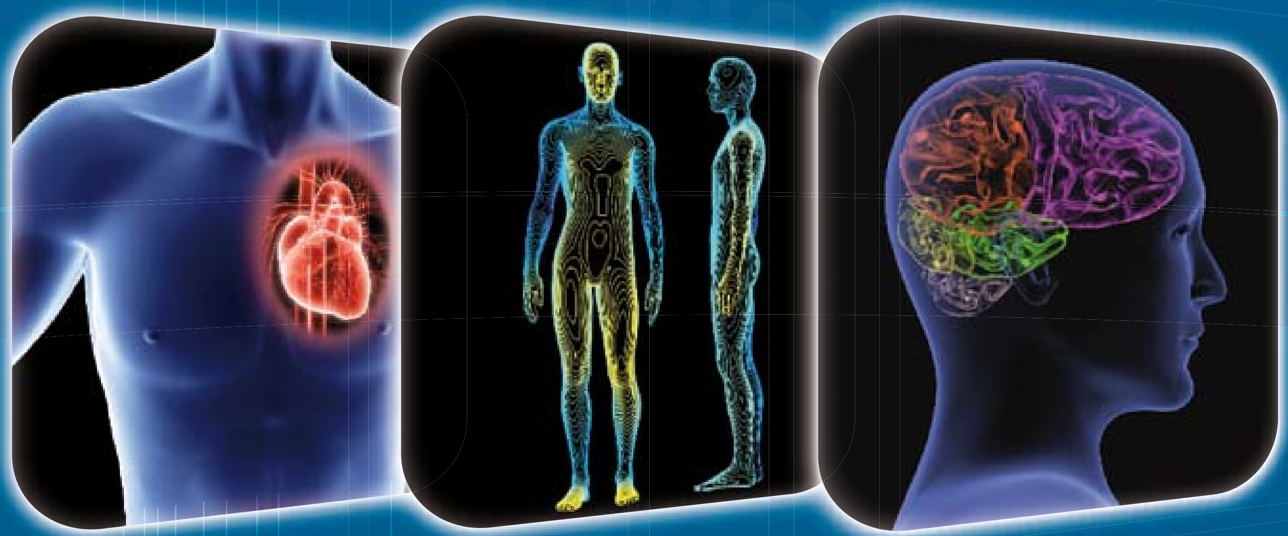
Registration Document



2011

Guerbet

Contrast for Life

2011 REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

This registration document was filed with the French financial market authority (*Autorité des Marchés Financiers* or AMF) on 16 April 2012 in compliance with Article 212-13 of the AMF General Regulation. It may be used in connection with a financial transaction only if accompanied by a memorandum approved by the AMF. The original French language version of this document was prepared by the issuer and is binding on its signatories.

In accordance with Article 28 of Commission Regulation (EC) No. 809/2004 of 29 April 2004, for certain information the reader is referred to previous registration documents:

1. The Board of Directors' management report, the consolidated financial statements, the Auditors' report on the consolidated financial statements for the fiscal year ended 31 December 2010 included in the registration document filed with the AMF on 11 April 2011 (No. 11-0278)

2. The Executive Board's management report, the consolidated financial statements, the Auditors' report on the consolidated financial statements for the fiscal year ended 31 December 2009 included in the registration document filed with the AMF on 1 April 2010 (No. D 10-0216).

Guerbet
***Société Anonyme* (a French corporation) governed by a Board of Directors**
with a capital of €12,200,184
Registered office: 15, rue des Vanesses - 93420 Villepinte France
Bobigny Trade and Company Register (R.C.S.) No.308 491 521

CONTENTS

THE GUERBET GROUP

1) History of the company

Guerbet is a French pharmaceutical group specialised in contrast agents for medical imaging. It is listed on NYSE Euronext Paris (Eurolist Compartment B – Mid Caps) and majority held by the Guerbet family shareholder group. The company's origin is linked to Marcel Guerbet's discovery of the first organic iodinated contrast agent in 1901, Lipiodol®.

