial applications) (source: Merrill Lynch, November 16, 2004).

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.

Geographically, based on our estimations, the United States represented 41% of the clinical *in vitro* diagnostics market in 2004, Europe 33%, the Asia-Pacific region 14%, Latin America 3% and the rest of the world 9%. As mature markets, Europe and the United States experienced compound average growth of 5% per annum in the period from 2000 to 2004, while countries with emerging economies experienced significantly higher growth (15% in the period from 2000 to 2004).

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

	2004 *(In billion of €)*
Infectious diseases	5.0
Cardiovascular pathologies	1.2
Cancers	1.7
Diabetes	5.1
TDM (Therapeutic Drugs Monitoring)/DOA (Drugs of Abuse)	0.8
Endocrine tests	1.7
Auto-immune diseases	1.0
General hematology applications	1.3
General clinical chemistry applications	2.8
Total	**20.6**

Industrial segment. The industrial market is a newer market, which is at a stage of more rapid growth than the clinical market. North America and Europe are, based on our estimations, the largest industrial diagnostics markets, each representing 34% and 43% of the market in 2004. The Asia-Pacific region represented 16% of the market, and Latin America 7%.

Growth prospects

We believe 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, we have targeted four as our principal areas of strategic development. Diabetes, the only one of these segments in which we are 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 SARS, avian flu and nvCJD (new variant Creutzfeldt-Jacob Disease due to bovine spongiform encephalopathy contamination, commonly known as "mad cow disease"), 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, 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;

- 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.

Our analysis lead us to estimate 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. The Company believes that this market could grow annually at an average rate of one and a half times or even twice the overall market rate, depending on the segment (food or pharmaceuticals and environment). 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 crisis such as those caused by outbreaks of *salmonella* and *listeria* during the early part of the decade.

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).

Key competencies

We consider 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

- 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 following table sets out what we believe are the technological capabilities necessary to compete successfully in our four targeted applications:

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

We believe that solid technological and commercial integration is essential today to compete successfully in our targeted applications. We consider ourselves 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.

4.5 - OUR BUSINESS

Our business in the clinical segment focuses on diagnosis of infectious diseases and complex pathologies, such as cardiovascular diseases and cancer. In the industrial segment, our 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.

4.5.1 Our strategic areas of expertise

We concentrate our activities on applications that we consider to have the highest growth potential and for which we stand out in terms of technical expertise, reputation and reliability of products and global presence.

In the clinical segment, our historical business is the diagnosis of ***infectious diseases***, which accounted for 66% of our consolidated revenues in 2004. In 2004, infectious diseases accounted for 100% of our revenues in clinical bacteriology, 53% of our revenues in immunoassays, and the majority of our revenues in the area of molecular biology. We offer our customers a wide range of manual and automated products with extensive menus of reagents. Our 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 several years, we have leveraged our technological expertise in infectious diseases to develop products for detecting and therapeutic tracking of selected major pathologies (which represented 12% of 2004 revenues):

- We are active in the diagnosis of ***cardiovascular pathologies*** (including thromboses), which accounted for the majority of our revenues earned on these major pathologies in 2004. The haemostasis methods we developed have their principal application in this segment. In the area of immunoassays, we developed and market the high value-added D-Dimer test, which is the industry standard for the detection of deep vein thrombosis and pulmonary embolism.

- We are also developing our products for ***cancer*** detection, for which the new molecular biology technology is well-adapted. We are 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.

We have also leveraged our technological expertise by pioneering the field of industrial applications, a segment that has developed over the past decade and which represented 12.6% of our revenues in 2004. 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.

4.5.2 Our customers

We market our products mainly to private analysis laboratories and hospitals. We estimate 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, our customers include physicians (known as “physician office lab” or “POL”), blood banks and the “point of care” market (in particular, hospital emergency rooms).

We do not sell products for patient testing, as selling to this customer base would require us to maintain a large retail marketing network. 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 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 2004, there is a mix of private and public customers. Private laboratories, which accounted for 64% of total sales in 2004, place orders, whereas public hospitals, which accounted for 26% of the Company's business, operate through competitive bidding. Industrial clients (10% of sales in 2004) also place direct orders.

In the industrial segment, our 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, we are 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, we have observed 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 our Company, allowing us to generate more volume, actively participate in customer automation and benefit from increased investment capacity for new platforms.

Our strategic plan is designed to respond to the changing needs of our existing customers, to enlarge our customer base and to use our strong expertise to penetrate new markets.

Thus:
we have launched VITEK®2 Compact, complementary to VITEK2, a platform for automated bacteriology tests targeted at small and mid-sized laboratories;

- We are developing VIDIA, a high throughput immunoassay instrument which will leverage our reputation and strong presence in the small to mid-sized laboratories to penetrate hospital laboratories and accompany the consolidation trend of our existing VIDAS customers;
- With our molecular biology systems, we offer 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;
- We are targeting the point of care market with Cepheid's GeneXpert® integrated system, which will use our NASBA® amplification system;
- We are developing rapid tests with an easy to use immunoassay product line (VIKIA®) designed for diagnosis by physicians and in developing countries; and
- We have launched TEMPO, the first microbiology platform specifically designed for quality control of food products.

Our revenues from our ten largest customers represented less than 10% of our revenues in 2004. No customer represented more than 2% of our revenues.

4.5.3 Our products

We offer our customers a wide range of products that permit them to detect, diagnose and follow up treatment of the pathologies that we have targeted as our principal areas of focus.

Composition

Our diagnostics 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 our revenues comes from reagent sales, which accounted for approximately 85.3% of revenues in 2004 (against 84.5% in 2003). Instruments are either sold (approximately 10.4% of 2004 revenues against 11.4% in 2003) 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, we are 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 we develop and install are closed systems, meaning that they can only be used with reagents we specifically develop for these instruments. Our installed instrument base, which was approximately 38,000 instruments as of December 31, 2004, is a source of visibility and provides a regular revenue stream. 70% of our reagent sales in 2004 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 our Company is billed to customers. Billing of services accounted for approximately 4.3% of our revenues in 2004, against 4.1% in 2003.

Products

The following table sets out the main products we market, their technological area and principal applications:

Product lines	Technological area	Main applications	Upcoming launches and new products
API® and culture media	Bacteriology	Culture media: detection of principal microorganisms responsible for infectious diseases. Approximately 40 applications. API®: miniaturized identification and detection test for the susceptibility of bacteria to antibiotics. Global industry standard covering approximately 550 bacteria (including new bacteria such as *coryne bacteria, listeria and neisseria*) Management of the bacteriological environment in the pharmaceutical segment; air quality control.	New chromogenic cultures allowing isolation and immediate identification of bacteria.
VITEK®	Bacteriology	Automated identification and antibiotic susceptibility system. Extensive menu, five new tests in 2003 and 2004. Second generation VITEK®2 labor being marketed. VITEK®2 Compact, first automated system designed for small and mid sized laboratories (launched the last quarter of 2004.)	New identification and antibiotic susceptibility cards
BacT/Alert®	Bacteriology	Direct placing of blood samples in culture for detection of septicemia (routine examination.) Monitoring of sterility of platelets (blood banks in the United States.) Monitoring of sterilization of industrial products.	Menu extensions
Bacteriology 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	
VIDAS®	Immunoassays	90 parameters: detection of hepatitis, HIV, serology test, detection of antigens and tumor markers. VIDAS® D-Dimer: industry standard test in the exclusion of deep vein thrombosis. Bacterial pathogens (salmonella, listeria.)	**VIDIA**®, high throughput system designed for large and mid-sized laboratories, particularly in hospitals (launch scheduled in 2005). On going menu extension and new version of existing tests.

Product lines	Technological area	Main applications	Upcoming launches and new products
VIKIA®	Immunoassays	Rapid tests for use by physicians	Menu extensions
Haemostasis (MDA® II, MTX III)	Haemostasis	Coagulation tests (routine pre-surgical operation tests)	MTX III, upgrade of the MTX II
TEMPO	Bacteriology	New indicator system for food quality; first microbiology system designed specifically for the industrial market (launch at the beginning of 2005)	
NUCLISENS EASYQ®	Molecular biology	Real-time detection system, integrating the **NASBA®** amplification system technology; currently used to measure HIV-1 viral load.	Menu extensions **GeneXpert®**, compact instrument integrating the entire molecular biology analysis process.
Extraction		**Extractor**. Extraction system for genetic sequences integrating our proprietary **BOOM®** the B technology. **MiniMag®**, new manual extraction system integrating the **BOOM®** technology.	**EasyMag**, new automated extraction system integrating **BOOM®** technology.
Gen-Probe	Molecular biology	Product in distribution since 1997, our first entry in the molecular biology market.	
DNA Chip	Molecular biology	**FoodExpert-ID**, DNA chip designed for food monitoring applications	

Our first ten products have represented in 2004, less than 18% of our sales and none of those has weighted more than 3% of sales.

We have implemented a global marketing strategy favoring the creation, registration and protection of global trademarks and, in parallel, we adapt our marketing to regional and local needs, which our large range of products makes possible.

API® product line and culture media

We offer a large range of culture media (over 100 types of cultures, available in different forms: tubes, bottles, Petri dishes). We have more than 25 years of experience in the manufacture of culture media, and are 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. We do not market our culture media designed for clinical applications in the U.S. market, but we do market a line of products specifically designed for our industrial clients.

We are concentrating our efforts on developing chromogenic cultures, products that require specialized expertise and allow us to differentiate ourselves. These products are based on the direct introduction of chromogenic substrates, which allow the isolation and immediate identification of the targeted microorganisms.

We market the API® gallery, a key product on which we built our position in the 1970s and which today positions us 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. We market 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 our API® product line, we have developed semi-automatic Mini-API® products 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.

VITEK®

We have a leading market position in automated ID/AST products. Our 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.

Faced with an increase in multi-resistant bacterial infections, such as the staphylococci responsible for many hospital-acquired infections, our 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.

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.

In parallel with the continuing development of this line of instruments, we have 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. To this end, in 2003 and 2004, we developed additional tests for new antibiotics recently launched as well as new tests.

The Company also brought out its Observa epidemiological survey software in 2004, 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 us 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. With an initial capacity for 120 bottles of culture, we believe it is the only compact automated blood-culture and mycobacterial machine.

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 immunoassay technology, which can carry out every stage of diagnostic analysis and 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.

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 19,500 systems installed throughout the world as of December 31, 2004 (including the mini-VIDAS® compact version). In the entire automated immunoassay market, we estimate 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. VIDAS® D-Dimer is the recognized industry standard for the exclusion of deep-vein thrombosis and pulmonary embolism (it won the 2004 Frost & Sullivan award for product innovation). 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). We also offer a complete range of products for the diagnosis and confirmation of hepatitis A and B infection.

We are currently developing VIDIA, a new high throughput product, to complete our VIDAS® product line and enter the large and mid-sized laboratory segment, particularly at hospitals. Our know-how in infectious diseases (high-quality reagents) and our global marketing network should allow us to launch VIDIA in 2005.

Haemostasis product lines

MDA® II is a fully automated coagulation test (haemostasis) for first-line (for example, pre-operative analysis) and second-line (research into causes of anomalies) analysis.

Due to its high-performance optics system, this instrument is capable of providing a physician with high value-added information on pathologies such as septicemia (which is the tenth cause of death in the United States) and vein thrombosis (15 million patients annually).

MDA® II is targeted at large laboratories that need a broad analytical capacity. It can perform up to 180 tests per day with automated quality control procedures.

MTX II is a medium throughput automated analyzer, targeted at small and mid-sized laboratories with non-recurring analysis needs. MTX II is the most advanced system and is among the highest performing instruments in its category. It is the ideal complement for

laboratories already equipped with the MDA®. A further development in this analytical equipment is set for launch in 2005 under the name MTX III.

New Waveform technology. We are studying a new haemostasis technology, called Waveform, which is currently in the research phase. It has the potential to serve emergency room physicians by providing new information for optimal therapeutic response to infected or septic-shock patients.

TEMPO

We developed 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 us to offer industrial customers a complete automated bacteriology product line. We launched the TEMPO system in January 2005 (see §7 below).

Molecular biology product lines

Since 1997, the introduction of various products using molecular biology technologies has represented an innovative step for our Company complementing our traditional technologies. Over the next few years we plan to reinforce our position and believe we have the technological and marketing tools to become one of the market leaders in molecular biology.

We believe this market will grow more rapidly than others, as it permits us to address needs not covered by traditional biology, in particular the detection of infectious agents such as currently ill-detected viral diseases (for example, SARS or hospital-acquired diseases, often resistant to antibiotics and requiring rapid identification).

Molecular biology is a type of technology currently reserved for large hospital laboratories. We plan to address the needs of all types of hospital laboratories by developing a standardized product line, permitting access to new types of tests covering needs such as rapid diagnosis of hospital-acquired infections, antibiotic resistance, pathogens associated with meningitis, septicemia and pulmonary infections.

Molecular biological diagnostics employ tests that directly target genetic material (DNA and RNA) in human cells, viruses, bacteria or parasites. The technology used consists of extracting the nucleic acids, amplifying them, marking the resulting copies and then detecting fluorescent signals that result from the marking. This permits the determination of the quantity of bacteria or virus present in the initial sample. We believe that we are one of the only companies in the market with expertise and proprietary technology covering all of the technical procedures.

Currently limited to mono-detection (detection of one DNA or RNA target at a time), these tests are, in the future, expected to permit multi-detection through the use of DNA-chips (micro-chips containing multiple factors for the analysis of genetic sequences). Multi-detection will enable the analysis, in a given sample, of anywhere from a few to tens of

thousands of targets, which is indispensable, for example, in studying the mutations of the HIV virus.
Molecular biology is also expected to modify significantly the medical approach in areas such as cancer, genetic predisposition to different pathologies, and individual adaptation of treatment to the patient. Molecular biology tests, permit testing: at narrower sensitivity levels, with considerably enhanced speed compared to traditional technologies and viral loads follow up.

Our molecular diagnostics permit the detection of bacterial and viral infections through the BOOM® extraction system and the NASBA® amplification system.

- *BOOM*® is a proprietary DNA/RNA extraction technology considered to be the industry standard. It is essential for all molecular biology tests.

- *NASBA*® is a proprietary amplification technology that is unique in the molecular biology area. Compared to Roche's proprietary PCR amplification technology, NASBA® targets primarily RNA (and secondarily DNA), and permits the amplification process to be carried out for multiple targets at a uniform temperature.

Based on the BOOM® and NASBA® technologies, we have developed a line of extractors and a line of amplifiers/readers.

- The *Extractor* product line, based on the BOOM® technology, extracts genetic sequences through a high-performance automated system. Based on its initial success, we are developing two new systems, the manual extractor *MiniMAG*, targeted at laboratories with a limited need for extraction capabilities, and the new generation automated system, *EasyMag*, which we will launch in 2005.

- The principal product in our amplification/reader product line is the NUCLISENS *EASYQ*®, the first complete real-time system for testing HIV viral load. This technology, which combines amplification and detection in a single step (in real time), is a differentiating competitive factor, because Roche and we are the only companies to have such a product.

  With the NUCLISENS EASYQ® platform, we aim to offer products giving laboratories the ability to carry out numerous molecular biological tests that they currently develop themselves. Our products will allow the diagnosis of infectious diseases using an affordable platform that is accessible to most technicians.

  We developed NUCLISENS EASYQ® HIV, the first molecular biology test using real-time detection to measure viral load of HIV1 for diagnostic laboratories. The amplification and real-time detection step takes two hours for 48 samples, with a manipulation time of less than 30 minutes. The combination of amplification and detection in a single closed tube eliminates steps subsequent to the amplification and minimizes the risk of cross-contaminations.

- We are also the exclusive worldwide distributor of a part of the *Gen-Probe* product line, of which the most important products are amplification tests for the detection of mycobacteria. Our partnership with Gen-Probe, which began in 1997, gave us our first entry into the molecular biology market and allowed us to confirm our interest in this area.

At the end of 2003, we entered into a significant agreement with Cepheid, giving us access to an innovative instrument, *GeneXpert®*. *GeneXpert®* is expected to give us access to new segments, such as point-of-care, which will reinforce our position in molecular biology. *GeneXpert®* is a unique system integrating extraction, amplification and detection, thereby allowing testing in 1 to 1.5 hours. Cepheid has used this system for tests relating to the fight against bio-terrorism (an area reserved to Cepheid in the agreement entered into with us). We believe that the introduction of the NASBA® amplification system could create significant new applications for this innovative system. The primary targets for this product are emergency laboratories, such as surgery rooms and intensive care units in mid-sized and large hospitals.
Accordingly, in 2004 the Company purchased the right to access Gen-Probe's ribosomal RNA markers for molecular bacterial identification by EASYQ and GeneXpert systems.

We have also entered into a partnership with Affymetrix in multi-detection DNA tests, which represent the next generation of molecular biology tests. In 2004, we had our first results with the launch of the first *FoodExpert-ID* chip, which detects the animal origins of food proteins. We plan to develop clinical applications for DNA chips in the future.

4.5.4 Geographical presence

Our revenues are generated in over 130 countries by 33 subsidiaries and more than 5,400 employees (full-time equivalent), of which approximately 60% are outside of France.

The following table sets out our revenue growth by geographic area between 2002 and 2004:

	Sales 2002 (in millions euros)	% Total Sales	Sales 2003 (in millions euros)	% Total Sales	Sales 2004 (in millions euros)	% Total Sales
Europe	511.4	54.2 %	515.7	56.4 %	533.9	57.3 %
Of which France	169.0	*17.9 %*	173.3	*18.9 %*	*170.1*	*18.3%*
North America	272.9	28.9 %	252.0	27.6 %	244.4	26.3 %
Asia-Pacific	89.2	9.5 %	85.1	9.3 %	89	9.6 %
Latin America and India	70.2	7.4 %	61.7	6.7 %	63.3	6.8 %
TOTAL	**943.7**	**100 %**	**914.5**	**100 %**	**930.6**	**100 %**

We have long developed a strategy of proximity to our customers, and, over time, we have increased the number of our subsidiaries (now 33 foreign subsidiaries). In those countries where we have no subsidiaries, we have entered into distribution agreements 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.

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.

4.5.5 Other group activities

In addition to our strategic business lines, we maintain a number of mature or complementary activities in our portfolio:

- *Micro-plates*. 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. We market a competitive new platform, called *Da Vinci*®, but we do not have access to selected intellectual property rights, in particular, HCV (which we consider key to achieving a strong position in this market);
- *Clinical chemistry*. We believe clinical chemistry to be 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.

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

4.6 - RESEARCH AND DEVELOPMENT

4.6.1 Strategy

Our research and development strategy is based on the following four missions:

- reinforce our microbiology product range by relying on our historical expertise and our leadership;
- develop our molecular biology product line by relying on our know-how in microbiology, our diversified technical platforms targeted at different market segments and applications (GeneXpert® and NUCLISENS EASYQ®), our proprietary technology (BOOM®, NASBA®) and our solid portfolio of patents;
- capitalize, in immunoassays, on the success of VIDAS® and our unique know-how in biology to increase the number of menu parameters and develop new platforms such as VIDIA; and
- develop, alongside our traditional technologies in haemostasis, Waveform®, a completely new technology which could enable an early stage diagnosis of an infectious state, and extend the application of haemostasis.

We maintain 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. We also rely on a high profile network of international alliances and a strong intellectual property policy to serve our strategy.

4.6.2 Investment policy

Our research and development expenses represented 12.5% of our annual revenues in 2002, 14.3% in 2003 (the 2003 amount included high up-front payments for two licenses for products in the development phase), and 13.6% in 2004. Excluding up-front payments, research and development expenses broke down as follows:

- Approximately 80% of our total research and development expenses are allocated to the development of new reagents, enlarging our menus, improving our product lines and in developing new generations of instruments, software and reagents. Our focus today is on the development of the NUCLISENS EASYQ® platform in molecular biology; and
- Approximately 20% of our total research and development expenses are allocated to upstream research, including advanced technologies that we plan to integrate into our future products. Our focus today is molecular biology research, in particular our work with Affymetrix (as described below in sections 4.6.5 and 4.7.5).

Our investment in research and development demonstrates our desire to develop our business in the area of infectious diseases, particularly through the use of molecular biology.

4.6.3 Research and Development projects

Our 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 we acquire through our acquisitions.

Throughout our history, we have shown a strong track record for identifying business value in upstream research concepts, developing new products and turning them into commercial successes. Our latest example is the NASBA® amplification technology. We obtained NASBA® from the acquisition of the diagnostic division of Organon Teknika in 2001. With our agreement with Cepheid we will market a complete product range of reagents developed by our molecular biology research.

We also have chosen to reinforce our research and development capabilities in the areas of micro and nanotechnologies applied to molecular biology. The Company has also decided to further develop its research and development resources in the area of micro- and nanotechnology applications for molecular biology. It has completed its acquisition of Apibio, which now forms part of the molecular biology division, with the aim of developing a major biotechnology facility in Grenoble (see section 7 above).

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

	Clinical Applications	**Industrial Applications**
Bacteriology	• VITEK®2 Compact, new system for Dev automated identification and antibiotic susceptibility testing • Blood culture • Programs dedicated to improve and extend performance of our existing product lines, constant updating of VITEK®2 expert systems	• Development of new culture media and of VITEK®2 Compact • TEMPO: new microbiology quality control system for food products
Immunoassays	• VIDIA: our new high throughput immunoassays platform • VIKIA®: rapid immunoassay tests • Expansion of the range of available parameters • Development of new generations of existing tests with better performance levels (targets: emergency rooms, physician office labs)	• Development of new applications for the VIDAS® automated immunoassay platform to control production and farming environments
Haemostasis	• Waveform: technology in research phase that is expected to allow early stage detection of an infectious state through the analysis of blood coagulation • Research on new instruments and new reagents	
Molecular Biology	• Development of the NUCLISENS EASYQ® product line, and the use of the NASBA® proprietary technology • Development program fully dedicated to DNA chips using Affymetrix GeneChip® technology • GeneXpert®: new integrated system including extraction, amplification and detection	• New reagents in food quality control (Pathogenic bacteria) • Animal species identification

4.6.4 Our Research and Development organization

Our research and development is organized into four biology departments (bacteriology, immunoassays, molecular biology and haemostasis), one instrumentation department and one department specializing in software development. These competencies together match our needs 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: Durham and Saint Louis in the United States, four sites in the Lyon and Grenoble regions in France, Florence (Italy), Boxtel (Netherlands) and São Paolo (Brazil).

Our research and development strategy is implemented by our Project Approval Committee, or PAC, which has responsibility for deciding and managing our new project portfolio and allocating resources. The PAC is chaired by our Executive Vice-President and is composed of the heads of research and development, marketing, industrial operations, quality assurance and our 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 our 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	Bacteriology (blood culture) Haemostasis Part of Immunoassays Molecular Diagnostics		
Saint-Louis, Missouri	Bacteriology (automated instruments / VITEK® cards)	Haemostasis Bacteriology	Bio-informatics
Lyon/Grenoble, France	Immunoassays (VIDAS®) Bacteriology Molecular Diagnostics (DNA chips)	Molecular Diagnostics Immunoassays Micro-immunoassays	Bio-informatics
Florence, Italy		Immunoassays (VIDAS®) Bacteriology	
Boatel, Netherlands	Immunoassays (micro-plates) Molecular Diagnostics (NASBA®)		Bio-informatics
Sao Paolo, Brazil	Rapid immunoassays tests		

Lastly, in addition to the new platforms that we will be launched, our research and development is responsible for making use of our longstanding experience and our existing products to identify and develop new applications. For a detailed description of our product pipeline, see “Products” §4.5.3 below.

4.7 - OTHER INFORMATION ON THE COMPANY ACTIVITIES

4.7.1 Sales and distribution

Our distribution strategy focuses on client proximity to better respond to their needs and assist them in the use of our products. We define the global principles of our strategy at the group level. The actual distribution policy is then implemented at the local level. We distribute our products through a network of 33 subsidiaries as well as over 100 distributors for geographic areas not covered by our subsidiaries.

Our extensive distribution network

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

In our subsidiaries, we have specialized sales forces for our 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, 2004, our sales and marketing force included 1,457 people, of whom 777 were in Europe, 298 in the United States and 62 in Japan.

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

Each subsidiary is responsible for its contribution to our 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.

Outside distributors

In addition to our subsidiaries' sales forces, we also have a strong presence on all continents through outside distributors. Our desire to maintain strong product recognition, as well as legal constraints regarding traceability and field services (technical personnel, training, availability of spare parts) all determine our choice of local partners. These distributors are most often exclusive and leading actors of the local healthcare system. We choose our distributors based on their knowledge of local healthcare market players and their material and human resources. We also ensure that our distributors have a financial base sufficient to finance the instruments placed with end-customers. As of December 31, 2004, our outside dealer network included over 100 partners in approximately 120 countries.

4.7.2 Competition

Clinical market

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, we do estimate 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 *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 our Company, Beckman-Coulter, Dade-Behring, Bio-Rad and Diagnostics Products Corp. Some of these companies are larger and have greater resources than we do. We believe that our key success factors in the *in vitro* diagnostics market reside in our products' reputation for reliability and durability, our high technological expertise the control of the three key skills "biology - instrumentation – software" and the breadth of our complementary technologies, the extent and clinical value of our reagents as well as proximity to our clients to best respond to their needs.

In the worldwide *in vitro* diagnostics market, we rank eighth based on its 2003 revenues (Kalorama, October 1, 2004). This ranking reflects our relatively specialized positioning: we are not a significant player in certain major segments, such as diabetes and clinical chemistry. In infectious diseases, which represent 75% of our clinical market sales and approximately 25% of the *in vitro* diagnostics market, we estimate to rank third position with an approximately 11% market share in 2004. The development of new technologies and the access to new markers might change this ranking in the future.

We are one of the few players to have all the technologies required for the applications we target. As a result, we face different competitors depending on the technology used. We believe our expertise in all of our complementary technologies gives us a significant competitive advantage.

- In bacteriology, we estimate to have 25% of market shares. Our primary competitor is Becton-Dickinson. Becton-Dickinson is ranked number one ahead of us, principally due to the fact that we focus our efforts in the United States on automated product lines and blood culture products, whereas Becton-Dickinson covers the complete range including manual products. The other significant player in bacteriology is Dade-Behring.

- In immunoassays, the large pharmaceutical and diversified groups are dominant, such as Abbott, the worldwide leader. We are a high value-added niche player, with a strong presence with small and mid-sized laboratories.

- In haemostasis, our principal competitors are Dade-Behring, IL (with a partnership with Beckman-Coulter) and Stago (with a partnership with Roche).

- In molecular biology, the market leader is Roche, which owns the PCR amplification technology, currently the industry reference for HIV viral loads (our 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 we distribute) and Abbott.

Industrial market

In the industrial market, we estimate to be co-leader with Becton-Dickinson with a 12% market share in 2004. This fast growing new market is currently highly fragmented with many companies specializing in specific segments. For example, the Danish Company Foss is focused on quality control in the milk market, which is not a market where we compete. Other than Becton-Dickinson, our primary competitors in the industrial market are Oxoïd, 3M, AES, Bio-Rad, Millipore and more recently Dupont (Qualicon) and Roche.

4.7.3 Manufacturing and logistics

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, we have 11 manufacturing centers organized by product line and business segment. We have organized our manufacturing activities based on the "one range of product, one site" principle due, on the one hand to the technical nature of our products, which requires a high degree of know-how and specialized teams and on the other hand, to productivity gains. With this organization we achieve economies of scale. We make one exception to this principle 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, Lombard (Illinois, Chicago) and Basingstoke (London), in particular).

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

Type of product	Location	Sites	Description of Activities
Reagents	France	Marcy	Clinical biochemistry, immunoassays, VIDAS® reagents.
		Craponne	Culture media (Petri dishes) Bacteriology: tubes and bottles (blood culture), dehydrated media
		La Balme	Bacteriology: API® strips, ID 32 strips, ATB® strips
	Netherlands	Boxtel	Immunoassays, molecular biology
	United States	Durham	Haemostasis Bacteriology (BacT/Alert®) Immunoassays
		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
	Japan*	Saitama	Culture media
	Australia	Brisbane	Culture media
Instruments	United States	Saint Louis	VITEK® product line, VITEK® 2 Compact, BacT/Alert®
	Italy	Florence	VIDAS®, Tempo®, VIDIA®

*To be closed and transferred to France and Australia

Our manufacturing policy focuses primarily on the following:

- Rationalization of our manufacturing sites: for example, in 2003 we transferred the manufacture of our BacT/Alert® and MDA® automated instruments, from our Oklahoma City site (which was then shut down) to our Saint Louis site, the production of VIDAS® kits from our Rockland site to Marcy, and we consolidated our VIDAS® manufacturing from Saint Louis to Florence;
- Optimization of our manufacturing capabilities: we achieve productivity gains, particularly in reducing cycle-time, and we optimize the use of available space, by rationalizing manufacturing sites (in particular in Saint Louis and Florence);
- Adapting our manufacturing tools: we respond rapidly to evolving techniques and the needs of our customers, and we accommodate the manufacture of new products (such as the TEMPO® and VIDIA® product lines in Florence); and
- Rigorous quality control of our production: our manufacturing and research and development sites are certified ISO 13485 and ISO 9001 compliant (see "§4.7.4 below).

Purchasing and supply management

In order to adapt our purchasing policy for the different raw materials and components used in our numerous specifications for each product line and reagent, we have implemented:

- Supplier diversification to ensure both security and competitiveness;
- Internal production of selected raw materials; and
- Partnerships with our suppliers allowing both technical as well as economic benefits.

Since 2002, which is the first full year following our merger with OTD, our top ten suppliers accounted for less than 10% of our purchases, and the most important supplier accounted for approximately 2% of our purchases.

We endeavor, 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 we oversee that a supplier of specific components complies with manufacturing regulations.

Logistics

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

Our logistics consist of four principal worldwide centers as well as local centers, with a staff of 230 with a view to optimizing our inventory management. One of our six sites, the "IDC platform" located at Saint-Vulbas in France dispatches goods throughout all our 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.

4.7.4 Quality assurance and government regulations

Quality assurance, monitoring systems and audits

We closely monitor quality standards and regulatory issues through our global quality assurance/regulatory affairs department, which is assisted by a quality assurance network in each manufacturing and distribution facility.

Twenty-six of our distribution subsidiaries, as well as our manufacturing sites, comply with ISO 9001 certification on a voluntary basis.

In 2004, two subsidiaries have been certified ISO 9001 (Mexico and Japan).

All of our 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.

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 our devices.

Industrial microbiology testing for our 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 our products.

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 our 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 our products that have a higher level of risk, certifications must be obtained attesting to regulatory compliance before the marketing of our products. We have obtained all certifications necessary for CE labeling for all of our *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 our products, 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.

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.

Audits

We are subject to audits and inspections of our manufacturing sites by regulatory authorities (FDA, AFSSAPS), by bodies acting on behalf of the regulatory authorities, and by certifying bodies that, as discussed above, we use on a voluntary basis to comply with the standards of ISO 13.485. Our industrial customers also perform other audits to assure themselves that our products and procedures comply with existing regulatory standards, as well as their own standards, and to guarantee the quality of our service.

We monitor the manufacturing process 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.

From 2000 to 2004, several production sites in Europe and in the United States have been subject to audits by the FDA, both in the context of regular audits and following specific events. Following these audits the FDA made a number of observations, which were resolved to the satisfaction of the FDA.

In April 2004, the Company's Durham, North Carolina facility was inspected by the FDA, which issued observations (Form 483), including some on the processing of client complaints and the manufacturing of BacT/Alert® bottles. A "Warning Letter" was issued in July 2004. A plan for corrective action was submitted to the FDA and implemented. It is being reported on a monthly basis to the regulatory authorities.

Also, in May 2004, the Saint Louis, Missouri facility was inspected by the FDA. The inspection focused mainly on the implementation of corrective measures following the Company's recall of batches of VITEK® cards in early 2004, due to printing problems that made bar codes difficult to read. Under the circumstances, and in accordance with applicable regulations, the Company recalled those batches and contacted all of the clients concerned. It also set up a new production line system to systematically monitor all bar code printing. Judging that the Company had taken the necessary measures, the FDA cleared the file on June 17, 2004.

At the end of July 2004, a Form 483 was issued following a routine inspection of the Boxtel facility. The FDA has approved the Company's plan, which is being implemented.

Industrial microbiological control

Our quality assurance system applies not only to our clinical diagnostic products, but also to our 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 our customers, we meet the standards applicable to our 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.

4.7.5 Key alliances and partnerships

Part of our research and our 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. Often, a framework agreement sets out the basis for the partnership and then partnership agreements set out the specific areas of work and terms of the relationship.

Our agreements with laboratories and biotechnology companies are those most closely linked with our activities, because they are usually designed to combine a technique developed by a third party with our know-how. Less visible, our agreements with research institutes and universities are also fundamental to our activities because they help us develop such upstream know-how.

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

Partner	Technology	Primary purpose
CEA (Saclay-Grenoble)	Molecular Biology Immunoassays	Micro technology DNA Chips and proteins (Apibio)* Protein engineering, new markers
CNRS	Molecular Biology Cell cultures Immunoassays	New markers
INSERM	Molecular Biology Immunoassays	New markers in virology
Cepheid	Molecular Biology	Integration of NASBA® in GeneXpert® for application outside the detection of microorganisms used in bio-terrorism
Affymetrix	Molecular Biology	DNA chips, detection of nucleic acids in bacteriology, virology and industrial control
Hospices Civils de Lyon	Molecular Biology	Genomic analysis focused on septic shock as well as several other pathologies, including cancer
CHU of Montpellier and of Dijon / Université de Paris XIII	Immunoassays	Researching new markers for colon cancer
Several universities in the United Kingdom	Bacteriology	Development of enzymatic substrates and related markers for chromo-genic media
Exonhit	Molecular Biology	Cancer diagnostics

* In December 2004, the Company purchased the minority interests in Apibio (less than 5%) held by CEA-Valorization; a proposal to merge Apibio into the Company will be submitted to the Company's next shareholders' meeting.

On November 9, 2004, bioMérieux and the Chinese Academy of Medical Science (CAMS) signed a "teaming agreement" confirming their intention to determine areas of mutual interest in which they could collaborate, especially in research on emerging pathogens, human genetics, diagnostic programs and clinical and pre-clinical testing for cancer and infectious diseases. On the same date, the two sides also entered into a memorandum of understanding setting forth the main terms of a cooperation agreement (scheduled to be finalized during the first quarter of 2005) concerning the creation of a joint research facility dedicated to the identification of emerging pathogens.

On October 19, 2004, bioMérieux entered into an agreement with Avesthagen, an Indian Company, in the field of molecular biology, to jointly develop new markers for tuberculosis.

4.7.6 Intellectual property

We protect our patents, copyrights and trademarks on our products and processes, and we actively defend our intellectual property rights throughout the world.

- **Patents**

We have a number of patents that are material to the success of our operations. Nevertheless, because of the importance of manufacturing know-how and our installed instrument base (the majority of which are closed systems that function only with our reagents), it is difficult for an outside party to benefit from the expiration of one of our patents to put in place a competing system. For our bacteriology, immunoassays and haemostasis systems patent protection of our 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. We believe that patent protection, in particular of new pathogens (virus, bacteria, parasites, etc.) or markers (for example cancer) could give us an important competitive advantage in the future, and the development of patent protection in these areas is a priority for us.

We currently own 374 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, 2004, we own 275 U.S. patents and 125 European patents. We actively protect the results of our research through patents (approximately 30 to 50 new patents are filed each year), and we monitor our competitors to be able to pursue actively any infringement of our rights.

Our 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 our 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.

We also hold a number of patents that 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 our 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 the total amount of royalties we receive.

Our 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) and Japan.

In countries where we seek 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.

- **Third-Party licenses ("licenses in")**

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

We enter into third-party licenses in order to manufacture, use or sell products incorporating a patented technology of the licensor in a defined territory. The territory generally covers all countries in which there is patent protection.

In consideration for the use of the licensed patent (whether exclusive or not), the Company that is the principal beneficiary of the license agrees to pay the licensor an agreed fee as well as royalties calculated on our net sales of the licensed products. Some exclusive licenses provide for a loss of exclusivity in the event that specified minimum net sales are not attained, whether in a given territory or globally. Approximately half of the third-party licenses granted us the right to sub-license the patent to a third party.

In 2004, we recorded a total of €15.5 million in royalties paid to third parties.

Licenses granted by third parties generally last for a period corresponding to the validity of the licensed patent. In most cases, we may terminate early subject to a notice requirement. In some cases, we have the option to terminate without paying any indemnity if the marketing of the licensed products proves to be impossible or economically unreasonable. Finally, the majority of licensing agreements limit the circumstances in which we can transfer the license without the prior written agreement of the patent holder, other than to companies within our group or in the event of a sale of our business.

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 EASYQ® and GeneXpert® systems
Applied NeuroSolutions	Molecular Biology	License option to evaluate Alzheimer-disease diagnostic solutions
Novel Diagnostic SA	Immunoassays	License option to evaluate solutions for developing a rapid tuberculosis diagnostic testing solution.

- **"Licenses out" and cross-licensing**

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

Several years ago, we established relatively significant third-party licensing programs for specified patents. Such programs relate either to patents that are not part of our strategy, or patents with high added value. 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 which we may grant 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;
- the detection system for blood culture bottles; and
- patents covering sequences or detection processes for selected viruses, such as EBV and CMV.

We also have or are considering licensing programs for licenses of the following technologies: RT-PCR One Tube, LDC marking technology, Filaggrine (diagnosis of rheumatoid arthritis), and VIH GP160.

In 2004, we received €8.9 million in royalties from licenses granted to third parties (see §5.3. below).

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

Client	Technology	Object
Bayer	Molecular Biology	License granted to Bayer for access to the BOOM® molecular extraction technology
Gen-Probe	Molecular Biology	License for certain genetic markers indicating a predisposition for coagulation troubles
Eppendorf	Molecular Biology	License on the RT-PCR One Step technology

- **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

ACCRA affiliates is controlled by ACCRA. Any new use of the name "Mérieux" in a corporate name requires the authorization of ACCRA.

We own the trademark "bioMérieux" which is protected worldwide both as a trade name and as a semi-figurative mark. In addition, we own trademarks for our products or product lines launched by our Company.

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.

Our 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 our 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®).

4.7.7 Principal facilities

We have approximately 30 principal sites, mainly in Europe, North America and Latin America for our operations. Historically based in the Lyon region of France, over the years we have expanded our 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. With the exception of our St. Vulbas logistics center, we own all our manufacturing and distribution sites. However, we typically rent our distribution subsidiaries' sites.

France

Our French operations are organized around the following sites:

- ***Marcy.*** Located near Lyon, the site at Marcy l'Etoile has housed our 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 1,050 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 our 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 550 people work at the site.

- ***La Balme.*** Located between Grenoble and Lyon, the La Balme-les-Grottes site historically belonged to API S.A., which we acquired in 1987. It covers a surface area of 82,500 m^2, of which we own 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 we lease, is our 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.*** In 2005, this site will house all of our advanced technology units on land covering more than 20,000 m^2, in the scientific area of Grenoble opposite the CEA. The building is under construction (main part of the work finished in March).

Europe

- ***Boxtel, Netherlands.*** The Boxtel site houses immunoassays, molecular biology and research and development. We own a total surface area of 136,000 m^2, including 25,400 m^2 of buildings and the local staff is approximately 250.
- ***Florence, Italy.*** Florence is our second instrument site. This site, which covers 9,500 m^2 (including 8,000 m^2 of buildings), 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. We lease premises with a total surface area of 4,500 m^2. The site, which is our U.S. headquarters, employs approximately 570 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 the manufacturing of instruments and the production of VITEK® cards. Approximately 560 employees currently work there.
- ***Other sites.*** Since the transfer of our Rockland site's manufacturing activities to France, this site has been completely closed (the lease is ending). The Lombard site, in Chicago, Illinois, houses manufacturing and sales of culture media for U.S. industrial customers. We lease 4,200 m^2 and employ approximately 60 people at this site.

Other Countries

- ***Rio de Janeiro and Sao Paulo, Brazil.*** We have 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.
- ***Australia.*** In Sydney, our 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 30 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 and to transfer part of it to facilities in France and Australia.
- ***China facility*** – Following the opening of corporate offices for China and the Asia and Pacific region in 2004, a new 400 m² logistics facility will open in early 2005 in Pudong, outside Shanghai.

4.7.8 Sale and placement agreements

Our customer agreements are essentially instrument sales agreements and instrument placement agreements with sale of reagents. Because the large majority of the instruments we install (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 instruments we install. 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. We are responsible for the maintenance of the instrument while our 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, our general conditions of sale include ownership retention clauses.

4.7.9 Seasonal nature of the business

See section 5.3 below.

4.7.10 Pledged Company assets

See section 5.3, note 17.7 to the consolidated financial statements, below.

