




2010 REPORT ON CORPORATE
GOVERNANCE AND INTERNAL
CONTROL PROCEDURES



-  Administrative and management bodies
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-  Report from the chairman of the board of directors concerning the conditions for preparing and organizing the board's work, as well as the internal control procedures set up by the company
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-  Auditors' report pursuant to the provisions of article l. 225-235 of the code of commerce, on the report prepared by the chairman of the board of directors of cegecim on the internal control procedures relating to the preparation and handling of accounting and financial information
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ADMINISTRATIVE AND MANAGEMENT BODIES

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14.1 NAME, BUSINESS ADDRESS AND OFFICES OF THE CORPORATE OFFICERS

14.1.1 MEMBERS OF THE BOARD OF DIRECTORS

During the 2010 fiscal year, the Board of Directors was made up of the following members:

- Jean-Claude Labrune, Chairman & CEO and Founder of Cegecim SA;
- FCB SAS, lead holding company, represented by Pierre Marucchi, also Deputy Managing Director of Cegecim SA;
- GERS, an Economic Interest Grouping (EIG) of pharmaceutical companies operating in France, represented by Philippe Alaterre;
- Alliance Healthcare France, a company held by the pharmaceuticals distributor Alliance Boots, represented by Anthony Roberts;
- Laurent Labrune, Chairman & CEO of Cegecim SRH, a subsidiary of Cegecim SA;
- Aude Labrune-Marysse, Chairman of Rosenwald, a subsidiary of Cegecim SA;
- Jacques-Henri David;
- Jean-Louis Mery;
- Jean-Pierre Cassan;
- the Strategic Investment Funds (FSI), represented by Nicolas Manardo

Jean-Claude Labrune is the father of Aude Labrune-Marysse and Laurent Labrune.

The business address of the Directors is the Company's corporate headquarters.

Administrative and management bodies

Name, business address and offices of the corporate officers

LIST OF OFFICES HELD DURING THE LAST FIVE YEARS EXCLUDING THE SUBSIDIARIES OF THE CEGEDIM GROUP

Director	Company	Office	Start	End
Jean-Claude Labrune	Cegedim	Director	04/12/1989	
		CEO	12/20/1989	
		Chairman and CEO	08/18/1994	
	FCB	Chairman (SAS)	06/24/2005	
	JCL	Manager	11/30/1994	
Pierre Marucchi	Cegedim	Representative of FCB on the Board of Directors	04/12/1989	
		Deputy MD	04/23/2002	
	IRIS	Manager	1997	
	Laboratoire Biodim	Chairman (SAS)	06/30/2003	06/23/2006
Laurent Labrune	Cegedim	Director	04/18/2001	
		Brun		
		Co-Managing Director	03/11/2002	12/29/2006
	FCB	Director and Deputy MD	11/21/2005	
Aude Labrune-Marysse	Cegedim	Director	04/27/2007	
	Brun	Co-Managing Director	03/11/2002	12/29/2006
	FCB	Director and Deputy MD	11/21/2005	
Anthony Roberts	Cegedim	Representative of Alliance Healthcare France on the Board of Directors	12/21/2009	
	Pharmology.com	Director	July 2000	
Philippe Alaterre	Cegedim	Representative of GERS on the Board of Directors	03/20/2009	November 2010
	Dakota Pharm	Chairman	03/31/2004	06/30/2007
	Laboratoire Aventis France	Managing Director	10/07/2005	06/30/2006
	GIE GERS	Chairman	12/11/2008	-
	GIE Edipharm	Representative of GERS on the Board of Directors	12/11/2008	-
Jean-Louis MERY	Cegedim	Director	01/08/2010	-
	Alliance Santé France	Chairman (SAS)	06/13/2003	08/18/2009
	Alliance Healthcare France	Chairman and CEO	04/29/2003	08/19/2009
	Alliance Healthcare Repartition	Chairman (SAS)	1999	08/20/2009
	Alpega	Representative of AHF on the Board of Directors	2001	06/18/2009
	Ouest Repartition	Representative of AHF on the Board of Directors and Director	July 2003	06/18/2009
	Sedley Participation France	Chairman (SAS)	12/12/2007	06/17/2009
	Depolabo	Member of the Supervisory Committee	12/01/2007	06/17/2009
	Cegedim	Director, natural person	01/08/2010	09/23/2010
Nicolas MANARDO	Cegedim	Representative of the FSI on the Board of Directors	09/23/2010	-
	GEM SAS	Individual Director	06/01/2002	-

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Administrative and management bodies

Name, business address and offices of the corporate officers

Director	Company	Office	Start	End
Jean-Pierre CASSAN	Cegedim	Director	01/08/2010	-
	Eratos	Manager	05/25/2004	-
Jacques Henri David	Cegedim	Director	01/08/2010	-
	UGC (Paris)	Director	before 2005	-
	Selene Patrimoine (Luxembourg)	Director	2008	-
	St Gobain Corporation (New York)	Director	before 2005	Dec-08
	Deutsch Bank France	Chairman	before 2005	Dec-09

Chairman & CEO: Chairman & Chief Executive Officer.