The Guerbet company was created in 1926 by André Guerbet. Since then, the company has pursued significant growth driven by regular innovations in medical imaging technologies accompanied by the introduction of new contrast agents. On this basis, Guerbet's research and development has resulted in the launch of four major products: Telebrix®, Hexabrix®, Dotarem® and Xenetix®.

<u>Guerbet Group milestones:</u>

Date	Event
1901	Discovery of Lipiodol®
1926	Creation of Laboratoires André Guerbet
1970	Launch of Telebrix®
1979	Launch of Hexabrix®
1981	Construction of a second chemical production facility in Lanester
1985	Launch of Hexabrix® in the North American market
1986	Initial public offering
1987	Acquisition of Simafex (fine chemicals)
1989	Launch of Dotarem®
1995	Launch of Xenetix®
2004	Acquisition of Medex (a manufacturer of injectors for contrast products)
2008	Implementation of the Iseult program, coordinated by Guerbet in France to advance the frontiers of medical imaging

2) Financial highlights

a) Revenue

In thousands of euros – IFRS	2011	2010
Consolidated net sales	**377,834**	**352,579**

Sales by region		
Europe	70.2%	72.0%
Outside Europe	29.8%	28.0%

Sales by products		
X-ray	51.1%	54.1%
MRI	39.0%	37.2%
Other	9.9%	8.7%

b) Balance sheet and income statement highlights

In thousands of euros – IFRS	2011	2010
EBITDA[1]	42,670	37,030
Current operating income	22,551	11,219
Net income	14,427	5,880
Net earnings per share	4.73	1.93
Dividend per share	1.80 [2]	1.80
Cash flow	34,200	32,879
Shareholders' equity	214,798	210,516
Net debt[3]	100,039	89,680
Capital expenditures	40,008	40,770
Research and development expenditures	42,431	38,435
Employees[4]	1,346	1,314

[1] The calculation for EBITDA is described on page 37 of this document. This concept is also defined in the glossary of financial terms on page 136.
[2] Dividend proposed to the vote of the General Meeting of 25 May 2012.
[3] The calculation for net debt is described on page 38 of this document. This concept is also defined in the glossary of financial terms on page 136.
[4] Average headcount for the period.

3) Business overview

a) A specialist in contrast agents

Guerbet is a pharmaceutical group specialised in contrast agents for medical imaging. These products are administered to humans for diagnostic purposes to evaluate the origin and impact of illness. They contribute to the process of selecting the most appropriate therapeutic and/or surgical option according to the profile of the patients and inherent risks in relation to the pathology's short and long-term evolution.

Contrast products have different forms of action according to the imaging techniques used. They act as amplifiers of x-ray or magnetic imaging signals emitted from large-scale medical equipment (CT computerised tomography scanners, MRI) or as radioactive tracers for nuclear medicine examinations.

The duration of examinations and exposures for patients are very short in order to limit risks associated with the energy emissions. Diagnostic information collected in this manner is stored in the form of raw data. The added value of a contrast product is consequently to guarantee the acquisition of the largest amount of useful information from a single exam while guaranteeing the absence of interactions and side effects.

The diagnostic performance that radiologists and clinicians seek is accordingly directly related to the "richness" of the information obtained from the contrast product's properties of amplification. This is achieved by the quality of static or dynamic digital images detailing anatomical data of organs, the structure of arterial and venous networks and the parameters of blood flow and infusion rate.

Contrast products are subject to the same pharmaceutical regulatory requirements as substances with therapeutic applications. As such, their development and finalisation are subject to the same requirements as drugs and they are required in the same way to obtain a marketing authorisation (*Autorisations de Mise sur le Marché* or AMM). The level of upstream investments before they can be introduced on the market is in consequence very high. These investments cover the work on the research and validation of the concept as well as clinical trials to demonstrate the effectiveness of the signal amplification and tolerance of the contrast product.