4.8 - 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, 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 (cf. note 15.2.1 to the consolidated financial accounts). The main litigations in progress are:

- **Bio-Rad Pasteur Litigation (Institut Pasteur)**

The dispute concerns the patents for AIDS screening held by the Institut Pasteur, for which Bio-Rad Pasteur has obtained exclusive rights. In 1989, Bio-Rad granted a sub-license to Cambridge Biotech (CBC) at a rate lower than that granted to bioMérieux in 1993. bioMérieux acquired CBC in 1996 and has used this preferential rate since that date. Bio-Rad Pasteur is seeking payment of license fees under the 1993 contract and damages. Bio-Rad Pasteur is also suing bioMérieux for infringement in a separate court. In a decision handed down on April 28, 2004, the Court of Cassation's Commercial Division reversed a decision by the Lyon Court of Appeals refusing to invalidate a seizure for infrigement executed by Bio-Rad and Institut Pasteur against bioMérieux in May 2000, and instructed the parties to file their briefs in the Aix-en-Provence Court of Appeals. In addition, on July 7, 2004 the Hague District Court dismissed a similar action brought in the Netherlands by Bio-Rad and Institut Pasteur against bioMérieux BV and bioMérieux Benelux BV, bioMérieux's Dutch subsidiaries.

In light of these facts, 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.

- **D.B.V Litigation**

On May 5, 2004 the Paris Court of Appeals found against bioMérieux SA in an infringement suit brought by Diffusion Bacteriology 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 decided to stop selling the kits in France. However, it believes it has solid grounds for appeal and will be appealed the May 5 decision to the Court of Cassation as soon as it receives notification of the decision.

In addition, D.B.V. has filed similar infringement suits against the Company's subsidiaries in Italy, Germany and Spain. The Company immediately took the necessary steps to defend itself in those proceedings. Note that the May 5, 2004 decision in France is not binding on the Italian, German and Spanish courts and does not in any way control their determination whether D.B.V.'s patent is valid and was in fact infringed as claimed.

As view of what happened in France in 2004, in the opinion of bioMérieux, overall revenues would not be materially affected by restrictions on the sale of this kit, should the outcome of proceedings initiated in Italy, Germany and Spain, become unfavorable.

- **Dispute with Amsterdam University**

Litigation between bioMérieux BV and the University of Amsterdam concerning a contract assigning the patents for a nucleic acid extraction technology was resolved on August 3, 2004 with the signing of a compromise agreement.

- **Dispute with Wiener (Argentina):**

Action was taken against Biotrol, a company taken over by bioMérieux S.A. in 2001, by the company Wiener for the payment of damages for the unilateral breach by Biotrol of a distribution contract. The prejudice suffered is being estimated by an arbitral tribunal in Argentina. Should the Company fail to win this case, it would have no material impact on its business or financial results.

4.9 - HUMAN RESOURCES

4.9.1 Employees

As of December 31, 2004, we had 5,456 full-time equivalent (or "FTE") employees, compared to 5,336 as of December 31, 2003 (an increase of 2%), 60% of whom are employed outside of France.
The following table breaks down our FTE employees by function and geography as of December 31, 2004:

Geographic Area	Manufacturing & Distribution	Sales & Marketing and Customer Service	R&D	General & Administrative	Total	%
Europe	1,355	978	606	383	3,322	60.9 %
Of which, France	*1,052*	*383*	*500*	*253*	*2,188*	*40.1 %*
North America	666	420	249	120	1,455	26.7 %
Latin America	60	219	2	627	343	6.3 %
Asia-Pacific	72	228	–	36	336	6.1 %
Total	**2,153**	**1.845**	**857**	**601**	**5,456**	**100 %**
%	39.5 %	33.8 %	15.7 %	11.0 %	100 %	–

The following table sets out the changes of the group workforce (on a FTE basis) since 2002.

	December 31 2002	December 31 2003	December 31 2004
France*	2.085	2.091	2.188
Other European countries	1.135	1.158	1.134
North America	1.547	1.402	1.455
Latin America	348	348	343
Asia-Pacific	336	337	336
TOTAL	**5.451**	**5.336**	**5.456**

* Including Apibio. Without Apibio, the workforce was: 2.157 in 2004, 2.055 in 2003 and 2.057 in 2002.

As of December 31, 2004, 49% of the Group's 4,006 employees in France, the Netherlands, and the United States were in executives and supervisory categories. Women accounted for 50.5% of the total workforce. In France and in the Netherlands, 93% of the personnel was employed on a permanent basis.

A restructuring was conducted at Boxtel in the Netherlands in 2004. The objective was to transfer the distribution business, to cease manufacture of products not complying with European standards and to reduce significantly the number of research and development employees. This restructuring gave rise to a redundancy plan in 2004, which resulted in a reduction in the facility's workforce (to 259 full-time equivalent employees on December 31, 2003).

The plan to bring molecular biology and Microsystems operations under one roof in Grenoble was presented to personnel representatives in 2004. It will centralize the Company's expertise in molecular biology, in particular its multi-detection and micro technology resources, while taking advantage of the nearby world-renowned Grenoble technological park. The bioMérieux staff will move to the Grenoble facility in the fall of 2005. Support and assistance are being provided to the 57 employees who will either be transferred or will seek jobs elsewhere.

The unprofitable production facility for culture media for the Japanese market, located near Tokyo, will close in 2005. The Craponne (France) and Brisbane (Australia) facilities will henceforth supply those products to bioMérieux Japan. Of the 12 persons employed at the Saitama lab, two will be transferred to jobs with bioMérieux Japan and the others will receive help in finding jobs elsewhere.

4.9.2 Personnel policy

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

- **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 2004, spending on training amounted to more than 2% of total payroll (3.1% in France).
- With a global network of 33 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.
- **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 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.

- 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.
- 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.
- 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. Some 1.4% of the common shares of bioMérieux was held by its personnel (and the bank providing leverage). At the time, the offering was successful, as half of all employees in France and one-fourth of those in the United States subscribed for shares.

4.10 - CAPITAL EXPENDITURES

Annual capital expenditures by the Group, not including the cost of devices on consignment with customers, amount to some 40 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.

Ranked by size, capital expenditures serve to:

- expand production capacity and bring out new products,
- comply with quality, environmental and 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.

4.10.1 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);
- Quality and safety compliance and adjustment of productive capacity in Brazil (€3 million in 2001/2002);
- Conversion to plastic bottles of the BacT/Alert® line in Durham (US$ 2 million in 2002/2003);
- Overhaul of instrument manufacturing facilities in Saint-Louis to include manufacturing formerly done at Oklahoma City (US$ 2.4 million in 2002); and
- Creation of a European logistics center for instruments at La Balme (€1.1 million in 2004).

4.10.2 Principal current capital projects

The following main capital projects were planned for 2004 and 2005:

- 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 euros);
- 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 euro).

4.10.3 Principal future capital projects

Principle identified projects for the company are:

- Creation of a production line for TEMPO® in La Balme (1,4 million euro in 2005); and
- Refitting of an office building of in Craponne (2,1 million euro in 2005 and 2006).

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 Risks relating to our company and our industry

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

Our 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, we face several risks:

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

We plan to introduce several new platforms, but we cannot be certain that these products will be commercially successful or sufficiently profitable.

In the coming years, we plan to launch several new platforms designed either to replace or to complement our existing platforms, or to develop new markets. Our growth could be affected if the platforms in development 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 cause us to incur additional expenses to resolve the difficulties and/or compensate our 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;
- we may be unable to market products due to the existence of third-party intellectual property rights;
- the launch of new platforms may require greater investment than we anticipate in research and development, marketing and customer training;
- our 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 we 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.

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

Our growth depends in part on 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, we may not be able to find partners willing to provide us with the technologies we may require. Additionally, the *in vitro* diagnostic market is consolidating. This trend has reduced the number of potential partners with whom we 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 our control. If we are unable to obtain such technologies, it could delay our growth and have a significant effect on our financial condition.

Fluctuations in currency exchange rates could materially affect our revenues, operating income and net worth (§5.2.1 and §5.2.7 below).

Because we sell our products in over 130 different countries, our revenues and results of operations could be affected by fluctuations in currency exchange rates. While we incur some expenses in currencies other than the euro, the effect of these expenses only partially offsets the effect of fluctuations in currency exchange rates on our revenues. We are particularly sensitive to movements in exchange rates between the euro and the U.S. dollar, as we earn a significant portion of our revenues and operating income in North America (approximately 26% of revenues in 2004). Currency exchange rate variations, primarily the decline of the

U.S. dollar relative to the euro, reduced our revenues by approximately €32 million in 2004. When deemed appropriate, we enter into transactions to hedge our exposure to foreign exchange risks. However, these efforts may fail to offset the effect of adverse currency exchange rate fluctuations on our operating income.

In addition, the assets and liabilities of the Company and its subsidiaries are located in several countries and denominated in various currencies. As a result, net worth is affected by fluctuations in the exchange rate between these currencies and the euro. These fluctuations caused the reserve for foreign currency adjustments to decline by €13.9 million in 2004.

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.

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

We may experience manufacturing capacity problems as our business expands. If problems of this nature were to arise, our reputation could suffer, which would affect our ability to maintain and develop our customer base. In addition, if we need to expand our manufacturing capacity, we may have to make substantial investments, which could require us to raise significant amounts of financing.

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

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

We have 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 our most important product lines, such as our VIDAS® and VITEK® kits, 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 our revenues.

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

In addition, we have 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 our products and on our revenues.

We invest significant amounts on product research and development to remain competitive, and we may not obtain a 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, we must make significant investments in research and development each year in order to ensure the growth of our 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 our objectives will not be met and that we will be forced to abandon a product in which substantial amounts have been invested. Difficulties encountered in the research and development process and obtaining regulatory approval can increase our costs and jeopardize the commercial success of new products.

Furthermore, rapid technological development by competitors could render our products obsolete before we are able to recover the research, development and marketing expenses incurred in their development.

We face product liability risks.

We manufacture 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, we rely 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 us to liability risks, and particularly to the risk of product liability actions. In particular, we could be liable if a diagnostic error resulting from the defective performance of one of our 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. We cannot be sure that we will always be able to obtain and maintain adequate insurance on acceptable terms against this risk. If we cannot obtain

insurance at a reasonable cost or otherwise provide for potential product liability claims, we could be exposed to significant liabilities that could undermine the marketing of our products and harm our business.

We may be unable to compete effectively in our market.

In 2003, we ranked eighth in the global *in vitro* diagnostics market in terms of consolidated revenues (source: Kalorama, October 1, 2004). This market is rapidly evolving and competition is intense among the different players, particularly in certain segments where we do not have a large market share, such as molecular biology.

Our 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 than we do. In some countries, we also compete with several specialized mid-sized companies. As a result, we cannot be certain that our products will be able to:

- sustain competition with products marketed by our competitors, many of which have greater financial resources than we do, 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 our 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 our competitors.

We are subject to government regulation that could restrain our ability to market our products or cause us to incur significant costs.

Our products and their manufacture are subject to rigorous, evolving and varying governmental regulation in the 130 countries where we do 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, our manufacturing sites are subject to regulatory approval processes and periodic inspections. As a result, government regulation may:

- delay or preclude the marketing of our new products;

- oblige us to halt production or modify our manufacturing processes; or

- impose costly constraints on our suppliers or us.

In addition, our 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 our 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 2004 (see section 4.7.4 above).

If we are unable to protect our intellectual property rights, we may not compete effectively or find it impossible to operate profitably.

Our success depends on our ability to obtain, maintain and defend our 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, we cannot be certain that:

- we will be able to develop patentable inventions;
- we 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 our business;
- we will be granted the patents for which we have applied or will apply;
- patents issued or licensed to us 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 that we hold, or for which we have been granted a license either now or in the future, will not be claimed, or more generally challenged, by others.

We currently have more than 370 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. We cannot be sure of the validity of these patents. Third parties could challenge the validity of our 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 our inventions are patentable. We cannot be sure how much protection will be given to our patents if we attempt to enforce them or if they are challenged in court for infringement. One of our patents will expire in 2008, which could significantly reduce the amount of royalties we receive under licenses we have granted on this patent.

Our patents may be infringed, or we may infringe the patents of others.

Our competitors may infringe our patents or successfully circumvent them through design innovations. To prevent infringement, we may file claims, which are expensive and time consuming. Policing unauthorized use of our intellectual property is difficult, and we may not be able to prevent misappropriation of our intellectual property rights.

In addition, as the *in vitro* diagnostics industry develops, more patents are granted and there is an increased risk that our 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, we cannot be sure whether others were the first to invent certain products or procedures, or to file applications for inventions, products or procedures that overlap with our pending patent applications. If this happens, we 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 4.8 above).

We are exposed to risks related to the international nature of our business.

We have 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, we face numerous risks relating to our 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 our different 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.

We face environmental liability risks, and compliance costs could have an adverse effect on our operating income (see section 4.13 below).

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 that we currently own or operate, or sites that we owned or operated in the past. They may also include sites where waste generated by our business has been discharged.

We 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 our liabilities and costs, as well as subject us to stricter inspection of our 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 our operations and income.

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

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

The commercial success of our 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 our 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 our products and/or on the price that we can charge our customers. In addition, in some countries, public authorities determine the price of a diagnostics examination, which has a direct influence on the ability of our customers to pay for our products.

We depend on our key management and scientific personnel.

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

We will be required to adopt new accounting standards for our fiscal year beginning January 1, 2005.

The Company currently prepares its financial statements in accordance with French accounting standards. In June 2002, the European Council adopted new rules proposed by the European Commission, which require publicly-traded companies in Europe to present their financial statements in accordance with International Financial Reporting Standards ("IFRS") for any fiscal year starting after January 1, 2005.

IFRS are likely to have an impact on certain items in the Company's accounts and balance sheet. For more information on the impact of IFRS, see section 1.20 "Implementation of IFRS" in the Financial Statements.

The Company's debt consists primarily of a syndicated loan to bioMérieux SA, which requires compliance with certain financial ratios (on a consolidated basis) (See note 17.3)

On April 13, 2004, bioMérieux SA signed a new syndicated loan agreement consisting of two facilities of €125 million each, to be used mainly to refinance the syndicated loan obtained at the time of the purchase of Organon Teknika Diagnostics. The first facility is a term loan repayable in installments of €25 million. The second is a multi-currency revolving credit facility of €125 million that can be drawn down in euros, US dollars or any other currency available on the European money market; that second facility is repayable, no later than April 13, 2009.

Under the loan agreement, interest is calculated on the basis of either Euribor or Libor, depending on the currency, with a margin based on the ratio of consolidated net debt to earnings before interest expense, taxes and amortization of goodwill.

The Company may cancel the portion of loans not yet drawn down and has the option to prepay, subject to notice, some or all of each facility.

As of December 31, 2004, a total of €100 million had been drawn down on the facilities and another €125 million remained available.

The debt, consisting mainly of the syndicated loan to bioMérieux SA, requires that the following financial ratios be complied with (on a consolidated basis) (See note 17.3 to the financial statements attached hereto).

As of December 31, 2004, those ratios were complied with.

Compliance with the foregoing ratios is verified every six months on the basis of available consolidated financial statements for the latest 12-month period. Ratios may be adjusted if they are affected by the changeover to International Financial Reporting Standards. The Company is currently in full compliance with all of its undertakings and covenants under the syndicated loan agreement. In the event that the Company's financial results or position serving as a basis for calculating the ratios should fail to satisfy those requirements, and unless the Company was able to obtain exemptions from the lenders, the lenders could demand that the loans be prepaid. In addition, the syndicated loan agreements contain restrictions on the Company's ability to dispose of assets, make acquisitions and enter into merger or similar agreements.

4.11.2 Risks relating to our shares

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

ACCRA, the holding Company controlled by the Alain Mérieux family, holds approximately 58.9% of the share capital and 58.78% of the voting rights of our Company, and will continue to own or control approximately the same percentage of our share capital and voting rights following this offering. Consequently, ACCRA 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. ACCRA 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. ACCRA may in the future acquire double voting rights (§3.1.10.3), which would reinforce its ability to control important decisions.

Future sales of our shares may have an effect on our share price.

Sales of substantial amounts of our shares on the market following this offering, or market perception that such a sale is imminent, could lower the price of our shares. Certain shareholders have contractually agreed, subject to specified exceptions, not to offer, sell, contract to sell or otherwise dispose of any shares or securities exercisable into or exchangeable for our shares. Following the expiration of this period, those shareholders will be free to sell additional shares, subject to obtaining necessary corporate authorizations and approvals from securities regulators in relevant jurisdictions. As of the shareholders' meeting of June 9, 2005, the only commitments outstanding will be those of Banque de Vizille, Apicil and Group CIC.

Our shares have not been previously listed and are subject to market fluctuations.

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.

4.11.3 Risk management

The Company has adopted internal control procedures in order to prevent and effectively manage the risks to which its business is exposed.

Operating and legal risk management

Three main divisions are in charge of managing operating and legal risks:

- **Corporate Quality Assurance and Regulatory Compliance** is in charge of ensuring that:
  - processes employed to design, produce, distribute and install Company products correspond to customer requirements and comply with applicable laws and regulations;
  - the quality management systems used by all bioMérieux group entities are fully operative;
  - Company products are in conformity with customer and regulatory authority requirements;
  - customer complaints are acted upon and monitoring procedures are duly implemented.

The division makes use of all methods required to enforce or to have all employees comply with the rules necessary to attain quality objectives. The corporate quality assurance and regulatory compliance division participates in procedures to authorize the marketing of products, provide information to customers and, if necessary, recall products. A so-called post-market surveillance procedure was also implemented in 2004, to periodically ascertain that a product is consistent with scientific knowledge and expertise. It is responsible for preparing product documentation and monitors customer complaints and their processing. It ascertains that regulatory requirements are complied with in all of the countries where bioMérieux products are sold.

- **Legal Affairs and Intellectual Property** provides a formal framework for bioMérieux's relationship with third parties (suppliers, clients, partners, governments, etc.), while ensuring that applicable laws and regulations are complied with and that the Company's interest is protected. Jointly with other divisions concerned, it looks after the protection and commercialization of scientific innovations achieved by bioMérieux.

- **Infrastructures, Property and Security** is in charge of ensuring the protection of persons and property and of controlling the impact of bioMérieux operations on the environment.

The Company has a clearly articulated health, safety and environmental policy that is part of its general quality approach. It encompasses a wide range of measures, including restrictions on access to facilities and sensitive locations, measures to protect assets and information systems, accident prevention and statistics, as well as environmental protection measures.

Financial risk management

See subsection 5.2.7 below.

4.12 - INSURANCE

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.

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.

Insurance premiums declined in 2004 and the Company took advantage of the situation to reduce the cost of its coverage and adjust the deductible portion of losses.

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.

Principal policies

- Liability

The Company is covered under an overall master policy 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.

The policy covers the Company and all of its subsidiaries anywhere in the world. An excess policy supplements this policy.

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

In 2004, 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 Company's environmental policy, it manages 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 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 from 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.

The Company wants all of its employees to contribute to improving safety and the environment. It encourages employees to develop ideas and suggest measures aimed at reducing the risk exposure of individuals and property, and the impact of its operations on the environment.

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. It recycles concentrates generated by the production of demineralized water.

A total of 400,000 cubic meters of water was used in 2002 and 450,000 cubic meters in 2003 and 2004.

- 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.

The Company follows a policy that consists of making the most efficient use of energy and natural resources. An initial review of practices was conducted in 2004 at its facilities in France. Some ten practical projects were selected for 2005 and will be carried out during the first half of the year. The data obtained and the experienced gained will then be used during the second half to draw up a 2006 action plan for the Company's management of its energy and natural resources needs.

The Company consumed an aggregate amount of energy from all sources of 122 GWh in 2003 and 125 GWh in 2003. Its aggregate consumption in 2004 was 127 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.

Projects are currently in progress to replace certain installations in order to improve the treatment of emissions.

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 order to achieve this, machinery is equipped with noise reduction devices or placed inside soundproof buildings.

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. Only the Boxtel facility in the Netherlands has undertaken to do so. It is currently undergoing an ISO 14001 assessment.

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.

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 above structure and property division 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.

The Company has also established monitoring procedures for facilities, which include warnings systems in the case of critical malfunctions. At the Marcy facility, an internal emergency plan has been drawn up and approved by the local authorities.

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.

CHAPTER 5 – ASSETS – FINANCIAL POSITION – INCOME

5.1 - KEY FIGURES

The tables below include some of the information contained in the bioMérieux consolidated financial statements for the fiscal years 2002, 2003 and 2004.

Income Statement Data	**Year ended December 31,**		
	2002	**2003**	**2004**
	(in million of euros)		
Revenue	**943.7**	**914.5**	**930.6**
Cost of sales	(456.4)	(440.0)	(433.2)
Gross profit	**487.3**	**474.5**	**497.4**
Selling and marketing expenses	(178.7)	(164.3)	(168.2)
General and administrative expenses	(77.6)	(72.7)	(78.2)
Research and development expenses	(118.3)	(131.1)	(126.8)
Royalties received	7.3	7.4	8.9
Restructuring costs	-	(11.7)	(0.9)
Operating income (1)	**120.0**	**102.1**	**132.2**
Financial expenses, net	(15.5)	(5.9)	(8.8)
IPO costs			(5.2)
Exceptional income (loss)	(5.3)	(0.3)	1.5
Amortization of goodwill	(5.3)	(6.2)	(4.4)
Income tax	(32.4)	(34.7)	(39.6)
Minority interests	(0.4)	0.1	0.0
Net income	**61.1**	**55.1**	**75.7**

(1) Operating income is after depreciation charges of €73.3 million in 2002, €73.2 million in 2003 and €71.2 million in 2004.

Balance Sheet Data	Year ended December 31,		
	2002	2003	2004
	(in million of euros)		
Assets			
Intangible assets	28.4	25.2	20.8
Goodwill	78.9	67.3	61.2
Property, Plant and Equipment	263.1	251.5	254.9
Financial assets	27.2	29.8	37.5
Total fixed assets	**397.6**	**373.8**	**374.4**
Inventory and work in progress	127.5	121.9	129.0
Accounts receivable	258.8	257.9	254.0
Other operating receivables	18.4	19.1	18.2
Non-operating receivables	50.5	36.5	12.1
Deferred tax assets	20.0	21.8	18.4
Cash and cash equivalents	62.8	50.6	21.9
Total current assets	**538.0**	**507.8**	**453.6**
TOTAL ASSETS	**935.6**	**881.6**	**828.0**
Liabilities			
Shareholders' equity	352.2	348.1	389.2
Minority interests	0.9	0.7	0.7
Provision for risks and charges	53.8	73.2	76.4
Deferred tax liabilities	6.9	5.3	4.7
Financial indebtedness	299.9	229.4	131.1
Accounts payable	83.0	90.9	87.1
Other operating/liabilities	107.4	107.4	116.4
Non-operating liabilities	31.5	26.6	22.4
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**935.6**	**881.6**	**828.0**

Statement of change in net indebtedness	Year ended December 31,		
	2002	2003	2004
	(in million of euros)		
Cash flow from operating activities	*147.0*	*140.1*	*163.1*
Decrease (increase) in working capital requirements	*(5.4)*	*4.9*	*2.4*
Net cash flow from operations	141.6	145.0	165.5
Net cash flow from (used in) investment activities	(120.0)	(70.9)	(75.2)
Net cash flow from (used in) changes in shareholders' equity	(8.0)	(19.0)	(17.4)
Decrease (increase) in net indebtedness	**13.6**	**55.1**	**72.9**

5.2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

5.2.1 Overview

General situation

Our business has produced steady revenue growth for a number of years. From 1995 to 2004, excluding the effects of exchange rate fluctuations and changes in our scope of consolidation, our compound annual revenue growth averaged 6.1%, and was between 5.2% and 8.5% in each year. In the last three years, our revenue grew by 5.2% between 2001 and 2002, by 5.3% between 2002 and 2003 and by 5.2% between 2003 and 2004.

The revenue regular growth is the result of a number of factors, including overall market growth, the development of new reagents for our instrument-installed base, and of our installed base growth. Approximately 85% of our revenue for the past three years is reagent sales. More than 70% of our reagent sales were generated by reagents used in our automated instrument systems, with the remainder coming from tests performed manually or not dedicated to our instruments. As of December 31, 2004, approximately 38,000 instruments from our different product lines were installed at the facilities of our customers.

Our revenue is generated principally in Europe, North America and Japan, the largest diagnostics markets, which collectively accounted for 87% of our revenue in 2004, a percentage that has remained relatively stable since 2001. The growth in our revenue since 2001 has been greater in industrial applications (8.9% in 2004, 13.1% in 2003 and 20.1% in 2002) than in clinical applications (4.7% in 2004 compared to 4.3% in 2003 and 3.6% in 2002).

Over the past three years, operating income – after eliminating restructuring charges and non-recurrent expenses related to the acquisition of Organon Teknika (OTD) – has increased steadily. As a percentage of revenue, operating income was 11.8% in 2001, 12.7% in 2002, 12.4% in 2003 and 14.2% in 2004.

Our operations generate positive cash flow, allowing us to finance our investments and significantly reduce our debt, the bulk of which was incurred to finance the OTD acquisition. Our net financial indebtedness decreased from €274.8 million at the end of 2001 to €109.2 million as of December 31, 2004, a decline of €165.6 million in three years.

Factors Affecting Our Revenues

Our revenues are mainly sales of reagents, which accounted for approximately 85% of our consolidated revenues in 2004. Except in the case of manual or non-specific products, the sale of reagents is preceded by the sale or placement with clients of instruments in which the reagents are used. At the end of 2004, approximately two-thirds of our total installed base consisted of instruments that we sold, and the remaining third consisted of instruments that we placed at client locations. With respect to instruments that we place, the selling price of reagents is increased to account for the cost of placing the instrument. Instrument revenue accounted for approximately 10% of our consolidated revenue in 2004.

The change in our installed base is an indicator of our potential revenue. However, the relationship between the installed base and our revenue is not linear, because our reagent revenue per instrument can vary significantly from one product line to another, as well as over time, depending on the types of reagents available for each instruments and on the value added by each test in a menu. Accordingly, the change in our installed base is only one of several factors that can influence our revenue.

We also provide our clients with services such as technical assistance, which are either billed as part of service contracts or included in the sales price of reagents. Separately billed services represented approximately 4% of our revenues in 2004.

Factors Affecting Operating Income

Changes in operating income reflect several factors, including 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. Our other operating costs are primarily general and administrative expenses, selling and marketing expenses, and research and development expenses. Research and development expenses are recorded as charges in the year in which they are incurred, and may include certain up-front license payments for products in development. Royalties received are deducted from operating costs and thus increase our operating income. They are recorded net of the corresponding intangible assets amortization (€2.5 million in 2004).

Impact of Exchange Rate Fluctuations

Because a significant portion of our business is conducted in countries outside the euro zone, our revenue, results, and some items on our balance sheet can be significantly affected by fluctuations in exchange rates between the euro and other currencies. Revenues are particularly affected by fluctuations of the U.S. dollar against the euro and, to a lesser extent, against other currencies (for example, Latin American currencies in 2002).

Additionally, some operating expenses, in particular those incurred in the United States, are paid in U.S. dollars, which lessens the impact of U.S. dollar exchange rate fluctuations on our operating income. In 2004, although 26% of our revenues were generated in U.S. dollars, the decline in the value of the U.S. dollar did not have a significant impact on our operating income because of U.S. dollar based expenses. This natural hedge is less effective in the case of other currencies in which the Company operates.

Exposure can also result from borrowings by certain subsidiaries in a currency other than their own (principally euros or dollars), whenever the volatility of those currencies is higher and whose associated hedging is impractical (as in some Latin American countries).

Our current policy, which is subject to change, is to seek to hedge against the impact of exchange rate fluctuations on our budgeted net income. To the extent possible, when hedging instruments are available at a reasonable cost, we use hedging with the goal of limiting the risk associated with exchange rate fluctuations. Our current practice is to put in place global hedging, by grouping together similar risks. We use hedging instruments only to cover budgeted amounts and not for speculative purposes.

Our distribution subsidiaries are currently billed in their local currencies by our production subsidiaries (except where prohibited by law), which permit the centralization of operational exchange rate risk. To the extent possible, we hedge currency risk in respect of financial indebtedness that is not denominated in the currency of the relevant country where we operate so as to offset any accounting risk.

Our exposure to exchange rate risks and other market risks is analyzed under paragraph 5.2.7 "Market risks" below. We describe the impact of exchange rate fluctuations on our revenues over the past two years under the heading "revenues" below.

In addition to the impact of exchange rate fluctuations on the Company's income, by virtue of our global presence, many of our assets are recorded in U.S. dollars or other currencies. As a result, exchange rate movements can cause variations in our shareholders' equity. We do not hedge against these variations.

Comparable Figures

When we refer to "comparable figures" regarding changes in revenue, we mean that we have excluded the impact of exchange rate fluctuations and changes in scope of consolidation (acquisitions or divestitures of consolidated companies). The impact of exchange rate fluctuations is eliminated by recalculating sales for the year in question 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, 2004 compared to year ended December 31, 2003

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 held by WENDEL Investissement. In connection with the IPO, bioMérieux also issued stocks for an offering to its personnel.

In order to facilitate the IPO, bioMérieux first:

- Merged with NBMA

- Reimbursed in advance the syndicated loan set up in 2001 for the purposes of the acquisition of OTD, and obtained another credit facility from a smaller number of banks.

The total cost of the IPO and of the debt refinancing amounted to €16.6 million. The cost of the IPO was recognized as a non-recurring expense 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 which were deducted directly from the corresponding share premium (€0.8 million). General and administration expenses include €1.1 million corresponding to the bank fees on the 2001 loan, while fees of €0.4 million on the new loan have been deferred to be expensed over future fiscal years.

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 statement.

In particular, 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 directly recognized into retained earnings available for distribution and accordingly did not affect the net income of the year.

A new tax consolidation of bioMérieux SA and Apibio starting January 1, 2004 replaced the tax consolidation of bioMérieux SA and Apibio through NBMA, in effect since January 1, 2003.

Purchase of all the shares of Apibio

The 4.7% interest formerly held by CEA-Industrie in Apibio was acquired on December 22, 2004, making it a wholly owned subsidiary of bioMérieux SA, and the Special Shareholders' Meeting of June 9, 2005 will be asked to approve its merger into the Company.

Revenues

Revenues for the fiscal year 2004 were €930.6 million, up from €914.5 million in 2003, a 5.2% increase on a comparable basis.

At current exchange rates, revenues rose by 1.8% due to the increase in the Euro against most other currencies, and more especially against the US dollar.

In 2004, the Company's business expanded under the impact of reagent sales that accounted for 85.3% of total revenue (84.5% in 2003). The Company also continues to increase its installed base of instruments.

As planned, bioMérieux brought out its new VITEK®2 Compact, an automated microbial identification and susceptibility testing system, as well as MiniMag®, a new-generation extraction system in molecular biology in 2004, and prepared for the launch of TEMPO® for use in industrial applications.

Business conditions in 2004 were marked by a general increase in competition, especially in hemostasis products for clinical applications as well as for industrial applications.

On a comparable basis, sales increased in all geographical regions:

	Year ended December 31,		Change (Reported)	Change (Comparable)
	2003	2004		
	(In millions of euros)			
Europe[1]	515.7	533.9	3.5%	3.7%
France [2]	*173.3*	*170.1*	*(1.8)%*	*(1.8)%*
North America	252.0	244.4	(3.0)%	6.1%
Asia-Pacific region	85.1	89.0	4.5%	8.8%
Latin America and India	61.7	63.3	2.6%	9.1%
TOTAL	**914.5**	**930.6**	**1.8%**	**5.2%**

(1) Including the Middle East and Africa.
(2) Including France's overseas departments and territories

- Sales in Europe, the Middle East and Africa rose 3.7% on a comparable basis.

  The increase outside France and on a comparable basis was 6.6%.

  This strong increase was due notably to a good performance in bacteriology, VIDAS® immunoassay, industrial applications and in large markets such as Italy (+9%), Germany (+8%), Spain, the United Kingdom and the Middle-East/Africa region.

  Sales declined slightly in France (-2%), where the Company has a large market share and which accounts for about one-third of total revenues for the region. The VITEK®2 Compact system, launched there on December 1, was very well received.

- Business increased by 6.1% in North America, on a comparable basis, boosted by the success of leading product lines, including VIDAS® immunoassay and molecular biology, and in spite of slower growth of instrument sales than in 2003, when volumes were significantly high.

- Revenues in Asia–Pacific region rose 8.8% on a comparable basis, thanks to further expansion in China, improved sales in Japan – which remains a difficult market – and good performance achieved in Australia and Korea. This growth was notably due to sales increases in bacteriology and in industrial applications.
- Sales in Latin America and India increased by 9.1% on a comparable basis, with India and Argentina reporting double-digit growth. The improvement was attributable to strong sales in bacteriology, VIDAS® immunoassay and molecular biology.

On a comparable basis, sales of **clinical applications** increased by 4.7% in 2004 while those of **industrial applications** were up 8.9%:

	Year ended December 31,		Change (reported)	Change (comparable)
	2003 [1]	2004		
	(In millions of euros)			
Clinical applications				
Bacteriology lines	*420.5*	*429.4*	*2.1%*	*6.1%*
Immunoassay lines	*218.2*	*226.7*	*3.9%*	*5.9%*
Haemostasis lines	*53.1*	*49.7*	*(6.5)%*	*(2.9)%*
Molecular biology lines	*22.2*	*23.9*	*7.7%*	*10.7%*
Other lines	*88.9*	*83.5*	*(6.1)%*	*(2.0)%*
Total	**802.9**	**813.2**	**1.3%**	**4.7%**
Industrial applications	**111.6**	**117.4**	**5.1%**	**8.9%**
TOTAL	**914.5**	**930.6**	**1.8%**	**5.2%**

[1] Restated in accordance with the 2004 classification

- **In clinical applications**, the Company had good results from its bacteriology and VIDAS® immunoassay lines as well as in molecular biology. The haemostasis line was adversely affected by intensified competition, whereas "other" lines held up well.
- **In industrial applications**, where there are many new comers (mainly from the clinical sector), sales of reagents increased sharply, while sales of instruments fell from their high 2003 level.

Operating income

In 2004, operating income was €132.2 million, up almost 30% from the fiscal year 2003. It represented 14.2% of revenue, compared to 11.2% in 2003.

This strong improvement was attributable notably to increased sales, major productivity gains, control over research and development expenses, higher received royalties and lower restructuring expenses.

Exchange-rate fluctuations, which had a negative impact on revenues, had very little effect on operating income, since they favorably impact operating expenses.

Gross Profit

In 2004, our gross profit was €497.4 million compared to €474.5 million in 2003. The improvement came from increased sales (5.2% at constant exchange rates), which are accentuated by economies of scale, the 2003 restructuring measures in the United States and continued efforts by the Company to raise productivity. The gross margin increased from 51.9% of revenue to 53.5%, an improvement of 160 basis points (140 excluding the effect of exchange rates).

The trend in purchase prices was favorable:

- The increase in raw material prices still has not much impacted the cost of sales; on the contrary, the cost of sales has been positively impacted by the faster increase of reagent sales (+6% on a comparable basis) than by the growth of instruments sales (-2,8%), by the changeover to BacT/Alert plastic bottles and by quality improvements.

- Production costs were stable, in spite of an increase in the manufactured volume and higher control costs decided because of the FDA inspections, largely due to economies of scale, the closing of our Oklahoma City and Rockland facilities and continued efforts to raise productivity.

The other factors affecting the gross margin (storage and shipping costs, field service and the depreciation of placed instruments) rose less than sales, on a comparable basis.

Selling and Marketing Expenses and General and Administrative Expenses

The ratio of sales and administrative expenses to revenues increased from 25.9% to 26.5%, due notably to the cost of preparing for the launch of new systems and the Company's initial public offering.

Research and Development Expenses

On a comparable basis, research and development expenses (€126.8 million) were stable compared to last year. The 2003 fiscal year was significantly impacted by the payment of up-front fees of €11.3 million under licensing agreements entered into with Cepheid and IDI to develop GeneXpert®. These up-front fees were higher in 2003 than in 2004 (including mainly an agreement with Gen-Probe on molecular biology markers). Excluding those expenses, research and development expenditures rose from 13.1% to 13.2% of revenues.

Received royalties

The Company's received high royalties from its industrial property rights, partly due to new agreements entered into during the period with Bayer (Boom® technology), Gen-Probe (coagulation factors) and Eppendorf (RT-PCR).

Restructuring

Restructuring expenses declined sharply, from €11.7 million in 2003 to €0.9 million in 2004. Measures planned and accrued in 2003, relating to the Rockland facility in the United States and Boxtel in the Netherlands, are almost completed. Those initiated in 2004 are not as significant. They include the consolidation of the French molecular biology teams in Grenoble (€1 million) and the closing of the unprofitable Saitama lab in Japan (€0.6 million). Costs were also minimized because of the reversal of €0.7 million of provisions recognized for other restructurings currently in progress.

Financial Expenses

Net interest expenses increased by €2.9 million (to €8.8 million from €5.9 million in 2003) despite of a significant debt reduction. The decline in debt servicing expenses resulting from lower interest rates and a reduction in the debt was more than offset by the following other non-recurring financial items:

- Increased provisions for depreciation of investment in non-consolidated companies (€2.5 million) due to the liquidation of Euro proteome and a decline in the price of Oscient Pharma and Dynavax shares,

- The recognition of foreign-exchange losses (€1.2 million),

- A decline in late-payment interests rebilling (€1.1 million),

- The expensing of bioMérieux Inc's interest-rate hedge contracts (€0.9 million) due to the early repayment of its entire debt.

Exceptional income (loss)

The Company had a net non-recurring loss of €3.7 million, up from €0.3 million in 2003, primarily due to the IPO. Exceptional items included the Company's portion of the offering's costs (€5.2 million), which was partially offset by capital gains from the sale of a building in Spain (€1.6 million). In 2003, the exceptional items included the loss on the disposal of ABL (€1.1 million).

Income Tax

Corporate income taxes amounted to €39.6 million in 2004, compared with €34.7 million in 2003. The effective tax rate went from 36.2% in 2003 to 33.1% in 2004. This was due notably to significant tax credits or refunds, especially in the United States and in France, while the weight of unprofitable entities declined from 2003.

Amortization of Goodwill

Goodwill amortization amounted to €4,4 million, versus €6.2 million in 2003. The previous year had been adversely affected by the one-time write-off of goodwill from Kohjinbio related to its Saitama lab (€0.8 million) and by an adjustment of the amortization of the OTD goodwill (€0.6 million).

Net Income

Net income amounted to €75.7 million, or 8.1% of revenues. It was 37.6% higher than in the fiscal year 2003.

5.2.3 Year ended December 31, 2003 compared to year ended December 31, 2002

Revenues

Our revenues decreased by 3.1%, from €943.7 million in 2002 to €914.5 million in 2003. The strengthening of the euro against other currencies, particularly the U.S. dollar, reduced our revenues by approximately €78 million in 2003. Excluding exchange rate fluctuations, our revenues increased by 5.3% between 2002 and 2003.

Our 2003 revenues growth excluding exchange rate fluctuations was realized principally in North America, and to a lesser degree in Asia and Latin America. The following table breaks down our revenues by geographical region (determined by customer location) for the years ended December 31, 2002 and 2003.

	Year ended December 31,		**Change (Reported)**	**Change (Comparable)**
	2002	**2003**		
	(In millions of euros)			
Europe[1]	511.4	515.7	0.8%	2.8%
France [2]	*169.0*	*173.3*	*2.5%*	*2.5%*
North America	272.9	252.0	(7.7)%	9.2%
Asia-Pacific region	89.2	85.1	(4.6)%	5.7%
Latin America and India	70.2	61.7	(12.1)%	8.0%
TOTAL	**943.7**	**914.5**	**(3.1)%**	**5.3%**

(1) Including the Middle East and Africa.

(2) Including France's overseas departments and territories.

- In Europe, the increase in our revenues came principally from the United Kingdom (up 6% due to the good performance of the BacT/Alert® and haemostasis lines), Spain (up 6% due in particular to manual bacteriology following the launch of new chromogenic products) and France (up 2% due mainly to VITEK®2). This favorable trend was offset both by a 3% decline in revenues in Germany, because of caps on the reimbursement of certain tests, and by decreased activity in the Middle East due to the crisis in Iraq.

The growth in industrial applications (up 7%) was greater than in the clinical segment (up 2%). Despite the significant growth of the BacT/Alert® line (up 16%) and bacteriological lines in general (up 8%), growth in the clinical segment was negatively impacted by a 22% decline in revenues from micro plates, clinical chemistry and manual serology, three mature product lines which we only support with limited investments.

- The increase in sales in North America was principally due to growth in industrial applications, which recorded a 22% increase in revenues, principally as a result of a new regulation requiring the monitoring of the bacteriological sterility of blood platelets in blood banks, which resulted in growth of the BacT/Alert® product line. Growth in the clinical segment was led by three product lines: 10% growth in revenues from each of VITEK®, resulting from the introduction of new antibiograms, and BacT/Alert®, following the launch of the use of plastic bottles, and 12% growth in revenues from VIDAS® due to development in Physician Office Labs and extension of the D-Dimer parameters. In contrast, this segment was negatively impacted by a reduction in sales of the haemostasis product lines (down 4%) and the micro plates product line (down 3%).