MD: Managing Director.

Deputy MD: Deputy Managing Director.

SAS: Simplified joint stock company.

NC: not communicated.

Jean-Claude Labrune and Pierre Marucchi also hold various other positions in Cegedim's French and foreign subsidiaries.

14.1.2 EXPERIENCE

- **Jean-Claude Labrune** graduated from the Ecole Nationale Supérieure des Arts et Métiers. During his years of experience with IBM as a sales engineer, he became very familiar with the pharmaceutical industry. He was among the promoters of business focus groups bringing together IT Directors from pharmaceutical companies like Cedhys. Concerned with providing responses to the problems raised by the profession, he founded Cegedim in 1969.
- **Pierre Marucchi** graduated from the Ecole Nationale Supérieure des Télécommunications, Stanford University (USA) and the Centre d'Etudes Supérieures Bancaires. He was also Member of the Institute of French Actuaries. Pierre Marucchi began his career in 1977 at Crédit Lyonnais where he held various technical and commercial positions. He joined the Cegedim group in 1984.
- **Laurent Labrune** graduated from the Ecole Nationale Supérieure des Arts et Métiers. He joined Cegedim in 1995, where he was coordinator of IT development for the Group, before taking over as manager of the subsidiary Cegedim SRH. Laurent Labrune is CEO of the new entity, Cegedim Relationship Management.
- **Aude Labrune-Marysse** has a Master's in Commercial Law and a DESS in International Taxation. She joined Cegedim in 1999 before taking over the management of Rosenwald, a Cegedim subsidiary and taking up the position of Deputy Managing Director in charge of legal matters for the lead holding company, FCB.

GERS EIG, a grouping of pharmaceutical companies operating in France, is very familiar with the expectations of the industry. It exercises special vigilance concerning the nature and quality of the services supplied by Cegedim, and is a particularly informed source of proposals.

Alliance Healthcare France, a subsidiary of one of the main European pharmaceutical distributors, Alliance Boots, also offers Cegedim the advantage of its excellent knowledge of the pharmaceutical market. It contributes to fruitful exchanges of viewpoints concerning the opportunities, challenges and strategies specific to the Cegedim environment.

The Strategic Investment Funds (FSI) is a public limited company (société anonyme) that is 51% owned by the

Caisse des Dépôts and 49% owned by the French government. The FSI is an informed investor which enhances equity by becoming a minority investor in French companies involved in industrial projects that create value and competitiveness for the economy.

- **Jacques-Henri David** is a graduate of the Ecole Polytechnique, the Institut d'Etudes Politiques de Paris and the Ecole Nationale Supérieure de la Statistique et de l'Administration Economique. Jacques-Henri David began his career as Inspecteur des Finances, and was then appointed Chief of Staff at the Ministry for Finance, before joining Saint-Gobain as Managing Director. He was Chairman of Banque Stern, Managing Director of Vivendi, Chairman and CEO of the Crédit d'Equipelement des PME, Sofaris

and Banque du Développement des PME (French state-owned bank dedicated to SMEs), before taking up the position as Chairman of Deutsche Bank France from 1999 to 2009.

- **Jean-Louis Mery**, a pharmacist, is a graduate of the Tours Faculty of Pharmacy, former Tours Hospitals intern and a graduate of the ICG. Jean-Louis Mery has dedicated his entire professional career to equitable sharing in the Alliance Boots group, where he was Establishment Director, Regional Director, Chairman of the Alliance Santé Répartition and then Chairman of Alliance Healthcare France.

- **Jean-Pierre Cassan** is Chairman of the Strategy Committee of Inserm-Transfert, a member of the Supervisory Board of Inserm-Transfert, Vice-Chairman of the IFIS, corresponding member of the French Cardiology Association, FEFIS bureau member and manager of Eratos Santé SARL. Jean-Pierre Cassan was Honorary Chairman of the Entreprises du médicament (LEEM), former Chairman & CEO of Astra France, then AstraZeneca France and was a Director of the Afssaps.