The diagnostic performance is a key driver of the therapeutic and surgical decision-making process for clinicians.

It has a direct impact on the quality life of the patient. It also contributes to addressing economic objectives for optimising public healthcare costs through earlier diagnosis and a more efficient decision-making process for selecting therapeutic options adapted to the patient's profile.

b) Guerbet's mission

Guerbet is positioned in this context of diagnostic performance with the goal of contributing to improved medical care and surgical treatment for patients.

Guerbet's goals are in consequence to:

- Contribute to advances in the diagnosis of major pathologies and improving the efficacy of therapeutic strategies: cancers, cardiovascular, inflammatory and neurodegenerative diseases;
- Provide healthcare professionals with a complete range of contrast and imaging products along with innovative injection systems enabling them to fulfil their mission under optimal conditions for patients;
- Contribute in developing solutions for major worldwide health challenges.

c) The market of contrast products

The market for contrast products is dependent on three parameters:
- The level of the installed base;
- Pathologies for which exams involving the injection of contrast agents are essential to confirm a diagnosis;
- Recommendations on exam methods and choices in daily healthcare practice according to national economic constraints.

The first criteria is a limiting factor for market growth

There are two areas for development linked to the installed base for equipment (MRI equipment and X-ray scanners):
- Countries with established economic potential, whose installed bases, often defined in terms of age ratio per million of inhabitants, are already high. Procedures for patient healthcare are highly codified by healthcare bodies both to guarantee proper use and also ensure the effective management of public healthcare costs. For these countries, annual growth of the installed base of equipment is low or even nil resulting in annual volumes and stable market levels with increases of only 2% a year.
- Emerging countries with strong growth in consumer spending levels. Access to healthcare represents a major issue and growth in the installed base of equipment has a significant impact on the number of exams involving contrast product injections. Growth trends for these regions are in the double-digit range.

The two other parameters are directly linked to diagnostic issues of the relevant pathologies

75% of imaging exams are conducted to eliminate an assumption and the consequences of a serious illness. When a pathology has been identified, the precision of information acquired by the diagnostic images is essential for optimising the chances of patient recovery and survival under the best possible conditions.

Every year, more than 36 million imaging exams are performed in Europe with 60% by x-ray scanner, 16% by MRI and 24% by radiolabeling (Nuclear Medicine) This data highlights the importance of diagnosis in providing optimal patient care. Serious pathologies such as cardiovascular disorders, cancer or central nervous system diseases by themselves account for 25 million exams.

Number of exams (in millions)	X-ray	MRI	Nuclear medicine	Total
Oncology	8.4	2.0	3.9	**14.3**
Cardiology	4.7	0.6	2.2	**7.5**
Central Nervous System (CNS)	1.6	1.5	0.2	**3.3**
Total	**14.7**	**4.1**	**6.3**	**25.2**

Source: AMR 2009 – TOP 5 Europe

Note: In the specialized market of contrast products, AMR imaging market data covering major countries is updated every two years. The last AMR report is based on data produced in 2009.

In Oncology, incidence of the main cancers (lung, breast, prostate, colorectal) has been regularly increasing and nearly 14 million exams involving injections of contrast are carried out every year in Europe's five largest countries. This increase is linked to the ageing of the population as well as certain risk factors (tobacco, eating habits, stress and the environment, etc.). It contributes to a rise in the number of exams for increasingly early diagnosis to achieve improved patient outcomes in terms of prognosis and survival under the best possible conditions for quality of life

Trends in the treatment of breast cancer (200,000 new cases per year) provide a perfect illustration of the place occupied by the different medical imaging techniques: MRI occupies a key role in diagnosis and monitoring the evolution of the illness.

Based on European data, more than 40 million women in Europe 50 years and older are expected to receive systematic radiographic screening. This approach contributes to earlier diagnosis which significantly changes therapeutic strategies and contributes to remission of the illness without recurrence.