- In the Asia-Pacific region, the 5.7% growth on a comparable basis was due to strong growth in China (up 20%, led by instrument sales in response to the SARS epidemic) and, to a lesser degree, in other ASEAN countries. In contrast, sales in Japan decreased by 5%, because of reduced reimbursement rates and a suspension of instrument purchases in public hospitals. Industrial applications grew 18%. Clinical applications increased only 4%, as the growth of the BacT/Alert® (up 16%) and VIDAS® (up 16%) product lines was offset by a 6% decrease in revenues from the VITEK® line.

- In Latin America and India, revenues grew by 8% on a comparable basis, led by 24% growth in Mexico. The growth in Brazil was weak, increasing only 2%. The product lines with the largest growth rates were EASYQ®, BacT/Alert® and VIDAS®.

The proportion of our revenues from reagent sales remained relatively stable, accounting for 85.4% of our revenues in 2002 and 84.5% in 2003. Industrial applications as a proportion of revenues grew from 11.4% in 2002 to 12.2% in 2003 due to strong growth in this market. The following table breaks down our revenues by application and product line for the years ended December 31, 2002 and 2003.

	Year ended December 31,		Change (Reported)	Change (Comparable)
	2002 *	2003 *		
	(In millions of euros)			
Clinical applications				
Bacteriology lines	*426.9*	*420.5*	*(1.5)%*	*7.9%*
Immunoassay lines	*214.7*	*218.2*	*1.6%*	*6.5%*
Haemostasis lines	*60.8*	*53.1*	*(12.7)%*	*(2.4)%*
Molecular biology lines	*22.1*	*22.2*	*0.5%*	*8.3%*
Other lines (non-strategic)	*111.8*	*88.9*	*(20.5)%*	*(10.9)%*
Total	**836.3**	**802.9**	**(4.0)%**	**4.3%**
Industrial applications	**107.4**	**111.6**	**3.9%**	**13.1%**
TOTAL	**943.7**	**914.5**	**(3.1)%**	**5.3%**

* Adjusted to coincide with the 2004 classification

- On a comparable basis, revenues from clinical applications increased 4.3%. Growth was realized principally in the bacteriology product lines, which experienced revenues growth of 8%, as culture media revenues increased 5% due to the introduction of new chromogenic cultures, VITEK® revenues increased 6% due to the strong performance of VITEK®2, and BacT/Alert® revenues increased 14% due to the completion of the replacement of the VITAL® line, one of our former lines, as well as the launch of the SIRE kit for the mycobacteria antibiotics susceptibility test. Revenues from the VIDAS® line in immunoassays were up 6.5% as a result of an increase in sales of emergency markers (D-Dimer) and infection markers, and the penetration of the Physician Office Labs market in the United States. Revenues from haemostasis product lines decreased by 2.4%, as the MDA® system was affected by competition. Molecular biology revenues grew by 8.3%, although this new business accounted for only a limited portion of revenues in 2002 and 2003.

- Industrial applications grew 13.1%, particularly in the United States, where we realized growth from the monitoring of the bacteriological sterility of blood platelets in blood banks.

Operating Income

In 2003, operating income was €102.1 million, compared to €120.0 million in 2002, which represents a decrease of €18 million. In 2003, our operating income represented 11.2% of revenues, compared to 12.7% in 2002. The impact of exchange rate variations on operating income was insignificant, as the impact of exchange rates on revenues was largely offset by their impact on expenses.

Operating income in 2003 reflects a higher level of research and development expenses, which increased by 10.8% (21.3% excluding exchange rate effects) as a result of up-front payments relating to the signing of two licensing agreements in molecular biology. In addition, the 2003 figure reflected significant restructuring costs. Excluding these items, operating income for 2003 would have amounted to €125 million and would have represented 13.7% of revenues.

Gross profit

In 2003, our gross profit was €474.5 million, a decrease of 2.6% compared to €487.3 million in 2002. However, our gross margin increased from 51.6% in 2002 to 51.9% in 2003. Our gross margin benefited from exchange rate effects, without which it would have been 0.3% lower than in 2002.

In 2003, our expenses relating to field services increased by 11.7% at constant exchange rates, with an increase occurring in most countries except France. Our distribution costs also increased 13.9%, primarily in the United States (up 40%) as a result of large increases in export shipping charges. We also recorded provisions for litigation regarding royalties, which slightly reduced our gross profit.

On the other hand, our gross profit in 2003 benefited from reduced costs for materials used in our products, mainly due to the introduction of plastic bottles for the BacT/Alert® line, as well as economies of scale related to increased volumes and productivity gains. As a result, our manufacturing costs increased at slightly more than half the rate of our manufacturing volumes.

Selling and Marketing Expenses and General and Administrative Expenses

At constant exchange rates, these two categories of expenses remained almost stable in 2003.

Research and Development Expenses

Our research and development expenses, which include internal and external costs related to product development and technological programs, were significantly impacted by the payment of up-front fees of €11.3 million under licensing agreements entered into with Cepheid for the acquisition of a license for GeneXpert®, and with IDI, for molecular biology markers. As a result of these license acquisitions, our research and development expenses were 14.3% of revenues in 2003. Excluding the costs of these licenses, research and development expenses would have represented 13.1% of our revenues, compared to 12.5% in 2002.

Royalties received

Royalty payments received were stable in 2003 compared to 2002. At constant exchange rates, the net amount of royalties received increased by 17% in 2003 compared to 2002, as the 2003 figure included additional royalties received in 2003 but relating to product sales by a licensee from prior years ($ 1.4 million).

Restructuring

Our restructuring charges recorded in 2003 relate to the Rockland site in the United States (€6.2 million provision, €4.1 million of which was used in 2003) and to the Boxtel site in the Netherlands (€5.5 million provision, the restructuring of which is expected to be completed in 2004). This provision of €11.7 million negatively impacted our operating income, but was partially offset by the savings generated in 2003 at the Rockland site, where restructuring was largely completed during the second half of 2003 (we realized €3.6 million of savings, principally in research and development and to a lesser extent in manufacturing costs).

Financial Expenses

In 2003, our net financial expenses amounted to €5.9 million, compared to €15.5 million in 2002. This improvement was principally due to a reduction in debt and to a significant reduction in exchange losses (the devaluation of the Brazilian real had a negative impact of €6.4 million on our financial results for the year ended December 31, 2002).

Exceptional Income (Loss)

We had an exceptional loss of €0.3 million in 2003, compared to an exceptional loss of €5.3 million in 2002. In 2003, we recorded a loss on the sale of ABL (neutral in dollar terms, with the loss in euros attributable to the decline in value of the U.S. dollar since our

acquisition of that Company). In 2002, exceptional losses consisted primarily of a restructuring provision for OTD's sites in Oklahoma City, United States, which was directly related to the OTD acquisition and was therefore recorded as an exceptional loss, as discussed in more detail in Note 21 to our consolidated financial statements.

Income Tax

Income tax expenses amounted to €34.7 million in 2003, compared to €32.4 million in 2002. Our effective tax rate increased from 32.7% in 2002 to 36.2% in 2003. This change principally reflects the effects of loss-making companies in our group (in particular bioMérieux BV), whose losses did not result in any tax savings.

Amortization of Goodwill

Amortization of goodwill increased from €5.3 million in 2002 to €6.2 million in 2003. This increase was due to the one-time amortization of goodwill related to the activities of Kohjinbio (€0.8 million), acquired in December 2000 by our subsidiary bioMérieux Japan.

Net Income

Net income declined 10.6% compared to 2002 (€55.0 million in 2003 compared to €61.5 million in 2002). Net income represented 6.0% of our revenues in 2003 compared to 6.5% in 2002, reflecting the impact of licensing fees and the restructuring provisions discussed above. Excluding these effects, net income would have represented more than 7% of revenues in 2003.

5.2.4 Liquidity and Capital Resources

Cash Flows

Transactions performed prior to the IPO

Several transactions performed in connection with the public offering of the Company's shares had an impact on cash flows:

- The merger of NBMA into the Company had a positive effect of €17.5 million on the debt level, as it allows to collect a tax receivable transferred by NBMA (€11.4 million) and the outstanding balance from the sale of investment securities (€7.8 million). On the other hand, the Company had to recognize NMBA's debt on the date of the merger (€1.7 million).
- A special dividend (€30 million) was paid out to shareholders.
- A capital increase was dedicated to the employees of bioMérieux SA and bioMérieux Inc, who largely subscribed. It allowed collecting €13 million.
- These transactions offset each other.

Cash flow from operations

Cash flow from our activities for the fiscal year 2004 (€163.1 million) represented 17.4% of revenues, a significant improvement over previous years (15.6% in 2002 and 15.3% in 2003).

Working capital was reduced by another €2.4 million, after being cut back in 2003 (€4.9 million) and increasing only slightly in 2002 (€5.4 million).

In 2002, our working capital requirements increased due to lower operating liabilities (down €9.7 million), as conversion of European currencies to euros caused certain payments at year-end 2001 to be delayed into 2002, and higher accounts receivable (up €26.4 million), particularly in Spain and Brazil. On the other hand, it benefited from an €18.8 million decrease in inventory (which enabled the Company to reduce inventory turnover time by six days, on a comparable basis), and a €12.4 million increase in the income tax payable.

In 2003, the €12.8 million increase in accounts receivable (in line with our revenues) was more than offset by a €22.3 million increase in accounts payable and other operating liabilities.

In 2004, the €8.9 million increase in inventories, due notably to the new systems, was partially offset by the increase in trade payable accounts and other operating liabilities (€5.6 million). Trade receivables were stable on a comparable basis, in spite of the 5.2% increase in sales, reflecting a reduction of three days in the day sales ratio.

Cash used in investment activities

Cash used in investments amounted to €75.2 million in 2004, versus €70.9 million, showing an increase of €4.3 million as compared to 2003.

The cash used in investments was unusually high in 2002 (€120 million). It included a €41,9 million cash advance to NBMA following the divestment of BMPF. It was also impacted by the agreement with Azko Nobel on the final acquisition price for OTD, that led the Company not to pay the amount it had previously recorded and by the corresponding decrease in fixed assets payables.

The fiscal years 2003 and 2004, on the other hand, are more closely comparable:

- Capital expenditures (€81.2 million and €79.4 million, respectively) were in line with spending levels of previous years. Almost half of the total related to instruments, mainly placed with our customers (€39.6 million and €36.5 million respectively).

  Capital projects included the building of a facility in Grenoble for all molecular biology research and development teams in France, a new Petri dishes manufacturing facility, an additional building extending the facility at Marcy l'Etoile, and a European logistics center for instruments at La Balme. The Company also purchased a building adjacent to its Florence plant, to increase production capacity for instruments, and

expanded its facilities in Durham. Lastly, the distribution center at Plaine de l'Ain was expanded.

- Financial receivables were repaid to the Company in both years (by NBMA for €8.7 million in 2003 and by TSGH for €7.8 million in 2004).

- Most of the variations of the cash flows used in investments over the previous year were attributable to changes in the "fixed assets payables", which declined by €3.3 million in 2004, after having gone up by €2.1 million in 2003.

Free cash flow

Free cash flow, meaning the balance of cash flow from operations after cash flows used in investment activities, increased significantly from €21.6 million in 2002 to €74.1 million in 2003 and €90.3 million in 2004.

Free cash flow was affected by transactions relating to NBMA:

- 2002: loan of €41.9 million

- 2003: repayment of €8.7 million

- 2004: merger with bioMérieux (collection of receivables transferred by NBMA, including a tax receivable of €11.4 million and a receivable from the sale of investment securities of €7.8 million, and the recognition of €1.7 million as liabilities)

After eliminating these transactions, the free cash flow comes to €63.5 million in 2002, €63.1 million in 2003 and €72.8 million in 2004, reflecting the strong cash resources generated by the Company's business.

Cash flow from changes in retained earnings and shareholder's equity

Cash flow from changes in equity reflects both changes in capital stock and the payment of dividends.

- They benefited from the cash generated by the July 2004 capital increase dedicated to employees, in connection with the Company's initial public offering. A total of 542,350 new shares were issued in this connection (representing 1.4% of those outstanding), generating cash of €13 million. Following the ten-for-one stock multiplication coinciding with the IPO, there are now 39,453,740 shares outstanding.

- This cash flow also reflected the payment of dividends in 2002 (€8 million), 2003 (€19 million) and 2004 (€30 million). Since the dividends paid to NBMA in 2002 and 2003 were not distributed to that Company's shareholders, a one-time dividend was paid out following the merger of NBMA with bioMérieux, as resolved by the Shareholders' Meeting of April 16, 2004 (€30 million).

Financial indebtedness

In 2001, the Company obtained a credit facility of €319 million from a syndicate of 21 banks to finance its acquisition of OTD, and drew down €290 million that same year.

In 2002 and 2003, the Company drew down another €29 million under the facility, then made two repayments for a total of €90 million, using cash generated by the business. Some of the drawdowns were made in US dollars and the Euro equivalent of those repayments was €38.4 million in 2002 and €45.1 million in 2003.

In 2004, the Company prepaid the balance of this loan and secured a new facility for €250 million from a smaller number of banks. The new facility includes two tranches of €125 million each. As of December 31, 2004, the Company had enough free cash flow to limit the amount used under this facility to €100 million.

The terms of the loan were adjusted by an amendment on December 29, 2004, to lighten the Company's obligations (mandatory prepayment clause based on its debt-to-equity ratio) and reduce the interest-rate margin.

Under these circumstances, the Company's indebtedness declined from €237.1 million on December 31, 2002 to €178.8 million on December 31, 2003 and €109.2 million on December 31, 2004. The Company's debt ratio (debt to equity), which was close to 100% in June 2001 following the acquisition of OTD, was reduced to below 30% at the end of 2004.

Liquidity

Our principal source of liquidity is cash flows from operations, which permit us to finance our investments and reduce our net indebtedness. As of December 31, 2004, we had €125 million of committed and unused lines of credit.

The Company considers that it has adequate resources to finance its operations and investments and to service its debt.

5.2.5 Off-balance sheet commitments

Pension commitments

Provisions are made for the pension and post-retirement benefit liabilities on the basis of actuarial estimation. Deferred actuarial gains amounted to €5.9 million on December 31, 2004. These gains are amortized using the so-called "corridor" method, based on the length of employment or life expectancy of covered employees.

In application of IAS 19, the actuarial differences previously deferred have all been recognized in the books at December 31, 2003. Deferred actuarial gains amounted to €10.9 million at December 31, 2002.

Plaine de l'Ain distribution center

Since January 1999, bioMérieux S.A. has been renting this center at Saint Vulbas (France) from a finance Company, which is responsible for financing the land and construction (for a total of €12.2 million). The contract has a minimum term of 7 years for a quarterly rent of €0.2 million.

After this period, bioMérieux may continue to rent or it may acquire the building or vacate it in consideration for a payment not to exceed €5.2 million.

Other off-balance sheet commitments

Commitments given or received outstanding on December 31, 2004 were as follows:

- bioMérieux Inc, bioMérieux SA and bioMérieux BV are parties to several agreements that call for payments based on the progress of corresponding research projects (€15.4 million).
- bioMérieux Italy has signed an agreement to purchase a building adjacent to its Florence facility for €2.3 million. bioMérieux SA has signed two agreements to purchase buildings in France for an aggregate of €1.4 million.
- bioMérieux SA had access on December 31, 2004 to unused short-term credit facilities of 125 million under syndicated arrangements (see note 17.1)
- bioMérieux SA has agreed to subscribe to new shares issued by InoDiaG, which would bring its interest in that Company to 10% (see note 7).
- Bank guarantees are obtained in conjunction with tenders submitted by Group entities. As of December 31, 2004, these guarantees were for a total of €6.4 million.
- Other commitments of €0.1 million were received (guarantees).
- Other commitments of €6.4 million were given (guarantees).
- Real estate operating lease commitments amounted to €37.2 million on December 31, 2004.
- 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, amounting to 3.5% of any revenue generated by the application of technologies developed by Apibio, up to a ceiling of €1.1 million.

5.2.6 Changeover to International Financial Reporting Standards

A Workgroup was formed to examine the adoption of international accounting standards, in anticipation of the obligation to change the international accounting principles on January 1, 2005, as required by European Commission regulation 1606/2002 (of July 19, 2002), applicable to the consolidated financial statements of European listed companies.

The key steps in the changeover to IFRS were as follows:

- Identification and classification of standards according to their impact on the financial statements.
- Analysis of the standards and validation of the financial reporting options.
- Evaluation of the necessary accounting changes and preparation of the reconciliation statement for equity and net income.

The changes that affect only the presentation of the balance sheet, the income statement or the cash flow statement will be reviewed in 2005. In particular, the balance-sheet presentation will be reviewed to separate current items (current assets and liabilities) from non-current ones (other assets and liabilities).

Internal accounting procedures will be adapted to make them consistent with the new IFRS rules.

Based on the findings of the workgroup, the changeover will have a negative impact of €4.1 million on shareholders' equity for January 1, 2004. Net income for the fiscal year 2004 will amount to €79.7 million.

5.2.7 Market Risk

Liquidity risk

The table below presents the maturity structure of our financial assets and liabilities as of December 31, 2004:

	Year ended December 31,		
	2002	**2003**	**2004**
	(in millions of euros)		
Over five years			0.2
Two and five years (a)	218.0	162.3	106.0
Total long-term debt	**218.0**	**162.3**	**106.2**
Short-term debt confirmed(a)	49.0	45.5	1.1
Other Short-term debt	32.9	21.6	23.8
Total debt	**299.9**	**229.4**	**131.1**
Short-term deposit (b)	(38.7)	(34.3)	(0.7)
Cash	(24.1)	(16.3)	(21.2)
Net indebtedness	**237.1**	**178.8**	**109.2**

(a) Syndicated loan implemented for the acquisition of Organon Technika Diagnostic mainly.

(b) The book value of short-term deposits is equal to the market value.

Interest rate risk

We use swap, cap and floor transactions (or combinations of these) to hedge against interest rate risk. The accrued rate differential is incorporated into the financial revenues and expenses.

See Note 28.2 to our consolidated financial statements for additional information regarding hedging instruments in place as of December 31, 2004.

Given the hedging instruments in our portfolio as of December 31, 2004, we are not exposed to material interest rate risk.

Exchange rate risk

We do business in 130 countries, generating cash flows in various currencies. Our primary currencies are the euro, U.S. dollar, Japanese yen, pound sterling, and Brazilian real.

We have implemented an inter-Company billing system in order to centralize our exchange rate risk within our three principal operating companies, except for those countries for which it is not legally or economically feasible (currently Brazil, Argentina, Colombia, Chile, South Korea, Russia and India).

The Group hedges its currency exposure (see 5.3.1 "Impact of exchange rates" below) through forward sales, forward purchases and options (expiring less than 18 months from December 31, 2004) and currency swaps (expiring less than 30 months from December 31, 2004).

The market value of the entire portfolio of currency hedges in existence on December 31, 2004 generated unrealized capital gains of €1.5 million.

Risk of fluctuations in the value of investments

As of December 31, 2004, the Company held minority interests in certain listed companies. The net book value of these investments was €4.1 million and was reported as an asset on the balance sheet for December 31, 2004.

5.3 - CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDING DECEMBER 31, 2002, 2003 AND 2004

CONSOLIDATED INCOME STATEMENT

(In million of euros)	**Jan 04-dec 04 12 months**	**Jan 03-dec 03 12 months**	**Jan 02-dec 02 12 months**
NET SALES	**930.6**	**914.5**	**943.7**
COST OF SALES	(433.2)	(440.0)	(456.4)
GROSS PROFIT	**497.4**	**474.5**	**487.3**
SELLING AND MARKETING EXPENSES	(168.2)	(164.3)	(178.7)
GENERAL AND ADMINISTRATIVE EXPENSES	(78.2)	(72.7)	(77.6)
RESEARCH AND DEVELOPMENT EXPENSES	(126.8)	(131.1)	(118.3)
TOTAL OPERATING EXPENSES	**(373.2)**	**(368.1)**	**(374.6)**
ROYALTIES RECEIVED	8.9	7.4	7.3
RESTRUCTURING COSTS (note 21)	(0.9)	(11.7)	0.0
OPERATING INCOME	**132.2**	**102.1**	**120.0**
FINANCIAL EXPENSES (NET) (note 22)	(8.8)	(5.9)	(15.5)
IPO COSTS (note 2)	(5.2)		
EXCEPTIONAL INCOME (LOSS) (note 23)	1.5	(0.3)	(5.3)
INCOME TAX (note 24)	(39.6)	(34.7)	(32.4)
NET INCOME BEFORE GOODWILL AMORTIZATION	**80.1**	**61.2**	**66.8**
AMORTIZATION OF GOODWILL (note 25)	(4.4)	(6.2)	(5.3)
NET INCOME BEFORE MINORITY INTERESTS	**75.7**	**55.0**	**61.5**
MINORITY INTERESTS		0.1	(0.4)
NET INCOME	**75.7**	**55.1**	**61.1**
NET INCOME PER SHARE (a)	**1.93**	**1.41**	**1.57**

(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 million of euros)*	NET 12/31/2004	NET 12/31/2003	NET 12/31/2002
FIXED ASSETS			
. Intangible assets (note 4)	20.8	25.2	28.4
. Goodwill (note 5)	61.2	67.3	78.9
. Property, plant and equipment (note 6)	254.9	251.5	263.1
. Financial assets (note 7)	37.5	29.8	27.2
TOTAL	**374.4**	**373.8**	**397.6**
CURRENT ASSETS			
. Inventories and work in progress (note 8)	129.0	121.9	127.5
. Accounts receivable (note 9)	254.0	257.9	258.8
. Other operating receivables (note 10)	18.2	19.1	18.4
. Non-operating receivables (note 10)	12.1	36.5	50.5
. Deferred tax assets (note 16)	18.4	21.8	20.0
. Cash and cash equivalents (note 11)	21.9	50.6	62.8
TOTAL CURRENT ASSETS	**453.6**	**507.8**	**538.0**
TOTAL ASSETS	***828.0***	***881.6***	***935.6***

LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/2004	12/31/2003	12/31/2002
SHAREHOLDERS' EQUITY			
. Share capital (note 12)	12.0	11.9	11.9
. Additional paid-in capital	63.7	51.2	51.2
. Retained earnings	292.2	270.4	237.9
. Translation reserve (note 13)	(54.4)	(40.5)	(9.9)
. Net income for the year	75.7	55.1	61.1
TOTAL SHAREHOLDERS' EQUITY	**389.2**	**348.1**	**352.2**
MINORITY INTERESTS (note 14)	**0.7**	**0.7**	**0.9**
PROVISIONS FOR RISKS AND CHARGES (note 15)	**76.4**	**73.2**	**53.8**
DEFERRED TAX LIABILITY (note 16)	**4.7**	**5.3**	**6.9**
LIABILITIES			
. Financial indebtedness (note 17.2)	131.1	229.4	299.9
. Accounts payable (note 18)	87.1	90.9	83.0
. Other operating liabilities (note 18)	116.4	107.4	107.4
. Non-operating liabilities (note 18)	22.4	26.6	31.5
TOTAL LIABILITIES	**357.0**	**454.3**	**521.8**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	***828.0***	***881.6***	***935.6***

CONSOLIDATED STATEMENT OF CHANGE IN NET INDEBTEDNESS

(in million of euros)	Jan 04-Dec 04 12 months		Jan 03-Dec 03 12 months		Jan 02-Dec 02 12 months	
Net income before minority interests	75.7		55.0		61.5	
Depreciation, amortization and provisions, net	88.7		83.6		85.0	
Net realized capital gains (losses)	(1.3)		1.5		0.5	
Cash flow from operating activities	**163.1**		**140.1**		**147.0**	
(Increase) Decrease in inventories	(8.9)		1.6		18.8	
(Increase) Decrease in accounts receivable	(0.6)		(12.8)		(26.4)	
(Decrease) Increase in accounts payable and other operating working capital requirements	5.6		22.3		(9.7)	
Decrease (increase) in operating working capital requirements	**(3.9)**		**11.1**		**(17.3)**	
Increase (decrease) in income tax payable	14.1		(3.7)		12.3	
Other	(7.8)		(2.5)		(0.4)	
Decrease (increase) in working capital requirements	**2.4**		**4.9**		**(5.4)**	
Net cash flow from operations	**165.5**		**145.0**		**141.6**	
Capital expenditures	(79.4)		(81.2)		(77.8)	
Sale of property, plant and equipment	6.9		4.3		5.6	
Change in net payables related to fixed assets	(3.3)		2.1		(32.7)	
Investment securities			3.3	(2)	30.2	(1)
Impact of changes in the scope of consolidation	(1.7)	(3)	(1.0)	(4)	1.5	(5)
Loans and advances to affiliates	7.8	(6)	8.7	(7)	(41.9)	(7)
Changes in other financial fixed assets	(5.5)		(7.1)		(4.9)	
Net cash flow from (used in) investment activities	**(75.2)**		**(70.9)**		**(120.0)**	
Capital increase – bioMérieux SA	12.6	(8)				
Capital increase – Apibio				(9)	0.1	
Dividends to bioMérieux S.A. shareholders	(30.0)	(10)	(19.0)		(8.1)	
Net cash flow from (used in) shareholders' equity	**(17.4)**		**(19.0)**		**(8.0)**	
CHANGE IN NET INDEBTEDNESS **(Excluding exchange rate effects)**	**72.9**		**55.1**		**13.6**	
ANALYSIS OF CHANGE IN NET INDEBTEDNESS						
Net indebtedness at the beginning of the year	178.8		237.1		274.8	
Impact of currency changes on net indebtedness	3.3		(3.2)		(24.1)	
CHANGE IN NET INDEBTEDNESS	**(72.9)**		**(55.1)**		**(13.6)**	
- Confirmed facilities	*(100.8)*		*(45.5)*		*(14.2)*	
- Cash and other bank deposits	*27.9*		*(9.6)*		*0.6*	
Net indebtedness at the end of the year (cf. note 17.2)	**109.2**		**178.8**		**237.1**	

(1) Restatement of the purchase price of Organon Teknika (cf. note 3.4)
(2) Sale of ABL
(3) Net indebtedness of NBMA on the date of its merger into bioMérieux SA (pre-IPO transaction)
(4) Net cash position of ABL at date of sale
(5) Cancellation of the debt of bioMérieux Turkey to Akzo Nobel

(6) Repayment of a debt by TSGH (pre-IPO transaction)
(7) Transactions related to the loan to NBMA
(8) Offering of new shares to employees, in connection with the IPO
(9) The increase in capital in 2002 was realized by converting current accounts to equity (€0.1 million)
(10) Distribution of dividends decided by the Shareholders' Meeting of April 16, 2004 (pre-IPO transaction)

STATEMENT OF CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in million of euros)	**Share capital**	**Share premium**	**Retained earnings**	**Translation reserve**	**TOTAL**
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2002	**11.9**	**51.2**	**299.0**	**(9.9)**	**352.2**
Net income for the year			55.1		**55.1**
Dividends			(19.0)		**(19.0)**
Impact of IAS 19 (note 1.1.2)			(9.6)		**(9.6)**
Change in translation reserve (note 13)				(30.6)	**(30.6)**
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 the merger with NBMA (note 3.1)			(3.3)		**(3.3)**
Capital increase (note 12)	0.1	12.5			**12.6**
Dividends			(30.0)		**(30.0)**
Change in translation reserve (note 13)				(13.9)	**(13.9)**
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2004	**12.0**	**63.7**	**367.9**	**(54.4)**	**389.2**

5.3.1 Accounting principles

The consolidated financial statements are prepared in accordance with regulation 99-02 of the "Comité de la Réglementation Comptable" of April 29, 1999. The Group has adopted all the preferred methods.

The financial statements of the consolidated Group companies, which are prepared in accordance with the accounting regulations in their respective countries, are restated to conform to the accounting principles used for the consolidated financial statements.

The consolidated accounts are prepared in euros.

5.3.1.1 Comparison of the Financial Statements

5.3.1.1.1 Change in presentation of the consolidated income statement

Beginning in 2003, the consolidated income statement is presented by function.

In order to facilitate comparisons between financial statements, the income statement for the fiscal year 2002, which was originally presented by nature of expenses, has been restated by function.

5.3.1.1.2 Change in evaluation method for retirement and post retirement provisions

Retirement and other similar benefits have been re-evaluated on an actuarial basis as of January 1, 2003 in accordance with IAS 19, the standard that is used to evaluate them.

This reevaluation was recorded through an adjustment in shareholders' equity (€9.6 million) essentially due to the harmonization of the evaluated liabilities of bioMérieux S.A. and bioMérieux, Inc. There was no material impact on the 2003 income statement.

Retirement and other similar benefits were until then evaluated using the accounting methods in force in each country.

5.3.1.2 CONSOLIDATION PRINCIPLES

Companies in which bioMérieux exercises majority control (more than 50% of voting rights) are fully consolidated.

Companies over which bioMérieux exercises a significant influence (between 20% and 50% voting rights) are accounted for under the equity method.

A list of consolidated companies is included in note 31.

All significant transactions between the consolidated companies, as well as intra Group income (in particular dividends, internal profits related to inventory or fixed assets), have been eliminated.

Goodwill corresponds to the difference between the price paid to acquire an interest in a consolidated Company and the restated value of the net assets of the acquired Company (after any restatement to conform to Group accounting principles) as of the acquisition date. In accordance with the CRC regulation 99.02 relating to initial consolidation, the assets and liabilities of the acquired Company are revalued at their fair value if their net book value differs significantly from their fair value.

5.3.1.3 DATE OF CLOSING OF THE FISCAL YEAR

All the Group companies are consolidated on the basis of their fiscal year, or, if they differ, on audited financial statements as of the Group's year-end.

5.3.1.4 FOREIGN CURRENCY TRANSLATION PRINCIPLES

For all countries excluding Turkey and Russia:

a) The financial statements in foreign currencies 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,
- Statement of change in net indebtedness items are translated using the average exchange rate for each currency for the fiscal year,
- The main exchange rates used in 2004, 2003 and 2002 are as follows:

Average exchange rates				
1 EURO =	**USD**	**JPY**	**GBP**	**BRL**
2004	1.24	134	0.68	3.64
2003	1.13	131	0.69	3.47
2002	0.95	118	0.63	2.79

Year-end rates				
1 EURO =	**USD**	**JPY**	**GBP**	**BRL**
2004	1.36	140	0.70	3.62
2003	1.26	135	0.70	3.65
2002	1.05	124	0.65	3.71

b) Transactions in foreign currencies are translated at the exchange rate at the time 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).

Foreign currency payables and receivables are translated at the exchange rate on December 31, 2004 unless they are covered by a specific forward contract. The resulting currency translation gain or loss is included in the income statement at the end of the year.

For Turkey and Russia (countries with high inflation):

- The non-monetary balance sheet items (fixed assets, equity) are converted at their historical exchange rate in US dollars (Russia) or in euros (Turkey). Monetary balance sheet items are converted at year-end rates.
- The income statement is translated at the average exchange rate for the fiscal year.
- The currency translation differences in euros or US dollars are included in the income statement.

5.3.1.5 INTANGIBLE FIXED ASSETS

Patents and licenses are generally depreciated over five years and software is depreciated over three to six years, depending on their expected useful life.

5.3.1.6 GOODWILL

Goodwill represents the difference between the acquisition price and the Group's share of the restated net assets of the acquired companies at the date of acquisition. The restatements include in particular the evaluation of unrealized gains that justified the acquisition price. Goodwill is amortized on a straight-line basis over a maximum of 20 years.

Where amortization of goodwill is tax deductible, the corresponding tax savings are booked in the income statement under "Amortization of goodwill".
An exceptional amortization is booked whenever the fair value of goodwill, calculated on the basis of the discounted present value of expected future cash flows from the corresponding assets, appears to be persistently below its net book value.

5.3.1.7 TANGIBLE ASSETS

Tangible assets are recorded in the balance sheet at their purchase price or production cost. Any revaluation in the individual financial statement is cancelled in the consolidated financial statements.

Tangible Assets are depreciated using the straight-line method over the estimated useful life of each type of asset. The primary useful life durations used are:

Buildings	20 to 40 years
Fixtures	10 to 20 years
Equipment and tools	3 to 10 years
Instruments *	3 to 5 years

** Instruments placed or used internally*

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 the fair value is less than the net book value, an exceptional provision is booked to align the book value with the fair value.

Capital gains on the transfer of property (mainly instruments) between companies in the Group are eliminated from the consolidated financial statements. However, the value of the fixed assets is not corrected by this adjustment: the impact, which is not significant compared to the total value of fixed assets, is booked as "deferred income" (€6.3 million at December 31, 2004).

Lease finance contracts

As lessee*: Assets acquired under capital lease agreements are recorded under tangible assets and depreciated using the same method. A corresponding amount is recorded as liabilities. This accounting treatment applies to all leases whenever:*

- Ownership of the asset is transferred upon expiration of the lease;
- The lease contract contains an option to buy on preferential terms;
- The term of the contract roughly corresponds to the expected life of the asset;
- The discounted value of the minimum payments is close to or greater than the fair value of the asset.

As lessor: Conversely, when the Group leases assets to third parties on terms similar to a sale, the assets are recorded as though they had been sold and corresponding lease payments receivables are recorded as financial assets on the balance sheet. However, the corresponding financial revenues are booked in the income statement during the period earned.

5.3.1.8 FINANCIAL ASSETS

Financial assets include lease rents to be invoiced under capital lease contracts for instruments (cf. 1.7).

Financial assets are recorded at their acquisition cost. A provision for depreciation is recognized if their market value falls below their cost. In particular, the market value of listed companies is their average trading price over the last month of the fiscal year.

5.3.1.9 INVENTORIES

Inventories are evaluated at cost or net realizable value, whichever is less. The Group takes into account the resale price, obsolescence, shelf life, condition, sales prospects and, for spare parts, the evolution of corresponding installed base.

Inventories of raw materials and consumables are valued at purchase price plus related expenses using the FIFO (first-in-first-out) method. The work-in-progress and finished goods are valued at their standard production cost, adjusted by variances recorded during the year.

5.3.1.10 CASH AND CASH EQUIVALENTS

This line includes immediately available cash balances as well as short-term investments.

5.3.1.11 PENSIONS AND OTHER POST RETIREMENT BENEFITS

Pensions and similar benefits are either defined contribution or defined benefit plans.

Defined contribution plans: The Group pays contributions based on salaries to organizations responsible for pensions and social security payments, in accordance with the laws and conventions of each country. The yearly expenses booked are the contributions paid.

Defined benefit plans: These are:

- Pension plans, either main plans or supplementary plans, (essentially United States, the Netherlands, France and Germany), and contractual retirement payments (essentially France, Italy, Japan);
- Other long-term benefit plans (including long-service payments);
- Health insurance for retired staff.

The corresponding liabilities are the subject of actuarial assessments using the methods recommended by IAS 19 ("projected unit credit"). A provision is booked if the liabilities are greater than the value of the funds set aside to cover the corresponding plans.

The following main actuarial assumptions have been made for evaluating the liabilities:

	2004	
	Salaries increase	Discount rate
bioMérieux SA	3.00%	4.50%
bioMérieux Inc	3.75%	6.00%
bioMérieux BV	2.00% to 5.00% *	4.50%

** depending on age*

Pension and similar benefits commitments are accrued for based on their actuarial value. Actuarial gains and losses are deferred. They are amortized by the so-called "corridor" method on the basis of the length of employment or life expectancy of covered employees.

5.3.1.12 PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges are established in accordance with Regulation C.R.C. 2000-06 for evaluating liabilities. The introduction of this rule in January 2002 had no significant impact on the Group's accounts.

5.3.1.13 DEFERRED INCOME TAXES

The deferred income taxes are calculated for all asset and liability timing differences between the tax and financial reporting values. These differences arise in particular from:

- Timing differences arising from financial reporting and tax reporting (non-deductible provisions, employee profit sharing, etc);
- Consolidation restatements (accelerated depreciation, provisions, elimination of internal profit in inventories and fixed assets, etc);
- Withholding tax accruals when dividend distributions are forecast for the following fiscal year.

Deferred tax assets resulting from timing differences, consolidation restatements or tax losses carried forward are not booked unless they are sufficiently likely to be used within two years.

Deferred tax assets and liabilities are calculated using the comprehensive liability method, taking into account probable dates of payment. The nominal value is taken without discounting.

5.3.1.14 PRESENTATION OF THE INCOME STATEMENT

Revenues include all sales of products (reagents and instruments) and services (technical support, training, shipping, etc.) billed to clients net of rebates and discounts.

Cost of sales include the following:

- Cost of raw materials consumed, including freight costs, direct and indirect production personnel costs, manufacturing equipment depreciation, external costs related to manufacturing activities (power and water, maintenance costs, tooling, etc.) as well as indirect costs (allocated purchasing costs, quality control costs, human resource expenses, IT costs, etc.). The costs of the quality control services, production quality assurance, engineering, methods, logistics, etc. are included in the production costs.
- Distribution costs, including the shipment and warehousing costs, particularly the shipment of products to distributors or end customers.
- Depreciation of instruments placed with or leased to customers.
- Field service costs, which cover the installation and maintenance of instruments placed or sold, regardless of whether the services are invoiced. It includes personnel costs, travel expenses, cost of spare parts as well as warranty expenses for 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 sales representatives and to independent sales agents. Advertising and promotion expenses are also included in selling and marketing expenses.

General and administrative expenses include expenses for general management and support services (human resources, corporate secretarial, finance, IT, purchasing, infrastructures), net of allocations made to non-general departments for the use of such services. Insurance premiums are also included in general and administrative expenses.

Research and development expenses include the internal and external costs of research and development for new products as well as the costs relating to regulations, intellectual property, technological monitoring and research and development quality assurance. Research and development grants are deducted from research and development expenses.

Restructuring costs include the initial provision allowances made when the official announcement of a shutdown or reduction in activity is made, since they are part of the operating results of the Group, and the subsequent adjustments, when actual costs are incurred.

Royalties and license fees paid (fixed or proportional) are included in the cost of sales of the related products. If the royalties and license fees do not relate to a marketed product, they are classified as research and development expenses.

Variable compensation (performance related bonuses, commissions, profit-sharing and employee share participation plans) is included in the salary expenses of the relevant departments.

Currency translation gains and losses are included with the corresponding income statement items (mainly net sales, cost of sales and financial revenue and expenses).

Exceptional income (Loss) includes only significant items that are both exceptional and non-recurring and therefore cannot be considered to be inherent to the Group's activity. They comprise mainly the capital gains and losses realized on sale of fixed assets (excluding capitalized instruments).

Goodwill amortization represents the allowance for the year, net of tax savings when the amortization is tax deductible.

5.3.1.15 - RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures are expensed as incurred during the fiscal year.

5.3.1.16 – 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.

As there are no dilutive securities, diluted net income per share is the same as the basic net income per share.

5.3.1.17 – FINANCIAL INSTRUMENTS

Financial instruments are used solely to hedge against currency and interest rate fluctuations, on existing assets or liabilities at the end of the period and future transactions.

5.3.1.18 – CONSOLIDATED STATEMENT OF CHANGE IN NET INDEBTEDNESS

The consolidated statement of changes in net indebtedness for the period shows the cause of the change in net debt (defined as all the loans and financial indebtedness, regardless of maturity and overdraft facilities), less cash and cash equivalents.

It separates:

- cash flow from operations,
- cash flow from investing activities,
- cash flow to/from shareholders.

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 for the period is the sum of net income, net changes in provisions, depreciation and amortization and changes in deferred taxes, less the net realized capital gains and losses on disposals.

5.3.1.19 – TREASURY SHARES

The Company has signed a market-making agreement with an investment firm, for the specific purpose of maintaining a current quote of its shares, an orderly market in its shares. Shares purchased are recognized as marketable securities as a balance sheet asset, at the lower of their purchase price or average trading price over the last month of the fiscal year.

5.3.1.20 – CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

A workgroup was formed to examine the adoption of international accounting standards, in anticipation of the obligation to change the international accounting principles on January 1, 2005 as required by Regulation (EC) 1606/2002 (of July 19, 2002), applicable to the consolidated financial statements of European listed companies.
The key steps in the changeover to IFRS were as follows:

- Identification and classification of standards according to their impact on the financial statements.
- Analysis of the standards and validation of the financial reporting options.
- Evaluation of the necessary accounting changes and preparation of the reconciliation statements for equity and net income.

The changes that affect only the presentation of the balance sheet, the income statement or the cash flow statement will be reviewed in 2005. In particular, the balance sheet presentation will be reviewed to separate current items (current assets and liabilities) from non-current ones (other assets and liabilities).

Internal accounting procedures will be adapted to make them consistent with the new IFRS rules.
The options below have been selected on the basis of the workgroup's findings. Their impact on shareholders' equity at the opening of the fiscal year 2004 and on the corresponding net income is summarized in note 30.

The principal options available under IAS / IFRS and selected by the Group are as follows:

- Business combinations prior to January 1, 2004 will not be restated.
- Property, plant and equipment will not be revaluated at their market value.
- Investment property will continue to be recognized at cost.

- The Group's foreign currency translation reserves on January 1, 2004 will be reduced to zero and recognized as consolidated reserves.
- IAS 32 and IAS 39 will be applied from January 1, 2004 onwards.

In addition, the following differences have been identified:

IAS 14: Information on segments will continue to be reported by geographical regions. In addition to the breakdown of the fixed assets, all other assets and liabilities will also be broken down by geographical regions.