14.1.3 DECLARATION

During the last five years and to the Company's knowledge:

- no member of the administrative and management bodies has been convicted of fraud;
- no member of the administrative and management bodies has been associated with bankruptcy, receivership or liquidation;

- no indictments and/or official public sanctions have been handed down against these persons by the statutory or regulatory authorities and the designated professional agencies;
- no member of the administrative and management bodies has been prevented by a court from acting in his capacity as member of an administrative, management or supervisory body of an issuer or from taking part in the management and conduct of the issuer's business dealings.

14.2 CONFLICTS OF INTEREST IN THE ADMINISTRATIVE AND MANAGEMENT BODIES

To the Company's knowledge, there are no conflicts of interest in the administrative and management bodies of Cegedim.

There are commercial links with the GERS IEG (grouping of pharmaceutical laboratories) and with Alliance Healthcare France due to its activity as a pharmaceutical distributor.

Cegers is wholly owned by Cegedim since April 16, 2010. All assets and liabilities were transferred to Cegedim with effect from January 3, 2011.

As of May 11, 2010, GERS no longer has a stake in Cegedim, but retains a Director on the Board.

14.3 CORPORATE GOVERNANCE

Cegedim has adopted, following the meeting of the Board of Directors of March 22, 2010, a new internal regulation confirming its adherence to the AFEP-Medef Code of Corporate Governance. This internal regulation sets, inter alia, the rules governing its composition, aims, functioning, and responsibilities.

Certain important decisions of the Board of Directors (in particular dissolution or winding up of Cegedim, issue of transferable securities,

investments, additional indebtedness, agreement referred to in Article L. 225-38 of the Code of Commerce, revocation of any member of the Board of Directors appointed at the proposal of the FSI, determination of the indicative annual budget) are taken on a qualified majority of 6/10 including at least one director representing the FSI; the FSI's rights are reduced if its share of the capital or voting rights is reduced.

With regard to the determination of the indicative annual budget mentioned above, the FSI, in particular, has a stronger right of consultation under which, in the event of persistent disagreement between the FSI and the Managing Director of Cegedim on this budget, the budget for the previous year will be brought forward after adjustment for inflation and for current projects already authorized by the Board, without prejudice to the Managing Director's right to change it subsequently, if necessary after having informed the members of the Board of Directors in the case of a significant change, provided that the FSI's share of the capital or voting rights does not fall below certain thresholds.

The Board of Directors has four standing committees tasked with improving its functioning and facilitating its decision-making through the prior review of specific subjects in their specialized areas. These committees are:

- the Audit Committee;
- the Appointments Committee;
- the Compensation Committee;
- the Strategy Committee.

AUDIT COMMITTEE

Cegedim's Audit Committee comprises four members of the Board of Directors, including one independent member. The members of the Audit Committee are: Jacques-Henri David, Chairman, Aude Labrune-Marysse, Pierre Marucchi and Jean-Pierre Cassan, independent member. In view of their current and/or previous professional responsibilities, described in the Registration Document, the 4 members of the Audit Committee possess, individually or collectively, accounting, audit and financial expertise, in particular with regard to the Group's sectors of activity.

The Audit Committee assists the Board of Directors in ensuring that the Company's financial statements and related information provided are accurate and reliable. In particular, it is responsible for:

- examining the financial statements and ensuring the relevance and consistency of the accounting methods adopted for the preparation of the Company's statutory and consolidated financial statements;
- monitoring the preparation process for financial information;
- monitoring the effectiveness of internal control procedures and risk management; and
- monitoring compliance with independence and objectivity rules for auditors.

The Audit Committee meets on at least two occasions each year, prior to the approval of the Company's interim and annual financial statements. In 2010, the Audit Committee met three times, on April 2, June 1 and September 22.

In the course of its meetings, the Audit Committee discussed, in particular, the following matters, before referring them to the Board of Directors:

- in respect of the approval of the annual financial statements for 2009 and the interim financial statements for 2010, the Audit Committee reviewed the accounts and other related financial information, following consultation with the auditors and examination of the auditors' reports;
- it examined the various press releases on the quarterly revenue figures and annual and interim results, as well as the miscellaneous documents used to present these results to financial analysts;
- it considered the opportunity to acquire the company Pulse System Inc.;
- it discussed the presentation of Cegedim's new visual identity;
- with regard to the functioning of the IT system, it looked at the uniformity of systems between different Group entities, a description of the reporting process, and the timescales necessary for making available monthly financial information.

APPOINTMENTS COMMITTEE

Cegedim's Appointments Committee comprises three members of the Board of Directors, including one independent member. The members of the Appointments Committee are: Jean-Claude Labrune, Chairman, Jacques-Henri David and Jean-Pierre Cassan, independent member.

