



EURAND N.V.

AUDIT COMMITTEE CHARTER

AS OF MARCH 7, 2007

EURAND N.V.

AUDIT COMMITTEE CHARTER

This Audit Committee Charter (this “Charter”) was adopted by the Board of Directors (the “Board”) of Eurand N.V. (the “Company”) on March 7, 2007.

I. PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board to assist the Board in overseeing:

- the integrity of the Company’s financial statements;
- the Company’s compliance with legal and regulatory requirements related to financial matters;
- the performance of the Company’s internal audit function;
- the matters relating to the Company’s disclosure of financial information;
- the preparation of the audit committee report that the United States Securities and Exchange Commission (the “SEC”) rules require be included in the Company’s annual proxy statement;
- the Company policy on tax planning;
- the relationship with the Company’s independent auditor (the “Independent Auditor”), including, in particular, its qualifications, independence, compensation and any non-audit services performed for the Company; and
- the financing of the Company.

The Committee has the powers and responsibilities set forth in this Charter and imposed on it by law; it is not the duty of the Committee to plan or conduct audits.

II. MEMBERSHIP

The Committee shall be composed of at least three (3) non-executive members of the Board. Each Committee member shall meet the independence requirements of the SEC, the Nasdaq Global Market (“Nasdaq”) and the Dutch Corporate Governance Code (the “Code”), subject to any election by the Board to rely upon the phase-in provisions set forth in Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). A determination as to whether a Committee member meets the independence requirements shall be made pursuant to the Corporate Governance Guidelines. The Committee members, including the Chair of the Committee, shall be appointed by the Board on the recommendation of the Nominating/Corporate Governance Committee.

No Committee member shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the

past three years. In addition, each Committee member shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, as required by Nasdaq.

At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

In addition, the Company will disclose in its annual report whether or not it has at least one member who qualifies as an "audit committee financial expert," as defined by the SEC pursuant to the Sarbanes-Oxley Act of 2002.

The Committee Chair shall not be the chairman of the Board. Committee members may be removed from the Committee, with or without cause, by the Board.

Committee members' terms shall expire upon the expiration of their respective terms as directors.

III. MINUTES

The Committee shall maintain and promptly submit to the Board (1) copies of minutes of each meeting of the Committee, and (2) each written consent to action or resolution taken without a meeting. A copy of the minutes of each meeting shall be placed in the Company's minute book.

IV. CHARTER AMENDMENT

Any Committee member may submit proposed Charter amendments to the Board. The Board shall circulate any such proposed Charter amendments to Committee members immediately upon receipt. The Board may consider the amendments to the Charter in accordance with the Company's Amended and Restated Articles of Association (the "Articles").

V. MEETINGS AND PROCEDURES

The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings in consultation with the Committee members. The presence in person or by telephone of a majority of the Committee's members shall constitute a quorum for any meeting of the Committee. All actions of the Committee will require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present. Only Committee members shall be entitled to vote.

The Committee shall hold such regular meetings as may be necessary or advisable, but no less frequently than quarterly. The Committee shall establish reasonable rules to govern the timing of meeting notices. The Chair may call a special meeting at any time by providing reasonable notice.

Any non-executive director that is not a member of the Committee may attend and observe Committee meetings (with the Committee's consent), but shall not participate in any

discussion or deliberation unless invited to do so by the Committee. The Committee may also elect, at its discretion, to invite (a) members of Management of the Company (“Management”), (b) the Independent Auditor, (c) the Company’s internal auditor (or others responsible for the internal audit function, including contracted non-employee or audit or accounting firms engaged to provide internal audit services) (the “Internal Auditor”), (d) any other financial personnel employed or retained by the Company or (e) any other persons whose presence the Committee believes to be necessary or appropriate, each subject to appropriate obligations of confidentiality.

The Committee shall meet with the Independent Auditor as often as it considers necessary, but at least once a year without attendance of either Management or directors not forming part of the Committee.

VI. POWERS AND RESPONSIBILITIES

A. Independent Auditor Qualification and Independence

1. *Appointment and Oversight.* The Committee shall be directly responsible for and have ultimate authority with respect to the appointment, compensation, retention, evaluation, termination and oversight of the work of the Independent Auditor (including resolution of disagreements between Management and the Independent Auditor regarding financial reporting). The Independent Auditor will report directly to the Committee and will be ultimately accountable to the Committee and the Board. The appointment of the Independent Auditor will be subject to shareholder approval at the annual general meeting.

2. *Pre-Approval of Services.* The Committee shall pre-approve all audit engagement fees and terms, as well as any non-audit services to be provided by the Independent Auditor and review with the lead audit partner whether any audit team member receives any discretionary compensation from the audit firm with respect to non-audit services performed by the Independent Auditor. Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company’s engagement of the Independent Auditor, provided that (i) the policies and procedures are detailed as to the particular service, (ii) the Committee is informed of each service provided and (iii) such policies and procedures do not include delegation to Management of the Committee’s responsibilities under the Exchange Act. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the Committee at a subsequent meeting.