IAS 16: The component approach is being used for property, plant and equipment and the depreciation plan has been adapted accordingly. Changes concern buildings, for which the useful life has been set as follows:

Number	Component	Depreciation period
1	Carcass, masonry, earthwork, roof, grading, etc.	30 to 40 years
2	Metal structures, sidings, doors, outside woodwork, carpentry, metal claddings, etc.	20 years
3	Indoor fixture, 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 negative impact on the shareholder's equity (€2.4 million on January 1, 2004) will not be material.

IAS 17 and 27: Finance leases are already included in the consolidated balance sheet (see note 1.7). However, the specific nature of the Plaine de l'Ain logistics center, leased since 1999, will require to account for the building and the corresponding features. This will add €9.5 million to the Group's financial debt; nevertheless, the adjustment will have no material impact, as the corresponding property will be recognized as an asset for an equivalent net book value.

IAS 18: Current practices concerning the revenues recognition are generally consistent with international standards, including the accounting for placed instruments; the only adjustment required concerns discounts given to clients for immediate payment, which must henceforth be treated as a reduction of sales, whereas they were up to now considered as 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 accordance with IAS 19 since January 1, 2003, consequently the adoption of the standard will not require additional adjustments to the shareholders' equity or net income.

IAS 36: Goodwill will no longer be systematically amortized and their net book value will be fixed as of January 1, 2004. This will have a positive impact of €4.4 million on restated net income for fiscal year 2004. Impairment tests will have to be performed annually on all intangible and tangible fixed assets, including goodwill. In this connection, assets have been divided into cash-generating units, reflecting the Group companies. If a unit fails to generate sufficient cash, an impairment provision would be recognized on the assets concerned, unless their fair value can be demonstrated. Impairment tests will be performed at the Group level in the case of assets that cannot be assigned to a unit (including goodwill from the acquisition of Organon Teknika). Tests performed at the opening and at the closing date of the 2004 fiscal year justify the net book value.

IAS 32 and 39:

Foreign currency hedges:

Currency hedges are reported on the balance sheet at their market value.

Fair value hedges will be 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, will be accounted for:

- in a special reserve account (other comprehensive income), in the case of changes in their intrinsic value,
- financial result, in the case of changes in their time value.

The impact on the net equity on January 1, 2004 will not be material (€0.5 million).

Interest-rate hedges:

Henceforth, changes in the fair value (exclusive of accrued interests) of cash flow hedges will be recognized on the balance sheet directly in a specific reserve account (other comprehensive income). Changes in the fair value of fair value hedges will be accounted for as financial income or expense.

The above will have a negative impact of €1.6 million on the shareholders' equity as of January 1, 2004.

Borrowing costs:

The cost of arranging for a loan will be reported as interest expense under debt charges.

This will cause operating income for 2004 to be increased by €1.6 million.

IAS 38: this standard requires development costs to be capitalized and subsequently depreciated once there is sufficient probability that they will generate a positive cash flow. The standard also specifies that external development expenses must be capitalized. A study of the pharmaceutical sector demonstrates that given the high uncertainty of development projects until the regulatory approvals have been obtained, only a minor portion of the development costs appear to qualify as a capital investment.

Under the circumstances, application of the standard will not affect the shareholders' equity.

5.3.2 Highlights

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 3.1).
- reimbursed in advance the syndicated loan set up in 2001 for the purpose of the acquisition of Organon Teknika Diagnostic and obtained another credit facility from a smaller number of banks (see note 17.1).

The total cost of the IPO and of the debt refinancing amounted to €16.6 million.

The cost of the IPO was recognized as a non-recurring expense 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 which were deducted directly from the corresponding share premium (€0.8 million).

General and administrative expenses include €1,1 million corresponding to the bank fees on the 2001 loan, while fees of €0,4 million on the new loan have been deferred to be expensed over future fiscal years.

5.3.3 Changes in the scope of consolidation during the last three fiscal years

5.3.3.1 MERGER WITH NBMA

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 income statement.

In particular, 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 directly recognized into retained earnings available for distribution and accordingly did not affect the net income of the year.

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.

5.3.3.2 OTHER 2004 TRANSACTION

The interest held by CEA-Industrie in Apibio was acquired on December 22, 2004, making Apibio a fully owned entity.

5.3.3.3 2003 TRANSACTION

Disposal of ABL

To focus on its core diagnostic activity, bioMérieux, Inc. divested itself entirely (100% of the Company's 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.

The consolidated income statement for 2002 and 2003 and the balance sheet as of December 31, 2002 include ABL's activity. On the other hand, the balance sheet as of December 31, 2003 only includes the assets purchased from that Company prior to its removal from consolidation.

ABL, which income was $0.5 million in both 2002 and 2003, did not have a material impact on the consolidated financial statements.

5.3.3.4 TRANSACTION PRIOR TO 2003

Acquisition of the Diagnostic division of Organon Teknika

On 29 June 2001, bioMérieux acquired the Organon Teknika diagnostic business (OTD) by purchasing either shares in Organon Teknika companies or their assets relating to the diagnostic business. This was booked at the fair value of the assets and liabilities acquired after taking account of the acquisition and restructuring costs. The difference between this fair value and the price paid was booked as goodwill and is amortized over 20 years.

After an independent valuation audit, bioMérieux and Akzo Nobel agreed upon the final purchase price in 2002. As the 2001 financial statements had been closed using the provisional price as a prudent figure, the accounts for the year ending December 31, 2002 were adjusted to take into account the reduction in the acquisition price (–€30.2 million). In addition, the adjustments in the assets and liabilities of the acquired companies and assets resulting from the audit were booked by the Group companies (–€0.3 million). Finally, the restructuring costs related to the incorporation of the OTD companies were adjusted (–€11.7 million after tax). The adjustment of the acquisition price and the adjustments resulting from the audit resulted in an overall reduction in the goodwill of €42.2 million excluding currency effects.

5.3.4 Intangible Assets

BREAKDOWN *(in million of euros)*	**Gross value**	**Amortization and provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Patents, technology, software	66.2	47.2	19.0(a)	24.0	26.5
Goodwill	2.2	2.2			
Advances and deposits	1.5		1.5	1.1	0.7
Other	0.6	0.3	0.3	0.1	1.2
Total	**70.5**	**49.7**	**20.8**	**25.2**	**28.4**

(a) Including €5.4 million software

CHANGE *(in million of euros)*	**Gross value**	**Amortization and provisions**	**Net value**
DECEMBER 31, 2002	**72.8**	**44.4**	**28.4**
Translation adjustment	(7.2)	(4.6)	(2.6)
Acquisitions/Increases	6.1	6.6	(0.5)
Disposals/Decreases	(0.1)		(0.1)
Reclassifications/Adjustments	(0.1)	(0.1)	
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**

5.3.5 Goodwill

BREAKDOWN *(in million of euros)*	**Gross value**	**Amortization**	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Organon Teknika	61.5	12.8	48.7	52.8	60.4
Biotrol	7.5	3.5	4.0	4.8	5.5
bioMérieux Inc (Vitek)	37.2	35.1	2.1	2.6	4.2
Micro Diagnostics Inc (USA)	2.6	0.8	1.8	2.1	2.6
bioMérieux Greece	1.9	0.3	1.6	1.7	1.8
bioMérieux Poland	2.2	0.7	1.5	1.5	1.6
Micro Diagnostics (Australia)	1.7	0.4	1.3	1.5	1.4
bioMérieux Brazil	1.5	1.3	0.2	0.3	0.5
Kohjin Bio (Japan)					0.9
Total	**116.1**	**54.9**	**61.2**	**67.3**	**78.9**

CHANGE *(in million of euros)*	**Gross value**	**Amortization**	**Net value**
DECEMBER 31, 2002	**134.3**	**55.4**	**78.9**
Translation adjustment	(12.8)	(8.1)	(4.7)
Increases		6.9 (a)	(6.9)
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 where the amortization of goodwill is deductible, in particular in the United States, Italy, the Netherlands, Spain and Germany.

(in million of euros)	**2004**	**2003**	**2002**
Amortization of goodwill	4.9	6.9	6.2
Corresponding tax saving	(0.5)	(0.7)	(0.9)
Amortization of goodwill in the income statement	4.4	6.2	5.3

(b) Reversal of fully amortized goodwill.

5.3.6 Property, Plant and Equipment

BREAKDOWN *(in million of euros)*	**Gross value**	**Depreciation**	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Land	15.8	0.1	15.7	15.3	15.8
Buildings	175.1	77.3	97.8 (a)	100.4	103.2
Equipment	148.4	103.1	45.3	47.8	51.1
Capitalized instruments	240.9	178.6	62.3 (b)	63.1(b)	62.6 (b)
Other fixed assets	60.1	44.1	16.0	14.9	20.1
Construction in progress	16.8	0.7	16.1	8.7	9.1
Advances and deposits	2.1	0.4	1.7	1.3	1.2
Total	**659.2**	**404.3**	**254.9**	**251.5**	**263.1**

(a) Including bioMérieux S.A. (€46.6 m), bioMérieux, Inc. (€24.3 m) and bioMérieux B.V. (€18.3 m).
(b) Most of the capitalized instruments are placed at customers.

CHANGE *(in million of euros)*	**Gross value**	**Depreciation**	**Net value**
DECEMBER 31, 2002	**605.5**	**342.4**	**263.1**
Translation adjustment	(31.0)	(16.3)	(14.7)
Acquisitions/Increases	75.1	66.6	8.5
Disposals/Decreases	(31.6)	(27.1)	(4.5)
Reclassifications	(0.2)	(0.1)	(0.1)
Removed from scope of consolidation (ABL)	(1.4)	(0.6)	(0.8)
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**

LEASED ASSETS INCLUDED UNDER PROPERTY, PLANT AND EQUIPMENT *(in million of euros)*	**12/31/2004**	**12/31/2003**	**12/31/2002**
Buildings	0.6	0.4	0.4
Equipment and tooling	1.9	1.8	2.3
Other fixed assets	3.1	3.3	3.8
Total gross value	**5.6**	**5.5**	**6.5**
Depreciation	(3.9)	(3.9)	(5.0)
Net value	**1.7**	**1.6**	**1.5**

Assets acquired under capital-lease agreements are recorded under property, plant and equipment (cf. note 1.7).

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 (cf. note 17.5).

5.3.7 Financial Assets

BREAKDOWN *(in million of euros)*	**Gross value**	**Provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Investments	12.1	6.4	5.7	1.4	1.7
Receivables from instrument Leasing	26.1		26.1	23.1	19.9
Other	5.7		5.7 (a)	5.3	5.6
Total	**43.9**	**6.4**	**37.5**	**29.8**	**27.2**

(a) Including €3.2 million invested to cover future pension commitments (Germany), and €0.2 million of investments accounted for by the equity method.

CHANGE *(in million of euros)*	**Gross value**	**Provisions**	**Net value**
DECEMBER 31, 2002	**27.9**	**0.7**	**27.2**
Translation adjustment	(4.1)		(4.1)
Acquisitions/Increases	14.9	0.4	14.5
Disposals/Decreases	(7.8)		(7.8)
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**

INVESTMENTS *(in million of euros)*	**Ownership**	**Net value**	**Shareholders' equity**	
			Before net income	**Net income**
Dynavax Technologies	1.7%	2.3	55.0	(7.9)
Oscient Pharma	0.9%	1.8	149.9	(44.8)
OPI	5.1%	0.7	10.6	(0.3)
InoDiaG	7.2%	0.3	0.6	(0.1)
Altabiopharma	0.9%	0.1	21.1	(4.3)
Sofinnova Ventures III	1.3%	0.1	4.2	
Sofinnova IV	0.6%	0.1	17.8	(5.5)
Europroteome	8.8%	0.0	In liquidation	
Other		0.3		
Total		**5.7**		

5.3.8 Inventories and Work-in-Progress

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Raw materials	46.9	48.6	46.4
Work in progress	24.8	24.5	28.5
Finished goods and other materials	68.3	61.1	67.8
Total gross value	**140.0** (a)	**134.2**	**142.7**
Provisions for losses	(11.0)	(12.3)	(15.2)
Net value	**129.0**	**121.9**	**127.5**

(a) Including gross value of inventories relating to instrumentation: 32%

5.3.9 Accounts Receivable

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Accounts receivable	265.4	270.2	268.6
Provisions for losses	(11.4)	(12.3)	(9.8)
Net value	**254.0**	**257.9**	**258.8**

5.3.10 Other Receivables

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Advances	1.1	1.0	0.8
Pre-paid expenses	4.0	4.8	5.7
Other receivables	13.1	13.3	12.5
Total gross value	**18.2**	**19.1**	**19.0**
Provisions for losses			-0.6
Net value of other operating receivables	**18.2**	**19.1**	**18.4**
Loan to NBMA (note 26)		33.2	41.9
Other non-operating receivables	19.1	5.1	8.6
Total gross value	**19.1**	**38.3**	**50.5**
Provisions for losses	(7.0)	(1.8)	
Net value of non-operating receivables	**12.1**	**36.5**	**50.5**

The maturity of most of the other operating receivables is less than one year.

5.3.11 Cash and Cash Equivalents

Cash and cash equivalents (see note 17.2) include available cash balances and short-term investments, as follows:

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Short term deposit (a)	0.7	34.3	38.7
Cash	21.2 (b)	16.3	24.1
CASH AND CASH EQUIVALENTS	**21.9**	**50.6**	**62.8**

(a) Cash balances are invested in the following instruments:

	2004	**2003**	**2002**
Name **Total** **Type** **Isin code**	SICAV CA AM 3 months €0.7 million Euro monetary FR0000296881	FCP Clam Eonia €15 million Euro monetary FR0007435920	FCP Barep Short Term €38.7 million Euro monetary FR0007462411
Name **Total** **Type** **Isin code**		Sicav CPR Cash €17.6 million Euro monetary FR0000291239	
Name **Total** **Type** **Isin code**		BMTN Société Générale €1.7 million Euro monetary QS0002721379	

In addition, cash is also invested in 1,600 treasury shares, with an aggregate value of €47,208, held on December 31, 2004 by Crédit Agricole Cheuvreux under an agreement with the Company (see note 1.19).

(b) of which €3.3 million in an escrow account.

5.3.12 Share Capital

As resolved by the combined annual and special shareholders' meeting of April 16, 2004, the Company's shares were multiplied from one to ten in connection with the initial public offering on the Premier Marché of Euronext Paris SA, thereby increasing the number of shares outstanding to 38,911,390 from the earlier 3,891,139.

As authorized by the combined annual and special shareholders' meeting of April 16, 2004 and pursuant to the Board of Directors' decisions of June 18 and July 6, 2004 and to the decisions made by the Chairman of the Board of Directors on July 23, 2004, bioMérieux increased its capital stock by €165,361.47 on July 23, 2004 by creating 542,350 new shares for a price of €24 each, for an offering to employees in connection with the bioMérieux IPO.
As a result of the above decisions and further to the decision by the Board of Directors to capitalize some reserves in order to bring capital to a round figure, capital stock now amounts to €12,029,370 and is divided into 39,453,740 fully paid-up shares, of which 82,345 are entitled to double voting rights.

There were no share options or other diluting securities as of December 31, 2004.

5.3.13 Changes in the translation reserve (Group)

(in million of euros)	**Dollar (a)**	**Latin America**	**Other**	**TOTAL**
TRANSLATION RESERVE AS OF DECEMBER 31, 2002	**9.7**	**(14.6)**	**(5.0)**	**(9.9)**
Impact of the translation on				
- shareholders' equity at closing exchange rates	(23.5)	(1.1)	(1.5)	(26.1)
- net income at average exchange rates	(5.4)	(0.2)		(5.6)
Disposal of ABL	1.1			1.1
Total	(27.8)	(1.3)	(1.5)	(30.6)
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 AS OF DECEMBER 31, 2004	**(33.1)**	**(16.1)**	**(5.2)** (b)	**(54.4)**

(a) US dollars and related currencies (includes the United States, Canada, China, Australia and Russia)
(b) including a loss of €2.9 million in the euro zone: the reserve was frozen when the euro exchange rates were set

5.3.14 Minority Interests

(in million of euros)	**Interests**
MINORITY INTERESTS ON DECEMBER 31, 2002	**0.9**
Income for the year	(0.1)
Changes in translation reserve	(0.2)
Increase in share capital - Apibio	0.1
MINORITY INTERESTS ON DECEMBER 31, 2003	**0.7**
Income for the year	
Changes in translation reserve	
MINORITY INTERESTS ON DECEMBER 31, 2004	**0.7**

As of December 31, 2004, minority interests only concerned bioMérieux Mexico, following the acquisition of all of the shares of Apibio (see note 3.2),

5.3.15 Provisions for Risks and Charges

(in million of euros)	Pensions and retirement indemnities	Product warranties (a)	Restructuring	Other contingencies	TOTAL
DECEMBER 31, 2002	**24.8**	**3.1**	**4.4**	**21.5**	**53.8**
Allowances	3.0	3.9	11.5	9.2	27.6
Reversal (use)	(0.9)	(4.1)	(6.7)	(6.9)	(18.6)
Reversal (unuse)	(0.1)		(0.7)	(1.1)	(1.9)
Net allowances	2.0	(0.2)	4.1	1.2	7.1
Impact of IAS 19 (b)	13.4				13.4
Reclassification	0.1			3.2	3.3
Translation adjustments	(2.4)	(0.3)	(0.3)	(1.4)	(4.4)
DECEMBER 31, 2003	**37.9**	**2.6**	**8.2**	**24.5**	**73.2**
Allowances	7.4	3.9	1.6	11.2	24.1
Reversal (use)	(5.5)	(3.7)	(4.9)	(2.0)	(16.1)
Reversal (unuse)	(1.7)		(1.6)	(1.1)	(4.4)
Net allowances	0.2	0.2	(4.9)	8.1 (c)	3.6
NBMA merger	0.2			0.3	0.5
Reclassification	0.2				0.2
Translation adjustments	(0.7)	(0.1)	(0.1)	(0.2)	(1.1)
DECEMBER 31, 2004	**37.8**	**2.7**	**3.2**	**32.7** (d)	**76.4**

(a) Estimation of the costs likely to be incurred for instruments sold under warranty for the remaining warranty period.

(b) Impact before tax of bringing the method of evaluating pension and other post-retirement liabilities into line with IAS 19 (see note 1.1.2). After taking account of the corresponding deferred tax (€3.9 million), the net impact (€9.6 million) is booked as a deduction in the shareholders' equity.

(c) Net allowances in the operating income (€8.9 million) and net reversals in exceptional income (loss) (€0.8 million).

(d) Including litigation provision (€27 million)

5.3.15.1 PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Company	Type of liability	As at December 31, 2004			
	(in million of euros)	Liabilities	Funds (a)	Deferred gains (losses)	Provisions
France	Contractual retirement payments	11.9			
	Long service payments	3.9			
	Other liabilities	1.0			
	Total	**16.8**	**6.8**		**10.0**
USA	Pensions	36.5			
	Health insurance for retired staff	2.0			
	Total	**38.5**	**26.7**	**1.7**	**10.1**
Netherlands (BM BV)	Pensions	32.4			
	Early retirement	4.4			
	Total	**36.8**	**25.2**	**4.2**	**7.4**
Germany	Pensions	4.6	1.7		**2.9**(b)
Italy	Contractual retirement payments "TFR"	3.3			**3.3**
Japan	Contractual retirement payments	1.2			**1.2**
Other	Pension and other benefits				**2.9**
TOTAL PROVISION FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS					**37.8**

(a) Fund or regular payments
(b) The corresponding fund is not irrevocably assigned to covering the liabilities and is booked in financial assets (see note 7).

5.3.15.2 OTHER PROVISIONS FOR CONTINGENCIES

5.3.15.2.1 Provisions for litigation

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. When a risk is identified, a provision is made as soon as the risk can be evaluated with adequate precision. The provision for litigation covers all the litigation in which the Group is involved and amounts to €27 million as of December 31, 2004. The main litigations in progress are:

- **Bio-Rad Pasteur Litigation (Institut Pasteur)**

  The dispute concerns the patents for AIDS screening held by the Institut Pasteur, for which Bio-Rad Pasteur has obtained exclusive rights. In 1989, Bio-Rad granted a sub-license to Cambridge Biotech (CBC) at a rate lower than that granted to bioMérieux in 1993. bioMérieux acquired CBC in 1996 and has used this preferential rate since that date. Bio-Rad Pasteur is seeking payment of license fees under the 1993 contract and damages. Bio-Rad Pasteur is also suing bioMérieux for infringement in a separate court. In a decision

handed down on April 28, 2004, the Court of Cassation's Commercial Division reversed a decision by the Lyon Court of Appeals refusing to set aside a seizure by Bio-Rad and Institut Pasteur in an infringement proceeding against bioMérieux in May 2000, and instructed the parties to file their briefs in the Aix-en-Provence Court of Appeals. In addition, on July 7, 2004 the Hague District Court dismissed a similar action brought in the Netherlands by Bio-Rad and Institut Pasteur against bioMérieux BV and bioMérieux Bénélux BV, bioMérieux's Dutch subsidiaries.

In light of these facts, 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.

- **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 decided to stop selling the kits in France. However, it believes it has solid grounds for appeal and will be appealed the May 5 decision to the Court of Cassation as soon as it receives notification of the decision.

In addition, D.B.V. has filed similar infringement suits against the Company's subsidiaries in Italy, Germany and Spain. The Company immediately took the necessary steps to defend itself in these proceedings. Note that the May 5, 2004 decision in France is not binding on the Italian, German and Spanish courts and does not in any way control their determination whether D.B.V.'s patent is valid and was in fact infringed as claimed.

In the opinion of bioMérieux, overall revenues would not be materially affected by restrictions on the sale of this kit, should the outcome of proceedings initiated in Italy, Germany and Spain, become unfavorable.

- **Dispute with Amsterdam University**

Litigation between bioMérieux BV and the University of Amsterdam concerning a contract assigning the patents for a nucleic acid extraction technology was resolved on August 3, 2004 with the signing of a compromise agreement.

- **Dispute with Wiener (Argentina):**

Action was taken against Biotrol, a Company taken over by bioMérieux S.A. in 2001 by Wiener for the payment of damages for the unilateral breach by Biotrol of a distribution contract.

5.3.15.2.2 Restructuring costs

The provisions for restructuring costs include provisions for charges resulting from recent or in progress restructurings (see note 21). As of December 31, 2004, they mainly related to operations at Boxtel (€0.9 million), Rockland (€1.5 million), Saitama (€0.5 million) and Grenoble (€0.3 million). These provisions cover the personnel costs (severance payments, notice, etc.), the rental of vacant premises, equipment and inventories written off and penalties for breach of supply contracts.

5.3.16 Deferred Income Tax

CHANGE *(in million of euros)*	**Deferred income tax liabilities**	**Deferred income tax, assets**	
DECEMBER 31, 2002	**6.9**	**20.0**	
Translation adjustment		(2.8)	
Net change for the year	(1.6)	(1.4)	
Other		6.0	(a)
DECEMBER 31, 2003	**5.3**	**21.8**	
Translation adjustment		(0.7)	
Net change for the year	(0.6)	(3.0)	
Other		0.3	(b)
DECEMBER 31, 2004	**4.7**	**18.4**	

(a) Including the tax impact of changing over to IAS 19 (€3.9 million) and reclassification of deferred income tax previously classified as operating tax liability (€2.1 million)

(b) Reclassification of deferred income tax previously classified as operating tax liability (€0.3 million)

The deferred tax assets are primarily attributable to the United States, France, Italy, Greece and Germany where they result from timing differences for taxes related in particular to the amortization periods of fixed assets and the non-deductibility of certain provisions.

The deferred tax liabilities arise mainly from booking bioMérieux B.V. fixed assets at their fair value (€4.2 million) when this Company was acquired.

Tax losses carried forward, which are not included for calculating the deferred tax assets, amount to €19.5 million (i.e. a potential tax saving of €7.1 million). The consolidation restatements of loss-making companies that do not give rise to a deferred tax asset amount to €7.4 million (i.e. a potential tax saving of €2.7 million).

5.3.17 Debt

5.3.17.1 DEBT REFINANCING

On April 13, 2004, bioMérieux SA secured a new syndicated credit facility for €250 million, in two tranches of €125 million each, intended primarily to refinance 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 that can be drawn down in euros, US dollars or other currencies traded on the European interbank market; the second tranche 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 draw down, plus a margin that varies with the ratio of consolidated net debt to earnings before interest, taxes and goodwill amortization.

bioMérieux SA may give notice that it wishes to use its option to cancel the unused portion of the facility or to prepay all or part of a tranche.

As of December 31, 2004, the Group had made draw downs of €100 million under the facility, of which another €125 million remained available.

5.3.17.2 MATURITY OF NET DEBT

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Over five years	0.2		
Two and five years (a)	106.0	162.3	218.0
Total long-term debt	**106.2**	**162.3**	**218.0**
Short-term debt confirmed (a)	1.1	45.5	49.0
Other short-term debt	23.8	21.6	32.9
Total debt	**131.1**	**229.4**	**299.9**
Short-term deposit (b)	(0.7)	(34.3)	(38.7)
Cash	(21.2)	(16.3)	(24.1)
Net indebtedness	**109.2**	**178.8**	**237.1**

(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

5.3.17.3 DEBT COVENANTS

The long-term debt consists primarily of the syndicated loan to bioMérieux SA (see note 17.2), which is subject to compliance with the following financial ratios (based on consolidated figures):

- The net debt to equity ratio must not exceed 100%.
- The net debt to income before interest, tax and goodwill amortization must not exceed 2.5.
- Net interest expenses must not exceed 20% of EBITDA over 12 successive months.

At December 31, 2004, these ratios were met.

5.3.17.4 INTEREST RATE

The long-term debt consists primarily of the syndicated loan to bioMérieux SA (see note 17.2) extended for five years in April 2004. The interest rate for this loan is linked to the 1- to 6-month Euribor.

The average interest rate on syndicated loans (either new or old) was 2.6% in the fiscal year 2004 (including the margin and excluding the cost of interest-rate hedges). The interest-rate hedges for this loan are detailed in paragraph 28.2.

The table below shows how the debt divided up on December 31, 2004 between the portion maturing in one year or less and the debt with a longer maturity, before and after hedging:

(in million of euros)	Amount	Over one year	Under one year
Total indebtedness	**131.1**	**106.2**	**24.9**
Prior to hedging			
Floating rate indebtedness	94.5%	96%	99.5%
Fixed rate indebtedness	4.5%	4%	0.5%
After hedging			
Floating rate indebtedness	50%	43%	80%
Fixed rate indebtedness	50%	57%	20%

5.3.17.5 BORROWINGS ON ASSETS UNDER CAPITAL LEASES

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Under one year	0.3	0.5	0.4
One to five years	0.7	0.7	0.7
Over five years	0.2		
Total	**1.2**	**1.2**	**1.1**

5.3.17.6 BREAKDOWN OF NET INDEBTEDNESS BY CURRENCY

After taking into account the exchange rate hedging detailed in paragraph 28.1, the indebtedness broken down by currency is as follows:

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Euro zone	123.6	161.7	184.2
Other			
Japanese yen	15.3	14.4	13.4
UK sterling	3.0	6.9	10.3
Indian rupees	3.0	3.5	2.6
US dollar	(32.1)	(6.0)	27.0
Swiss franc	(1.0)	(3.8)	(5.9)
Other currencies	(2.6)	2.1	5.5
Total	**109.2**	**178.8**	**237.1**

5.3.17.7 LOAN GUARANTEES

None of the assets have been pledged as collateral to a bank.

Most of the loans taken out by Company subsidiaries are guaranteed by bioMérieux SA.

5.3.18 Accounts Payable and Other Liabilities

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Accounts payable	**87.1**	**90.9**	**83.0**
Advances and deposits	0.5	0.5	1.1
Tax and payroll	85.6	79.4	72.5
Deferred income	20.1	17.8	18.3
Other	10.2	9.7	15.5
Other operating liabilities	**116.4**	**107.4**	**107.4**
Payables on property, plant and equipment	8.4	16.3	14.2
Income tax liabilities	10.3	9.0	15.7
Other	3.7	1.3	1.6
Non-operating liabilities	**22.4**	**26.6**	**31.5**

5.3.19 Payroll and benefits

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Wages and salaries	236.2	239.1	246.2
Benefits	80.5	77.7	79.5
Employee profit sharing (a)	5.9	6.9	6.5
Total	**322.6**	**323.7**	**332.2**
Average number of employees	**5,430**	**5,477**	**5,420**
No. of employees as of Dec. 31	**5,456**	**5,336**	**5,451**

(a) bioMérieux SA

5.3.20 Compensation of Officers and Directors

A total of €132,000 was paid as fees to members of the Board of Directors in the fiscal year 2004.

Some of those directors benefit from a supplemental pension plan because of positions they held previously. No sum was expensed and no disbursement was made by the Company for this purpose during the fiscal year ended, December, 31 2004.

5.3.21 Restructuring costs

The 2004 income statement includes new allowances to 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 a provision of €0.6 million was recognized for related charges.
- Grenoble, France: The transfer of all French molecular biology research and development teams to a single site in Grenoble was announced in April 2004. A provision of €1 million was recognized (€0.3 million for expenses related to the departure of employees and €0.7 million for the accelerated depreciation of fixed assets to be written off).
- Rockland, United States: It was announced in March 2003 that this research facility would close and it did so during the year. An additional provision of €0.8 million had to be booked to cover the risk that the leased building would remain vacant.
- Boxtel, the Netherlands: A provision of €5.5 million had been recognized when it was announced that this manufacturing and research and development facility would refocus on its activities, in anticipation of the lay-off of certain employees in 2003. As several of the employees concerned have since left for other reasons, €1.5 million of the provision has been cancelled.

5.3.22 Net financial expenses

5.3.22.1 BREAKDOWN OF NET FINANCIAL EXPENSES

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Net financial expenses	(5.5)	(6.3)	(9.5)
Depreciation allowances	(2.9) (a)	(0.4) (b)	
Exchange rate differences	(0.4)	0.8	(6.0)
Total	**(8.8)**	**(5.9)**	**(15.5)**

(a) including the depreciation allowances of Oscient Pharma (€1.7 million), Europrotéome (€1 million) and Dynavax (€0.2 million)

(b) including the depreciation of Europrotéome (€0.4 million)

5.3.22.2 EXCHANGE RATE DIFFERENCES

Exchange rate differences result from variations between the rate at the time of recording 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 fluctuation.

Exchange rate differences relating to operating activities are recorded in the corresponding income statement items, as follows:

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Sales	(0.5)	(0.6)	(1.1)
Cost of material supplies and other external charges	4.4	(1.4)	(3.0)
Financial items	(0.4)	0.8	(6.0)
Total	**3.5**	**(1.2)**	**(10.1)** (a)

(a) The financial crisis in Latin America resulted in booking €8.2 million exchange losses for the year 2002.

5.3.23 Exceptional income (loss)

(in million of euros)	Incomes	Expenses	**Net 2004**	Net 2003	Net 2002
Gains (losses) on Capital transactions	7.0	5.7	**1.3** (a)	(0.4)	(0.5)
Disposal of ABL				(1.1) (e)	
Exceptional provisions	1.7		**1.7** (b)	6.7 (f)	5.1(h)
Other	0.1	1.6	**(1.5)** (c)	(5.5) (g)	(9.9) (i)
Total	**8.8**	**7.3**	**1.5** (d)	**(0.3)**	**(5.3)**

(a) including €1.6 million from the sale of the Spanish bioMérieux headquarters

(b) including reversal of the provision for restructuring the Oklahoma City site (€0.7 million)

(c) including costs for restructuring the Oklahoma City site (€0.7 million)

(d) expenses incurred for the initial public offering (€5.2 million) are reported on a separate line in the income statement

(e) capital loss on divestment due to the fall in the dollar since the acquisition of this Company

(f) including reversal of the provision for restructuring the Oklahoma City site (€2.6 million)

(g) reversal of the provision for restructuring OTD (€1.6 million)

(h) including costs for restructuring the Oklahoma City site (€2.4 million)

(i) OTD restructuring costs (€1.6 million)

(j) including reversal of the provision for restructuring OTD (+€9.6 million)

(k) provision for closing the Oklahoma City site (–€4 million). This provision was treated as a non-recurring expense as the decision to close this OTD production and research site in favor of the Saint-Louis (United States) and Florence (Italy) sites is the direct result of acquiring OTD.

(l) including the OTD restructuring costs (–€9.6 million)

5.3.24 Income tax

5.3.24.1 ANALYSIS OF INCOME TAX EXPENSES

(in million of euros)	2004 12 months		2003 12 months		2002 12 months	
	Tax	**Rate**	**Tax**	**Rate**	**Tax**	**Rate**
Theoretical tax at French normal rate (a)	**41.8**	**34.9%**	**33.9**	**35.4%**	**35.1**	**35.4%**
- Impact of reduced tax rates on certain incomes and Foreign tax rates	1.9	1.6%	0.5	0.5%	1.0	1.0%
- Taxes on dividends	1.9	1.6%	(1.4)	(1.5%)	(0.7)	(0.7%)
- Impact of permanent differences	(0.7)	(0.6%)	(0.3)	(0.3%)	1.7	1.7%
- Deferred tax assets not recognized on losses carried forward	2.5	2.1%	7.6	7.9%	4.2	4.2%
- Use of deferred tax assets not previously recognized	(1.9)	(1.6%)	(1.1)	(1.1%)	(4.3)	(4.3%)
- Tax credits (including tax credit on R&D expenditure)	(5.9)	(4.9%)	(4.5)	(4.7%)	(4.6)	(4.6%)
Actual consolidated tax expenses	**39.6**	**33.1%**	**34.7**	**36.2%**	**32.4**	**32.7%**

(a) French ordinary corporate income tax rate applied to income before taxes of consolidated companies.

5.3.24.2 BREAKDOWN OF INCOME TAX EXPENSE

(in million of euros)	**2004**	**2003**	**2002**
Income tax on income before exceptional items	41.3	34.5	33.5
Income tax on exceptional items	(1.7)	0.2	(1.1)
Total	**39.6**	**34.7**	**32.4**
Income tax saving on Amortization of goodwill	(0.5)	(0.7)	(0.9)
Net tax expense	**39.1**	**34.0**	**31.5**
Of which current income tax expense	36.7	34.2	29.6
Of which deferred income tax expense	2.4	(0.2)	1.9

(a) Exceptional items, including IPO costs

5.3.25 Amortization of goodwill

The amortization recorded in the income statement (€4.4 million) includes tax savings (€0.5 million) obtained where the amortization of goodwill is deductible, in particular in the United States, Italy, the Netherlands, Spain and Germany (see note 5).

5.3.26 Information by geographical region and by application

Geographical regions information

The bioMérieux Group is organized by geographical region (Europe, North America, Latin America and Asia-Pacific). Africa and the Middle East are included in the European region. India is included in the Latin American region.

The accounting principles used for the breakdown are identical to those used for preparing the consolidated accounts.

(in million of euros)	**Europe**	**North America**	**Asia-Pacific**	**Latin America**	**Elim.**	**TOTAL**
FISCAL 2004						
Net sales to customers located in the region	533.9	244.4	89.0	63.3		**930.6**
Net sales generated by the region	620.1	366.7	81.4	56.9	(194.5)	**930.6**
Operating income	60.4	63.9	2.5	6.9	(1.5)	**132.2**
Total operating assets	490.2	172.3	38.7	35.6	(59.9)	**676.9**
Of which tangible and intangible fixed assets	189.2	67.6	10.1	8.8		**275.7**
FISCAL 2003						
Net sales to customers located in the region	515.7	252.0	85.1	61.7		**914.5**
Net sales generated by the region	592.8	385.2	77.4	55.6	(196.5)	**914.5**
Operating income	54.6	46.2	(0.6)	6.0	(4.1)	**102.1**
Total operating assets	476.6	191.4	37.0	35.8	(65.2)	**675.6**
Of which tangible and intangible fixed assets	184.4	72.2	10.8	9.3		**276.7**
FISCAL 2002						
Net sales to customers located in the region	511.4	272.9	89.2	70.2		**943.7**
Net sales generated by the region	588.3	395.7	82.3	61.5	(184.1)	**943.7**
Operating income	66.4	51.1	4.7	(0.2)	(2.0)	**120.0**
Total operating assets	475.5	215.3	42.6	37.1	(74.3)	**696.2**
Of which tangible and intangible fixed assets	177.6	93.4	10.7	9.8		**291.5**

AVERAGE NUMBER OF EMPLOYEES	**Europe**	**North America**	**Asia-Pacific**	**Latin America**	**TOTAL**
FISCAL 2004	3,312	1,436	339	343	**5,430**
FISCAL 2003	3,238	1,548	342	349	**5,477**
FISCAL 2002	3,252	1,514	338	316	**5,420**

The total operating assets includes tangible and intangible fixed assets (excluding goodwill), inventories, trade and other operating receivables.

Additional information

bioMérieux focuses on *in vitro* diagnostics. It designs, develops, makes and sells systems for clinical and industrial applications:

- clinical applications: diagnosis of infectious diseases, cardio-vascular diseases and tumors,
- industrial applications: monitoring microbiological quality and sterility in food processing, in the environment and in pharmaceutical and cosmetic products.

The sales in each of these sectors are:

(in million of euros and % of sales)	**2004**		**2003**		**2002**	
Sales—Clinical diagnosis	813.2	*87%*	802.9	*88%*	836.3	*89%*
Sales—Industrial microbiology	117.4	*13%*	111.6	*12%*	107.4	*11%*
TOTAL SALES	**930.6**	*100%*	**914.5**	*100%*	**943.7**	*100%*

5.3.27 Auditors' Fees

(in thousands of euros)	**2004**				**2003**			
	Deloitte & Touche	Bernard Chabanel	Other	**Total**	Deloitte & Touche	Bernard Chabanel	Other	**Total**
Auditing	772	128	83	**983**	567	78	95	**740**
Associated missions	204 (a)	96 (a)	2	**302**	23		4	**27**
AUDIT	**976**	**224**	**85**	**1,285**	**590**	**78**	**99**	**767**
Legal, tax, social	152		10	**162**	565			**565**
Other	26		5	**31**	2			**2**
OTHER MISSIONS	**178**		**15**	**193**	**567**			**567**
TOTAL	**1,154**	**224**	**100**	**1,478**	**1,157**	**78**	**99**	**1,334**

(a) Auditors' fees charged in connection with the IPO

5.3.28 Off balance sheet items

5.3.28.1 – CURRENCY RISK

Currency exposure

bioMérieux's activity, which includes significant activity outside the euro zone, is exposed to exchange rate fluctuations:

- the translation of foreign companies' financial statements into euros during consolidation directly depends on the exchange rates variations versus euro,
- the trade operations of the local companies, as well as their payables and receivables, whenever not denominated in their own currency, generate currency translation gains or losses.

For information, the sales were made in the following currencies:

(in million of euros)	2004		2003		2002	
	12 months	*%*	**12 months**	*%*	**12 months**	*%*
Euro zone	**447**	***48%***	**422**	***46%***	**417**	***44%***
Others						
US dollars	243	*26%*	253	*28%*	281	*30%*
Japanese yen	35	*4%*	35	*4%*	41	*4%*
UK sterling	40	*4%*	38	*4%*	39	*4%*
Brazilian real	21	*2%*	21	*2%*	25	*3%*
Other currencies	145	*16%*	146	*16%*	141	*15%*
TOTAL	**931**	***100%***	**915**	***100%***	**944**	***100%***

Currency hedging instruments

bioMérieux uses hedging instruments to reduce the currency risks, which may have an impact on budgeted results. Its general policy is to use global hedges to cover groups of operations with similar risks. The hedges are limited to the operations planned in the budget and are not speculative.

The currency hedging instruments at December 31, 2004 that are not yet allocated to specific payables or receivables are:

	Foreign currencies	Euros	
	Value	Value	Market value*
Forward sales			
- foreign currency versus euro	94.3 million EUR	94.3 million EUR	4.4 million EUR
- foreign currency versus US dollar	46.4 million USD	34.1 million EUR	-2.1 million EUR
Forward purchases			
- foreign currency versus Colombian peso	5,735 million COP	1.8 million EUR	-0.2 million EUR
- foreign currency versus Argentinean peso	1.7 million ARS	0.4 million EUR	NS
- foreign currency versus Chilean peso	1,159 million CLP	1.5 million EUR	-0.1 million EUR
- foreign currency versus Korean won	1,810 million KRW	1.3 million EUR	-0.2 million EUR
- foreign currency versus Brazilian real	17.0 million BRL	4.7 million EUR	-0.5 million EUR
- foreign currency versus Indian rupee	56.5 million INR	1.0 million EUR	NS
- foreign currency versus UK sterling	1.9 million GBP	2.8 million EUR	-0.1 million EUR
Currency swaps			
- foreign currency swaps versus euro	1.0 million EUR	1.0 million EUR	0.2 million EUR
- foreign currency swaps versus US dollar	0.4 million USD	0.3 million EUR	-0.1 million EUR
Options			
- euro versus US dollar	5.1 million USD	5.1 million EUR	0.4 million EUR
- foreign currencies versus US dollar	5.9 million USD	4.4 million EUR	-0.2 million EUR

Difference between the discounted hedging rate at December 31, 2004 and the market value at December 31, 2004.