The main duties of the Appointments Committee are to carry out the following tasks and make proposals to the Board of Directors:

- formulate proposals on the selection of directors with regard to the composition of the Company's shareholder base and any changes thereto;
- formulate proposals on the selection of independent directors by carrying out its own research into potential candidates before making any approaches;

- formulate a succession plan for directors and corporate officers so that a proposal can be made to the Board of Directors without delay in the event of an unforeseen vacancy.

The Appointments Committee meets at least once a year, prior to the Board meeting that decides on the date of the Annual

General Meeting, and approves the meeting agenda. In 2010, the Appointments Committee met once, on June 8. The attendance rate of the members of the Appointments Committee was 100% in 2010.

In the course of its meetings, the Appointments Committee examined, in particular, its methods of functioning.

REMUNERATION COMMITTEE

The Remuneration Committee is made up of three Directors, one of which is independent and serves as the Chairman: Mr. Jean-Louis Mery, Ms. Aude Labrune-Marysse and Mr. Jean-Pierre Cassan, in the capacity of independent Director, Chairman.

The Remuneration Committee proposes the remuneration criteria for the Company's corporate officers to the Board. Its mission is to review the remuneration of the Company's Directors, Chairman, Managing Director and deputy managing director, and to make proposals to the

Board regarding the matter, as well as to review the policies governing the attribution of a free shares and variable compensation, and to review any proposal pertaining to a capital increase by the Company, in the form of an exclusive offer to its employees.

The Remuneration Committee meets at least once a year, prior to the Board meeting that decides on the date of the Annual General Meeting, and approves the meeting agenda.

STRATEGY COMMITTEE

The Strategy Committee is made up of three Directors. The Chairman of the Board presides over the Strategy Committee: Mr. Jean-Claude Labrune, Mr. Laurent Labrune and Mr. Nicolas Manardo.

The Strategy Committee proposes Company development axes to the Board and identifies potential targets.

It usually meets twice a year. The Strategy Committee met once during the period ended on March 22, 2010. The Strategy Committee members' attendance rate in 2010 was 100%. Over the course of its meetings, the Strategy Committee examined its working methods and procedures.

EXCEPTIONS

The exceptions to the recommendations of the AFEP-Medef code that the parties to the draft agreement agreed not to apply are set out below. In accordance with the draft agreement, FCB guaranteed that, within a time period not exceeding June 30, 2010, the Company will conform to the principles of the AFEP-MEDEF code and will change the bylaws of the Board of Directors in order to observe the Code, except for the stipulations stated below which are included in an annex to the draft agreement:

- article 2.2. of the AFEP-Medef code will not be applied. The Company will provide information concerning non-balance sheet items in accordance with the law;
- article 3 of the AFEP-Medef code relating to the separation of the duties of the chairman of the Board of Directors and the Managing Director will not be applied;
- sub-section 7.2. of the AFEP-Medef code will not be applied. In fact, the FSI and Alliance Healthcare, which both have a holding in the Company's capital, would like to be represented on the Board of Directors;
- sub-section 8.2 of the AFEP-Medef code cannot be applied because the number of independent directors will be lower than the recommendation of said code, which is 1/3 in subsidiary companies;
- article 9 of the AFEP-Medef code relating to the evaluation of the Board of Directors will be applied subject to the evaluation of the performance of the Managing Director;
- article 10 of the AFEP-Medef code will be applied subject to indication in the annual report of the duration of sessions which Cegedim does not wish to announce;
- article 11 of the AFEP-Medef code will be applied insofar as the bylaws will be amended within a reasonable period after the increase in capital. Moreover, bearing in mind the size of the company, the directors' right to information under this article must be exercised in a reasonable manner in terms of time period and documents or information requested;
- article 12 of the AFEP-Medef code relating to the duration of the directors' duties will be applied subject to the duration of the directors' terms of office, which will be kept at six years to ensure stability of the Board of Directors and in accordance with the maximum duration authorized by the AFEP-Medef code, and to the staggering of the directors' terms of office which the Company considers satisfactory;
- article 17 of the AFEP-Medef code relating to the code of ethics of the director will be applied subject to application for certain directors of the recommendation relating to the significant number of shares that each director in office must hold;
- article 19 of the AFEP-Medef code relating to the termination of the employment contract if the position of corporate officer is taken up will not be applied as it might constitute an obstacle if the Company wishes to ask an employee to take on the duties of corporate officer;
- sub-section 20.1 of the AFEP-Medef code will not be applied as the salaries of the directors who act as corporate officers are revised annually.