In Cardiology, evaluating cardiovascular disorders through contrast product injections represents a critical step in exploring the consequences of serious pathologies for symptomatic and/or at-risk patient groups (obesity, diabetes, hypercholesterolemia, stress, hypertension, tobacco, etc.). More than 8 million exams are performed to analyse the condition of the vascular network (ex: narrowing of arteries related to cholesterol plaque build-up) and the consequences on blood flow for adequate infusion for key organs such as the heart (risk of heart attacks) and the brain (risk of strokes).

Diagnostic performance makes it possible to rank patients according to their risk profiles, the presence or absence of clinical signs, to determine the most appropriate treatment approach (preventive monitoring, choice in favour of drug treatment alone or combined with either major or interventional surgery).
In this speciality, through the injection of a contrast product, interventional radiology makes it possible to visualize the region of stenotic vessels requiring treatment, guide the surgical act and immediately control the effectiveness of the resulting dilatation. This type of therapeutic intervention has replaced in a number of cases surgery very often too invasive for the patient and involving higher public healthcare costs (length of hospital stays, procedures for patient monitoring).

In Neurology, it is through Central Nervous System (CNS) imaging that MRI has become a critical tool making it possible to diagnose for the first time lesions not visible using x-ray scanners. In addition to exploring brain tumours and searching for metastases of a primary cancer, contrast product injections in neurology make it possible to explore degenerative illnesses such as Parkinson's, multiple sclerosis and Alzheimer's disease. Confirmation of the diagnosis is supported by MRI imaging data. These chronic pathologies for which available drug treatments are still insufficient to stop their evolution, represent a major public health challenge linked to population ageing, longer lifespans and high intensity care for these dependent patients. For this reason, early screening represents a focus of research both at the level of imaging exams and medical research.

d) Guerbet products

Guerbet growth is based in large part on three major product ranges: Dotarem® (MRI), Xenetix® (X-ray) and Lipiodol®, benefiting from renewed interest in the US market in the latter.

Dotarem®, a non-specific gadolinium-based MRI contrast product, has been Guerbet's largest contributor to revenue since 2010 and the market leader in volume in Europe. Its physio-chemical properties (it is also the only ionic macrocyclic contrast agent available) and optimal security profile make it an industry standard for MRI. Dotarem® is used for the exploration of many pathologies and in particular for central nervous system, digestive tract, osteoarticular and vascular diseases.

First launched on the market in1989, Dotarem® acquired a leadership position in 2006 when the appearance of serious undesirable side effects was noted with the injection of MRI contrast products. Nephrogenic Systemic Fibrosis (NSF) is a potentially fatal disease that may arise in conjunction with the use of gadolinium-based contrast agents for certain patients suffering from severe renal failure. European Health Authorities have divided Dotarem® and its competing products into three categories for the risk of incidence of this illness (high, intermediary and low risk). These classifications were issued on the basis of different recommendations on precautions of use and contraindications for products involving high risks for certain population groups.
Dotarem® has been identified as a low-risk product. This decision has contributed to strong growth by Dotarem®. Today it is the European leader with market share of more than 45% with growth potential in other international markets where it is currently marketed or maybe in the future.

With this potential, Guerbet has taken steps to launch this product in the US market.

Xenetix®, for x-ray imaging (XR) is a second-generation low osmolar contrast media or non-ionic LOCM (low osmolar contrast media). It has had a track record of regular growth both for volume sales and revenue since it was first launched in 1995.

Xenetix®, initially distributed in bottle format, has also been available in polypropylene flexi-bag packaging (Xenetix® in ScanBag®) since 2006 with successive launches in key European markets thereafter. This original and innovative packaging makes it possible to preserve the qualities of Xenetix® while simplifying procedures of use and introducing notable advances in waste management. This packaging solution also represents Guerbet's response to the increasingly important problem of sustainable development.