The forward sales, forward purchases and options at December 31, 2004 mature within 18 months.
The currency swaps at December 31, 2004 mature within less than 2.5 years.

5.3.28.2 – INTEREST RATE RISK

The bioMérieux Group uses swap, cap and floor transactions (or combinations of these) to hedge interest rate risks. The accrued rate differential is incorporated into the financial revenues and expenses.

At December 31, 2003, the following hedges were in force (cf. note 17.4):

(in million of euros)	Notional	Duration (months)	Average rate
Fixed rate loan	60	19.6	3.40%

5.3.28.3 – PENSION LIABILITIES

Provisions are made for the pension and post-retirement benefit liabilities on the basis of actuarial estimation. Deferred actuarial gains amounted to €5.9 million on December 31, 2004. These gains are amortized using the so-called "corridor" method, based on the length of employment or life expectancy of covered employees.

In application of IAS 19, the actuarial differences previously deferred have all been recognized in the books at December 31, 2003. Deferred actuarial gains amounted to €10.9 million at December 31, 2002.

5.3.28.4 – LA PLAINE DE L'AIN LOGISTICS CENTER

Since January 1999, bioMérieux S.A. has been renting this center at Saint Vulbas (France) from a finance Company, which is responsible for financing the land and construction (for a total of €12.2 million). The contract has a minimum term of 7 years for a quarterly rent of €0.2 million.

After this period, bioMérieux may continue to rent or it may acquire the building or vacate it in consideration for a payment not to exceed €5.2 million.

5.3.28.5 – OTHER COMMITMENTS

Commitments given or received outstanding on December 31, 2004 were as follows:

- bioMérieux Inc, bioMérieux SA and bioMérieux BV are parties to several agreements that call for payments based on the progress of corresponding research projects (€15.4 million).
- bioMérieux Italy has signed an agreement to purchase a building adjacent to its Florence facility for €2.3 million. bioMérieux SA has signed two agreements to purchase buildings in France for an aggregate of €1.4 million.
- bioMérieux SA had access on December 31, 2004 to unused short-term credit facilities of 125 million under syndicated arrangements (see note 17.1)
- bioMérieux SA has agreed to subscribe to new shares issued by InoDiaG, which would bring its interest in that Company to 10% (see note 7).

- Bank guarantees are obtained in conjunction with tenders submitted by Group entities. As of December 31, 2004, these guarantees were for a total of €6.4 million.
- Other commitments of €0.1 million were received (guarantees).
- Other commitments of €6.4 million were given (guarantees).
- Real estate operating lease commitments amounted to €37.2 million on December 31, 2004.
- 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, amounting to 3.5% of any revenue generated by the application of technologies developed by Apibio, up to a ceiling of €1.1 million.

5.3.29 Transactions with non-consolidated Affiliates

ACCRA, which held 58.9% of bioMérieux SA's shares on December 31, 2004, provided consultancy and support services to bioMérieux SA, bioMérieux Inc. and bioMérieux BV valued at €2.4 million for the year.

bioMérieux SA and Transgene (in which ACCRA has an ownership interest of 66.8%, both directly and indirectly through TSGH) have entered into two service agreements for the construction of viral vectors by Transgene, as well as an option agreement on the licensing of patents. Services performed in the fiscal year 2004 were valued at €0.3 million.

During the first half of 2004, TSGH repaid its entire debt of €7.8 million to bioMérieux SA.

The Company provided reagents and instruments valued at €2.3 million in the fiscal year 2004 to members of the Silliker Group Corp., of which ACCRA is a majority owner.

ABL, which is wholly owned by TSGH, is a bioMérieux Inc subcontractor; it billed a total of €2.6 million for goods supplied in 2004. bioMérieux Inc also provided technical assistance valued at €1.1 million to ABL during the year.

5.3.30 Shareholders' Equity under IAS / IFRS

GROUP							
(in thousand of euros)	Capital stock	Other paid-in capital	Consolidated reserves	Income	Other Comp. Income	Translation reserve	Total
Group shareholders' equity as of 12/31/03 under French accounting standards	**11.9**	**51.2**	**270.4**			**-40.5**	**348.1**
Transfer of translation reserves to consolidated reserves			-40.5			40.5	0.0
Retroactive treatment and depreciation of fixed assets by component			-2.4				-2.4
Treatment of leases as finance leases			-0.6				-0.6
Reporting of hedges without backing in consolidated reserves					0.5		0.5
Recording of interest-rate hedges as consolidated reserves					-1.6		-1.6
Group shareholders' equity as of 12/31/03 under IAS / IFRS	**11.9**	**51.2**	**226.9**		**-1.1**	**0.0**	**344.0**

GROUP							
(in thousand of euros)	Capital stock	Other paid-in capital	Consolidated reserves	Income	Other Comp. Income	Translation reserve	Total
Group shareholders' equity as of 12/31/03 under IAS / IFRS	**11.9**	**51.2**	**226.9**		**-1.1**	**0.0**	**344.0**
Fiscal year 2004	0.1	12.5	21.9	75.7		-13.9	41.2
Impact of non-amortization of goodwill				4.4		-0.1	4.3
Unrealized foreign-exchange gains and losses on goodwill previously reported in euros						0.2	0.2
Application of new depreciation schedules				-0.1		0.2	0.1
Treatment of leases as finance leases				-0.1			-0.1
Reporting of hedges without backing in consolidated reserves				-0.2	0.6	0.1	0.5
Recording of interest-rate hedges as consolidated reserves					0.9		0.9
Group shareholders' equity as of 12/31/04 under IAS / IFRS	**12.0**	**63.7**	**248.8**	**79.7**	**0.4**	**-13.5**	**391.1**

MINORITY INTERESTS						
(in thousand of euros)	Capital stock	Other paid-in capital	Consolidated reserves	Other Comp. Income	Translation reserve	Total
Minority interest on 12/31/03 under French accounting principles			1.1		-0.4	0.7
Recording of interest-rate hedges as consolidated reserves			-0.4		0.4	0.0
Minority interest on 12/31/03 under IAS / IFRS	**0.0**	**0.0**	**0.7**	**0.0**	**0.0**	**0.7**

5.3.31 List of consolidated companies as on December 31, 2004

The following entities are fully consolidated (the percentages of equity and voting rights held are identical).

bioMérieux S.A.	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%
Apibio	69280 Marcy l'Etoile - France	100%
bioMérieux West Africa	08 BP 2634 - Abidjan 08 - Côte d'Ivoire	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 Vienna - 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 – The 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 – the Netherlands	100%
bioMérieux Canada	7815 Henri Bourassa - West - H4S 1P7 Saint Laurent (Québec) Canada	100%
bioMérieux Chile	Seminario 131 - Providencia - Santiago - Chile	100%
bioMérieux Chine	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 - Bogotá - Colombia	100%
bioMérieux Korea	7th floor Yoo Sung Building #830-67, Yeoksam-dong, Kangnam ku - Seoul - Korea	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 Inc	100 Rodolphe Street - Durham NC 27712 - USA	100%
bioMérieux India	D-45, Defense Colony - New Delhi 110024 - India	100%
bioMérieux Italia	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	80%
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 Moscow - Russia	100%
bioMérieux Sweden	Hantverksvagen 15 - 43633 Askim - Sweden	100%
bioMérieux Switzerland	51 Avenue Blanc - Case Postale 2150 - 1211 Geneva 2 - Switzerland	100%
bioMérieux Thailand	Regent House Bldg, 16th floor - 183 Rajdamri Road - Lumpini - Pathumwan - Bangkok 10330 - Thailand	100%
bioMérieux Turkey	Degirmen Sok - Nida Plaza - KAT : 6 - 34742 Koziatagi - Istanbul - Turkey	100%
Stelhys	69280 Marcy l'Etoile - France	100%

One Company is accounted for by the equity method:

Bergerie Combe Au Loup	Bazourgues - Boisset St Priest - 42560 St Jean Soleymieux – France	20%

5.4 - STATUTORY AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Bernard Chabanel
43, Rue de la Bourse

69002 LYON
==========

Deloitte & Associés
81 Bd Stalingrad

69100 VILLEURBANNE
==========

In accordance with our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of BIOMERIEUX S.A. for the year ended December 31, 2004.

The consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

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 the management, as well as evaluating the overall financial statements 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 financial position and the assets and liabilities of the Group as of December 31, 2004 and the results of its operations for the year then ended in accordance with the accounting principles generally accepted in France.

5.4.2 Justification of our assessments

In accordance with the requirements of article L.225-235 of the French Company Law (Code de Commerce) Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:
Provisions made for pension and post-retirement benefit liabilities are calculated on the basis of actuarial estimation as described in Notes 1.11 and 28.3 to the financial statements, performed by experts appointed by group companies.
In accordance with the professional standard relating to the use of works performed by an expert, our procedures consisted of reading data, assumptions and methods used by these experts and in assessing their reasonableness in light of our global knowledge of the entity and the results of our other audit procedures.

As described in Note 1.6 to the financial statements, the Company books an exceptional amortization on goodwill when the financial forecast no longer indicates that the acquired activities are sufficiently profitable to justify the net book value of the corresponding goodwill.

We have verified the appropriateness of the methodology implemented and examined the consistency of the data and assumptions used for the evaluation of goodwill.

Last, the group maintains provisions for litigation and restructuring costs as described in Notes 1.12 and 15.2 to the financial statements. Our procedures consisted in assessing the data and assumptions on which such estimates rely, reviewing the related information given in the notes to the consolidated financial statements and examining management's approval procedures for these estimates.

We have assessed the reasonableness of these estimates on these bases.

The assessments on these matters were performed in the context of our audit approach for the consolidated financial statements taken as a whole, and therefore contributed to enable us to express an unqualified opinion 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's report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Lyon and Villeurbanne, April 1, 2004

The Statutory Auditors

BERNARD CHABANEL **DELOITTE & ASSOCIES**

Alain DESCOINS

5.5 - CONSOLIDATED FINANCIAL STATEMENTS OF BIOMERIEUX SA FOR THE YEARS ENDING DECEMBER 31, 2002, 2003 AND 2004

INCOME STATEMENT

In million euros	**Jan 04-dec 04 12 months**	**Jan 03-dec 03 12 months**	**Jan 02-dec 02 12 months**
SALES	382.1	362.8	350.7
OTHER INCOMES	23.4	21.2	19.3
NET SALES	**405.5**	**384.0**	**370.0**
PRODUCTION INCLUDED IN INVENTORIES	5.6	-0.5	2.9
CAPITALIZED PRODUCTION INCLUDED IN FIXED COSTS	4.7	4.9	4.5
TOTAL PRODUCTION	**415.8**	**388.4**	**377.4**
COST OF MATERIAL AND SUPPLIES	-122.9	-109.7	-107.5
CHANGES IN RAW MATERIAL INVENTORIES	2.7	0.3	-0.6
EXTERNAL CHANGES	-81.5	-74.1	-76.1
ADDED VALUE	**214.1**	**204.9**	**193.2**
TAXES, OTHER THAN INCOME TAX	-10.7	-9.8	-10.7
PAYROLL AND BENEFITS	-131.5	-123.0	-121.5
GROSS OPERATING INCOME	**71.9**	**72.1**	**61.0**
DEPRECIATION AND PROVISIONS	-29.7	-27.4	-18.9
OTHER OPERATING INCOME (EXPENSES)	-1.5	-1.6	-2.6
OPERATING INCOME	**40.7**	**43.1**	**39.5**
FINANCIAL EXPENSES (NET)	-3.2	-4.1	-4.3
INVESTMENT INCOME (NET)	20.8	14.8	10.4
OPERATING INCOME BEFORE TAX	**58.3**	**53.8**	**45.6**
EXCEPTIONAL INCOME	-10.7	7.2	2.8
EMPLOYEE PROFIT-SHARING	-1.2	-3.1	-2.3
INCOME TAX	-5.9	-15.7	-9.6
NET INCOME	**40.5**	**42.2**	**36.5**
NET INCOME PER SHARE (a)	**1.04**	**1.08**	**0.94**

(a) In absence of dilutive instruments, diluted net income per share is identical to basic net income per share.

BALANCE SHEET

ASSETS **In million euros**	**NET 12/31/2004**	**NET 12/31/2003**	**NET 12/31/2002**
FIXED ASSETS			
. Intangible assets	8.7	8.9	6.2
. Property, plant and equipment	104.2	92.4	84.1
. Financial assets	256.1	264.2	269.1
TOTAL	**369.0**	**365.5**	**359.4**
CURRENT ASSETS			
. Inventories and work in progress	57.3	48.5	48.1
. Accounts receivable	120.4	109.8	117.7
. Other operating receivables	11.9	9.0	7.7
. Non-operating receivables	12.7	37.7	44.4
. Cash and cash equivalents	1.7	36.2	40.4
TOTAL	**204.0**	**241.2**	**258.3**
Foreign currency translation adjustment	**0.4**	**2.6**	**2.3**
TOTAL ASSETS	***573.4***	***609.3***	***620.0***
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2004**	**12/31/2003**	**12/31/2002**
SHAREHOLDERS' EQUITY			
. Share capital	12.0	11.9	11.9
. Additional paid-in capital	63.5	51.1	51.1
. Retained earnings	141.2	133.3	115.8
. Translation reserve	15.5	10.3	17.2
. Net income for the year	40.5	42.2	36.5
TOTAL	**272.7**	**248.8**	**232.5**
PROVISIONS FOR RISKS AND CHARGES	**30.1**	**21.3**	**11.8**
LIABILITIES			
. Financial indebtedness	145.1	216.4	254.2
. Accounts payable	65.0	54.0	54.1
. Other operating liabilities	51.0	48.0	47.0
. Non-operating liabilities	8.9	19.9	19.6
TOTAL	**270.0**	**338.3**	**374.9**
Foreign currency translation adjustment	**0.6**	**0.9**	**0.8**
TOTAL LIABILITIES	***573.4***	***609.3***	***620.0***

STATEMENT OF CHANGE IN NET INDEBTEDNESS

In million euros	Jan 04-dec 04 12 months		Jan 03-dec 03 12 months		Jan 02-dec 02 12 months	
Net income before minority interests	40.5		42.2		36.5	
Depreciation, amortization and provisions, net	41.2		22.4		21.2	
Net realized capital gains (losses)	0.3		0.2		0.1	
Cash flow from operating activities	**82.0**		**64.8**		**57.8**	
(Increase) Decrease in inventories	-8.4		0.2		-2.3	
(Increase) Decrease in accounts receivable	-11.0		8.9		-4.4	
(Decrease) Increase in accounts payable and other operating working capital requirements	13.1		-0.7		-7.6	
Decrease (increase) in operating working capital requirements	**-6.3**		**8.4**		**-14.3**	
Increase (decrease) in income tax payable	8.1		-2.0		14.3	
Other	-8.9		-1.9		0.5	
Decrease (increase) in working capital requirements	**-7.1**		**4.5**		**0.5**	
Net cash flow from operations	**74.9**		**69.3**		**58.3**	
Capital expenditures	-34.5		-30.9		-22.4	
Sale of property, plant and equipment	0.6		0.4		0.5	
Change in net payables related to fixed assets	-7.3		2.3		-3.3	
Investment securities			-2.0	(1)	-1.9	(2)
Loans and advances to affiliates	12.8		4.5		18.3	
Loans and advances to TSGH and NBMA	7.8	(3)	8.7	(4)	-41.9	(4)
Changes in other financial fixed assets	-0.1					
Net cash flow from (used in) investment activities	**-20.7**		**-17.0**		**-50.7**	
Equity issues and other paid-in capital	13.0	(5)			0.3	
Other changes in shareholders' equity	-0.4					
Dividends	-30.0	(6)	-19.0		-8.1	
Net cash flow from (used in) shareholders' equity	**-17.4**		**-19.0**		**-7.8**	
CHANGE IN NET INDEBTEDNESS (Excluding exchange rate effects)	**36.8**		**33.3**		**-0.2**	
ANALYSIS OF CHANGE IN NET INDEBTEDNESS						
Net indebtedness at the beginning of the year	180.2		213.8		213.3	
Impact of currency changes on net indebtedness	-0.1		-0.3		0.2	
CHANGE IN NET INDEBTEDNESS	**-36.8**		**-33.3**		**0.3**	
- Confirmed facilities	*-36.2*		*-28.2*		*1.0*	
- Cash and other bank deposits	*-0.6*		*-5.1*		*-0.7*	
Net indebtedness at the end of the year (cf. note 17.2)	0.1	(7)				
CHANGE IN NET INDEBTEDNESS	**143.4**		**180.2**		**213.8**	

(1) Including the Organon Teknika BV price adjustment (€4.6 million) and the purchase of shares issued by Apibio (€2.4 million), bioMérieux Turkey (€2.3 million) and bioMérieux Colombia (€1.8 million)

(2) Purchase of shares issued by Apibio

(3) Repayment of debt by TSGH (prior to the merger)

(4) Transactions related to the loan extended to NBMA

(5) Employee stock offering in connection with the initial public offering

(6) Dividend distribution decided by the Shareholders' Meeting of April 16, 2004 (prior to the IPO)

(7) Debt assumed as part of the Nouvelle bioMérieux Alliance merger

5.5.1 Accounting Principles

The consolidated financial statements are prepared in accordance with regulation 99-03 of the "Comité de la Réglementation Comptable", April 29, 1999.

5.5.1.1- Intangible fixed assets

Patents and licenses are generally depreciated over five years and software is depreciated over three to six years, depending on their expected useful life.

The 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.

5.5.1.2 - Tangible Assets

Tangible Assets are recorded in the balance sheet at their purchase price or production cost.

Tangible Assets are depreciated using the straight-line method over the estimated useful life of each type of asset. The primary useful life durations used are:

Buildings	20 years
Fixtures	15 to 20 years
Equipment and tools	3 to 10 years
Instruments*	3 to 5 years

* *Instruments placed or used internally.*

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 the fair value is less than the net book value, an exceptional provision is booked to align the book value with the fair value.

5.5.1.3 - Financial assets

Financial assets are recorded at their acquisition cost.

A provision for depreciation of investments is recognized if their utility value falls below their cost. This value is estimated based on net sales, financial debts, and on eventual technological assets or PPE of the investment.

The value of other investment may be written down if their market value falls below their purchase price. In particular, the market value of listed companies is their average trading price over the last month of the final year.

5.5.1.4 - Inventories

Inventories are evaluated at the lowest of cost or net realizable value.

Inventories of raw materials and consumables are valued at purchase price plus related expenses using the FIFO (first-in-first-out) method. The work-in-progress and finished goods are valued at their standard production cost, adjusted by variances recorded during the year.

5.5.1.5 - Cash and cash equivalents

This line includes immediately available cash balances as well as short-term investments.

5.5.1.6 – 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. Shares purchased are reported at the lower of their purchase price of average trading price of the last month of the fiscal year.

5.5.1.7 - Provisions for risks and charges

The provisions for risks and charges are established in accordance with Regulation C.R.C. 2000-06 for evaluating liabilities.

5.5.1.8 - Pensions and other post retirement benefits

The Company has opted not to account for its employee retirement benefit obligations, the value of which has nevertheless been calculated in accordance with the actuarial and accounting principles of IAS 19.

5.5.1.9 – Foreign Currency Translation Principles

Transactions in foreign currencies are translated at the exchange rate at the time 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 adjustment accounts. Foreign currency adjustment assets are fully accrued for, the expense being charged to the sale or purchase whenever the debt 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.

5.5.1.10 - Research and development

Research and development expenditures are expensed as incurred during the fiscal year.

5.5.1.11 - 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.

5.5.1.12 - Financial instruments

Financial instruments are used solely to hedge against currency and interest rate fluctuations, on existing assets or liabilities at the end of the period and future transactions.

5.5.1.13 – Consolidated Statement of Change in net Indebtedness

The consolidated statement of changes in net indebtedness for the period shows the cause of the change in net debt (defined as all the loans and financial indebtedness, regardless of maturity) and overdraft facilities, less cash and cash equivalents.

It separates:

- cash flow from operations,
- cash flow from investing activities,
- cash flow to/from shareholders.

Cash flow from investing activities includes the cash and cash equivalents of the companies acquired or sold.
Cash flow from operating activities for the period is the sum of net income, net changes in provisions, depreciation and amortization and changes in deferred taxes, less the net realized capital gains and losses on disposals.

5.5.1.14 – Consolidated Group

The Company prepares consolidated financial statements, which incorporate the annual financial statements of its subsidiaries in full.

The Company is fully consolidated by ACCRA S.A.

5.5.1.15 – Tax Consolidation

Following the merger of Nouvelle bioMérieux Alliance into the Company on April 16, 2004, with retroactive effect to January 1, 2004, the Company has become the parent Company of a new tax consolidation of bioMérieux SA and Apibio.

5.5.2 List of Consolidated Companies at December 31, 2004

See table below.

	Capital		Reserves and retained earnings before income allocation	Percentage of held equity	Book value of held shares, before impairment allowances	Book value of held shares, after impairment allowances	Outstanding loans and advances by the Company	Revenue for the last fiscal year	Net income or loss for the last fiscal year	Dividends received by the Company during the year	Notes
	(currency millions)		*(currency millions)*		*(€ millions)*	*(€ millions)*	*(€ millions)*	*(curr. millions)*	*(curr. millions)*	*(€ millions)*	
A - SUBSIDIARIES (50% or more of the equity held by bioMérieux):											
. ABG Stella	USD	0.0	255.7	100.0%	55.5	55.5		437.0	57.7	10.7	01/01/04 – 12/31/04
. bioMérieux Western Africa	EUR	0.1	0.0	100.0%	0.1	0.1		0.4	0.0		01/01/04 – 12/31/04
. Apibio	EUR	7.0	-9.1	100.0%	6.7	0.0	4.4	0.7	-4.0		01/01/04 – 12/31/04
. bioMérieux Argentina	ARS	4.7	5.0	99.0%	7.0	5.4		24.9	2.1		01/01/04 – 12/31/04
. bioMérieux Colombia	COP	502.9	10 762.9	99.0%	2.2	2.2		23 321.0	2 153.8		01/01/04 – 12/31/04
. bioMérieux Brazil	BRL	29.1	-7.4	99.90%	17.7	15.4	6.0	76.8	8.3		01/01/04 – 12/31/04
. bioMérieux Germany	EUR	3.5	3.5	100.0%	3.8	3.8	2.8	44.8	1.8	1.4	01/01/04 – 12/31/04
. bioMérieux Austria	EUR	0.1	2.2	100.0%	0.1	0.1		12.1	0.4	0.7	01/01/04 – 12/31/04
. bioMérieux Belgium	EUR	0.3	3.2	99.9%	0.3	0.3		21.6	1.4	1.2	01/01/04 – 12/31/04
. bioMérieux Chile	CLP	1 686.6	-276.4	100.0%	3.1	2.9		3 448.6	299.1		01/01/04 – 12/31/04
. bioMérieux Korea	KRW	1 000.0	-116.0	100.0%	0.7	0.7		11 393.0	518.3		01/01/04 – 12/31/04
. bioMérieux Denmark	DKK	0.5	3.4	100.0%	0.5	0.5	0.6	24.3	0.7		01/01/04 – 12/31/04
. bioMérieux Finland	EUR	0.0	0.1	100.0%	0.1	0.1	0.2	2.5	0.0		01/01/04 – 12/31/04
. bioMérieux Greece	EUR	2.0	-0.2	100.0%	4.1	4.1	2.3	13.1	-0.5		01/01/04 – 12/31/04
. bioMérieux Benelux BV	EUR	0.0	1.7	100.0%	0.1	0.1	1.5	14.4	0.9	0.9	01/01/04 – 12/31/04
. bioMérieux China	HKD	1.5	44.5	50.0%	0.1	0.1		197.0	7.8		01/01/04 – 12/31/04
. bioMérieux India	INR	60.8	-62.7	100.0%	1.4	1.4		419.0	10.3		01/01/04 – 12/31/04
. bioMérieux Italia	EUR	9.0	7.2	100.0%	12.8	12.8	29.4	87.3	2.1		01/01/04 – 12/31/04
. bioMérieux Japan	JPY	480.0	-1 354.0	75.0%	4.6	4.6	14.1	4 613.2	-339.7		01/01/04 – 12/31/04
. bioMérieux Spain	EUR	0.2	11.0	100.0%	0.3	0.3	5.6	39.6	3.7	4.0	01/01/04 – 12/31/04
. bioMérieux Norway	NOK	2.8	0.7	100.0%	0.3	0.3	0.2	38.1	0.8		01/01/04 – 12/31/04
. bioMérieux Poland	PLN	0.4	31.5	100.0%	1.5	1.5		84.9	7.6		01/01/04 – 12/31/04
. bioMérieux Portugal	EUR	1.6	9.7	100.0%	2.0	2.0	3.4	19.4	1.3		01/01/04 – 12/31/04
. bioMérieux Russia	USD	0.3	0.6	100.0%	0.2	0.2		5.7	0.4		01/01/04 – 12/31/04
. bioMérieux Sweden	SEK	0.5	3.1	100.0%	0.2	0.2		27.7	-0.1		01/01/04 – 12/31/04
. bioMérieux Switzerland	CHF	0.4	2.2	100.0%	0.6	0.6		21.0	1.3	3.9	01/01/04 – 12/31/04
. bioMérieux Thailand	THB	35.0	8.0	99.99%	0.9	0.9	0.5	170.5	14.8		01/01/04 – 12/31/04
. bioMérieux Turkey	EUR	2.9	4.3	100.0%	2.7	2.7	0.3	11.8	1.5		01/01/04 – 12/31/04
. bioMérieux UK	GBP	0.0	4.6	100.0%	1.2	1.2	4.2	27.3	1.0	0.5	01/01/04 – 12/31/04
. bioMérieux BV	EUR	22.7	-9.8	100.0%	53.3	53.3	5.9	74.5	-8.6		01/01/04 – 12/31/04
. bioMérieux Stelhys	EUR	1.4	-1.6	100.0%	1.4	0.0	0.0	0.0	0.0		01/01/04 – 12/31/04
. STELLA	EUR	0.0		100.0%	0.0	0.0	0.0	0.0			1st year
B - INVESTMENTS (10% to 50% of the equity held by bioMérieux):											
. Théra Conseil	EUR	0.0	0.1	14.9%	0.0	0.0		1.5	0.0	0.0	01/01/03 – 12/31/03
. Bergerie Combe aux Loups	EUR	0.1	0.5	20.0%	0.0	0.0		2.5	-0.2	0.0	01/01/04 – 12/31/04
TOTAL SUBSIDIARIES AND INVESTMENTS					**185.6**	**173.5**					
C – OTHER INVESTMENTS:											
. Manudo	EUR	1.5		NS	0.0	0.0					
. Ormene	EUR			2.5%	0.0	0.0					
. Sofinnova Ventures II NV	USD	1.4	-0.4	1.0%	0.0	0.0		N/A	0.2		01/0103 – 12/31/03
. Europroteome AG	EUR			8.8%	2.0	0.0					In liquidation
. Sofinnova IV	USD	70.6	-53.9	0.57%	0.3	0.1		0.0	-7.4		01/01/04 – 12/31/04
. InoDiaG	EUR	0.0	0.5	7.2%	0.3	0.3		0.0	-0.1		01/01/04 – 12/31/04
. Altabiopharma	USD	106.9	-84.0	0.94%	0.4	0.2	0.0	0.0	-5.8		01/01/04 – 12/31/04
. Dynavax	USD	158.7	-94.6	1.7%	4.4	2.3		12.4	-10.8		Period ended 9/30/04
. Oscient Pharma	USD	363.5	-220.4	0.9%	3.5	1.8		4.0	-61.0		Period ended 9/30/04
. Orphan Pharma International	EUR	504.2	-493.9	5.1%	0.7	0.7		7.1	-0.3		01/01/04 – 12/31/04
TOTAL OTHER INV.					**11.7**	**5.4**					
TOTAL					**197.3**	**178.9**					

5.5.3 Shareholders' Equity

5.5.3.1 – Capital stock

Pursuant to a resolution by the annual and special shareholders' meeting of April 16, 2004, the Company's shares were split ten for one when they were admitted to trading on the Premier Marché of Euronext Paris SA, their number going from 3,891,139 to 38,911,390.

As authorized by the annual and special shareholders' meeting of April 16, 2004 and pursuant to decisions by the Board of Directors on June 18, 2004 and by the Chairman of the Board of Directors on July 23, 2004, the capital stock of bioMérieux was increased by €165,361.47 on July 23, 2004, through the creation of 542,350 shares issued for €24 each under an employee stock offering in connection with the bioMérieux initial public offering.

Subsequent to the above transactions, the Company's capital stock amounted to €12,029,370, divided into 39,453,740 shares, fully paid up, of which 82,345 carry double voting rights.

There were no rights or securities outstanding with a dilutive effect as of December 31, 2004.

5.5.3.2 – Statement of change in Consolidated Shareholders' Equity

(in million of euros)	Share capital	Share premium	Reserves	Statutory provisions	Grants	TOTAL
DECEMBER 31, 2002	11.9	51.1	152.3	17.1	0.1	232.5
Income for the year			42.2			42.2
Dividend			-19.0			-19.0
Other Movements				-6.9		-6.9
DECEMBER 31, 2003	11.9	51.1	175.5	10.2	0.1	248.8
Income for the year			40.5			40.5
NBMA merger			-4.3			-4.3
Capital Increase	0.1	12.4				12.5
Dividend			-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

5.5.4 Provisions for Risks and Charges

In million euros	**Pensions and other benefits**	**Product warranties (a)**	**Restructuring**	**Other contingencies**	**TOTAL**
DECEMBER 31, 2002		**0.5**		**11.3**	**11.8**
Allowances	4.0	0.4		9.7	14.1
Reversal (use)		-0.5		-3.7	-4.2
Reversal (unused)				-0.4	-0.4
Net allowances	4.0	-0.1		5.6	9.5
DECEMBER 31, 2003	**4.0**	**0.4**		**16.9**	**21.3**
Allowances		0.5	0.3	10.3	11.1
Reversal (use)	-0.1	-0.4		-3.7	-4.2
Reversal (unused)					
Net allowances	-0.1	0.1	0.3	6.6	6.9
NBMA merger	0.2			1.7	1.9
DECEMBER 31, 2004	**4.1**	**0.5**	**0.3**	**25.2**(b)	**30.1**

(a) Estimated cost of the contractual warranties on devices sold during the balance of the agreement's term

(b) Including litigation provisions of €21.7 million

5.5.4.1 – Pensions and other similar benefits

These provisions include €3.9 million for long-term premiums, 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 percent annually and a discount rate of 4.5 percent.

5.5.4.2 - 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. The main litigations in progress are:

- **Bio-Rad Pasteur Litigation (Institut Pasteur)**

  The dispute concerns the patents for AIDS screening held by the Institut Pasteur, for which Bio-Rad Pasteur has obtained exclusive rights. In 1989, Bio-Rad granted a sub-license to Cambridge Biotech (CBC) at a rate lower than that granted to bioMérieux in 1993. bioMérieux acquired CBC in 1996 and has used this preferential rate since that date. Bio-Rad Pasteur is seeking payment of license fees under the 1993 contract and damages. Bio-Rad Pasteur is also suing bioMérieux for infringement in a separate court. In a decision handed down on April 28, 2004, the Court of Cassation's Commercial Division reversed a decision by the Lyon Court of Appeals refusing to set aside a seizure by Bio-Rad and Institut Pasteur

in an infringement proceeding against bioMérieux in May 2000, and instructed the parties to file their briefs in the Aix-en-Provence Court of Appeals. In addition, on July 7, 2004 the Hague District Court dismissed a similar action brought in the Netherlands by Bio-Rad and Institut Pasteur against bioMérieux BV and bioMérieux Bénélux BV, bioMérieux's Dutch subsidiaries.

In light of these facts, 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.

- **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 decided to stop selling the kits in France. However, it believes it has solid grounds for appeal and will be appealed the May 5 decision to the Court of Cassation as soon as it receives notification of the decision.

In addition, D.B.V. has filed similar infringement suits against the Company's subsidiaries in Italy, Germany and Spain. The Company immediately took the necessary steps to defend itself in those proceedings. Note that the May 5, 2004 decision in France is not binding on the Italian, German and Spanish courts and does not in any way control their determination whether D.B.V.'s patent is valid and was in fact infringed as claimed.

In the opinion of bioMérieux, overall revenues would not be materially affected by restrictions on the sale of this kit, should the outcome of proceedings initiated in Italy, Germany and Spain, become unfavorable.

- **Dispute with Amsterdam University**

Litigation between bioMérieux BV and the University of Amsterdam concerning a contract assigning the patents for a nucleic acid extraction technology was resolved on August 3, 2004 with the signing of a compromise agreement.

Provisions are set aside whenever risks cannot be accurately estimated. A total of €21.7 million was set-aside on December 31, 2004, covering all disputes in which the Company is a party.

5.5.4.3 - Restructuring costs

These provisions cover the personnel costs (severance payments, notice, etc.), the rental of vacant premises, equipment and inventories written off and penalties for breach of supply contracts.

On December 31, 2004, this provision corresponded to expected expenses for the transfer of the Moulin à Vent facility to Grenoble.

5.6 - STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF BIOMÉRIEUX FOR THE YEAR ENDED

This is a free translation into English of the statutory auditors' report signed and 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. 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 financial statements of the parent Company only 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.

B. CHABANEL	**DELOITTE et Associés**
43, Rue de la Bourse	**81 Bd. Stalingrad**
69002 LYON	**69100 VILLEURBANNE**
==========	==========

In accordance with our appointment as statutory auditors by your Annual General Meeting we hereby report to you, for the year ended December 31, 2004, 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 the management, as well as evaluating the overall financial statements 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 December 31, 2004, and the results of its operations for the year then ended in accordance with French accounting regulations.

5.6.2 Justification of our assessments

In accordance with the requirements of article L.225-235 of the French Company Law (Code de Commerce) Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

As explained in note 1.3 to the financial statements, your Company writes down the value of shares held by it whenever their fair value falls below their book value. We have verified the

appropriateness of the above-mentioned accounting methods, as well as the assumptions made and data used by your Company to calculate the value of those securities, and reviewed the calculations made.
Your Company also recognizes provisions for disputes and litigation, as set forth in notes 1.7 and 15.2 to the financial statements. Our procedures consisted in assessing the data and assumptions on which such estimates rely, reviewing the Company's calculations, comparing prior years' accounting estimates with the corresponding actual data and examining management's approval procedures for these estimates.
We have assessed the reasonableness of these estimates on these bases.

The assessments on these matters were performed in the context of our audit approach for the financial statements taken as a whole, and therefore contributed to enable us to express an unqualified opinion in the first part of this report.

5.6.3 Specific procedures and disclosures

We have also performed the specific 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 the 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..

Pursuant to the law, we have verified that the report of the Board of Directors contains the appropriate disclosures as to the acquisition of participating and controlling interests and as to the identity of shareholders.

Lyon and Villeurbanne, April 1, 2004

The Statutory Auditors

Bernard CHABANEL **DELOITTE & ASSOCIES**

Alain Descoins

5.7 - REPORT ON AGREEMENTS INVOLVING MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

B. Chabanel
43, Rue de la Bourse

69002 LYON
==========

Deloitte et Associés
81 Bd. Stalingrad

69100 VILLEURBANNE
==========

This is a free translation of the original text in French for information purposes only.
It should be understood that the agreements reported on are only those provided by the Law of 24 July 1966 and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

In our capacity as statutory auditors of bioMérieux, we hereby submit to you our report on the agreements involving members of the Board of Directors of the Company.

Agreements authorized during the fiscal year

Pursuant to section L. 225-40 of the French Commercial Code, the following agreements, previously authorized by the Board of Directors of your Company, have been brought to our attention.

The terms of our engagement do not require us to identify such other 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 March 23, 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 ; those standards require that we agree the information provided to us with the relevant source documents.

With ACCRA

Lease of premises on Rue Bourgelat in Lyon

Nature and purpose: Transfer by bioMérieux to ACCRA of the lease on premises used by your Company on Rue Bourgelat in Lyon.

Terms: The transfer took place on April 1, 2004; the rent is €130,000 per annum, before tax.

Shareholding Company concerned: ACCRA
Individuals concerned: Alain Mérieux, Christophe Mérieux and Dominique Takizawa.

With Rodolphe Mérieux Foundation

Donation agreement

Nature and purpose: Your Company has entered into an agreement with Foundation Rodolphe Mérieux concerning charitable contributions. The amount of the contributions must be approved annually by the Board of Directors.

Terms: For 2004, the Board of Directors has decided to make a contribution of €900,000.

Persons concerned: Alain Mérieux, Christophe Mérieux and Alexandre Mérieux.

With WENDEL Investissement

- Agreement to share the cost of the initial public offering

Nature and purpose: Your Company and Nouvelle bioMérieux Alliance (which was merged into bioMérieux in 2004) entered into an agreement with WENDEL Investissement on April 1, 2003 concerning the terms and conditions of a contemplated initial public offering. The agreement was in effect in 2004 and a new one was signed on March 30, 2004.

Terms: Expenses of €688,000 charged to WENDEL Investissement were rebilled to your Company.

Shareholding Company concerned: WENDEL Investissement.
Director concerned: Arnaud Fayet.

With Transgene

- Research agreement

Nature and purpose: Performance by Transgene of research on a viral vector (MVA.HCV 1). Agreement of January 19, 2004.

Terms: Billing by Transgene for time spent by researchers and engineers. Sum billed in 2004: €243,886 before tax.

Shareholding Company concerned: ACCRA.
Persons concerned: Alain Mérieux, Arnaud Fayet, Christophe Mérieux and Dominique Takizawa.

Agreements approved in prior years and in effect during the fiscal year ended

In addition, pursuant to the decree of March 23, 1967, we have been advised that the following agreements entered into and approved in previous years have had continuing effect during the year.

With ACCRA

I – Agreement on the use of the Mérieux name

Nature and purpose: ACCRA is authorized to use the name Mérieux for specific purposes unrelated to the business of your Company, provided that such use is not detrimental to the interests of your Company. ACCRA could also gain exclusive use of the Mérieux name if your Company were to become controlled by a third party who did not wish to keep its name.

Terms: ACCRA has not made use of this agreement.

II – Service agreement

Nature and purpose: A service agreement sets the compensation terms for services performed by ACCRA on behalf of bioMérieux.

Terms: ACCRA charges costs and personnel expenses plus 8% to the various entities on behalf of which services are performed.

Sums billed by ACCRA in 2004:

- base agreement:	€814,855
- rebilled expenses:	€142,311
- specific studies:	€221,356

III – Agreement on the use of premises at Marcy l'Etoile

Nature and purpose: Your Company has leased its Marcy l'Etoile premises to ACCRA until September 30, 2004.

Terms: Your Company collected rent of €44,270 for 2004.

IV – Agreement to join the 1995 group pension plan

Nature and purpose: Your Company established a defined-benefits group pension plan for executives in positions graded 800 and above under the national collective agreement for the pharmaceutical industry.

Subsequent to restructurings within the bioMérieux group, some of the enrollees in that plan may now be employed by ACCRA. The purpose of the agreement is to bring ACCRA into the existing pension plan.

Terms: Alain Mérieux is the only person covered by the plan. The agreement, which concerned senior executives of the Company, was terminated and no sums were paid in 2004.

With bioMérieux Stelhys and Transgene

- Agreement on multiple sclerosis

Nature and purpose: Your Company has entered into a three-party agreement with bioMérieux Stelhys and Transgene concerning multiple sclerosis; compensation terms under the agreement are agreed upon by the parties prior to any business-taking place, either directly or indirectly.

Terms: The agreement was not implemented during the year.

With bioMérieux Stelhys

- Non-exclusive licensing agreement

Nature and purpose: Your Company has entered into a non-exclusive licensing agreement with bioMérieux Stelhys concerning multiple sclerosis; compensation terms under the agreement are agreed upon by the parties prior to any business-taking place, either directly or indirectly.

Terms: Your Company recorded revenue of €2,355 during the year under this agreement.

With bioMérieux Inc.

I – Joint development agreement in the field of molecular biology

Nature and purpose: Your Company has entered into a joint development agreement with bioMérieux Inc. in the field of molecular biology. The agreement, dated October 11, 1996 and amended by three supplementary agreements, governs collaboration between the research staff of your Company and that of bioMérieux Inc.

Terms: In fiscal 2004, bioMérieux Inc. billed your Company for €359,891 under the above agreement.

II – Surety ship

Nature and purpose: Your Company had agreed to stand surety for a syndicated loan to bioMérieux Inc. in connection with the purchase of the diagnostics division of Organon Teknika. In consideration for your Company's guarantee for up to €100.8 million, a fee of 0.25% was charged to bioMérieux Inc. The loan was repaid on April 15, 2004.

Terms: In fiscal 2004, your Company billed €73,471 in fees to bioMérieux Inc.

With Transgene

- Research agreement

Nature and purpose: Transgene conducts research on your Company's behalf aimed at developing pre-clinical batches of poxvirus vectors (MVA-TAT-REV program).

Terms: In fiscal 2004, Transgene billed your Company €41,596 for these services.