26.2.6 REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS CONCERNING THE CONDITIONS FOR PREPARING AND ORGANIZING THE BOARD'S WORK, AS WELL AS THE INTERNAL CONTROL PROCEDURES SET UP BY THE COMPANY

(Article L. 225-37 of the Code of Commerce)

Introduction

In accordance with the provisions of article L. 225-37 of the Code of Commerce, as amended by financial security law no. 2003-706 of August 1, 2003, the purpose of this report is to detail:

- conditions for preparing and organizing the work of the Board of Directors;
- any limitations made by the Board of Directors to the powers of the Managing Director and the Deputy Managing Director;
- the internal control procedures established within the Cegedim group.

This report was prepared on the basis of reports and meetings led by the General Management with all of the bodies involved in the Group's internal control mentioned in the remainder of this document.

Corporate governance and operation of the Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

We remind you that your Board of Directors consisted of ten members as of December 31, 2010.

On November 5, 2009, the Company adhered to the agreement signed on October 28, 2009, between Mr. Jean-Claude Labrune, FCB and the FSI which was sent to the AMF. This agreement provides for changes to be made to the Company's governance.

The list of Directors of Cegedim SA including the offices held in other companies is appended to the Corporate Management Report.

FREQUENCY OF MEETINGS

Article 13 of the bylaws of Cegedim SA states that the Board of Directors meets as often as the Company's interests dictate.

Thus, during the past fiscal year, your Board of Directors met 6 times.

The schedule of meetings of the Board of Directors was as follows:

2010 schedule of meetings

03/22/2010	<ul style="list-style-type: none"> ■ Approval of the minutes of the preceding meeting of the Board of Directors; ■ Presentation of the draft consolidated financial statements for the fiscal year ended December 31, 2009; ■ Adoption of the internal regulations of the Board of Directors; ■ Creation of the Audit Committee and appointment of its members; ■ Creation of the Strategy Committee and appointment of its members; ■ Creation of the Appointments Committee and appointment of its members; ■ Creation of the Remuneration Committee and appointment of its members; ■ Authorization of a bond issue and delegation of powers to the Chairman and CEO, or with the approval of the latter, to the Deputy Managing Director, for the purposes of implementing the bond issue; ■ Miscellaneous business.
04/12/2010	<ul style="list-style-type: none"> ■ Approval of the financial statements for the fiscal year ended December 30, 2009; ■ Approval of the consolidated financial statements for the fiscal year ended December 30, 2009; ■ Proposed capital increase in cash; ■ Authorization of a capital increase reserved for employees; ■ Draft of the renewal of the free share allocation for Directors and/or employees of the Cegedim group; ■ Share buyback program; ■ Authorization of securities, endorsements and other guarantees; ■ Draft amendment to articles 12, 13, 14 and 16 of the bylaws; ■ Decisions to be made for the preparation and scheduling of the joint Annual Ordinary and Extraordinary General Meeting; ■ Approval of the provisional financial statements; ■ Miscellaneous business.
05/06/2010	<ul style="list-style-type: none"> ■ Approval of the minutes of the Board of Directors meeting of April 12, 2010; ■ Situation of the offices of Directors; ■ Decisions to be made for the preparation and scheduling of the Ordinary General Meeting; ■ Miscellaneous business.
06/08/2010	<ul style="list-style-type: none"> ■ Approval of the minutes of the Board of Directors meeting of May 6, 2010; ■ Renewal of the appointment of the Chairman; ■ Renewal of the appointment of the Deputy Managing Director; ■ Allocation of free shares under the authorization given by the Extraordinary Shareholders' Meeting of February 22, 2008: determination of the share allocation beneficiaries for the fiscal year 2010; ■ Review of external growth; ■ Miscellaneous business.
09/23/2010	<ul style="list-style-type: none"> ■ Approval of the minutes of the meeting of the Board of Directors of June 8, 2010; ■ Approval of the financial statements for the first six months of 2010; ■ Examination of the provisional accounts for the second half of 2010; ■ On-demand guarantee; ■ Guarantee of guarantee given by the subsidiary Cegedim Activ; ■ Miscellaneous business.
11/15/2010	<ul style="list-style-type: none"> ■ Approval of the minutes of the Board of Directors meeting of September 23, 2010; ■ Review of the functioning of the Board of Directors in 2010; ■ Schedule of Board meetings for 2011; ■ Miscellaneous business.

CONVENING OF DIRECTORS

The Directors were convened by fax and e-mail in compliance with article 13 of the bylaws of Cegedim SA.

In accordance with article L. 225-238 of the Code of Commerce, the Auditors were convened to the Board of Directors' meetings during which the annual and interim financial statements were examined and approved.

INFORMATION PROVIDED TO DIRECTORS

All documents and information necessary for the Directors to perform their duties were sent to them prior to each meeting of the Board of Directors.

At any time of the year, the Board of Directors may perform the checks and audits it deems advisable. In this respect, each Director may request the documents necessary to perform his duties from the Chairman of the Board of Directors.