Xenetix® is available with two concentrations of iodine, 300 and 350 mg. per millilitre. It is generally accepted that 350 mg/mL is the preferred concentration for cardiovascular pathologies, while 300 mg /mL is used for the exploration of parenchymatous pathologies (for example, liver, kidney). In general, LOCM products offer a better tolerance than the first-generation HOCM (High Osmolar Contrast Medium) products combined with improved comfort for the patient when injected.

Lipiodol® is currently today the only oil-based iodinated oil contrast agent for x-ray imaging (XR). The company's origin was based on Marcel Guerbet's discovery of Lipiodol® in 1901. Initially used as a therapeutic application, it became the first iodinated contrast product injected into humans in 1921. In endocrinology, Lipiodol® in soft capsule form is used worldwide in the prevention of iodine deficiency for adults and children. For imaging, after having been indicated for lymphography (a technique no longer used), Lipiodol® is today mainly used in interventional radiology in the embolization of malignant (primary cancers of the liver or liver metastasis) or benign tumours (arteriovenous malformations). For this purpose, Lipiodol® was granted a temporary authorisation for import by the US in order to meet demand by the Food and Drug Administration (FDA) and interventional radiologists and patients. In addition, for the exploration of female infertility, Lipiodol® has been shown to have therapeutic properties after imaging (incidents of resumption in fertility after hystero-salpingography).

Guerbet's offering of products is completed by other ranges to better meet the needs of healthcare professionals:

Hexabrix® is currently the only ionic LOCM x-ray product available on the market. This product has particular physio-chemical properties conferring it with a good renal tolerance and can be used to visualise the risk of arterial thrombosis. As such it is a molecule of choice for radiologists and interventional cardiologists as well as vascular surgeons for cardiovascular exploration

Telebrix®, an x-ray product belonging to the HOCM category of contrast products (developed prior to LOCM and gradually being replaced by the latter notably for scanner examinations). Because of its excellent acceptability, Telebrix® continues to be used in a number of countries. It also retains preferred indications in its drinkable form of Telebrix® Gastro®, particularly useful for digestive tract examinations and in particular for the performance of virtual colonoscopies for colorectal cancer. This examination is henceforth officially recognised as useful for a certain number of patients (recommendation of the French National Authority for Health *(Haute Autorité de Santé* or HAS) of February 2010).

Optiray®/Optiject®, a non-ionic LOCM x-ray product, is marketed by Guerbet under license by Covidien in France, Belgium and Switzerland. Optiject® is an alternative presentation of Optiray® packaged in pre-filled syringes. In addition, Guerbet distributes a range of injectors and medical devices of the Covidien Group for the same geographical markets.

Oxilan®, a non-ionic LOCM x-ray product, was added to the Group's line of x-ray contrast products in February 2002 within the framework of an agreement concluded with the North American company, Cook. Since this date, Oxilan® has been sold directly in the U.S. and in Japan under the Imagenil® brand name by Terumo, the exclusive distributor for Guerbet products in Japan since October 2005.

Artirem®, an arthrography-specific MRI contrast agent was successfully launched in the main European countries. This is the first product proposed for these pathologies for exploration through local injection (intra-articular). Artirem® enables Guerbet to propose an expanded and differentiated MRI offering.

NUCLEAR MEDICINE

Since 2010, Guerbet has marketed the following Nuclear Medicine products in Germany and the United Kingdom:

- **Draxmibi® (Sestamibi)** for myocardial perfusion imaging;
- **Medronate Draximage™ (MDP)**, for bone imaging;
- **Macrosalb Draximage™ (MAA)** for pulmonary perfusion imaging.

The supply distribution agreement with the Canadian company Jubilant Draximage Inc. was discontinued in early 2012 by Guerbet in light of the generic nature of the products in question and the limited competitive advantages for that reason.

Furthermore, Guerbet is exploring other avenues for development in the Nuclear Medicine market that represents a major area in the field of medical imaging. Guerbet Group is accordingly pursuing R&D initiatives in the form of collaborative R&D projects (Gallimed and IMAkinib®) with this objective.