With Foundation Mérieux

I – Patronage agreement

Nature and purpose: Your Company has entered into an agreement on contributions to Foundation Mérieux under which it has undertaken to contribute toward the cost of its activities. The agreement went into effect on October 1, 2002 for a term of five years.

Terms: Under an amendment signed on February 5, 2004, the annual contribution rose to €350,000, starting in 2004.

II –Administrative assistance agreement

Nature and purpose: Your Company entered into an administrative assistance agreement with Foundation Mérieux on April 26, 2002, under which it has agreed to set aside 12% of the aggregate indemnities paid by your Company in exchange for the management of public health protocols (Hurriet Act).

Terms: In fiscal 2004, your Company recognized an expense of €1,973 in this connection.

With Silliker SA

- Subleasing agreement

Nature and purpose: Your Company entered into an agreement with Silliker SA on November 12, 2002 for the subleasing of its premises at Rue Censier in Paris; the agreement expired on November 18, 2004.

Terms: In fiscal 2004, your Company billed rent of €32,152, including service and maintenance.

With Silliker Group Corp.

- Corporate services agreement

Nature and purpose: Your Company has been a party to a corporate services agreement with Silliker Group Corp. since January 4, 1999.

Terms: In fiscal 2004, your Company billed €5,172 for such services.

With TSGH and bioMérieux Inc.

- Sale of ABL

Nature and purpose: TSGH purchased all of the shares of ABL from bioMérieux Inc. on December 31, 2003, as part of a general policy consisting of focusing bioMérieux companies' business on the diagnostics sector.

Terms: The price, calculated on the basis of ABL's net worth on December 31, 2003, amounted to $3,690,865.86, and a price supplement of $490,865.86 was paid in 2004.

With TSGH

- Sale of Transgene shares

Nature and purpose: Under a purchase agreement of July 30, 2003, TSGH purchased 1,509,143 shares of Transgene from your Company for a sum of €7,827,925. Payment of the purchase could be deferred to no later than December 31, 2004.

Terms: TSGH made this payment to bioMérieux on April 30, 2004, along with €72,408 in interest.

Lyon and Villeurbanne, April 1, 2005

The Auditors

Bernard Chabanel **Deloitte et Associés**

Alain Descoins

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, we hereby indicate to you that your 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, 2004 were as follows:

5.8.2.1 ACTIVITY

See section 5.2.2 above.

5.8.2.2 NEW PRODUCTS LAUNCHES

The Company marketed over the year 43 new products, among which notably:

- New instruments:
    - **FoodExpert-ID®,** the first DNA chip designed for food monitoring applications
    - **VITEK®2 Compact** automated bacterial identification and susceptibility testing system
    - **miniMAG™**, manual extraction system in molecular biology
    - **TEMPO®**, New indicator system for food quality; first microbiology system designed specifically for the industrial market, launched January 31, 2005.
- The reagent lines were enhanced with, in particular: HIV DuoUltra and HIV DuoQuick fourth generation reagents for the VIDAS® plateform, extensions of the VIDAS® TPSA assay to help diagnose prostate cancer, in men aged 50 years and above, and the VIDAS D-DIMER test to exclude pulmonary embolism. VIDAS D-Dimer Exclusion is currently the only assay available in the US for this type of indication and it won the Frost & Sullivan Product Innovation of the Year 2004 Award.
- Lastly, new expert system software applications were brought to market, including Observa (epidemiological monitoring) and Stellara (therapeutic advice).
- In November 2004, the Company also made the first official public presentation of its new VIDIA® immunoassay, which it expects to start distributing in 2005.

5.8.2.3 KEY ALLIANCES AND PARTNERSHIPS

See section 4.7.5 and 4.7.6 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 €79.4 million, in line with the previous years' budgets. Almost half of the total (€36.5 million) was accounted for by the cost of instruments placed with clients, the balance (€42.9 million) representing industrial investments at all facilities.

5.8.2.5 FOOD AND DRUG ADMINISTRATION

The US Food and Drug Administration (FDA) conducted inspections at three Company facilities in 2004.

The April inspection of the St. Louis, Missouri facility found everything to be satisfactory.

Following the inspection of the Boxtel, Netherlands plant, a plan was drawn up in response to observations made and communicated by the FDA. The planned measure was subsequently carried out.

The steps taken at the Durham, North Carolina facility subsequent to the FDA's warning letter of July 2004 are being carried out as planned.

5.8.2.6 LEGAL PROCEEDINGS

See section 4.8 above.

5.8.2.7 CORPORATE PATRONAGE

At its meeting of December 19, 2003, the Company's Board of Directors decided to set aside a given portion of its budget for corporate patronage. It was agreed that most of the contributions (80%) would go to projects supported by the Rodolphe Mérieux Foundation, which operates under the auspices of Foundation de France, with the balance earmarked for direct patronage or contributions by bioMérieux. In 2004, the Company contributed €1,736,146 to patronage projects, or 4.28% of the Company's French revenue.

5.8.3 Highlights of the year / Prospects

5.8.3.1 INITIAL PUBLIC OFFERING AND EMPLOYEE STOCK OWNERSHIP

See section 5.2.1 above.

The gross amount of the public offering amount to €308.4 million.

On July 23, 2004, after the Company became listed, the Chairman of the Board of Directors recorded that employees in France and the United States had subscribed for a total of 454,663 shares, and that another 87,687 shares had been purchased by CALYON under the "Opus Multi" formula. The latter offering generated gross proceeds of €13,016,400.

5.8.3.2 MERGER WITH NBMA

See section 5.2.1 above.

5.8.3.3 REFINANCING OF THE SYNDICATED CREDIT FACILITY

As noted above, the Company signed a new agreement on April 13, 2004 for a five-year, €250 million syndicated loan consisting of two facilities of €125 million each, to be used primarily for refinancing the syndicated loan secured to finance the purchase of OTD. The first facility consists of a loan repayable in annual installments of €25 million each; as of December 31, 2004, €100 million had been drawn down under this facility. The second facility consists of a multi-currency credit line of €125 million, which can be drawn down in euros, US dollars or other currencies traded on the London or European money markets; the facility, which has not yet been used, is repayable on maturity and no later than April 13, 2009.

The terms of the loan were adjusted by way of an amendment dated December 29, 2004, which relaxed certain Company obligations (mandatory prepayment clause based on the debt-to-equity ratio) and lowered the interest rate margin (see sections 8 and 21 above).

5.8.3.4 PURCHASE OF THE BALANCE OF APIBIO'S SHARES

See section 5.2.1 above

5.8.3.5 SHARE MANAGEMENT

See section 3.2.3. above

5.8.3.6 OUTLOOK 2005

See Chapter 7 below

The Company is also viewing moving most of its research and development staff assigned to the bioMérieux Advanced Technology Unit to Grenoble biotechnology cluster in 2005. The cluster is known to have considerable expertise in micro- and nanotechnologies, and more specifically in the field of biochips.

5.8.4 Research and Development

5.8.4.1 STRATEGY

See section 4.6.1 above

5.8.4.2 Research and Development Projects

See section 4.6.3 above

5.8.5 Equity Ownership – Subsidiaries and investments

5.8.5.1 Changes in equity ownership over the past three years

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

	December 31, 2003			April 30, 2003			December 31, 2004		
SHAREHOLDERS	**Number of shares**	**% of share capital**	**Number of voting rights**	**Number of shares**	**% of share capital**	**Number of voting rights**	**Number of shares**	**% of share capital**	**Number of voting rights**
ACCRA*	–	–	–	2,324,009	59.72 %	59.49 %	23,240,090	58.90%	58.78%
NBMA**	3,869,371	99.31 %	98.93 %	–	–	–	–	–	–
WENDEL Investments	–	–	–	1,342,384	34.50 %	34.37 %	1,197,317	3.04%	3.03%
GIMD***	–	–	–	198.047	5.09 %	5.07 %	2,013,470	5.10%	5.09%
Public	–	–	–	–	–	–	10,493,573	26.60%	26.54%
Others****	26,700	0.69 %	1.07 %	26,699	0.69 %	1.07 %	2,509,290	6.36%	6.56%
Total	**3,896,071**	**100 %**	**100 %**	**3,891,139**(1)	**100 %**	**100 %**	**39,453,740** (1)	**100 %**	**100 %**

* *ACCRA is the Mérieux family's holding entity. Its principal shareholders are Alain Mérieux, Christophe Mérieux and Alexandre Mérieux, and the Rodolphe-Mérieux Foundation at Institut de France, pursuant to an endowment authorized on February 10, 2005.*

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

*** *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 as well as other registered shareholders, including Company officers; no single shareholder hold more than 5 percent of the shares outstanding or voting rights.*

(1) 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.
The number of shares outstanding on December 31, 2004 includes the shares subscribed for by employees under the shares offering.

5.8.5.2 EQUITY INVESTMENTS

See section 3.1.14 above

5.8.5.3 ACQUISITIONS

See section 3.1.14 above

5.8.6 Organization chart of bioMérieux

(See the list of subsidiaries and investments in the notes to the financial statements in 5.4 above)

5.8.6.1 EUROPE

Subsidiaries	Total sales	Net Income
bioMérieux Stelhys	0.9 €	- 1988.10 €
STELLA	0 (created in December 2004)	0
Apibio	659 641 €	- 4 037 101 €
bioMérieux Germany	44 763 076 €	1 846 892 €
bioMérieux Austria	12 094 411 €	426 364 €
bioMérieux Belgium	21 635 640 €	1 397 268€
bioMérieux BV	74 509 396 €	- 8 649 287 €
bioMérieux Denmark	24 277 356 DKK	723 617 DKK
bioMérieux Spain	39 554 577 €	3 659 912 €
bioMérieux Finland	2 510 432 €	28 023 €
bioMérieux Greece	13 144 259 €	- 493 489 €
bioMérieux Italy	87 301 858 €	2 114 795 €
bioMérieux Norway	38 095 981 NOK	809 609 NOK
bioMérieux Netherlands	14 448 844 €	884 278 €
bioMérieux Poland	84 883 326 PLN	7 602 941 PLN
bioMérieux Portugal	19 422 290 €	1 271 481 €
bioMérieux Russia	5 744 854 USD	430 515 USD
bioMérieux Sweden	27 684 114 SEK	- 75 354 SEK
bioMérieux Switzerland	20 994 968 CHF	1 273 303 CHF
bioMérieux Turkey	11 814 282 €	1 499 286 €
bioMérieux UK	27 283 168 GBP	1 021 799 GBP

5.8.6.2 NORTH AMERICA

Subsidiaries	Total sales	Net Income
ABG Stella and its subsidiaries	437 020 274 USD	57 679 155 USD

5.8.6.3 LATIN AMERICA

Subsidiaries	Total sales	Net Income
bioMérieux Argentina	24 917 366 ARS	2 133 556 ARS
biolab Mérieux (Brazil)	76 771 298 BRL	8 281 510 BRL
bioMérieux Chili	3 448 645 142 CLP	299 105 331 CLP
bioMérieux Colombia	23 321 000 000 COP	2 153 798 000 COP

5.8.6.4 AFRICA

Subsidiaries	Total sales	Net Income
bioMérieux Western Africa	353 222 €	17 307 €

5.8.6.5 PACIFIC ASIA

Subsidiaries	Total sales	Net Income
bioMérieux China	196 993 486 HKD	7 785 113 HKD
bioMérieux Korea	11 393 021 907 KRW	518 327 545 KRW
bioMérieux India	418 980 318 INR	10 285 872 INR
bioMérieux Japan	4 613 246 000 JPY	- 339 714 000 JPY
bioMérieux Thailand	170 539 008 THB	14 834 714 THB

5.8.7 Employee stock ownership

As required by article L. 225-102 of the Commercial Code, we hereby inform you that, at the closing of the fiscal year on December 31, 2004, the Company's employees held 392,837 shares, amounting to 1% 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 likely to be exercised. The Company has not purchased any shares for distributing to its employees under a profit-sharing plan.

5.8.8 Consolidated Financial Data

5.8.8.1 HIGHLIGHTS

See section 5.2 above.

5.8.8.2 COMPARISON OF THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

See section 5.2 above.

5.8.8.3 CASH AND CAPITAL RESOURCES

See section 5.2 above.

5.8.8.4 OFF BALANCE SHEET COMMITMENTS

See section 5.2 above.

5.8.8.5 CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

See section 5.2 above.

5.8.8.6 FINANCIAL MARKET RISKS

See section 5.2 above.

5.8.8.7 DETAILED FINANCIAL STATEMENTS

See section 5.2 above.

5.8.9 Presentation of the Company financial statements

The financial statements for the year ended December 31, 2004 submitted for your approval have been prepared in accordance with the reporting rules and valuation methods provided for by the applicable regulations.

In preparation for the initial public offering of bioMérieux, Nouvelle bioMérieux Alliance, a holding entity which held 99.3% of the shares of bioMérieux S.A., was merged into bioMérieux S.A. under an agreement signed on March 15, 2000 and approved by the companies' shareholders' meetings of April 16, 2004.

The merger of Nouvelle bioMérieux Alliance into bioMérieux S.A. is retroactive effect from January 1, 2004. Negative goodwill (of €4.4 million), resulting from the difference between the value of assets acquired and the par value of the bioMérieux shares transferred by Nouvelle bioMérieux Alliance and subsequently cancelled, was charged to distributable retained earnings.

5.8.9.1 ACTIVITY

The Company had net revenues of €405 million for the year ended December 31, 2004, up 5.6% from €384 million the previous year.

The increase in revenues was adversely affected by fluctuations in exchange rates. At comparable exchange rates, sales of products and services would have grown by 7.1%.

Changes in supply organization during 2004 caused export sales to increase by €11 million.

The revenues increase was due to sustained sales of reagents, including culture media, automated identification and VIDAS.

Business grew fastest in Europe and South America, which reported increases in sales of 11 and 12.8%, respectively. On the other hand, domestic sales in France declined by 0.9%.

5.8 9.2 GROSS OPERATING INCOME

Gross Operating Income was little changed from fiscal 2003 at €71.9 million, or 17.7% of revenues.

The increase in purchases primarily reflected changes in supply organization during fiscal 2004.

The cost of outsourced services amounted to 20.1% of revenues in fiscal 2004, compared with 19.3% the previous period. The 2004 figure includes the cost of outsourcing some of the logistics and reflects the increase in export shipping costs.

5.8.9.3 OPERATING INCOME

Operating income, after depreciation and amortization allowances, was €40.6 million (€43 million in 2003) and represented 10% of revenues, compared with 11.2% a year ago.

5.8.9.4 FINANCIAL NET INCOME

Net financial income amounted to €17.6 million, versus €10.7 million in 2003. It reflected a reduction of €36.9 million in the debt as well as a decline in interest rates. Dividends received from subsidiaries increased by €6.2 million.

5.8.9.5 OPERATING INCOME BEFORE TAX

There was an income before taxes of €58.3 million, up from €53.8 million in 2003.

5.8.9.6 EXTRAORDINARY ITEMS

Non-recurring losses of €10.7 million were incurred (compared with gains of €7.2 million in 2003). The sum includes mainly the cost of the IPO (€5.6 million) and net accelerated depreciation allowances of €5 million, versus a reversal of €5.3 million in 2004.

5.8.9.7 NET INCOME

Net income for the year amounted to €40.5 million (€42.2 million in 2003) and represented 10% of revenue, down from 11% in fiscal 2003.

5.8.9.8 CAPITAL EXPENDITURES

During the year, a total of €34.5 million was spent to acquire intangible assets and property, plant and equipment.

This includes the building of a facility in Grenoble for the Company's French molecular biology research and development activities, a new Petri dish manufacturing facility, an additional building extending the Marcy l'Etoile site and a European logistics center at La Balme. The handling capacity of the Plaine de l'Ain distribution center was also increased.

Disposals of €9.5 million also took place during the year.

Financial assets declined by €2 million. A reduction of €12.5 million in advances to subsidiaries was partly offset by an increase of €10.8 million in investment holdings as a result of the Nouvelle bioMérieux Alliance merger.

5.8.9.9 FINANCIAL INDEBTEDNESS

The Company's debt declined by €36.9 million to €143.4 million.

5.8.9.10 DETAILED COMPANY FINANCIAL STATEMENTS

Consolidated income statement, balance sheet, statement of change in net indebtedness, notes and accounting principles: see section 5.5 above.

IMPORTANT FACTS

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 stocks for an offering to its personnel.

In order to facilitate the IPO, bioMérieux first:

- merged with NBMA
- reimbursed in advance the syndicated loan set up in 2001 for the purposes of the acquisition of OTD, and obtained another credit facility from a smaller number of banks.

The total cost of the IPO and of the debt refinancing amounted to €16.6 million. The cost of the IPO was recognized as a non-recurring expense of €5.2 million, net of the portion paid by WENDEL Investissement (€9.1 million).

Salaries new loan fees of €0.4 million have been deferred to be expensed over future fiscal years.

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 statement.

The €4.3 million merger variance resulting from the negative difference between paid-in capital and the value of bioMérieux shares held by NBMA, was directly recognized into retained earnings available for distribution.

The merger variance impact on the income statement, corresponding to the reversal of risks and charges of NBMA, was registered as a net charge of €0.4 million.

OTHER OPERATIONS

The CEA-Industrie participation in Apibio has been bought on December 22 2004, and this Company is now fully owned.

Intangible Assets

BREAKDOWN *(in million of euros)*	**Gross value**	**Amortization and provisions**	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Patents, technology, software	26.7	20.0	6.7(a)	7.2	4.9
Goodwill	0.6		0.6	0.6	0.6
Advances and deposits	1.7	0.3	1.4	1.1	0.7
Other	0.6	0.3			
Total	**29.3**	**20.6**	**8.7**	**8.9**	**6.2**

(a) Including €4 million patents and technologies

CHANGE *(in million of euros)*	**Gross value**	**Amortization**	**Net value**
DECEMBER 31, 2002	**21.2**	**15.0**	**6.2**
Acquisitions/Increases	5.5	3.0	2.6
Disposals/Decreases	(0.2)	(0.3)	0.1
DECEMBER 31, 2003	**26.6**	**17.7**	**8.9**
Acquisitions/Increases	3.4	3.6	(0.2)
Disposals/Decreases	(0.7)	(0.7)	
DECEMBER 31, 2004	**29.3**	**20.6**	**8.7**

Property, Plant and Equipment

BREAKDOWN *(in million of euros)*	Gross value	Depreciation	Net value 12/31/2004	Net value 12/31/2003	Net value 12/31/2002
Land	5.6	0.1	5.5	4.8	4.7
Buildings	104.6	56.1	48.5	46.9	43.7
Equipment	87.7	64.4	23.3	22.8	18.8
Capitalized instruments	38.5	31.5	7.0 (a)	6.8 (a)	6.5 (a)
Other fixed assets	17.4	11.2	6.2	5.9	3.2
Construction in progress	11.6	0.0	11.6	3.8	5.2
Advances and deposits	2.1	0.0	2.1	1.4	2.0
Total	**267.5**	**163.3**	**104.2**	**92.4**	**84.1**

(a) Most of the capitalized instruments are placed at customers.

CHANGE *(in million of euros)*	Gross value	Depreciation	Net value
DECEMBER 31, 2002	**229.4**	**145.3**	**84.1**
Acquisitions/Increases	25.2	17.4	7.8
Disposals/Decreases	(9.4)	(9.9)	0.5
DECEMBER 31, 2003	**245.2**	**152.8**	**92.4**
Acquisitions/Increases	31.1	18.7	12.4
Disposals/Decreases	(8.8)	(8.2)	(0.6)
DECEMBER 31, 2004	**267.5**	**163.3**	**104.2**

Financial Assets

BREAKDOWN *(in million of euros)*	Gross value	Provisions	Net value 12/31/2004	Net value 12/31/2003	Net value 12/31/2002
Investments	185.6	12.1	173.5	172.9	172.8
Other financial assets	11.7	6.3	5.4	1.0	1.4
Current accounts	76.9		76.9	89.8	94.3
Others	0.3		0.3	0.5	0.5
Total	**274.5**	**18.4**	**256.1**	**264.2**	**269.0**

CHANGE *(in million of euros)*	Gross value	Provisions	Net value
DECEMBER 31, 2002	**279.1**	**10.1**	**269.0**
Acquisitions/Increases	19.1	5.0	14.1
Disposals/Decreases	(21.7)	(2.8)	(18.9)
DECEMBER 31, 2003	**276.5**	**12.3**	**264.2**
Acquisitions/Increases	6.0	6.6	(0.6)
Disposals/Decreases	(18.8)	(2.8)	(16)
Merger with NBMA	10.8	2.3	8.5
DECEMBER 31, 2004	**274.5**	**18.4**	**256.1**

Subsidiaries and participations (December, 31 2004)

See 5.5 above

Inventories and Work-in-Progress

(in million of euros)	12/31/2004	12/31/2003	12/31/2002
Raw materials	18.3	17.4	17.8
Work in progress	16.2	16.7	16.6
Finished goods and other materials	27.2	19.2	19.2
Total gross value	**61.7** (a)	**53.3**	**53.6**
Provisions for losses	(4.4)	(4.8)	(5.5)
Net value	**57.3**	**48.5**	**48.1**

(a) Including gross value of inventories relating to instrumentation: 15%

Trade Receivables

(in million of euros)	12/31/2004	12/31/2003	12/31/2002
Trade receivables	121.4	110.9	119.7
Provisions for losses	(0.9)	(1.1)	(2.0)
Net value	**120.5**	**109.8**	**117.7**

Receivables relating to several asset accounts

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Trade receivables	0.8	0.5	0.7
Net value	**0.8**	**0.5**	**0.7**

Other Receivables

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Advances and deposits	0.7	0.5	0.7
Pre-paid expenses	2.0	1.7	1.7
Other operating receivables	9.2	6.8	5.3
Total gross value	**11.9**	**9.0**	**7.7**
Provisions for losses			
Net value of other operating receivables	**11.9**	**9.0**	**7.7**
Loan to NBMA		33.2	42
Other non-operating receivables	18.0	4.5	2.4
Total gross value	**18.0**	**37.7**	**44.4**
Provisions for losses	(5.3)		
Net value of non-operating receivables	**12.7**	**37.7**	**44.4**

Breakdown of prepaid expenses

(in million of euros)	**2004**	**2003**	**2002**
Relating to purchases	0.1	0.1	0.2
Relating to external services and others	1.8	1.4	1.1
Relating to financial expenses	0.1	0.2	0.4
Total	**2.0**	**1.7**	**1.7**

Maturity of account receivables and other receivables

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Trade receivables	**120.4**	109.8	117.7
Less than 1 year	119.4	108.7	117.0
More than 1 year	1.0	1.1	0.7
Other operating receivables	**11.9**	**9.0**	**7.7**
Less than 1 year	11.5	8.7	7.4
More than 1 year	0.4	0.3	0.3
Non operating receivables	**12.7**	**37.7**	**44.4**
Less than 1 year	11	35.1	44.4
More than 1 year	1.7	2.6	

Cash and Cash Equivalents

Cash and cash equivalents include available cash balances and short-term investments, as follows:

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Short term deposits (a)	0.7	34.3	38.7
Cash	1	1.9	1.7
Total	**1.7**	**36.2**	**40.4**

(a) Cash balances are invested in the following instruments

	2004	**2003**	**2002**
Name **Total** **Type** **Isin code**	SICAV CA AM 3 months €0.7 million Euro monetary FR0000296881	FCP Clam Eonia €15 million Euro monetary FR0007435920	FCP Barep Short Term €38.7 million Euro monetary FR0007462411
Name **Total** **Type** **Isin code**		Sicav CPR Cash €17.6 million Euro monetary FR0000291239	
Name **Total** **Type** **Isin code**		BMTN Société Générale €1.7 million Euro monetary QS0002721379	

In addition, cash is also invested in 1,600 treasury shares, with an aggregate value of €47,208, held on December 31, 2004 by Crédit Agricole Cheuvreux under an agreement with the Company (see note 16, Chapter 5.5 above).

Evaluation of the fungible items of the current assets

There is no significant difference between the balance sheet evaluation and the market value of those items.

Breakdown of the asset foreign currency translation adjustments

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
On financial debts		0.2	0.3
On trade receivables	0.3	2.3	2.0
On financial receivables	0.1	0.1	
Total	**0.4**	**2.6**	**2.3**

Equity

See section 5.5 above

Statutory Provisions

(in million of euros)	Accelerated Amortization	Provision for foreign investments	Provision for price increase	TOTAL
DECEMBER 31, 2002	**14.9**	**1.2**	**1.0**	**17.1**
Expense	1.7			1.7
Reversal	(7.0)	(1.2)	(0.4)	(8.6)
DECEMBER 31, 2003	**9.6**		**0.6**	**10.2**
Expense	7.4		0.3	7.7
Reversal	(2.4)		(0.1)	(2.5)
DECEMBER 31, 2004	**14.6**		**0.8**	**15.4**

Provisions for Risks and Charges

See 5.5 above

Net Indebtedness

Refinancing Debt

On April 13, 2004, bioMérieux SA secured a new syndicated credit facility for €250 million, in two tranches of €125 million each, intended primarily to refinance 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 that can be drawn down in euros, US dollars or other currencies traded on the European interbank market; the second tranche 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 draw down, plus a margin that varies with the ratio of consolidated net debt to earnings before interest, taxes and goodwill amortization.

bioMérieux SA may give notice that it wishes to use its option to cancel the unused portion of the facility or to prepay all or part of a tranche.

As of December 31, 2004, the Group had made draw downs of €100 million under the facility, of which another €125 million remained available.

Maturity of net debt

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Over five years			
Two and five years (a)	106.0	111.7	140.2
Total long-term debt	**106.0**	**111.7**	**140.2**
Short-term debt confirmed (a)	0.1	30.1	30.3
Other short-term debt	39.0	74.6	83.
Total debt	**145.1**	**216.4**	**254.2**
Short-term deposit (b)	(0.7)	(34.3)	(38.7)
Cash	(1.0)	(1.9)	(1.7)
Net indebtedness	**143.4**	**180.2**	**213.8**

(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

Accounts Payable and Other Liabilities

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Accounts payable	**65.0**	**54.0**	**54.1**
Advances and deposits			
Tax and payroll	44.7	41.5	39.6
Deferred income	2.4	2.4	2.4
Other	3.9	4.1	5.0
Other operating liabilities	**51.0**	**48.0**	**47.0**
Payables on property, plant and equipment	8.4	15.7	13.4
Income tax liabilities	0.5	4.2	6.2
Other			
Non-operating liabilities	**8.9**	**19.9**	**19.6**

Accounts payable relating to several accounts

Bill of exchange *(in million of euros)*	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Accounts payable	11.3	13.7	12.4
Payables on property, plant and equipment	3.7	3.5	3.3
Other payables	0.1	0.1	0.1
Total	**15.1**	**17.3**	**15.7**

Deferred Income

Deferred income is mainly represented by leasing and maintenance contracts billed in advance.

Maturity of payables and other debts

(in million of euros)	**12/31/2004**	**12/31/2003**	**12/31/2002**
Payables			
Less than 1 year	65.0	54.0	54.1
Over 1 year			
Total	65.0	54.0	54.1
Other Operating liabilities			
Less than 1 year	49.7	44.8	44.7
Over 1 year	1.3	3.2	2.3
Total	**51.0**	**48.0**	**47.0**
Non operating liabilities			
Less than 1 year	8.9	19.9	19.6
Over 1 year			
Total	**8.9**	**19.9**	**19.6**

Detail of accrued payables

(in million of euros)	**Net value 12/31/2004**	**Net value 12/31/2003**	**Net value 12/31/2002**
Loans with credit institutions	0.1	0.2	0.3
Other financial debts	0.3	0.1	0.5
Payables	14.6	12.3	12.9
Fiscal and social payables	33.7	31.3	30.7
Payables on property, plant and equipment	0.6	2.2	0.5
Total	**49.3**	**46.0**	**44.9**

Foreign currency translation adjustement

(in million of euros)	**2004**	**2003**	**2002**
On Operating payables	0.2	0.4	0.3
On Operating receivables	0.3	0.4	0.4
On Financial loans	0.1	0.1	0.1
Total	**3.5**	**0.9**	**0.8**

Balance sheet lines relating to affiliated companies

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Financial assets	262.5	273.9	276.5
Operating receivables	75.1	62.8	70.1
Non operating receivables	4.5	34.2	42.1
Financial debts	21.8	14.9	14.2
Operating liabilities	0.6	4.2	
Non operating liabilities	32.0	73.8	83.5
Total	**396.5**	**463.8**	**486.4**

Financial Commitments

Given commitments

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Guarantees, including guarantees with affiliated companies €31.1 mllions	32.7	136.1	161.3
Capital leases	10.0	13.6	13.6
Total	**42.7**	**149.7**	**174.9**

Received commitments

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Approvals, pledges and guarantees among which the connected companies €0 million	225.0	194.4	215.5
Total	**42.7**	**149.7**	**174.9**

Currency hedging instruments

Hedging instruments are allocated to operating financial receivables or debts. The eventual gains or losses on these hedging instruments are calculated using the exchange rates as of December 31, 2004 and are recognized when they refer to hedging instruments allocated to receivables or debts.

The currency hedging instruments at December 31, 2004 are :

- Forward sales for €29.5 million for the hedging of operating receivables
- Forward purchases for €1.7 million for the hedging of operating payables
- Forward sales for €17.3 million for the hedging of financial receivables
- Forward purchases for €27.2 million for the hedging of financial debts.

Besides, foreign exchange hedging contracts were organized to hedge budgetary positions of the fiscal year 2005. The net amount for those operations is €91 million which €83 million are corresponding to net forward sales of currencies and €8 million are corresponding to optional hedging.

The market value at December, 31 2004 of all these hedging instruments represented a gain of €2.7 million.

Sales have been realized in those currencies:

(in million of euros)	**12/31/2004**		**12/31/2003**		**12/31/2002**	
	12 months	%	12 months	%	12 months	%
Euro zone	306	75%	285	74%	282	76%
Other						
US dollar	51	13%	51	13%	46	12%
Japanese yen	7	2%	6	2%	6	2%
UK sterling	11	3%	11	3%	11	3%
Other currencies	31	8%	11	8%	25	7%
Total	**405**	**100%**	**384**	**100%**	**370**	**100%**

The forward sales, forward purchases and options at December 31, 2004 mature within 18 months.
The currency swaps at December 31, 2004 mature within less than 2.5 years.

Interest rate risk

The bioMérieux Group uses swaps to hedge interest rate risks. The accrued rate differential is incorporated into the financial revenues and expenses.

At December 31, 2004, the following hedges are in force:

Three swap contracts for €60 million with an average fixed rate of 3.52% and an average 23 months remaining duration.

The market value of all these instruments represents an unrealized loss of €0.9 million.

Capital lease disclosures

(in million of euros)	**Value**	**Rent expenses (a)**		**Depreciation expense**	
		Current	Accumulated	Current	Accumulated
Land	0.8	0.1	0.4		
Buildings	11.9	0.8	6.2	0.6	3.8
Total	**12.7**	**0.9**	**6.6**	**0.6**	**3.8**

(in million of euros	**Rent expenses to be paid**				**Residual Value**
	Less than 1 year	1 to 5 years	More than 5 years	Total	
Land	0.1	0.2	0.1	0.3	0.6
Buildings	0.8	3.0	0.8	4.6	4.6
Total	**0.9**	**3.2**	**0.9**	**4.9**	**5.2**

(a) Capital leases in progress as of December 31, 2004

Pensions and other post retirement benefits

An evaluation has been done on December,31 2004 taking into account:

- Probability of departure of the employees and mortality
- An estimation of the wages increase (3% per year)
- The hypothesis of a retirement age between 61 and 62 years old for a complete activity giving the rights of a full retirement pension.
- A discounting rate of 4.5%

The commitment is of €12.9 million. It is partially covered by an insurance fund capitalizing annual premium. The non-covered balance of €5.9 million is not recognized in the financial statements.

As of December 31, 2004, this commitment is composed of the following:

Termination benefits:	€1.9 million
Other commitments:	€1 million

Individual right for the training

For the first year of application, of the branch agreement signed on January 6, 2005, the employees with permanent and full-time employment contracts and with one year of seniority at January 1rst 2005 have a 20 hours credit for personal training to be used at this date.

The salaries with a limited period employment contract have also an individual right for a *pro rata temporis* training when having worked at least 4 months, full-time or not, during the last 12 months.

The accumulated hours volume corresponding to the individual right for a *pro rata temporis* training is 42 353 hours as on December 31, 2004.

Other commitments

Commitments on Real-estate acquisitions amounted to €1.4 million

Commitments on Real-estate renting amounted to €3.6 million as of December 31, 2004

Commitments on research contracts amounted to €6.6 million as of December 31, 2004

bioMérieux SA has the right to subscribe to a capital increase of Innodiag, which would raise its participation in this Company to 10%.

Breakdown of Sales

(in million of euros)	**France**	**Export**	**Total 12/31/2004**	**Total 12/31/2003**	**Total 12/31/2002**
Sales	23.3	17.9	41.2	40.7	36.4
Sold production (goods)	140.9	200.1	341.0	322.1	314.3
Sold production (services)	2.6	20.7	23.3	21.2	19.3
Total	**166.8**	**238.7**	**405.5**	**384.0**	**370.0**

Payroll and Benefits

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Wages and salaries	90.6	239.1	246.2
Benefits	40.9	77.7	79.5
Total	**131.5**	**123.0**	**121.5**
Employee profit sharing	1.2	3.1	2.3
Total	**132.7**	**126.1**	**123.8**
Average number of employees	**2,123**	**2,057**	**2,034**
No. of employees as of Dec. 31	**2,156**	**2,055**	**5,058**

Compensation of Officers and Directors

A total of €132,000 was paid as fees to members of the Board of Directors during the fiscal year 2004.

Net Financial Expenses

Breakdown of net financial expenses

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Net financial expenses	(3.3)	(3.6)	(4.1)
Depreciations	(2.4)(a)	(2.2) (b)	(4.4)
Dividends	23.2	17.0	14.8
Exchange rate differences	0.1	(0.5)	(0.2)
Total	**17.6**	**(10.7)**	**6.1**

(a) including the depreciation of group companies (€0.5 million) and of other investments (€(2.9) million)

(b) including the depreciation of group companies (€(1.9) million)

Exchange rate differences

Exchange rate differences result from variations between the rate at the time of recording 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 fluctuation.

Exchange rate differences relating to operating activities are recorded in the corresponding income statement items, as follows:

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Sales	0.9	(4.5)	(1.6)
Cost of material supplies and other external charges	0.6	2.1	1.2
Financial items	0.1	(0.5)	(0.2)
Total	**1.6**	**(2.9)**	**(0.6)**

Affiliated Companies: Financial Assets and Liabilities

(in million of euros)	**2004 12 months**	**2003 12 months**	**2002 12 months**
Net financial expenses	(0.5)	(0.9)	(1.5)
Received dividends	23.2	17.0	14.7
Revenues from investments	2.4	3.9	4.1
Other Financial incomes	0.3	0.4	0.7
Total	**25.4**	**20.4**	**18.0**

Exceptional Gains (or Losses)

(in million of euros)	Incomes	Expenses	**Net 2004**	Net 2003	Net 2002
Capital transactions	0.6	0.9	**(0.3)**	(0.2)	(0.1)
Statutory provisions	2.5	7.7	**(5.2)**	6.9	2.7
Other	6.0	11.2	**(5.2)** (a)	0.5	0.2
Total	**9.1**	**19.8**	**(10.7)**	**(0.3)**	**2.8**

(a) including trading fees of €5.6 million

Net Income and Income Tax

Breakdown of income tax expense

(in million of euros)	2004			2003	2002
	Before tax	Tax	After tax		
Current Income before tax	58.3	10.8	47.5	14.0	7.0
Exceptionnal Income	(10.7)	(3.8)	(6.9)	2.5	2.6
Employees profit sharing	(1.2)	(1.1)	(0.1)	(0.8)	
Result	**46.4**	**5.9**	**40.5**	**15.7**	**9.6**

(in million of euros)	12/31/2004	12/31/2003	12/31/2002
Net Income of the year	40.5	42.2	36.5
Income tax	5.9	15.7	9.6
Net Income before tax	46.4	57.9	46.1
Accelerated amortization and statutory provisions	5.2	(6.9)	(2.7)
Income before tax and without statutory provisions	**51.6**	**51.0**	**43.4**
Income tax	5.9	15.7	9.6
Provisions on statutory provisions	1.9	(2.4)	(0.1)
Net tax expense	**7.8**	**13.3**	**8.6**
Net Income without statutory provisions	**43.8**	**37.7**	**34.8**

Analysis of future income tax expenses

(in million of euros)	2004 Rate 34.93%	2003 Rate 35.43%	2002 Rate 35.43%
Accelerated amortization and statutory provisions	5.3	3.7	6.1
Total differed tax liabilities	**5.3**	**3.7**	**6.1**
Non deductible provisions	(2.3)	(3.0)	(2.6)
Liabilities currency foreign translation adjustments	(0.2)	(0.3)	(0.3)
Total differed tax assets	**(2.5)**	**(3.3)**	**(2.9)**
Total differed tax expenses	**2.8**	**0.4**	**3.2**

5.8.10 Allocation of net Income

We propose that distributable earnings at the end of fiscal 2004, consisting of income from the year of €40,532,741.69 and retained earnings from previous periods of €24,558,804.47, for a total of €65,091,546.16 euros, be allocated as follows:

- A sum of €37,395.72 would be allocated to the "Special Patronage Reserve", increasing it from €153,886.57 to €191,282.29 :	€37,395.72
- A sum of 29,994,978.83 would be allocated to the "General Reserve", increasing it from 105,643,713.47 to €135,638,692.30:	€29,994,978.83
- A sum of €15,781,496.00 would be used to pay a dividend of €0.40 euros on each of the 39,453,740 shares outstanding.	€15,781,496.00 (1)
- The balance of €19,277,675.61 would be transferred to "Retained Earnings":	€19,277,675.61 (1)
Total earnings available for distribution:	**€65,091,546.16**

(1) Provided that all dividends payable on shares held by bioMérieux SA on the dividend date will be added to retained earnings.

5.8.11 Allocation of the special reserve for long-term capital gains

Pursuant to the provisions of the amended Financial Act of 2004, we propose that the balance of €9,588,520.70 in the special reserve for long-term capital gains be allocated as follows:

- A sum of €9,361,307.70 would be allocated to "General Reserve", increasing it from €135,638,692.30 to €145,000,000:	9,361,307.70 euros
- A sum of €227,213 corresponding to the one-time 2.5% tax on the special reserve would be allocated to a "Tax Liability" account.	227,213 euros
- The total being equal to the balance in the "Special Reserve for Long-term Capital Gains" account of:	9,588,520.70 euros

5.8.12 Prior years' dividends

As required by article 243 B of the General Tax Code (*Code général des impôts*), the table below shows regular dividends paid for the past three fiscal years:

Fiscal year ended	**Distributed Dividend**	**Tax credit**	**Total**
12/31/2003	€17,999,848	€8,999,924.01	€26,999,772.03
12/31/2002	€4,012,953	€2,006,476.50	€6,019,429.50
12/31/2001	None	None	None

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 and 223 of the General Tax Code.

5.8.14 Positions held by Company officers

See section 6.1.1.2 above.

5.8.15 Compensation of Company officers

See section 6.2.1 and 6.2.5 above.

5.8.16 Polluting or hazardous operations

The Company has no facility classed the "Seveso high level Directive."

5.8.17 Social and environmental impact

5.8.17.1 SOCIAL IMPACT

See section 4.9 above .

5.8.17.2 ENVIRONMENTAL IMPACT

See section 4.13.2 above.

5.8.18 Auditors' report on regulated agreements

We will now read to you the Auditors' general report and special report on agreements governed by articles L. 225-38 *et seq*. of the Commercial Code, which are available on request.

We also wish to inform you 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 the Directors positions and Directors fees

Mr. Christophe Mérieux was appointed to the Board of Directors on March 30, 1999. His term as a director will expire at the end of the Company's shareholders' meeting called to approve the financial statements for the year ended December 31, 2004. Accordingly, the shareholders will be asked to reappoint him for a term of six years, expiring at the end of the Company's shareholders' meeting called to approve the financial statements for the year ended December 31, 2010.

We also ask you to vote on a proposed ceiling of €250,000 on aggregate directors' fees payable to members of the Board of Directors for the current year.