MEETING LOCATION

Meetings of the Board of Directors are held at the Company's corporate headquarters.

MEETING MINUTES

Minutes of meetings of the Board of Directors are drawn up at the end of each meeting, sent to the Directors and validated by them at the next meeting.

DIRECTORS' COMPENSATION

The compensation paid to Directors is stipulated in the list of Directors of Cegedim SA appended to the Corporate Management Report. The Remuneration Committee proposes the remuneration criteria for the Company's corporate officers to the Board. It examines the policies for allocations of free shares and all proposals for increases in the Company's capital in the form of an offer reserved for employees.

LIMITATION OF THE POWERS OF THE CHAIRMAN & CEO AND OF THE DEPUTY MANAGING DIRECTOR

We inform you that the Board of Directors has not imposed any limitations on the powers of Mr. Jean-Claude Labrune, your Chairman & CEO or on those of Pierre Marucchi, the Deputy Managing Director.

THE COMPANY'S COMPLIANCE WITH THE RECOMMENDATIONS OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

See chapter 14.3.

Internal control procedures

PURPOSE OF THE INTERNAL CONTROL PROCEDURES WITHIN THE CEGEDIM GROUP

The purpose of internal control is to provide a reasonable assurance that the Company's priorities will be adhered to and that the published figures are reliable. Its effectiveness relies on the conduct of the employees responsible for it, without any systematic guarantee that all these objectives will be met. On the one hand, it ensures that management actions or the performance of operations and also employee conduct are consistent with the framework defined by the applicable laws and regulations as well as the values described in

the charter of ethical business practice and the Company's standards and internal rules. On the other hand, it ensures that the accounting and financial information complies with the standards in force.

Coordination of its activities

Cegedim's growth relies particularly on its ability to anticipate its clients' needs and to satisfy them by combining a large number of "industry" skills.

From the standpoint of internal control, the success of this model requires the harmonization of management actions and employee behavior. It means that these actions and this behavior must be consistent with the directions given to the Group's activities by its corporate bodies, by the laws and regulations in force, and by the Group's internal standards.

Control and transparency of its accounting and financial information

The internal control procedures govern the development and communication of the Group's accounting and financial information. This information is established in order to guarantee its availability, integrity, conformity, and auditability.

Support for its growth

The Cegedim group's international expansion, particularly through external growth, relies on its ability to identify the external growth relays. Here, the measures taken by Cegedim seek to accelerate the incorporation of new activities, control the risks inherent to growth operations, and track their performance.

The acquisition of Dendrite International Inc. in May 2007 enabled Cegedim to double its size in its core business activities. This major step in the Group's development required at that time the spending of considerable effort to make the integration of the new activities successful. Conscious of what was at stake, in early 2008, the Group's General Management created an "Operational Excellence" unit (Opex) in charge of optimizing the organization and information circuits as well as reinforcing the Group's customer-oriented culture in order to generate savings through synergy, rationalization of procedures and tools, and optimization of team productivity. Chaired by an employee with more than 15 years of experience within the Group, particularly in the role of Director of Human Resources, then Director of International CRM Activities, Opex is able to propose improvements to internal control and financial control, by placing systematic emphasis on the business activity component.

Security of its information processing operations

Leader in the sector of technologies and services relating to medical information, the Cegedim group's priority is to provide its clients and partners with complete satisfaction concerning data security. The Cegedim group applies the data and private life protection law in all of the countries where it operates. In 2010, the Group received Safe Harbor certification.

Acquisition of cutting edge skills

The Cegedim group considers the training of its teams to be a key factor of success, making it possible to ensure client satisfaction and employee motivation. In 2004, Cegedim was one of the first companies to implement the individual right to training.

The general training policy implemented at Cegedim consists primarily of continuously adapting the skills of its research and development teams and assisting its employees in acquiring new skills necessary for their work.

ORGANIZATION OF THE MANAGEMENT BODIES THAT PLAY A ROLE IN INTERNAL CONTROL

Cegedim's internal control system is characterized by a high level of interaction between the Board of Directors, the General Management and the Activity Divisions thus encouraging the transparency of the strategies, risks and actions implemented in the Group.

Cegedim's General Management has central management and control bodies that include the Financial Division, the Accounting Division, the Management Control Division, the Human Resources Division, the Legal Division, the General Secretariat, the IT Division, the Communication Division, and the Operational Excellence unit.

Consistently since 2006, the Group has desired to strengthen its teams dedicated to controlling and coordinating international operations. Reporting to the General Management, their main duty is to formalize then establish procedures that are common to the Group's subsidiaries, guaranteeing the uniformity of work methods.