OTHER PRODUCTS

Control over injection speed and volume for x-ray contrast products determines the collection of key data for diagnostics in order to adapt the data acquisition time required for different scanners. These injection protocols require automation capabilities based on a programmable injector triggered on a remote basis or near the patient as determined by the needs for exploring the pathology. This mechanism is attached to the patient by intravenous sets specifically adapted to requirements for safe use and to sterility (consumables).

Medex, acquired by Guerbet Group in late 2004 sells a range of medical equipment that includes injectors for x-ray scanners along with the associated consumables.

An injector was specifically developed for x-ray scanners (**SBI 5002-CT®**) allowing for the exclusive use of flexi-bags ScanBag® for Xenetix®. This development has made it possible to develop a global offering for radiology centres by creating synergies with the contrast product, product administration procedures and medical devices adapted to the patient and injector. Its progressive commercial introduction in Europe will enable Guerbet and Medex to reconcile goals of clinical utility, providing benefits to patients and sustainable development.

4) Manufacturing activity, investments and R&D

a) Manufacturing activity

The Group's significant industrial resources cover:
- Chemical manufacturing involving complex processes for intermediates and active ingredients;
- Production of finished pharmaceutical products in the form of sterile injectable solutions.

The Group manufacturing base includes four sites:
- Lanester: This is the Group’s major chemicals plant, built almost 30 years ago for which the Group has redeployed its investments in chemicals for x-ray applications;
- Marans: A fine chemicals plant of the subsidiary Simafex which, in addition to sales to third parties, also provides the Group with the active ingredient for Dotarem®, a key intermediate for Xenetix® and the active ingredient for Lipiodol®;
- Aulnay-sous-Bois: This is the Group's principal pharmaceutical plant, specialised in vials for injectable products;
- Rio de Janeiro (Brazil): This pharmaceutical production unit supplies the South American market. It is specialised in the manufacture of injectable vials.

b) Investments

For chemicals, manufacturing facilities require significant production capacity and are essential to meeting specifications and the significant volumes required for iodinated contrast products for x-ray imaging. Compared with MRI contrast products, iodinated contrast products are distinguished by significant quantities and production capacity required for active ingredients and synthetic intermediates.

Facilities must be able to respond to demand for increasing production capacity, improving productivity and meeting international standards of quality for the manufacture of injectable pharmaceutical products. For this purpose, significant investments are planned in order to adapt to FDA requirements for distributing Dotarem® in the United States.

Guerbet, like its competitors, has deployed significant production capacities and maintains capital spending at ambitious levels in consequence. This strategy seeks to secure Group sourcing requirements under optimal conditions in terms of productivity and the production time cycle to improve production cost and optimise inventory management. The commitment to quality, reinforced safety and respecting the environment is integral parts of this strategy.

For chemicals, investments are currently in progress at the Lanester and Simafex plants. These concern both investments to increase capacity, improve environmental performance, and the management and prevention of industrial risks. At the Lanester plant, investments undertaken to increase capacity for Xenetix® have been completed. Investments for the Simafex plant in Marans were made to increase capacity for MRI contrast products and the active ingredient of Lipiodol® as well as for the first phases in measures initiated to improve environmental performance and strengthen means of protection and preventing fire risks. Chemical production capacity for MRI applications for Dotarem® will be increased threefold between now and the end of 2012. The complete renovation of a dedicated unit for the production of the Lipiodol® active ingredient has been fully operational since the start of this year.

For pharmaceuticals, an investment project for a new filling unit for the manufacture of injectable solutions in the form of vials and bags is currently underway at Aulnay. Buildings and the installation of utilities have been completed and the first validations of the vial and bag filling lines are expected in 2012.

Concerning the plant in Rio de Janeiro, investments for the renewal of equipment were made in 2010 and are now operational. These investments concerned principally the installation of a depyrogenation tunnel.

In 2011, a new investment was initiated to replace the vials line and will become operational in the summer of 2012.

In 2012, an investment is programmed to be launched for fixtures for the control laboratory in order to comply with international quality standards. The new premises will be operational in 2013.