5.8.20 Terms of office of the Auditors

See section 1.3.3 above

5.8.21 Risks factors

5.8.21.1 RISKS RELATING TO OUR COMPANY AND OUR INDUSTRY

See section 4.11.1 above

5.8.21.2 RISKS RELATING TO OUR SHARES

See section 4.11.2 above

5.8.21.3 INANCIAL risks

See section 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 (See section 5.3 above)

INDICATIONS NATURE	Exercice	Exercice	Exercice	Exercice	Exercice
	09/30/2000	12/31/2001 15 months	12/31/2002	12/31/2003	12/31/2004
I. CAPITAL AT THE END OF THE FISCAL YEAR					
Share Capital	11,802,819	11,879,045	11,879,045	11,879,045	12,029,370
Ordinary shares number	3,871,071	3,896,071	3,896,071	3,896,071	39,453,740
Prior dividend share (without voting rights)	0	0	0	0	0
Maximal number of futur share	0	0	0	0	0
By converted bonds	0	0	0	0	0
By application rights	25,000	0	0	0	0
II. OPERATIONS AND NET INCOME					
		425,024,066	369,956,812	384,024,025	405,451,004
Sales after taxes	288,906,157				
Income before taxes, employees participation, depreciation allowance and provisions	58,221,362	42,849,446	69,587,705	83,484,421	94,590,784
Income Tax	7,237,422	-178,112	9,632,750	15,705,903	5,851,708
Employees participation	1,309,573	5	2,259,433	3,138,822	1,230,705
Income after taxes, employees participation and dotations	28,720,514	15, 615,153	36,510,863	42,155,670	40,532,742
Distributed Income (1)	0	0	4,012,953	17 999 848	15 781 496
Exceptional distribution taken from the general reserve	0	0	5,064,892	0	29,961,770
III. Earning per Share (2)					
Income after taxes, employees participation, but before depreciation allowance and provisions	12.83	11.04	14.81	16.56	2.22
Income after taxes, employees participation and the depreciation allowances and provisions	7.42	4.01	9.37	10.82	1.03
Dividend per share (3)	0.00	0.00	1.03	4.62	0.40
IV. PERSONNAL					
Average numbr of employees during the fiscal year	1 745	1 863	2 034	2 057	2 123
Amount of the payroll of the exercise	64,386,479	96,733,823	83,729,701	84,114,056	90,603,261
Amount of the sums paid in conformance with the social advantages of the exercise (Social Security, charitable works)	29,052,133	42,192,748	37,731,793	38,921,734	40,952,473

(1) Subject to the dividend not paid concerning the appropriate shares held at the time of the paying
(2) In 2004, after the merger with NBMA and before the listing on the Stock Exchange, the number of shares was multiplied by 10
(3) The unitarian dividend for the exceptional distributions is not mentioned in this board.

- TABLE AND REPORT ON DELEGATIONS OF AUTHORITY TO ISSUE SHARES (See section 3.2.4 above)

5.9 - REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE PREPARATION AND ORGANIZATION OF THE BOARDS' WORK AND ON INTERNAL CONTROL PROCEDURES

Ladies, Gentlemen,

Pursuant to the new provisions of article L. 225-37 § 6 of the Commercial Code, we hereby submit our report on:

– the conditions in which the work of the Board of Directors is prepared and organized,

– the restrictions, if any, set by the Board of Directors on the chief executive officer's authority,

– the internal control procedures implemented by the Company.

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.

The membership of the Board was increased during fiscal 2004: there were six (6) members up until the annual and special shareholders' meeting of April 16, 2004, at which time the number of directors was raised to nine.

A list of the Company's directors is attached hereto.

5.9.1.2 Frequency of meetings

The Board of Directors met eight times in 2004: twice during the first and the third quarter, three times during the second quarter and one time during the last quarter.

5.9.1.3 Notices of meetings and attendance by the directors

Notice of meetings 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.

Board of Directors' attendance rolls show that the following number of directors were present or represented at meetings held in 2004:

– 6 directors out of 6 on March 15, 2004,

– 5 directors out of 6 on March 30, 2004,

– 7 directors out of 9 on April 16, 2004,

– 8 directors out of 9 on May 19, 2004,

– 7 directors out of 9 on June 18, 2004,

– 9 directors out of 9 on July 6, 2004,

– 8 directors out of 8 on September 30, 2004,

– 9 directors out of 9 on December 15, 2004.

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 eight meetings of the Board of Directors held during the year were presided over by its Chairman.

5.9.1.5 The audit committee

The Company's audit committee was established by the Board of Directors on December 20, 2002. Under the rules of the Board of Directors, adopted by the board on March 15, 2004, the audit committee has three members, appointed by the Board of Directors from among its members. The current members of the committee are Philippe Villet, Benoît Habert and Michel Angé. Mr. Habert and Mr. Angé are independent directors within the meaning of the internal rules of the Company's Board of Directors; Michel Angé is the committee's Chairman.

The audit committee met three times in 2004:

- On March 11, 2004, with all of its members and the Company auditors attending, to examine the main aspects of the financial statements for fiscal 2003 as well as the Company's risk exposure and the proposed initial public offering of the Company's shares.
- On June 8, 2004, with all of its members and the Company auditors attending, and with Messrs. Janodet and Habert participating by videoconference, to examine the offering document prepared for the Company's IPO, as well as the financial reporting options available for the preparation of the financial statements, and to review pending litigation.
- On September 27, 2004, with all of its members and the Company auditors attending, to examine the main aspects of the interim financial statements for the first half of 2004.

The committee also met via conference calls on July 19 and October 19, 2004 to review press releases on revenue for the second and third quarters of fiscal 2004.

5.9.1.6 Minutes

Minutes of Board of Directors meetings are prepared after each meeting and submitted to the directors at the next meeting, following which they are signed and entered into the minutes book.

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 2004, other than certain clauses of its internal rules that requires 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 quarterly on its 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 confines of the Company's business 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 control procedures

The purpose 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 with the guidelines set for the Company by its governing bodies, applicable laws and regulations and the Company's internal rules.
- 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 must provide reasonable assurances that objectives are being realized, but it cannot guarantee absolutely that they 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 executives in charge of control functions at the Company and an examination of available documents on the issues concerned.

5.9.3.2 Internal control of operations

5.9.3.2.1 Management Committees

Our Company's organization is based on reporting units that correspond to our four regional business segments (Europe, North America, Latin America and India, and Asia-Pacific) and our industrial application business. We also have transversal units for research and development, production and quality assurance, as well as human resources, finance and legal and administration. Our chief executive officer is assisted by our Strategy Committee and Management Committee as described below.

- ***The Strategy Committee*** proposes medium to long-term strategic objectives for our Company, including, (i) our business activities and development goals, (ii) our scientific strategy, (iii) our internal, geographical and technological growth objectives, (iv) our strategic alliances and partnerships, and (v) our communication strategy and our image. It controls the coherence between the business operations with those objectives. The five members of the Strategy Committee are Alain Mérieux, Christophe Mérieux, Benoît Adelus, Dominique Takizawa and Jean Le Dain.

- ***The Management Committee*** is chaired by Benoît Adelus, executive vice president, and meets once a month. The Management Committee (i) reviews our strategic objectives and determines our operational targets and priorities, (ii) assesses and monitors the performance of our strategic objectives, and (iii) prepares our budget and our action plans. It ensures the coherence of such actions with the strategic objectives decided by the Strategy Committee. The Management Committee includes the three heads of our four business reporting units (Europe/Africa/Middle East, North America, South America/India, Asia/Pacific) and our industrial applications unit, and, the heads of global functions (research and development, production, quality assurance and strategic marketing), and our chief financial officer, our chief human resources officer, our chief communication officer, our chief public affairs officer and our Company secretary.

- ***The Capital Project Committee,*** made up of the executive vice president, the industrial operations division and the financial division, 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.

- ***The Project Approval Committee,*** chaired by Benoît Adelus, brings together the heads of research and development, marketing, industrial operations and quality assurance and the heads of the North American and European regions. 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 launched. Projects are reviewed at least once a year and may be subject to special reviews in the event of important changes.

- ***The Product Watch Standing Committee*** prevents and identifies incidents pertaining to products. Under the leadership of the quality assurance division, it meets periodically in the presence of the heads of the marketing, communications and customer service divisions.

Certain divisions or departments also play a crucial role in the internal control of operations:

- **Corporate Quality Assurance and Regulatory Affairs** 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 department 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 securing authorizations to market products, deciding on information to be released to customers and, if necessary, recalling products. A procedure known as "post market surveillance" is used to regularly ascertain that products are consistent with current scientific information. The division is in charge of product documents, 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.

- **Legal Affairs and Industrial Property** oversees the Company's external relations (suppliers, clients, partners, authorities, etc.) 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 valorization of scientific innovations generated by bioMérieux.
- **Infrastructures, Property and Security** is in charge of protecting individuals and property and controlling the impact of the Company's business on the environment.

The Company has a clearly stated health, safety and environmental policy that forms part of its general quality approach. It encompasses a wide range of measures, including restrictions on access to facilities and sensitive locations, measures to protect assets and information systems, accident prevention and statistics, as well as environmental protection measures.

5.9.3.2.2 General procedures for the internal control of operations

Quality Policy

The Company's quality policy, which has been widely publicized and promoted among its personnel, 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,
– differentiate through anticipating clients' needs and actively contributing 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. These manuals are used as permanent references for the implementation, operation and improvement of the Quality Management System, as well as for the relations between bioMérieux and its clients, as they describe all measures carried out to guarantee the quality of products and services sold.

Regulatory standards. All bioMérieux products are designed, manufactured and distributed in accordance with regulatory standards. Quality controls are carried out along the various stages of the production and distribution process, as required under the authorizations and licenses held by the Company.
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.

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 our customers, we meet the standards applicable to our customers (standards relating to the use of products: pharmacopoeia, standards such as AFNOR, ISO, etc.).

These regulatory features are described in detail in section 4 above under the heading "Quality Systems and Applicable Regulations".

From 2000 to 2003, independent audits conducted by the regulatory agencies of various countries (France, United States, etc.) did not detect any significant failure to comply with applicable regulations and, accordingly, did not give rise to any major observations.

In 2004, three facilities were inspected by the FDA, which issued observations concerning, *inter alia*, the handling of client complaints, certain manufacturing processes and the procedure for implementing and monitoring corrective measures.

An FDA "Warning Letter" was received in July 2004 concerning the Durham facility. A plan for corrective measures was submitted to the FDA on July 21, 2004. Monthly reports are currently being made to the FDA on the corrective steps taken.

Subsequent to those incidents, preventive audits were conducted at the principal manufacturing facilities.

5.9.3.2.3 Specific internal control procedures pertaining to products and facilities

The design and manufacturing of products are the subject of voluntary certification (ISO 9001 version 2000 or ISO 13485) or government approval (FDA in the United States or AFSSAPS in France).

All of the Company's facilities, with the exception of the Saitama facility in Japan, have ISO 9001 certifications. The main production facilities also have ISO 13485* certifications, which means that they are considered in compliance with EU marking standards.

5.9.3.2.4 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 at each subsidiary;
- detailed monthly reports prepared by each subsidiary and sent to the head of the region and the international management-controlling 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.

The executive vice president, the regional heads and the finance division monitor particularly closely those subsidiaries, which operate in economically or politically unstable parts of the world.

* Except for bioMérieux Brazil, whose quality assurance system is not ISO 13485 certified; the operations performed on behalf of bioMérieux SA are covered by the ISO 13485 certificate issued to bioMérieux SA.

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 controlling structure, adapted to the Group's own structure, comprising:

  - management 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 management 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 type of organization 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 centralizing and 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 also indicates what valuations methods must be used.

A working party has been assigned the task of analyzing the consequences of the changeover to the new IFRS on the Company's financial statements. A detailed review of the impact is included in the notes to the consolidated financial statements. The accounting procedures manual will be updated to show changes required by the new standards (applicable starting in 2005).

For bioMérieux S.A. 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. The 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 percent 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 ON THE REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the shareholders,

In our capacity as statutory auditors of bioMérieux and in accordance with article L. 225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the Commercial Code for the fiscal year ended December 31, 2004.

It is for the Chairman to give an account, is his report, notably of the conditions in which the tasks of the Board of Directors are prepared and organized and the internal control procedures in place within the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report concerning the internal control procedures relating to the preparation and processing of financial and accounting information.

We have performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board of Director's report, prepared in accordance with article L.225-37 of the Commercial Code.

Lyon and Villeurbanne, April 1er 2005

The Auditors

Bernard Chabanel **Deloitte & Associés**

Alain Descoins

5.11 - DRAFT RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS

I. WITHIN THE FIELD OF JURISDICTION OF THE COMMON SHAREHOLDERS' MEETING

RESOLUTION No. 1

(The purpose of this resolution is to approve the corporate financial statements for the financial year ending on December 31, 2004 and granting a discharge to the directors)

The Common shareholders' Meeting, after having familiarized itself with the corporate financial statements for the financial year ending on December 31, 2004, after having heard a reading of the management report by the Board of Directors and the report by the Auditors, approves the annual financial statements for the financial year ending on December 31, 2004 as presented to it. The statements show a profit of 40,532,741.69 euros. It also approves the transactions appearing in the said financial statements or summed up in the said reports.

Hence it grants a full and unreserved discharge to the directors for the performance of their mandate for the said financial year.

The Common shareholders' Meeting takes note (i) of the report by the Chairman of the Board of Directors relative to the conditions regarding the preparation of the Board of Directors' work and concerning the internal control processes installed by the Company and (ii) of the Auditors' reports on the said report.

RESOLUTION No. 2

(The purpose of this resolution is to approve the consolidated financial statements for the financial year ending on December 31, 2004)

The Common shareholders' Meeting, after having heard a reading of the report by the Board of Directors concerning group management included in the management report pursuant to article L. 233-26 of the French Code of Commerce, and of the report by the Auditors concerning the consolidated financial statements, approves the consolidated financial statements for the financial year ending on December 31, 2004 as presented to it as well as the transactions appearing in the said financial statements or summed up in the group management report.

RESOLUTION No. 3

(The purpose of this resolution is to rule on the allocation of the profits for the financial year 2004)

The Common shareholders' meeting finds that the balance sheet for the financial year ending on December 31, 2004 shows a profit of 40,532,741.69 euros, which, increased by accumulated earnings of 24,558,804.47 euros, establishes the distributable income as 65,091,546.16 euros.

On the basis of the proposal by the Board of Directors, it decides to allocate the said distributable income as follows:

- an amount of 37,395.72 euros shall be transferred to the account called "Special reserve for Sponsorship", which will be increased from 153,886.57 euros to 191,282.29 euros;

- an amount of 29,994,978.83 euros shall be transferred to the account called "General Reserve", which will be increased from 105,643,713.47 euros to 135,638,692.30 euros;

- an amount of 15,781,496.00 euros, is confirmed as dividends, namely 0.40 euro for each of the 39,453,740 shares constituting the share capital,

- the balance, namely 19,277,675.61 euros, shall be paid into the account called "Balance carried forward".

The shareholders' meeting takes note of the fact that the amounts distributed as dividends and the corresponding tax credit for the past three financial years were as follows:

Financial year	**Dividend paid**	**Tax credit**	**Real revenue**
31.12.2003	€17,999,848	€8,999,924.01	€26,999,772.03
31.12.2002	€4,012,953	€2,006,476.50	€6,019,429.50
30.09.2001	None	None	None

RESOLUTION No. 4

(The purpose of this resolution is to rule on the allocation of the special reserve for long-term capital gains)

Pursuant to the provisions of the 2004 amended finance law, the shareholders' meeting, on the basis of a proposal by the Board of Directors, decides to assign the amount of 9,588,520.70 euros appearing in the special reserve for long-term capital gains as follows:

- An amount of 9,361,307/70 euros shall be transferred to the "General Reserve" account, which will be increased from 135,638,692.30 euros to 145,000,000 euros;

- An amount of 227,213 euros corresponding to the exception tax on the special reserve (2.5%) shall be transferred to a "Tax Liability" account,

Total equal to the account called "Special Reserve for Long-term Capital Gains", namely 9,588,520.70 euros.

RESOLUTION No. 5

(The purpose of this resolution is to approve the regulated agreements concluded by the Company and presented in the auditors' special report)

The common shareholders' meeting, after having heard a reading of the special report by the Auditors, presented in application of the provisions of article L. 225-40 of the French Code of Commerce, concerning the agreements subject to articles L. 225-38 et seq. of the said code, takes note of the information mentioned in the said report and successively approves the agreements mentioned therein and the conclusions of the said report.

RESOLUTION No. 6

(The purpose of this resolution is to decide on the amount of attendance fees to be distributed among the directors)

The Common shareholders' Meeting sets the amount of the attendance fees to be divided among the directors for the current financial year at two hundred and fifty thousand euros, this until a decision to the contrary is made.

RESOLUTION No. 7

(The purpose of this resolution is to renew Mr. Christophe Mérieux's mandate as director)

The Common shareholders' Meeting, after having heard a reading of the report by the Board of Directors, renews the director's mandate of Mr. Christophe Mérieux, for a duration of 6 years, expiring at the end of the Shareholders' Meeting held during the year 2011 called to rule on the financial statements for the financial year ending on December 31, 2010.

Mr. Christophe Mérieux has already indicated that he would accept the said duties if they were conferred upon him by the present meeting, and that he complied with the legal and regulatory conditions required for the exercise of the said functions.

RESOLUTION No. 8

(The purpose of this resolution is to ratify the appointment of Mr. Michel Angé as a director by the Board of Directors' meeting held on September 30, 2004)

The Shareholders' Meeting, after having heard a reading of the report by the Board of Directors, ratifies the appointment of Mr. Michel Angé as a director made on a provisional basis by the Board of Directors on September 30, 2004, for the remaining period of the term of Mr. Arnaud Fayet, a director who resigned on July 7, 2004, expiring at the end of the Shareholders' Meeting held in the year 2010 called to rule on the financial statements for the financial year ending on December 31, 2009.

RESOLUTION No. 9

(*The purpose of this resolution is to replace one of the Titular Statutory Auditors)*

Since Mr. Bernard Chabanel's mandate expires at the present annual Shareholders' Meeting, the Shareholders' Meeting decides to appoint the Company Commissariat Contrôle Audit CCA – 43, rue de la Bourse – 69002 Lyon, as Titular Statutory Auditor, for duration of 6 years. This mandate will expire at the end of the Company's shareholders' meeting held in the year 2011 that is to rule on the financial statements for the financial year ending on December 31, 2010.

RESOLUTION No. 10

(*The purpose of this resolution is to replace one of the Alternate Statutory Auditors)*

Since the Company Commissariat Contrôle Audit CCA has informed the Company of its intention of resigning from its mandate as Alternate Statutory Auditor at the present annual shareholders' meeting, the Shareholders' Meeting decides to appoint the Company Diagnostic Révision Conseil (DRC) – 45, rue de la Bourse – 69002 Lyon, as Alternate Statutory Auditor of the Company Commissariat Contrôle Audit CCA, Titular Statutory Auditor, for a duration of 6 years. This mandate will expire at the end of the Company's Shareholders' Meeting that is to rule on the financial statements for the financial year ending on December 31, 2010.

RESOLUTION No. 11

(The purpose of this resolution is to renew the mandate of one of the Alternate Statutory Auditors)

Since the mandate of BEAS expires at the present annual shareholders' meeting, the Shareholders' Meeting decides to renew the said mandate, BEAS Company becoming Alternate Statutory Auditor of the Company Deloitte et Associés, Titular Statutory Auditor, for a duration of 1 year. This mandate will expire at the end of the Company's shareholders' meeting held in the year 2006 that is to rule on the financial statements for the financial year ending on December 31, 2005.

RESOLUTION No. 12

(The purpose of this resolution is to authorize the Board of Directors to have the Company purchase its own securities)

The Shareholders' Meeting, ruling under the quorum and majority conditions required for common shareholders' meetings, after having familiarized itself with the report by the Board of Directors and the information note approved by the Financial Market Authority, authorizes the Board of Directors, with a delegation option, pursuant to the legal and regulatory conditions

applicable at the time of its intervention, and a sub-delegation option, and particularly with due observance of the conditions and obligations set forth in articles L. 225-209 et seq. of the French Code of Commerce, to have the Company purchase, all at once or in installments at times that it is to determine, its own shares representing up to 10% of the number of shares constituting the share capital, on the date of June 9 2005, a maximum of 3,945,374 shares.

The present authorization is aimed at enabling the Company:

- to deliver shares at the time of the exercise of rights connected with the issue of securities granting access to the Company's capital, with stock option programs, with the free allocation of shares to the employees and to the officers of the Company or of the companies of its group, with the allocation or transfer of shares to employees within the framework of profit sharing, with employee stock ownership plans or with Company saving plans;
- to ensure the liquidity and stimulate the share market through the intermediary of an investment service provider intervening in a completely independent way within the framework of a liquidity contract in accordance with an ethical charter recognized by the Financial Market Authority;
- to retain shares with a view to their later delivery in payment or in exchange within the framework of external growth operations;
- to apply any market practice that might be accepted by the Financial Market Authority, and more generally to carry out any operation conforming to the applicable rules and regulations.

Under the present authorization, the Company shall be entitled to acquire its own shares while respecting the limits indicated below (subject to adjustments connected with possible operations on the Company's capital):

- the unit purchase price must be no greater than 60 euros per share (excluding acquisition expenses);
- the total amount of the funds intended for the realization of the said share purchase program may not exceed 236,722,440 euros. In case of a capital increase by incorporation of reserves or of free allocation of shares, as well as in case of divisions or of regroupings of shares, or any other operation bearing on the share capital, the Board of Directors may adjust the above-mentioned purchase price in order to take the impact of such transactions into account.

The shareholders' meeting decides that the purchases, assignments or transfers of the said shares may be carried out by any means, and in particular by using derivative financial instruments, on the market or off it, except in case of exchange with due observance of the applicable rules and regulations. The share of the program that can be carried out by block trading is unlimited and may represent the entire program.
The shares of which the allocation is no longer in keeping with the Company strategy may be subjects of disposal after approval by the Board of Directors and communication to the market.

Hence full powers are granted to the Board of Directors, in particular to judge the appropriateness of launching a redemption program and to determine the terms and conditions thereof, to implement the present authorization with a sub-delegation option to the managing director or, by agreement with latter, to one or several assistant managing directors, the latter reporting to the Board of Directors on the use made of the said power, to put in any market orders, conclude any agreements, file any declarations and carry out any formality with any entities, and especially the Financial Market Authorities, in particular modify the Articles of Incorporation, and in a general way do whatever is necessary.

Under the conditions laid down in law, the Board of Directors shall provide the shareholders, in its report to the annual shareholders' meeting, with the information relative to the purchases, transfers, assignments or cancellations of securities carried out in this way.

The present authorization voids any prior authorization having the same purpose, and is valid until the holding of the Company's next shareholders' meeting called to rule on the financial statements for financial year 2005. It may be used at any time, including during a period of a takeover bid and/or exchange offer, within the limits of the applicable rules and regulations.

II. WITHIN THE JURISDICTION OF THE EXTRACOMMON SHAREHOLDERS' MEETING

RESOLUTION No. 13

(The purpose of this resolution is to approve the draft merger agreement)

The Extra common shareholders' Meeting,

- after having heard a reading (of the report) of the conveyances Auditor, Mr. Jacques Champalle, designated by an Ordinance Issued by the Presiding Judge of the Commercial Court of Lyon on February 15, 2005;

- after having familiarized itself with the draft merger agreement dated March 18, 2005 containing the bases for the planned merger between the Company and Apibio Company, a simplified joint stock Company with a capital of 6,978,200 euros, whose registered office is located at Chemin de l'Orme, 69280 – Marcy l'Etoile (Rhône), registered in the Trade and Companies Register of Lyon, under number 433 975 307,

> under the terms of which Apibio Company conveys under merger to the Company the totality of its holdings, assets and liabilities, valued at minus two million one hundred and seventy-one thousand six hundred and eight-nine (-2,171,689) euros, the said conveyances being granted for the Company, the absorbing Company, to pay all liabilities that may encumber the holdings of Apibio Company and taking over all of its commitments;
>
> Since the absorbing Company has been the owner of all of the shares constituting the share capital of Apibio Company, the absorbed Company, since a time prior to the time of filing of the merger project with the Clerk's Office of the Commercial Court of Lyon, the merger does not entail any capital increase, and Apibio, which is absorbed, shall be immediately

dissolved, without liquidation, simply because of the definitive realization of the merger;
The difference between the net value of the conveyance of the latter, namely (2,171,689) euros, and the book value of the securities of Apibio Company on the bioMérieux books, namely zero euros (0€) Euros, shall constitute a merger loss in an amount of minus two million one hundred and seventy-one thousand six hundred and eight-nine (- 2,171,689) euros, to be entered in the Company's income statement.

- after having familiarized itself with the opinion issued on March 17, 2005 by the Company's Works Council concerning the merger project, pursuant to article L. 225-105, paragraph 5 of the French Code of Commerce, declares that it purely and simply approves the principle and the terms and conditions of the planned merger, as set forth in the said agreement, and it declares that it specially approves, insofar as need be, the determination and the use of the merger loss.

RESOLUTION No. 14

(The purpose of this resolution is to record the definitive realization of the merger and to modify the Articles of Incorporation as a result)

The extra common shareholders' meeting,

as a consequence of the foregoing resolution relative to the merger by absorption of Apibio Company by the Company, notes that all of the conditions precedent relative to the merger by absorption of Apibio Company by bioMérieux are realized, and it therefore takes note of the definitive realization of the said merger and of the dissolution without liquidation of Apibio,

and it therefore decides to modify as follows article 6 of the Company's Articles of Incorporation:

The part of the said article concerning cash conveyances is deleted, and the following paragraphs are added to article 6. I. of the Company's Articles of Incorporation:

"***Article 6 – Conveyances – Share capital***

I – Conveyances in kind

[...]

- *Pursuant to a decision by the combined shareholders' meeting held on 9 June 2005, the Extra common shareholders' Meeting approved the merger by absorption by the Company of the Apibio Company a simplified joint stock Company with a variable capital of 6,978,200 euros, whose registered office is located at Chemin de l'Orme, 69280 – Marcy l'Etoile (Rhône), registered in the Trade and Companies Register of Lyon under number 433 975 307, all of whose shares are held by the Company. Hence the merger was carried out without any increase of the Company's share capital. The assets conveyed amounted to 2,973,860 euros and the liabilities accepted amounted to 5,145,549 euros. The merger loss amounted to (-2,171,689) euros.*

RESOLUTION No. 15

(The purpose of this resolution is to authorize the Board of Directors to reduce the share capital by way of cancellation of shares)

The extra common shareholders' meeting, after familiarizing itself with the report by the Board of Directors and the special report by the Auditors, subject to the adoption of the 12th resolution of the present meeting, authorizes the Board of Directors pursuant to article L. 225-209 of the French Code of Commerce, to reduce the share capital by cancellation of all or part of the shares acquired under the share redemption program authorized by the Common shareholders' Meeting in its 12th resolution, on the basis of its sole decisions, all at once or in installments, within the maximum limit of 10% of the amount of the capital per period of twenty-four (24) months as of the present meeting, the shares acquired by the Company, and to proceed to the appropriate extent with a reduction of the share capital. It is specified that the above-mentioned limit of 10% apply to an amount of the Company's capital that shall be, if appropriate, adjusted so as to take the transactions affecting the share capital into account after the present shareholders' meeting.

The shareholders' meeting grants full powers to be Board of Directors, with a sub-delegation option, within the frameworks provided for by law, for the purpose of carrying out all acts, formalities or file all declarations with a view to making definitive the capital reductions that might be carried out by virtue of the present authorization and for the purpose of modifying the Company's Articles of Incorporation.

The authorization granted in this way to the Board of Directors is valid as of the present meeting, this until the next Company's Shareholders' meeting called to rule on the financial statements for financial year 2005. It replaces, as of this very day, the previous authorization granted by the Shareholders' meeting held on April 16, 2004.

RESOLUTION No. 16

(Delegation of authority granted to the Board of Directors with a view to increasing, within the limits of 35% of the Company's share capital, the capital by issue of common shares or of any securities granting access to the capital while maintaining the shareholders' stock purchase right).

The Shareholders' meeting, ruling under the quorum and majority conditions governing the Extra common shareholders' meeting, after having familiarized itself with the report by the Board of Directors and the special report by the Auditors, and pursuant to the provisions of articles L. 225-129-2 and L. 228-92 of the French Code of Commerce:

- delegates the power to the Board of Directors to decide on one or several capital increase(s) by issue, in France or abroad, in euros, of common shares of the Company or of any securities granting access by any means, immediately and/or for a term, to common shares of the Company, it also being possible to denominate the said securities in any currency whatsoever or established with reference to several currencies;

  The delegation granted in this way to the Board of Directors is valid for a period of twenty-six months as of the present meeting;

- decides that the total amount of the share capital increases that can be made in this way, immediately and/or for a term, may be no more than 35% of the share capital in terms of par value, taking account of the capital increases put through on the basis of the seventeenth and twenty-first resolutions below, an amount to which one is to add, if the case arises, the additional amount of the shares to be issued in order to preserve, pursuant to law, the rights of the holders of securities creating a right to shares;
- also decides that the par value of the securities representing claims granting access to the capital that could be issued in this way may not exceed 500 million euros;
- decides that in proportion to the amount of their shares, the shareholders hold a preemptive right for the securities issued by virtue of the present resolution;
- decides that if the subscriptions on a preemptive basis and, if the case arises, applications for excess shares do not absorb the totality of a share issue or of an issue of securities as defined above, the Board shall be entitled to offer all or part of the securities not subscribed to the public;
- decides that for each of the issues decided in application of the present resolution, the number of securities to be issued may be increased, under the conditions of laid down in article L. 225-135-1 of the French Code of Commerce and within the limits of the global ceiling provided for under the present resolution, when the Board of Directors notes excess demand, this subject to the adoption of the eighteenth resolution;
- decides that the Board of Directors shall be entitled, if the case arises, to charge the expenses, charges and fees resulting from the issues to the amount of the corresponding premiums, and to deduct from that amount the sums needed for funding the legal reserve;
- delegates the power to the Board of Directors, for the same period of 26 months, to decide on one or several capital increase(s) by incorporation into the capital of premiums, reserves, profits or other items of which capitalization is possible pursuant to law and under the Articles of Incorporation, and in the form of allocation of free shares or of an increase of the par value of the existing shares;
- and decides that the total amount of the increases of the share capital that can be carried out in this way, increased by the capital required in order to preserve, pursuant to law, the rights of the holders of securities creating a right to shares and independently of the ceiling laid down in the second point above, may be no greater than the amount of the accounts containing reserves, premiums or profits mentioned above that exist at the time of the capital increase;
- takes note of the fact that the present delegation voids any prior delegation having the same object, and quite particularly the one granted by the shareholders' meeting held on April 16, 2004 (thirty-fourth resolution).

RESOLUTION No. 17

(Delegation of authority granted to the Board of Directors with a view to increasing, the capital within the limit of 35% of the share capital, by issue of common shares or of any securities granting access to the capital with suppression of the stock purchase right)

The shareholders' meeting, ruling under the quorum and majority conditions governing Extra common shareholders' meetings, after having familiarized itself with the report by the Board of Directors and pursuant to the provisions articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-92 and L. 228-93 of the French Code of Commerce:

- delegates the power to the Board of Directors to decide on one or several capital increase(s) by issue, in France or abroad, in euros, of common shares of the Company or of any securities granting access by any means, immediately and/or for a term, to common shares of the Company, or of a Company of which it possesses more than half of the capital, directly or indirectly, it also being possible to denominate the said securities in any currency whatsoever or established with reference to several currencies;
  The delegation granted in this way to the Board of Directors is valid for a period of twenty-six months as of the present meeting;

- decides that the total amount of the share capital increases that can be carried out in this way, immediately and/or for a term, may not exceed 35% of the share capital in terms of par value, the said amount being charged to the ceiling laid down in the sixteenth resolution adopted by present meeting;
- also decides that the par value of the securities representing claims granting access to the capital that can be issued in this way may not exceed 500 million euros in par value, the said amount being charged to the ceiling laid down in the sixteenth resolution adopted by present meeting;
- decides to suppress the shareholders' stock purchase right for the said securities to be issued in accordance with legislation and to empower the Board of Directors to create a priority right to the shareholders' benefit to subscribe to them in application of the provisions of article L. 225-135 of the French Code of Commerce ;
- decides that the amount due to, or having to become due to, the Company for each of the shares issued or to be issued, after taking account, in case of issue of autonomous stock warrants or share allocation warrants, of the issue price of the said warrants, shall be at least equal to the minimum price provided for under the legal and/or regulatory provisions applicable on the day of issue, this applying whether the securities are to be issued immediately or later, and whether or not they may be treated in the same way as the capital securities already issued;
- takes note of the fact that the present delegation voids any prior delegation having the same object, and quite particularly the one granted by the Shareholders' Meeting held on April 16, 2004 (thirty-fifth resolution).

RESOLUTION No. 18

(Delegation of authority granted to the Board of Directors with a view to increasing the capital within a limit of 10% of the Company's share capital with suppression of the stock purchase right pursuant to article L. 225-136 1er paragraph 2, of the French Code of Commerce)

The Shareholders' Meeting, after having familiarized itself with the report by the Board of Directors, pursuant to the provisions of article L. 225-136 of the French Code of Commerce:

- delegates to the Board of Directors, in case of adoption of the eighteenth resolution, the power as of the present meeting to decide, on the basis of its decisions alone, on one or several capital increase(s) by issue, in France or abroad, in euros, of common shares of the Company or of any securities granting access by any means, immediately and/or for a term, to common shares of the Company or of a Company of which it possesses more than half of the capital, directly or indirectly, it being possible for the said securities to be denominated in any currency whatsoever or established with reference to several currencies, this particularly within the framework of the issue of securities known as "au fil de l'eau" (with the current).
  The delegation granted in this way to be Board of Directors is valid for a duration of twenty-six months as of the present meeting.

- decides that the total amount of the increases of the share capital that can be made in this way immediately and/or for a term, may be no more than 10% of the share capital per year;

- decides that the issue price of the capital securities shall be determined under the following conditions: either the weighted average of the share prices recorded in the Eurolist of Euronext Paris S.A. during the three trading days preceding the beginning of the issue, or a price resulting from a comparison of supply and demand, such as the creation of a book building in connection with a public placing;

- the Board of Directors shall report on the use of the present delegation, by way of an additional report certified by the Auditors, particularly describing the definitive conditions of the operation and providing information for judging the actual impact on the shareholders' situation.

RESOLUTION No. 19

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital to the benefit of "qualified investors" or of investors belonging to a "limited circle of investors")

The Extra common shareholders' Meeting, after having familiarized itself with the report by the Board of Directors and the special report by the Auditors, pursuant to the provisions of article L. 225-138 of the French Code of Commerce:

– decides to delegate, to the Board of Directors, the powers required for the purpose of carrying out an increase of the share capital, all at once or in installments, by issue of shares with suppression of the stock purchase right to the benefit of one or of several persons falling within the category of "qualified investors" or belonging to a "limited circle of investors" in the meaning of article L. 411-2 of the Monetary and Financial Code, it being specified that in case of issue of shares reserved for persons belonging to a "limited circle of investors", the Board of Directors shall have to identify the said "limited circle of investors" concerned at the time of using the present delegation (hereinafter the "Beneficiaries");

– delegates to the Board of Directors, with a sub-delegation option under the conditions laid down in law, the task of determining the precise list of Beneficiaries and the number of securities to be allocated to each of them within the limits of the ceiling indicated below, pursuant to the provisions of article L. 225-138 of the French Code of Commerce ;

– decides that the period of validity of the issue delegation that is the object of the present delegation shall expire on the date of the annual Shareholders' Meeting following the present meeting;

– decides that the maximum par value of the share capital increases that can be put through, immediately and/or for a term, by virtue of the present delegation, may be no more than 35% of the share capital, it being specified that the maximum par value of the capital increases that could be put through, immediately and/or for a term, by virtue of the present delegation shall be charged to the ceiling laid down in the seventeenth resolution;

– decides to suppress, in the beneficiaries' favor, the shareholders' stock purchase right in connection with the shares that might be issued by virtue of the present authorization;

– decides that the issue price of the new shares subscribed to by the Beneficiaries in application of the present delegation shall be at least equal to the weighted average of the old share prices recorded in the Eurolist of Euronext Paris S.A. during the three trading days preceding the start of the issue;

– decides that the Board of Directors shall hold full powers, with a delegation option under the conditions laid down in law, to use the present authorization, all at once or in installments, particularly for the following purpose:

– decide on the maximum number of shares to be issued, within the limits laid down in the present resolution, record the definitive amount of each capital increase and make the related modifications in the Articles of Incorporation, determine the dates and all other terms and conditions of such a capital increase and in particular the date, even a retroactive one, as of which the new shares shall bear dividend rights, if the case arises, charge the expenses of such a capital increase to the amount of the premiums relating thereto, and deduct from that amount the sums needed in order to bring the legal reserve up to a level of one-tenth of the new capital resulting from such an increase; in a general way, enter into all agreements, in particular in the interest of proper execution of the contemplated issues, take all measures and decisions and carry out all formalities useful to the issue, quotation and

financial service of the shares issued by virtue of the present delegation as well as to exercise of the rights attached thereto or resulting from the capital increases put through.

RESOLUTION No. 20

(Possibility of using the delegation to increase the capital with suppression of the stock purchase right in order to remunerate the conveyances of securities in case of a public exchange offer or of a conveyance in kind bearing on companies' securities)

The Shareholders' Meeting, ruling under the quorum and majority conditions governing Extra common shareholders' Meetings, after having familiarized itself with the report by the Board of Directors, decides that the issues provided for in the seventeenth resolution adopted by the present meeting may, if appropriate, be used to remunerate securities that would be conveyed to the Company in accordance with the public exchange offer procedure carried out in accordance with the provisions of article L. 225-148 of the French Code of Commerce.

Similarly, the Shareholders' Meeting authorizes the Board, during the same period of twenty-six months, to decide, on the basis of the report by the conveyances Auditor, to carry out one or several capital increases within the framework of the delegation granted under the seventeenth resolution, within a limit of 10% of its share capital, with a view to remunerating conveyances in kind made to the Company and consisting of capital securities or of other securities granting access to the capital, when the provisions of article L. 225-148 are not applicable.

In all cases, the amount of the capital increases carried out by virtue of the present resolution shall be charged to the ceilings provided for in the sixteenth and seventeenth resolutions adopted by the present meeting.

RESOLUTION No. 21

(Authorization to be granted to be Board of Directors for the purpose of increasing the number of shares or securities to be issued in case of a capital increase, with or without a stock purchase right for the shareholders)

The Shareholders' Meeting, ruling under the quorum and majority conditions governing extra common shareholders' Meetings, after having familiarized itself with the report by the Board of Directors, pursuant to the provisions of article L. 225-135-1 of the French Code of Commerce:

authorizes the Board of Directors, in case of adoption of the sixteenth and seventeenth resolutions, for a duration of twenty-six months as of the present meeting, to increase, pursuant to article 155-4 of decree No. 67-236 of March 23, 1967 or any other applicable provision, on the basis of its decisions alone within the limits of the global ceiling laid down in the sixteenth resolution, within a period of thirty days following the end of subscription to the initial issue and within the limits of 15% of the initial issue and at the same price as the one adopted for the initial issue, the number of shares or securities to be issued in case of an increase of the Company's share capital with or without a preferential application right for the shareholders, decided on in application of the sixteenth and seventeenth resolutions.

The Shareholders' Meeting notes that the limit provided for in the first section of paragraph I of article L. 225-134 of the French Code of Commerce will then be increased in the same proportions.

RESOLUTION No. 22

(Delegation of authority granted to the Board of Directors with a view to increasing the capital by incorporation of premiums, reserves, profits or other items)

The Shareholders' Meeting ruling under the quorum and majority conditions provided for in article L. 225-130 of the French Code of Commerce, after having familiarized itself with the report by the Board of Directors, pursuant to the provisions of articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Code of Commerce:

- delegates to be Board of Directors, for a duration of twenty-six months as of the present Shareholders' Meeting, the power to decide on one or several capital increase(s) by incorporation into the capital of premiums, reserves, profits or other items, capitalization of which is possible pursuant to law and under the Articles of Incorporation, and in the form of allocation of free shares or an increase of the par value of the existing shares;
- decides that the total amount of the increases of the share capital that can be put through in this way, immediately and/or for a term, may be no more than 35% of the share capital;
- decides that the total amount of the share capital increases that can be put through in this way may be increased by the amount necessary to maintain, pursuant to law, the rights of the holders of securities creating a right to shares and independently of the ceiling laid down in section 2;
- in case of use of the present delegation by the Board of Directors, decides pursuant to the provisions of article L. 225- 130 of the French Code of Commerce, that the rights constituting odd lots shall not be negotiable and that the corresponding securities shall be sold; the amounts coming from the sale shall be allocated to the holders of the rights within the period provided for under the rules and regulations;
- notes that the present delegation voids any prior delegation having the same object, and more particularly the one granted by the Shareholders' Meeting held on April 16, 2004.

In all cases, the amount of the capital increases carried out by virtue of the present resolution shall be charged to the global ceiling provided for in the sixteenth resolution.

RESOLUTION No. 23

(The purpose of this resolution is to authorize the Board of Directors to grant free Company shares)

The Extra common shareholders' Meeting, after having familiarized with the report by the Board of Directors and the special report by the Auditors, decides to authorize the Board of Directors, within the framework of the provisions of articles L. 225-129-1, L. 225-197-1 et seq. of the French Code of Commerce, to carry out pursuant to law, all at once or in installments, during a period of thirty-eight (38) months as of the present meeting, to the benefit of the members of the staff that it is to choose from among the Company's officers and employees or those of the

companies or economic interest groupings at least 10% of whose capital and voting rights are held, directly or indirectly, by the Company, or of companies or economic interest groupings holding, directly or indirectly, at least 10% of the Company's capital, or of companies or economic interest groupings at least 50% of whose capital or voting rights are held, directly or indirectly, by a Company that itself, directly or indirectly, holds at least 50% of the Company's capital, an allocation of free shares coming either from redemptions made by the Company under the conditions laid down in law or from free shares to be issued, within a limit of 1% of the share capital resulting from the issue of the free shares by the Board of Directors, or from free shares to be issued.