The network of financial controllers, by country or region, continues to be reinforced, particularly in 2007 with the consolidation of the Dendrite teams. They are responsible for applying Headquarter policies at local level and ensuring local financial control of operations as part of routine management or during the operational revamping processes decided on by Headquarters.

In their respective fields, the mission of these management and control bodies is to regulate the Group's operation and, at the same time, put their specialized skills to use in carrying out operations.

KEY ELEMENTS OF INTERNAL CONTROL RELATING TO THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

In 2010, the Group continued its work to harmonize and optimize its information and internal control procedures in compliance with the financial security law.

PREPARATION OF THE GROUP'S FINANCIAL STATEMENTS

Centralized accounting of the companies of the Cegedim group

The Cegedim Accounting Division prepares the statutory financial statements for the subsidiaries in the French sector of the Group and oversees the process for the preparation of the consolidated financial statements. For the newly-acquired companies and foreign subsidiaries, the Accounting Department established a standard reporting procedure so as to produce consolidation documents. At the same time, the Management Control Division reports key financial and operational data on a monthly basis. The two Divisions together routinely check the consistency of their data.

The creation in 2005 of a department dedicated specifically to international consolidation allowed the Company to help make the financial information coming from foreign subsidiaries reliable while at the same time adapting to the new accounting regulations. Furthermore, this centralized consolidation process made it possible to considerably reduce the time necessary to report international information.

Control and enhancement of financial and accounting information by Management Control

The data supplied by the Accounting Department is systematically reconciled with the work done by the Management Control Department, whether this involves regular analytical monitoring of the activities, budgetary control or inspection reports.

This information forms the basis for the operating reports prepared by Management Control, allowing for regular tracking of key indicators.

IT tools used to prepare financial and accounting information

Cegedim implements a policy aimed at upgrading its IT tools to ensure optimum availability, integrity, conformity and auditability of its financial and accounting data.

In order to ensure the necessary internal consistency and meet the Group's guidance needs, new tools were implemented in 2008 under the direct responsibility of the Managing Director, assisted by a project manager ensuring the interface with the Accounting Department and the Management Control Department.

KEY ELEMENTS OF THE LEGAL AND OPERATIONAL CONTROL EXERCISED BY THE PARENT COMPANY OVER THE SUBSIDIARIES

Control of commitments

The General Secretariat of the Group's Legal Department handles the central supervision of authorizations and delegations and makes sure, when they are created, that they are limited in accordance with the Group's internal rules regarding commitments.

Control of the Group's legal activity

The Cegedim group's procedures require that the Legal Department be consulted prior to signing contracts with third parties, depending on their purpose and the declarations and the commitments they contain and, where relevant, the transnational nature of the operations they govern. The Legal Department also centralizes information related to certain key contracts.

Control of internal security

Cegedim has a governance structure for security. This means that security of all the Company's activities is taken into account in and that all appropriate protection measures are implemented.

A Compliance Department reports directly to the management. It includes the Head of Information Systems Security and defines the Group's security policy using risk analysis, as well as ensuring that the policy is applied consistently to the security requirements identified by the management through regular internal audits.

The Director of Information Systems ensures that the decisions to roll out IT systems, and in particular, procedures relating to data security, take into account Cegedim's strategic priorities.

The IT Operations Manager, the Information Security Manager and the Physical Security Manager implement the Company's strategy. They are responsible for putting security procedures in place.

The Operations Director ensures that all activities provide the level of security appropriate to Cegedim's strategic decisions, through daily monitoring.

The internal security policy for the information system is actively facilitated by the Top Management, and covers, in particular:

- employee security (reducing the risks of human error, theft, fraud or abusive use of infrastructures);
- physical security (controlling access, damage and disruptions relating to the Group's assets);
- IT access security (controlling access to information);
- information security (ensuring an appropriate level of information protection);
- systems administration and network security (ensuring that the information processing infrastructures operate correctly and reliably);
- the security of IT developments (incorporating security in the developments and ensuring the secure execution of support activities);
- crisis prevention, detection, and management;
- compliance with legislation.

The major pharmaceutical companies that are customers of the Cegedim group apply recognized international standards, adopting the most stringent requirements in terms of the auditing and control of their information systems.

Cegedim refers to international standards such as ISO 27001 and 27002 for its information security, and has created its own process standards, integrating the recently-introduced ISO 20000/ITIL standard for IT service management, ISO 9001 for quality management and CMMI for project management and software development.

Control of operations management

Control of the Group's operations management covers four areas:

- the annual budget preparation process;
- monthly "management" reporting and presentation of annual forecasts;
- quarterly "business" reporting;
- the ad hoc inspection assignments performed at the Group's departments and subsidiaries.