3. *Reviewing Independent Auditor’s Independence.* At least annually:

(i) The Committee shall obtain and review a report prepared by the Independent Auditor describing (a) the auditing firm’s internal quality-control procedures and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues.

(ii) The Committee is responsible for ensuring its receipt from the Independent Auditor of a formal statement delineating all relationships between the Independent Auditor

and the Company, consistent with the Independent Standards Board Standard 1 (*Independence Discussions with Audit Committees*). In addition the Committee is responsible for actively engaging in a dialogue with the Independent Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditor and for taking, or recommending that the Board take, appropriate action to oversee the independence of the Independent Auditor.

(iii) The Committee shall review and evaluate the qualifications, performance and independence of the Independent Auditor, including key partners and managers of the Independent Auditor.

(iv) The Committee shall report to the full Board regarding the independence and quality control procedures of the Independent Auditor and the experience and qualifications of the Independent Auditor's senior personnel that are providing audit services to the Company.

4. *Maintaining Independent Auditor's Independence.*

(i) The Committee shall assure the regular rotation of the lead audit partner.

(ii) The Committee shall, if applicable, consider whether the Independent Auditor's provision of any permitted information technology services, or other non-audit services to the Company, is compatible with the Independent Auditor's independence.

(iii) The Committee shall set clear hiring policies for employees or former employees of the present or former Independent Auditor.

5. *Review of the Independent Auditor.* At least once every four years, the non-executive directors and the Audit Committee shall conduct a thorough assessment of the functioning of the Independent Auditor within the Company and in the different capacities in which the Independent Auditor acts. The main conclusions of this assessment shall be communicated to the general meeting of shareholders for the purposes of assessing the nomination for the appointment of the Independent Auditor.

B. *Annual Financial Statements and Related Disclosure*

1. *Meetings with Management, the Independent Auditor and the Internal Auditor.*

(i) The Committee shall meet with Management, the Independent Auditor and the Internal Auditor in connection with each annual audit to discuss the scope of the audit, the procedures to be followed and the staffing of the audit, to ensure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Company. The Committee shall review with the Independent Auditor and Internal Auditor the adequacy of the Company's financial reporting processes, both internal and external.

(ii) The Committee shall consider and review with Management including those who work in the Company's financial department, the Independent Auditor and the Internal Auditor: (A) the Company's annual assessment of the effectiveness of its internal controls and the Independent Auditor's attestation and report about the Company's assessment (B) the adequacy of the Company's internal controls including computerized information system

controls and security and (C) any related significant findings and recommendations of the Independent Auditor and the Internal Auditor together with Management's responses.

(iii) The Committee shall review and discuss with Management and the Independent Auditor: (A) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (B) any analyses prepared by Management or the Independent Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative GAAP methods on the Company's financial statements; and (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.

2. Separate Meetings with the Independent Auditor.

(i) The Committee shall review with the Independent Auditor any problems or difficulties the Independent Auditor may have encountered during the course of the audit work, including any restrictions on the scope of activities or access to required information or any significant disagreements with Management and Management's responses to such matters. Among the items that the Committee should consider reviewing with the Independent Auditor are: (A) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); (B) any communications (provided by the Independent Auditor) between the audit team and the Independent Auditor's national office concerning auditing or accounting issues presented by the engagement; and (C) any "management" or "internal control" letter issued, or proposed to be issued, by the Independent Auditor to the Company. The Committee shall also include discussion of the responsibilities, budget and staffing of the Company's internal function. The Committee shall obtain from the Independent Auditor assurances that Section 10A(b) of the Exchange Act has not been implicated.

(ii) The Committee shall discuss with the Independent Auditor the report that such auditor is required to make to the Committee regarding: (A) all accounting policies and practices to be used that the Independent Auditor identifies as critical; (B) all alternative treatments within GAAP for policies and practices related to material items that have been discussed among Management and the Independent Auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor; and (C) all other material written communications between the Independent Auditor and Management, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, Independent Auditor's engagement letter, Independent Auditor's independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any.

3. *Financial Statements and the Annual Report.*

(i) The Committee shall review and discuss the annual audited financial statements with Management and the Independent Auditor, including the Company's disclosures under "*Operating and Financial Review and Prospects*" and discuss with the

Independent Auditor the matters required to be discussed by SAS Nos. 60, 61 (as amended by SAS 90) (i.e., “Communication with Audit Committee”) as then in effect.

(ii) The Committee shall conduct an appropriate review of all “related party transactions” for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Committee. The term “related party transactions” means those transactions requested to be disclosed pursuant to Form 20-F, Item 7.B.

(iii) The Committee shall discuss any disclosures made to the Committee by the Company’s Chief Executive Officer or Chief Financial Officer during their certification process for the Form 20-F regarding: (i) any significant deficiencies in the design or operation of internal controls which could adversely affect the Company’s ability to record, process, summarize and report financial data and any material weaknesses in internal controls identified to the Independent Auditor; and (ii) any fraud, whether or not material, that involves Management or other employees who have a significant role in the Company’s internal controls.