The shares allocated without charge by the Board of Directors in application of the present resolution shall not become the definitive property of their beneficiaries until the end of a period to be determined by the Board of Directors, but which may not in any case be less than two (2) years.

At the end of the above-mentioned period, the beneficiaries, having definitively become the owners of the shares allocated to them without charge by the Board of Directors, shall not be entitled to transfer the said shares until the end of a retention period the duration of which is to be determined by the Board of Directors, but which may not in any case be less than two (2) years.

The shares acquired under the present authorization shall have to be registered shares.

The Shareholders' Meeting takes note of the fact that, with respect to the free shares to be issued, the present resolution shall entail, at the end of the acquisition period determined by the Board of Directors, a capital increase by incorporation of reserves, profits or premiums on shares to be benefit of the beneficiaries of the said shares, and a related waiver by the shareholders to the beneficiaries' profit of the entitlements to the part of the reserves, profits and premiums incorporated in this way.
As a consequence of the foregoing, the Shareholders' Meeting decides to grant full powers to the Board of Directors to enable it, all at once or in installments, (i) to determine the list of the beneficiaries of free shares, it being specified that the said option may be sub-delegated to the President, (ii) to determine the conditions and the criteria for allocation of the free shares, and in particular the periods for acquisition and retention of the shares, (iii) to determine the amount of the special reserve account constituted on the date of allocation of the rights if the free shares are new shares, (iv) to adjust the number of shares to be allocated in case of an operation in connection with the capital during the acquisition period, (v) to lift the unavailability of the shares during the retention period to be determined by the Board of Directors in case of dismissal, retirement, disability or death of the holder, (vi) to carry out any necessary operations and to implement any other new legal provisions that might arise during the life of the present authorization and application of which would not require an explicit decision by a Shareholders' Meeting, and (vii) to delegate, under the legal conditions, full powers for the purpose of carrying out any acts or formalities, and in particular in order to finalize the capital increases that might be carried out by virtue of the present authorization, and to modify the Articles of Incorporation as a result.

Pursuant to the provisions of article L. 225-197-4 of the French Code of Commerce, the Board of Directors shall inform the Common shareholders' Meeting every year about the operations carried out within the framework of the present delegation in a special report.

RESOLUTION No. 24

(Capital increase reserved for the employees belonging to a Company saving plan)

The Shareholders' Meeting, ruling under the quorum and majority conditions governing Extra common shareholders' Meetings, having familiarized itself with the report by the Board of Directors and with the special report by the Auditors, within the framework of articles L. 443-1 et seq. of the Labor Code and articles L. 225-129-6 and L. 225-138-1 of the French Code of Commerce, and in accordance with the provisions of the said code:

- delegates to the Board of Directors, for a duration of twenty-six months as of the present decision, full powers for the purpose of carrying out the increase of the share capital, all at once or in installments, on the basis of its decisions alone, by issue of shares or of other securities granting access to the Company's capital reserved for the members of a Company saving plan of the French or foreign companies connected with the Company under the conditions article L. 225-180 of the French Code of Commerce and L. 444-3 of the French Labor Code, to the extent of a maximum par value of 5% of the capital on the day of implementation of the present authorization;
- decides that the characteristics of the other securities granting access to the Company's capital shall be determined by the Board of Directors under the conditions laid down in the rules and regulations;
- decides to eliminate, in favor of the employees belonging to a Company saving plan, the preemptive right for shares to which the issue of the shares or other securities granting access to the capital provided for in the present resolution will create a right, immediately and/or for a term, and to waive any right to the shares or other securities that might allocated in application of the present resolution;
- decides that the Board of Directors shall hold full powers to implement the present delegation, with a sub-delegation option under the legal conditions, within the limits and subject to the conditions specified above, particularly for the following purposes:
    - determine the characteristics of the securities to be issued, of the amounts proposed for subscription, and in particular determine the issue price, dates, times, terms and conditions for the subscription, paying-up, delivery and enjoyment of the securities; within the legal or regulatory limits in effect;
    - record realization of the capital increases to the extent of the amount of the shares actually subscribed to or the other securities issued by virtue of the present authorization;
    - if the case arises, charge the expenses of the capital increases to the extent of the amount of the shares actually subscribed to or of the other securities issued by virtue of the present authorization;

- conclude any agreements, carry out, directly or through an agent, any operations and procedures, including the formalities resulting from the capital increases and related modifications of the Articles of Incorporation, and more generally do whatever is necessary;
- in a general way, enter into any agreement, particularly in the interest of proper execution of the considered issues, take all steps and carry out all formalities useful to the issue, quotation and financial service of the securities issued by virtue of the present delegation as well as to the exercise of the rights attached thereto;

decides that the present authorization puts an end, as of this very day, to the extent of the unused part if any, to the prior authorizations granted to the Board of Directors for the purpose of increasing the Company's share capital by issue of shares reserved for the members of Company saving plans with suppression of the stock purchase right to the benefit of the latter.

RESOLUTION No. 25

(The purpose of this resolution is to empower any bearer of an original of the present minutes for execution of formalities)

The Combined Shareholders' Meeting grants full powers to the bearer of an original or of a copy of or of an extract from the minutes concerning the present meeting for carrying out any necessary formalities.

CHAPTER 6 - CORPORATE GOVERNANCE

6.1 COMPOSITION AND FUNCTIONNING OF MANAGEMENT BODY

The Company is a French corporation (*société anonyme*) with a Board of Directors.

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.

6.1.1.2 Composition of the Board of Directors

Our Board of Directors is currently composed of nine members. Three members have resigned, on July 7th 2004, following the listing of our ordinary shares on the *Premier Marché* of Euronext Paris. The combined Ordinary and Extraordinary General Meeting of April 16, 2004 designated two new directors to replace the resigning directors, effective upon the listing of our shares.

At its meeting of September 30, 2004, the Board of Directors also decided, subject to ratification by the Company's next annual General Ordinary Meeting, to co-opt a new director to serve out the balance of the term of Mr. Arnaud Fayet, who resigned when the Company's shares were admitted to trading on the Premier Marché of Euronext Paris.

➢ ***Alain Mérieux, (Chairman of the Board of Directors and Chief Executive Officer), 67 years old, French.***

Chairman of the Board of Directors since July 10, 1986 and subsequently reelected by the shareholders' meetings on March 27, 1992, March 20, 1998 and April 16, 2004. His current term expires at the close of the shareholders' meeting called to approve the financial statements for the year ending December 31, 2009.

Other directorships and business experience:

In France:
- Chairman of the Board of Directors of ACCRA S.A.;
- Director of Company Plastic Omnium S.A.;
- Director of the Rodolphe-Mérieux Foundation;
- Chairman of the Board of Directors of the Mérieux Foundation;
- Chairman of the Board of Directors of SGH S.A.;
- Manager of S.C.I. ACCRA;
- Director of Transgene S.A.;
- Member of the Supervisory Board of Eurazeo;

Abroad:
- Member of the Supervisory Board of Akzo Nobel (Netherlands);
- Chairman of Silliker Group Corp.;
- Chairman of the Board of Directors of bioMérieux Hellas (Greece);

– Chairman of the Board of Directors of bioMérieux Italia SpA (Italy);
– Director of bioMérieux Japan.

➢ ***Christophe Mérieux (vice Chairman of the Board of Directors), 39 years old, French.***

Director since March 30, 1999, his term shall expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2004.

The shareholders will therefore be asked to reappoint him as a director for a six-year term expiring at the close of the shareholders' meeting called to approve the financial statements for the year ending December 31, 2010.

Other directorships and business experience:

In France:
– Director of ACCRA S.A.;
– Director of the Bioforce Association;
– Manager of bioMérieux Stelhys SNC;
– Vice-president and Director of the Mérieux Foundation;
– Director of the Rodolphe-Mérieux Foundation;
– Chairman of Transgene S.A.;
– President of TSGH.

Abroad:
– Director of bioMérieux China;
– Director of bioMérieux Inc. (United States);
– Chairman of Advanced Bioscience Laboratories Inc. (ABL);
– Chairman of the board of bioMérieux Canada, Inc.

➢ ***Philippe Villet, 68 years old, French.***

A director since July 20 , 2001, his term will expire at the end of the shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2006.

Other directorships and business experience:

In France:
– Director of ACCRA S.A.;
– Executive Officer and Director of SGH S.A.;
– Director of Silliker S.A.

➢ ***Georges Hibon, 68 years old, French.***

A director since July 6, 2004, his term will expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2009.

Other directorships and business experience:

In France: - Director of Cerep S.A.;
- Director of the non governmental organization Care France;

Abroad: - Director of Aphton (United States);
- Director of Epimmune (United States).

➢ ***Michele Palladino, 65 years old, Italian.***

A director since July 6, 2004, his term will expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2009.

Monsieur Palladino has no other directorship.

➢ ***Michel Angé, 66 years old, French.***

A director since September 30, 2004, his term will expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2009.

Other directorships and business experience:

In France:
- Director of the Lyonnaise de Banque S.A.;
- Director and Vice President of the supervisory board of Banque de Vizille S.A.;
- Director of Tessi S.A.;
- Vice-President and President of the employer delegation of Apicil Prévoyance;
- Vice President of the supervisory board of Apicil Assurances S.A.;
- Vice President of Apicil Preci S.A.;
- Director of the Centre Technique des Institutions de Prévoyance;
- Director of the Fonds de Garantie des Institutions de Prévoyance;
- President of the GIE Santelog.

The shareholders will be asked to ratify the interim appointment of Mr. Angé by the Board of Directors on September 30, 2004 for the balance of the term of Mr. Arnaud Fayet, who resigned on July 7, 2004, expiring at the close of the shareholders' meeting held in 2010 to approve the financial statements for the year ending December 31, 2009.

➢ ***Groupe Industriel Marcel Dassault represented by Mr. Benoît Habert, 42 years old, French***

A Director since April 16, 2004, his term will expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2009.

Main occupation of Mr. Benoît Habert: Top Executive of Groupe Industriel Marcel-Dassault.

Other directorships and business experience:

In France:
- Director of Chapitre.com;
- Chairman and Director of Dassault Développement;
- Director of Groupe Industriel Marcel Dassault;
- Permanent Representative of Groupe Industriel Marcel Dassault, Director of Transgene S.A.;
- Permanent Representative of Dassault Développement, Director of Unimédecine.

➢ ***Alexandre Mérieux, 31 years old, French***

A Director since April 16, 2004, his term will expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2009.

Other directorships and business experience:

In France:
- Director of ACCRA;
- Director of SGH S.A.;
- Director of the Rodolphe-Mérieux Foundation;

Abroad:
- Director of Silliker Group Corp. (United States).

➢ ***TSGH represented by Mr. Philippe Archinard, 45 years old, French***

A Director since April 16, 2004, his term will expire at the end of the Company's General Meeting called to approve the financial statements for the fiscal year ended December 31, 2009.

Other directorships and business experience:

In France:
- Chief Executive Officer and Director of Transgene S.A.;

Abroad:
- Director of Innogenetics (Belgium).

Other directorships of TSGH:

In France:
- Director of Transgene S.A.

➢ **Arnaud Fayet, Jean-Marc Janodet and Fanny Picard have resigned from the Board of Directors effective upon the listing of our shares on the *Premier Marché* of Euronext Paris.**

Board of Directors members can be contacted at the at the Company's head office in Marcy l'Etoile (Rhône, France).

As of the filing date of this document, the Board of Directors also had an honorary Chairman, Mr. Gérard Trouyez, who was appointed on May 18, 1990.

The Company's Board of Directors has no members elected by the employees.

The Company's articles of incorporation and bylaws, as amended by the annual and special shareholders' meeting of April 16, 2004, provide that the Board of Directors may have up to three advisors to the board (*censors*). The advisors are individuals or entities, either shareholders or not. They participate in Board of Directors meetings without voting rights and provide general advice to the directors, who are not required to follow their opinions or recommendations. The advisors to the Board are bound by the same confidentiality obligations as the directors and their appointment may be terminated at any time by the annual shareholders' meeting. As of the filing date of this document, there were no advisors to the Board of Directors.

6.1.1.3 Interests held by the Company officers in the Company and its affiliates

Messrs. Alain Mérieux, Christophe Mérieux and Alexandre Mérieux are the main shareholders and own together an absolute majority of the shares and voting rights of ACCRA, 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.

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 our 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 our Company, our group or our management which could compromise his or her independent judgment. The Board of Directors will determine each year, prior to the publication of our annual report, which of its members is independent.

On the basis of the foregoing definition, there are four independent directors on the board:

- Groupe Industriel Marcel-Dassault Benoît, represented by Mr. Benoît Habert,
- Mr. Georges Hibon,
- Mr. Michele Palladino,
- M. 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 (setting or approval of strategy, control, authorizations), 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.

At its meeting of March 30, 2004, the Board of Directors adopted a code of conduct containing rules applicable to financial information and the prevention of non-compliance with stock market regulations.

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.

Activities of the Board of Directors in 2004

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 5.5). He ensures that the Company's management bodies operate properly and, in particular, that the directors are in a position to accomplish their duties.

The Board of Directors met eight times in 2004. The principal items on the order of business of its meetings were: the approval of the Company financial statements for the year ended December 31, 2003; the approval of the consolidated financial statements for the year ended December 31, 2003; the proposed merger of Nouvelle bioMérieux Alliance into the Company; the proposed initial public offering of the Company's shares; the proposed amendments to the articles of incorporation and bylaws in anticipation of the IPO; the establishment of committees of the board; the proposed share buyback program, equity or debt issues and employee stock offering; the recording and consequences of the IPO; the approval of interim financial statements; the capitalization of retained earnings; the proposed budget for fiscal 2005; and the restructuring of operations in Central Europe. All directors were present at four of the eight meetings, one director was absent on March 30 and May 19, 2004 and two directors were unable to attend the meetings of April 16 and June 18, 2004.

6.1.2 Control committees

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

As of the filing date of this document, the audit committee's members were Michel Angé, Benoît Habert and Philippe Villet. Messrs. Habert and Villet were appointed to the committee by the Board of Directors on March 30, 2004, while Mr. Angé was appointed by the Board of Directors on September 30, 2004.

6.1.2.1.2 Functioning of the audit committee

The Company's audit committee was established by the Board of Directors on December 20, 2002. Under the rules and regulations of the Board of Directors, adopted by the board on March 15, 2004, the audit committee has three members, appointed by the Board of Directors from among its members.

The rules and regulations of the Board of Directors call for the audit committee's membership to include a majority of independent directors.

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, its chief accountant or its treasurer 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 maters 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. The audit committee met on:

- March 11, 2004, with all of its members and the Company auditors attending, to examine the main aspects of the financial statements for fiscal 2003 as well as the Company's risk exposure and the proposed initial public offering of the Company's shares.
- June 8, 2004, with all of its members and the Company auditors attending, and with Messrs. Janodet and Habert participating by videoconference, in order to examine the offering document prepared for the Company's IPO, as well as the financial reporting options available for the preparation of the financial statements, and to review pending litigation.
- September 27, 2004, with all of its members and the Company auditors attending, to examine the main aspects of the interim financial statements for the first half of 2004.

The committee also met via conference calls on July 19 and October 19, 2004 to review press releases on turnover for the second and third quarters of fiscal 2004.

6.1.2.2 Compensation committee

6.1.2.1.1 Composition of the Compensation committee

A the date of registration of this document, the members of the Compensation committee are Mr. Georges Hibon, Mr. Christophe Mérieux and Mr. Michele Palladino. They were appointed by decision of the Board of Directors of September 30, 2004.

6.1.2.1.2 Functioning of the Compensation committee

The Company's compensation committee was established by the Board of Directors on March 15, 2004. Under the rules and regulations of the Board of Directors, the compensation committee has three members, appointed by the board from among its members.

The rules and regulations of the Board of Directors call for the compensation committee's membership to include a majority of independent directors.
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, the compensation committee reports to the Board of Directors its observations regarding the Company's overall stock option 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.

The Committee reports to the Board of Directors on the performance of its assignment and provides it with all relevant information, including for the purpose of enabling the Chairman of the board to include a summary of the committee's activities in his annual report.

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).

Executive officers have extensive authority to act in all circumstances on behalf of the Company. They exercise 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. They represent the Company in its relations with third parties.

At the suggestion of the executive officers, 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.

Our Chief Executive Officer is assisted by our Strategy Committee and Management Committee as described below.

- The strategy committee proposes medium to long-term strategic objectives for our Company, including, (i) our business activities and development goals, (ii) our scientific strategy, (iii) our internal, geographical and technological growth objectives, (iv) our strategic alliances and partnerships, and (v) our communication strategy and our image. The five members of the Strategy Committee are Messrs. Alain Mérieux, Christophe Mérieux, Benoît Adelus, Mrs. Dominique Takizawa and Mr. Jean Le Dain.

- The Management Committee is chaired by the Executive Vice President, Mr. Benoît Adelus, and meets once a month. The Management Committee (i) reviews our strategic objectives and determines our operational targets and priorities, (ii) assesses and monitors the performance of our operations, and (iii) prepares our budget and our action plans. It ensures the coherence of such actions with the strategic objectives decided by the Strategy Committee. The Management Committee includes the three vice-presidents supervising our five business-reporting units (the four regional units and our industrial applications unit), and, the heads of research and development, production, quality assurance, strategic marketing, as well as the heads of support functions (Finance, Human Resources, Communication, Public Affairs and Corporate Affairs).

Personal information on strategy committee members

Alain Mérieux, our founder, has been our president since 1965 and is the president of our principal shareholder, ACCRA, which holds the majority of our share capital. He holds a PhD in Pharmacy, served as an intern at the *Hospices Civils de Lyon*, and holds degrees from the School of Medicine and Pharmacy in Lyon as well as Harvard Business School (1968). Alain Mérieux can be contacted at the Company's principal office in Marcy l'Etoile (Rhône).

Christophe Mérieux joined us in 1998 as our Director of medical affairs, and since 2001 has been our Director of medical affairs and research and development. He is a doctor in medicine, a former intern at the *Hospices Civils de Lyon*, and holds a degree from the School of Medicine and Pharmacy in Lyon where he specialized in infectious diseases and oncology. Christophe Mérieux can be contacted at the Company's registered office in Marcy l'Etoile (Rhône).

Benoît Adelus, *46,* joined us 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. Mr. Adelus is a doctor of veterinary medicine and holds an MBA from the school of *Hautes Etudes Commerciales*. Mr. Adelus can be contacted at the Company's principal office in Marcy l'Etoile (Rhône).

Dominique Takizawa, 48, joined ACCRA, the family holding entity, in 2001 and the Company itself in November 2004. Her duties as Head of Corporate Affairs 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, especially at times of strategic reorientations. A graduate of *Ecole des Hautes Etudes Commerciales*, Mrs. Takizawa can be contacted at the Company's principal office in Marcy l'Etoile (Rhône).

Jean Le Dain, *58,* joined us in 1999. He advises Alain Mérieux on all issues relating to management and human resources in France and abroad. He has previously held various Human Relations director positions for different pharmaceutical companies, including Aventis. He is graduate in literature and law. Jean Le Dain can be contacted at the Company's principal office in Marcy l'Etoile (Rhône).

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, 2004, and the auditors' report with their observations, were submitted to the shareholders' meeting of June 9, 2005. They are included as attachments to Chapter 5 of this document.

6.2 - COMPENSATION FOR THE BOARD OF DIRECTORS

6.2.1 Compensation

In 2004, we paid the following director fees to the members of our Board of Directors in euros:

Alain Mérieux	14.000
Christophe Mérieux	17.000
Alexandre Mérieux	10.000
Philippe Villet	17.000
TSGH	11.000
Dominique Takizawa	4.000
Benoît Habert	12.000
Michel Angé	8.000
Arnaud Fayet	6.000
Jean-Michel Janodet	5.000
Fanny Picard	3.000
Patricia Duliscouët	1.000
Georges Hibon	12.000
Michele Palladino	12.000

These directors received no attendance fees for their service as authorized agents of our subsidiaries.

Directors have received no compensation from the Company or entities controlled by the Company other than directors' fees paid by the Company.

Alain Mérieux, Christophe Mérieux and Alexandre Mérieux received compensation from ACCRA in 2004. The amounts received were as follows:

- For Alain Mérieux: €280,000 in the form of fixed compensation (without any variable compensation),
- For Christophe Mérieux: €189,810 in the form of fixed compensation and €3,936 in the form of benefits in kind,
- For Alexandre Mérieux: €59,790 in the form of fixed compensation and €6,900 in the form of variable compensation.

At the registering date of this document, Alain Mérieux is the only director of bioMérieux currently entitled to a supplementary pension plan. This pension plan was previously granted to all of our senior managers, which has since been terminated and no pension has been paid in 2004.

6.2.2 Stock options granted to and exercised by the Company's officers or employees

Neither the Company nor any of its affiliates granted options for new or existing shares to any officer or employee in fiscal year 2004. As of the filing date of this reference document, there were no stock options outstanding likely to be exercised (see §6.4.2 below).

6.2.3 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 ACCRA. Under the terms of these agreements, ACCRA furnishes advice and assistance in (i) defining and implementing our Company's general policy and strategic development, (ii) industrial and financing matters, (iii) human resource matters and (iv) leveraging our scientific potential and synergies in research of innovations. Aggregate compensation paid to ACCRA by various bioMérieux entities (including NBMA) amounted to close to €2.4 million before taxes in 2004, including €0.1 million for services provided in 2003.

  Compensation paid to ACCRA by bioMérieux (by year in which services were performed)

(in million of euros)	**2004**	**2003**	**2002**
Compensation	2.3	2.0	2.85

  The amounts paid to ACCRA included sums that ACCRA re-billed under the terms of the above-referenced agreements for services rendered by certain ACCRA employees who are also officers of our Company (see section 5.9.3.3.2 above). Some of these ACCRA employees devote their time only to our Company and our 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, ACCRA 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 2004 approximately 83.5% of the ACCRA 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 ACCRA. These service agreements will be maintained as well as the principles governing the cost sharing between the companies controlled by ACCRA.

- We entered into two service agreements with Transgene, a 66.7% indirect subsidiary of ACCRA, relating to the construction by Transgene of viral vectors designed for use by our Company in clinical trials for therapeutic vaccinations. Under the terms of these agreements, we reimburse all costs and expenses incurred by Transgene, under normal market conditions. Under the terms of negotiations concluded with Transgene, we will

[*] Our group represents more than 89 % of the revenues, over 89% of the total assets and over 72 % part of the employees

pay approximately €248,135 for services provided by Transgene in 2004. These services are the first step of our development program in the immunotherapy field, which were pursued throughout 2004, although we plan to transfer this program to a third party.

- We intend to contribute each year approximately 0.5% of the revenues of our French companies (those revenues amounted to €405.5 million in 2004) to the support of various charitable projects[16]. In this context, our 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 our charitable contributions may be allocated to various grants or direct funding activities administered by our Company directly.

Funds used for charitable contributions and other donations:

Patronage, charitable contributions and endowments

In euros	**2002**	**2003**	**2004**
Patronage and contributions	371,348	598,664	1,538,076
of which Foundation Mérieux	*305,000*	*305,000*	*430,000*
of which Foundation R. Mérieux			*900,000*
Endowments	90,996	43,559	160,674
	462,344	642,223	1,698,750

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. It will receive a €430,000 donation from our Company in 2004 in order to finance part of its activities.

[16] law n° 2003 – 709 form August the 1rst 2003, on donations associations and foundations.
[17] formerly known as the Marcel Mérieux Foundation

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*. We entered into a sponsorship agreement (for two years and renewable) with the Rodolphe-Mérieux Foundation[18], under which we donated €900,000 for the year 2004. The amount donated each year is subject to adjustment by the bioMérieux Board of Directors.

Certain projects funded by these foundations are selected in consultation with bioMérieux; other projects are left to the discretion of the Board of Directors of the foundations. Among the projects that are currently commonly agreed upon by us and the foundations are: (i) support of the Haitian Study Group on Kaposi's Sarcoma and Opportunistic Infections (GHESKIO) in Haiti, (ii) the creation of a biological analysis center in Mali, and (iii) the creation and equipment of a pharmacy department at Phnom Penh.

The amounts donated in the form of corporate patronage allow us to benefit from a tax credit of 60% of the sum donated, limited to 0.5% of the annual revenue of our French[19] companies.

- In order to focus on our core diagnostic business, on December 31, 2003, bioMérieux, Inc. sold its entire stake in ABL (Maryland, United States) to TSGH, a 94.88% subsidiary of ACCRA chaired by Christophe Mérieux. ABL specializes in subcontracted research for third parties in the area of immunotherapy. As a prerequisite to the sale, bioMérieux, Inc. acquired the assets needed to produce the ingredients used in some of its reagents. For practical reasons, the production will be operated by ABL through a service agreement. bioMérieux, Inc. has also entered into a cross-licensing agreement with ABL in order to ensure that each party continues to have access to the other's technologies in its respective areas.
- On March 16, 2004 we entered into an agreement with ACCRA relating to the use of the family name "Mérieux." We continue 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 us priority allowing us to contest the use the "Mérieux" name by any other party. Under our agreement, ACCRA has the right to use the name Mérieux for business and activities outside of our field of activity. ACCRA has formally recognized our Company's rights with respect to this name. In addition, this agreement provides that, in the event that our Company comes under the control of a third party not wishing to retain the bioMérieux name, or which fails to diligently make use of the bioMérieux name for two years, ACCRA will receive the exclusive right to use the names bioMérieux and Mérieux.

[18] On June 6, 2004
[19] Net expense amounts to about € 255,000 for 2002 and 2003 and €648,000.

- We have entered into several agreements with companies controlled by ACCRA, including SGH and TSGH, that provide for compensation for services such as accounting, tax advice, cash pooling and logistics.
- After 2003, ACCRA 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 our senior executives as well as directors and specified officers of ACCRA. Mr. Alain Mérieux is one of the last senior executive to benefit from this program (see 6.2.1 above).
- In October 2002, we entered into a three-year framework agreement with Silliker Group Corp. (SGC), a Company indirectly controlled by ACCRA, 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.

See also the Auditors' Special Report at the end of this Chapter 6[20].

The following recent developments have occurred with respect to agreements referred to above and in the Auditors' Special Report, included at the end of this Chapter 6 (no material changes were made to the other agreements).

– ACCRA having moved its principal office from the Marcy l'Etoile facility, the rent and domiciliation agreement between bioMérieux and ACCRA will lapse on September 30, 2004.
– The service agreement between ACCRA and the bioMérieux group will be extended, and the principles governing the division of services between business lines will remain in force. On the other hand, the Board of Directors is expected to revise the method used for calculating rebilled costs on the basis of premises.
– The agreement with the Bergerie de la Combe aux Loups expired at the end of 2003.

In addition, at the start of 2004, bioMérieux and WENDEL Investissement entered into an agreement on the terms and conditions of a possible initial public offering (sharing of all fees and expenses incurred or accruing in connection with the possible initial public offering of bioMérieux shares on the *Premier Marché* of Euronext Paris). This agreement was implemented and the detail of expenses engaged during this introduction is explained in the chapter 5.

6.2.4 Loans extended and guarantees provided to Company officers

None.

[20] These auditors report also addresses agreements with affiliated companies entered into the ordinary course of business.

6.2.5 Purchases, sales or swaps of Company shares by members of the Board of Directors or individuals with personal connections to them

Since the Company's shares started trading on the Premier Marché of Euronext Paris SA on July 7, 2004, one of the Company's directors has purchased one thousand shares and another director has purchased ten shares of the Company.

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 2004 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 option plan

No plan of stock options (neither newly issued shares or existing ones) is effective.

CHAPTER 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 18, 2005. The main items on the order of business were: the approval of the Company financial statements for the year ended December 31, 2004; the approval of the consolidated financial statements for the year ended December 31, 2004; the proposed share buyback program; and the proposed reelection or replacement of directors, auditors and alternate auditors.

In addition, the Board of Directors agreed on the terms of a plan to merge Apibio into bioMérieux, which will be submitted to the shareholders approval, during an Extraordinary General Meeting.

The merger, which will not require a capital increase from bioMérieux, is intended to streamline the Group's chart.

As the Company already owns all of the shares of Apibio, there will be no need to calculate an exchange ratio or to issue new shares.

At that same meeting, the Board of Directors decided to submit to the shareholders' approval during a General Meeting several draft resolutions, setting out notably the usual financial delegations of authority to the Board of Directors.

The audit committee met on March 15, 2004. The main issues examined were the preparation of the financial statements for fiscal 2004, the review of off balance sheet commitments and the progress in the changeover to IFRS, the financial aspects of the annual report, the work related to the preparation of the Chairman's report on internal control procedures, the work related to the preparation of the Company's annual Reference document filed with the AMF and the proposed press release on the Company's annual results.

7.1.2 TEMPO

The Company launched on January 31, 2005 TEMPO, in the field of automated solutions for industrial microbiology in the food, pharmaceutical and cosmetics sectors. TEMPO is initially being launched in Europe with applications for meat and meat-based products.

TEMPO offers significant benefits to industrial microbiology laboratories. By reducing the number of operations at each step of the analysis process, TEMPO liberates valuable laboratory staff-time for more value-added tasks. The unique bar code on each TEMPO card ensures fully automated reading and complete traceability, thereby limiting the risk of error and reducing the costs of non-quality. Earlier detection of possible product non-conformities enables laboratories to be more pro-active and to anticipate potential production issues.

As with all bioMérieux solutions for industrial microbiology, TEMPO is currently undergoing validation by official organizations.

7.1.3 CAMS

The Chinese Academy of Medical Sciences and bioMérieux have signed on March 10, 2005 a strategic teaming agreement, aiming at initiating R&D projects in the fields of emerging pathogens. The aim of the project is the creation of a joint Research Lab in Beijing, interacting with Chinese Academy of Medical Sciences (see 4.7.5).

7.1.4 Brahms PCT

On March 1, 2005, B·R·A·H·M·S AG and bioMérieux SA have signed a non-exclusive agreement on the use of Procalcitonin as a diagnostic marker for severe bacterial infections.

Through this global agreement, B·R·A·H·M·S authorizes bioMérieux to develop, produce and market a quantitative Procalcitonin assay test on VIDAS immunoassay systems.

In recent years, Procalcitonin has been recognized as a sensitive and specific marker, which assists doctors in the early detection and therapy monitoring of severe bacterial infections.

Procalcitonin is one of the tools likely to improve the care and treatment of severe bacterial infections (sepsis).

7.1.5 Affymetrix

Affymetrix Inc. and bioMérieux have signed on March 31, 2004 an agreement by which, Affymetrix has granted bioMérieux long-term and comprehensive access to its GeneChip® technology to develop and market in-vitro diagnostic tests for breast cancer, as well as an option to expand the agreement into other cancer areas.

The agreement gives bioMérieux non-exclusive rights to Affymetrix' patented arrays, instrumentation systems and future improvements to these key technologies (see section 4.7.5 above).

7.1.6 2005 first quarter sales

Net sales for the three months that ended March 31, 2005 amounted to €227.6 million, virtually unchanged, at constant exchange rates, from the €229.3 million reported in first-quarter 2004.

The year-on-year stability mainly reflects the unusual nature of first-quarter 2004, when sales rose an especially strong 8.9% at constant exchange rates due to a combination of favorable factors: acquisition of new blood culture instruments by blood banks in the United States and invoicing on major tender wins in China and in Latin America.

(in million of euros)	**Q1 2005**	Q1 2004*	% change	**% change** (at constant exchange rates)
Europe(1)	**135.3**	133.3	+1.5%	**+1.0%**
North America	**56.7**	59.7	-5.0%	**-1.1%**
Asia-Pacific(2)	**22.2**	22.7	-1.8%	**-0.1%**
Latin America	**13.4**	13.6	-1.8%	**-1.7%**
TOTAL	**227.6**	229.3	-0.7%	**+0.2%**

*Adjusted to new International Financial Reporting Standards
(1) Including the Middle East and Africa
(2) Including India, formerly reported with Latin America

Sales performance varied from one region to another.

- In Europe, which accounted for 59% of business, sales edged up 1% at constant exchange rates, while positions were strengthened in bacteriology, led by the very encouraging launch of the VITEK®2 Compact. France returned to growth, with sales gaining 2% for the quarter. Germany and Spain pursued their expansion, while Italy and the United Kingdom were adversely affected by stiffer competition in the immunoassay market and, in the UK, in the coagulation segment.
- In North America (25% of the total), sales contracted by 1.1% at constant exchange rates, due to the high prior-year comparatives mentioned above. The BacT/Alert® blood culture range reported a good performance, in clinical applications, as did the VIDAS® range (up 14%) in Physician Office Labs and in emergency rooms with the D-Dimer parameter. On the downside, however, sales were hurt by delivery delays due to the tighter quality controls implemented following FDA inspections in 2004.
- In the Asia-Pacific region (10% of the total), the turnaround in Japan was confirmed by a 4% increase in sales, led by bacteriology. Business in China was impacted by the deferral to the second quarter of invoicing on a number of instrument tender wins.
- In Latin America, (6% of the total), double-digit increases in sales were recorded in Argentina and Chile. Brazil and Mexico, however, did not benefit from the especially large number of tenders won in first-quarter 2004.

In the area of applications, the clinical segment rose by 0.8%, while the industrial segment declined by 3.8%, both at constant exchange rates.

(in million of euros)	**Q1 2005**	Q1 2004*	% change	**% change** (at constant exchange rates)
Clinical applications	**199.3**	199.5	-0.1%	**+0.8%**
Industrial applications	**28.3**	29.8	-4.9%	**-3.8%**
TOTAL	**227.6**	229.3	-0.7%	**+0.2%**

*Adjusted to new International Financial Reporting Standards

- In the clinical segment, bacteriology benefited from the successful launch of the VITEK®2 Compact, whose sales were in line with forecasts. The VIDAS® immunoassays line continued to deepen its penetration of the Physician Office Labs segment in the United States and Germany. VIDAS sales lagged in Europe, however, ahead of the launch of VIDIA®. Competition was again fierce in coagulation.
- In industrial applications, the decline in sales was due to the above-mentioned sharp drop in blood culture instrument sales in the United States.

The Company is maintaining its objective of full-year 2005 net sales on a par with 2004 at constant exchange rates.

Forthcoming events
June 9, 2005: Annual Meeting of Shareholders
July 20, 2005: Second-quarter sales announced

7.1.7 Roche Diagnostics and bioMérieux announce that Roche has granted non exclusive rights for cardiac marker NT-proBNP to bioMérieux

Roche Diagnostics and bioMérieux announced today, that bioMérieux has been granted a nonexclusive license agreement under the patent rights of Roche Diagnostics relating to the development, manufacturing and marketing of immunoassays that detect a key cardiac marker of congestive heart failure and acute coronary syndrome.

Agreement expands availability of cardiovascular marker that aids in diagnosis of heart failure and risk stratification of patients with acute coronary syndrome, heart failure and at cardiovascular risk.

"*We have very high confidence into this marker, especially as a recent study*[*] *found NT-proBNP*

[*] O´Donoghue M; Chen A, Baggish A, Anwaruddin S, Krauser DG, Tung R, Januzzi JL, Massachusetts General Hospital, Boston, Massachusetts. NT-proBNP is superior to BNP for the evaluation of patients with dyspnea and non-systolic congestive heart failure: A proBNP investigation of dyspnea in the emergency department (PRIDE) substudy**;** *JACC 2005*; Suppl A:45:3:Abstract No. 170

superior to BNP for the diagnosis of heart failure in patients with preserved left ventricular function," said Heino von Prondzynski, CEO of Division Roche Diagnostics and Member of the Executive Committee. "*bioMérieux is an important partner as it will give as many patients as possible access to this key cardiac marker and because the Company holds a significant position in the field of cardio-vascular diseases*".

"*We are pleased to move forward with the development of this assay*", added Mr. Benoît Adelus, Executive Vice President of bioMérieux, "*NT-proBNP is an important tool for the management of patients with Congestive Heart Failure. It will also be a key complement to our Cardiovascular Emergency panel which already includes Cardiac markers as well VIDAS D-Dimer Exclusion™*".

Today, Cardiovascular Diseases represent a major health issue frequently found in all populations; its associated economic burden is expected to continue to rise in the coming years because of the worldwide aging population and the increased survival rate from acute coronary events.

NT-proBNP is a proven cardiac marker for the risk stratification of patients at cardiovascular risk and in patients with acute coronary syndrome (ACS). A recent study[**], published in the February 17, 2005 issue of the *New England Journal of Medicine,* showed that the marker is also a valuable tool for risk stratification of patients with stable coronary heart disease and demonstrates the high importance of NT-proBNP as a prognostic marker across the entire spectrum of cardiovascular diseases. Another recent study provides results, which may favor NT-proBNP over BNP for the diagnosis of acute heart failure in overweight and obese patients[***].

NT-proBNP testing is cost-effective and could lead to important cost-savings. This was shown lately by U. Siebert[****], the Director of the Program on Cardiovascular Research at the Institute for Technology Assessment and Department of Radiology, Massachusetts General Hospital, Harvard Medical School, Boston.

B-type natriuretic peptide (BNP) is secreted primarily by the left ventricle when the heart is unable to pump blood efficiently. NT-proBNP provides objective diagnostic information that helps distinguish congestive heart failure (CHF) from other disease states with similar clinical symptoms, for instance lung diseases. It has the potential to detect early stages of CHF in the

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[**] Kragelund C, Grønning B, Køber L, et al. N-terminal pro-B-type natriuretic peptide and long-term mortality in stable coronary heart disease. *N Engl J Med* 2005; 352:666-675.

[***] Krauser DG, Lloyd-Jones, DM, Chae CU, Cameron R, Anwaruddin S, Baggish AL, Chen A, Tung Rand Januzzi JL, Boston, Massachusetts and Chicago Ill. Effect of body mass index on natriuretic peptide levels in patients with acute congestive heart failure: A proBNP Investigation of Dyspnea in the Emergency Department (PRIDE) substudy*; Am Heart J 2005*; 149:744-50.

[****] Siebert U, Januzzi JL, Beinfeld MT, Cameron R, Gazelle GS. Institute For Technology Assessment, Massachusetts General Hosp, Harvard Med School, Boston, Massachusetts. Circulation 2004; 110:369 (Suppl III)

absence of clinically obvious symptoms. In addition, it can be used for the assessment of prognosis for patients with CHF and acute coronary syndrome. NT-proBNP is cleaved from the precursor peptide proBNP in quantities directly proportional to its biologically active counterpart BNP and in close correlation with the severity of heart failure. The measurement of NT-proBNP is not affected by therapy with Natrecor® (nesiritide), a synthetic form of BNP used in the treatment of heart failure.

7.2 - FUTURE PROSPECTS

7.2.1 Outlook for 2005

The Company projects that the 2005 increase in sales will be of the same order as that seen in 2004. Growth is expected to be slower in the first quarter, given the high standard set by the first quarter of 2004.

As anticipated, efforts made to develop and bring out new systems will continue to play an important role in 2005. The operating margin is expected to be affected over the full period by the increase in raw material prices (estimated at between 0.30 and 0.40 percent of revenue) and the reinforcement of certain structures (quality control, sales and administrative staffs). However, bioMérieux intends to mitigate the impact by continuing to implement cost-cutting measures.

7.2.2 Longer-term outlook

Beyond 2005, The Company's goal is to continue to improve its profitability and to raise its operating margin by 200 to 250 basis points over the 2003 level, by 2008 or earlier.

If the Company manages to accomplish all of the foregoing, its net income (both before and after goodwill amortization) could increase at an annual compounded rate of 10 percent from 2004 to 2006, in the absence of unforeseeable problems.

The Company brought the reporting of its retirement and other employee benefits into conformity in 2003, the application of new financial reporting standards will only have a limited impact on shareholders' equity (which will decline by €4.1 million) and the debt (which will increase by €9.5 million) at the time of the changeover on January 1, 2005. Income for fiscal 2004, calculated in accordance with these standards, is shown in section 5 above.

All of the projections summarized above are based on the assumption that exchange rates will remain unchanged in 2005 and the ensuing years.

The data, assumptions and estimates on which the Company has reasonably based its objectives may evolve or change due to various factors of an uncertain nature, such as general economic, financial and market conditions. In addition, it cannot be ruled out that certain risks described in section 4.11 of this document may have an impact on the business of bioMérieux and the Company's ability to attain its objectives. The achievement of the Company's objectives also presupposes that its business strategy set forth in section 4.11 will be successful. The Company accordingly does not make any representations and does not warrant that it will achieve the objectives referred to in section 7.2 hereof and does not undertake to publish or issue corrections or updates in this respect.

bioMérieux sa
69280 Marcy l'Etoile
France
Tel. : 33 (0)4 78 87 20 00
Fax : 33 (0)4 78 87 20 90

www.biomerieux.com

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