These procedures concern all of the Group's departments and subsidiaries. Furthermore, when new acquisitions are made, a standardized integration process ensures that the operational synergies and information reporting necessary for management and Management Control in accordance with the current standards are implemented as quickly as possible.

The annual budget preparation process

Each year, the Activity Directors present to the Top Management the annual budget for the activities placed under their responsibility. To prepare these budgets, Management Control is responsible for providing all assistance necessary to the operational managers and for guiding their work in order to ensure overall consistency and to record the key assumptions in order to track them during the year.

Monthly "management" reporting and presentation of annual forecasts

Management Control is responsible for preparing the monthly reporting for all of the Group's subsidiaries, including their annual forecasts and their budget tracking. Routinely presented to the Group's General Management, this reporting makes it possible to identify the basic performance trends for each entity and to chart any corrective measures to be taken.

Quarterly "business" reporting

Every quarter, each Activities Director is responsible for providing the Top Management with information concerning the management activities relative to the scope of activities for which he is responsible. This reporting concerns the commercial activity, products and services, personnel, organization, and investments. Its essential purpose is to identify the risks that could affect the Group's earnings in each of these areas. The cross-company nature of this "business" reporting helps identify market risks and the status of competition, identify growth opportunities (external growth, strategic directions of growth), and strengthen synergies within the Group.

Ad hoc inspections

Inspections decided by the General Management are conducted routinely. Other control bodies help to determine the selection and content of these inspections and are generally involved in facilitating their execution. The scope of these inspections covers all areas relating to internal control.

2011 Objectives

- Continue the optimization of internal procedures by acting on the conclusions of the Operational Excellence Unit and the specialized committees stemming from the Board of Directors.
- Optimize reporting after having implemented integrated and uniform financial management tools within the Group, ensuring a secure, systematic, and consistent flow of information to serve both management needs and statutory or consolidated accounting needs.
- Restructuring of the Research and Development Department.

Drawn up in Boulogne-Billancourt on April 18, 2011.

Jean-Claude Labrune
Chairman & CEO
Cegedim SA

26.3.4 AUDITORS' REPORT PURSUANT TO THE PROVISIONS OF ARTICLE L. 225-235 OF THE CODE OF COMMERCE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CEGEDIM ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND HANDLING OF ACCOUNTING AND FINANCIAL INFORMATION

Fiscal year ended December 31, 2010.

Auditors' report prepared pursuant to article L. 225-235 of the Code of Commerce, on the report from the Chairman of the Cegedim's Board of Directors concerning the internal control procedures related to developing and handling accounting and financial information.

Fiscal year ended December 31, 2010.

To the shareholders,

As Auditors of Cegedim and pursuant to the provisions of article L. 225-235 of the Code of Commerce, we present to you our report on the report prepared by the Chairman of your Board of Directors in accordance with the provisions of article L. 225-37 of the Code of Commerce for the fiscal year ended December 31, 2010.

It is the chairman's responsibility to prepare and submit for approval from the Board of Directors a report on the internal control and risk management procedures put into place within the company, also providing the other information required by Article L. 225-37 of the Code of Commerce, particularly with regard to the legislation on corporate governance.

It is our responsibility to:

- Inform you of any comments that we may have concerning the information contained in the chairman's report concerning the internal control procedures related to developing and handling accounting and financial information, and
- Certify that the report includes the other information required by Article L. 225-37 of the Code of Commerce, with the understanding that it is not our responsibility to verify the truthfulness of this other information.

We performed our work in accordance with professional standards applicable in France.

Information regarding the internal control procedures and the risks management related to developing and handling accounting and financial information

The professional standards require us to take all appropriate measures to assess the reliability of the information concerning the internal control procedures related to developing and handling accounting and financial information contained in the chairman's report. In particular, these measures involve:

- Examining the internal control procedures related to developing and handling the accounting and financial information underlying the information presented in the chairman's report as well as the existing documentation;
- Examining the work done to prepare this information and the existing documentation;
- Determining whether any major deficiencies in the internal controls related to developing and handling accounting and financial information that we noted during the course of our audit are appropriately disclosed in the chairman's report.

Based on this work, we have no comments to make about information pertaining to the Company's internal control procedures related to developing and handling the accounting and financial information contained in the report by the chairman of the Board of Directors prepared pursuant to the provisions of article L. 225-37 of the Code of Commerce.

Other information

We certify that the report by the chairman of the Board of Directors includes the other information required in Article L. 225-37 of the Code of Commerce.

Paris and Courbevoie, April 14, 2011

The Statutory Auditors

French original signed by

Grant Thornton

French Member of Grant Thornton International

Michel COHEN

Mazars

Jean-Paul STEVENARD