(iv) The Committee shall read Management’s report (to be included in the Company’s Annual Report on Form 20-F) assessing the effectiveness of the internal control structure and procedures of the Company for financial reporting and shall discuss with the Independent Auditor such auditor’s attestation to and report on Management’s report.

(v) The Committee shall, based on its review and discussions, determine whether to recommend to the Board that the audited financial statements be included in the Company’s Annual Report on Form 20-F for the fiscal year subject to the audit.

(vi) To the extent required, the Committee shall provide the Company with the report of the Committee with respect to the audited financial statements for inclusion in each of the Company’s annual reports.

C. Performance of Internal Auditor

1. *Appointment.* The Committee shall review the appointment and replacement of the Internal Auditor, including fees of external consultants who serve as Internal Auditors.

2. *Separate Meetings with the Internal Auditor.* The Committee shall meet periodically with the Company’s Internal Auditor to discuss the responsibilities, budget and staffing of the Company’s internal audit function and any issues that the Internal Auditor believes warrant the Committee’s attention. The Committee shall discuss with the Internal Auditor any significant reports to Management prepared by the Internal Auditor and any responses from Management.

3. *Report of Internal Auditor.* The Internal Auditor shall report quarterly to the Committee on (a) the design and operation of the Company’s operating subsidiaries’ internal controls and (b) any allegations of fraud involving Management or other employees who have a significant role in the Company’s internal controls.

4. *Review of Internal Audit Function.* The Committee shall review the responsibilities, functions and performance of the Company’s internal audit department. Further it shall review (a) significant findings on internal audits during the year and Management responses thereto; (b) monitor whether internal control recommendations have

been implemented by Management; (c) changes to the scope, if any, required on internal audit and (d) any difficulties the internal audit team encountered in the course of their audits.

5. *Other Review by Internal Auditor/Independent Auditors.* The Committee shall determine the extent to which Internal Auditor and/or the Independent Auditor review (i) information systems and applications, (ii) the security over such systems and applications, and (iii) the contingency plan for processing financial information in the event of a systems breakdown.

D. *Financial Statements and Related Disclosure*

1. The Committee shall meet with Management, the Independent Auditor and the Internal Auditor in connection with quarterly financial statements, including, if applicable, the Company's disclosures under "*Operating and Financial Review and Prospects.*"

2. The Committee shall discuss with Management and the Independent Auditor the Company's earnings press releases (with particular focus on any "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (i.e., discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.

E. *Compliance with Law and Regulation; Complaints*

1. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential and anonymous submission by employees regarding questionable accounting or auditing matters. The Committee shall act as the principal contact for the Independent Auditor if the Independent Auditor discovers irregularities in the content of the financial reports.

2. The Committee shall discuss with Management, the Independent Auditor and Internal Auditor any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or internal audit function.

3. The Committee shall discuss with the Company's General Counsel or outside counsel any legal matters brought to the Committee's attention that could reasonably be expected to have a material impact on the Company's financial statements and shall review policies and procedures with respect to any related party transactions.

4. The Committee shall, at least annually, discuss with Management, the Independent Auditor and the Internal Auditor the Company's policies with respect to risk assessment and risk management. The Committee shall discuss with Management, the Independent Auditor and the Internal Auditor the Company's significant financial risk exposures and the actions Management has taken to limit, monitor or control such exposures.

5. The Committee shall periodically review: (a) the Company's policies with respect to contingent liabilities and risks that may be material to the Company; (b) the Company's policies and procedures designed to promote compliance with laws, regulations, and internal policies and procedures; and (c) major legislative and regulatory developments which could materially impact the Company. This will be facilitated through the receipt of reports from Management, legal counsel and third parties as determined by the Committee.

6. The Committee shall, at least annually, consider and discuss with Management and the Independent Auditor the Company's Code of Business Conduct and Ethics ("Code of Ethics") and the procedures in place to enforce the Code of Ethics. The Committee shall also consider and discuss and, as appropriate, grant requested waivers from the Code of Ethics brought to the attention of the Committee, though the Committee may defer any decision with respect to any waiver to the Board.

7. The Committee may retain any independent counsel, experts or advisors (accounting, financial or otherwise) that the Committee believes to be necessary or appropriate. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the Independent Auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, for payment of compensation to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

8. The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee.

F. Assessment of Charter; Reporting Obligations

1. The Committee, through its Chair, shall report regularly to, and review with, the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's Independent Auditor, the performance of the Company's internal audit function or any other matter the Committee determines is necessary or advisable to report to the Board.

2. The Committee shall, at least annually, perform an evaluation of the performance of the Committee and its members, including a review of the Committee's compliance with this Charter.

3. The Committee shall, at least annually, review and reassess this Charter and submit any recommended changes to the Board for its consideration.

A copy of this Charter will be made available on the Company's website at www.eurand.com. Copies of this Charter are also available in print to any shareholder who otherwise requests a copy. Shareholders may request such information by writing to: Eurand N.V., Attention: Secretary, Olympic Plaza, Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands.