Finally, investments that began in 2009 at the Gonesse logistics platform are now completed and will contribute to supporting the Group's sales growth.

c) Research & development

▪ R&D objectives

Guerbet's R&D is focused on major diseases where the appropriate contrast agent can improve the initial diagnosis and monitoring the effectiveness of treatment:

- Cancer (brain, breast, prostate, bowel, metastases, etc.);
- Cardiovascular pathologies and atherosclerosis (heart attacks, strokes and cerebrovascular accidents, etc.);
- Inflammatory and neurodegenerative diseases (Alzheimer's, multiple sclerosis, etc.).

Surveys conducted by Guerbet for several years among medical specialists (neurologists, cardiologists, oncologists, gastroenterologists, etc.) have made it possible to identify patient needs.

Practitioners want products that serve as tools to assist prevention, detect disease, or even provide advance signs on the evolution of abnormalities identified. Providing aid in prognosis and monitoring is consequently a major focus of Guerbet's research as it can influence the choice of treatment, limit surgery or save the lives of some patients.

That is why R&D teams are focusing on the development of **functional imaging** capable of identifying biological abnormalities even before the disease develops. This technology is comparable to what is referred to as **molecular imaging** with a purpose of contributing to more customised treatment solutions. In the prevention phase, the challenge is identifying populations at risks to provide improved monitoring capabilities. At the stage of illness, the focus is to identify the exact cause, contributing to effectively selecting treatments best adapted to the individual patient and more rapidly evaluating the effectiveness of treatment and incidents of recurrence.

▪ Product pipeline

Guerbet is currently focused on developing a gadolinium-based new chemical entity (NCE) for MRI. This particularly efficient product is adapted for high magnetic field applications. Evaluation of the preclinical safety profile is in progress.

A new injector is currently under development by Medex for the purpose of offering new functionalities for complex injections for scanners.

Two NCE are also under study in order to position their medical value:

- **P03246** is the first nuclear medicine product (PET) conceived and developed by Guerbet. The indication of this product is for the diagnosis of ovarian cancer. Studies on animals to prepare for the launch of clinical study have been conclusive. The product was synthesised in accordance with cGMP (current Good Manufacturing Practices) adapted for injections in patients. A phase 0 clinical trial has been launched to test the diagnostic efficacy of the product in a clinical environment for a small number of patients.

- **P904** is an iron oxide-based nanoparticle MRI contrast agent for inflammatory and degenerative illnesses. The preclinical trials demonstrate the good tolerance of this product in animals for large doses. They have in turn paved the way for clinical trials in humans (IMPD Investigational Medicinal Product Dossier and cGMP batch available). Studies on translational imaging in animals are in progress to specify the positioning of this product and notably its use within the framework of an individualised treatment approach for certain inflammatory illnesses.

- **Improvements in current manufacturing processes**

A program for optimising processes for limiting environmental impacts and production costs is in progress. This makes it possible to reduce raw material consumption while increasing chemical output and limiting consumption with respect to both effluents and discharges.

- **R&D expenses**

The following table presents research and development expenditures incurred by Guerbet for the last two years.

	2011	2010	Change
R&D expenditures (thousands of euros)	42,431	38,435	+10.4%
R&D expenditures (% of sales)	11.2%	10.9%	

- **Network-based research partnerships**

To meet its research and development goals, Guerbet has accelerated efforts to provide innovations by participating in network-based research. This approach to research open to the outside world provides the Group a means of access to the most advanced worldwide scientific expertise. Medical imaging is an inherently multidisciplinary field where expertise in chemicals, physics, computer science, image processing, biology and medicine are all necessary. In this way, for Guerbet, a collaborative approach is considered to constitute a key success factor.

Several network-based collaborative research programs are being pursued at the same time. The most important among them is the Franco-German research project **Iseult – Inumac**, co-financed by OSEO, the French innovation agency and the German Federal Ministry of Education and Research (BmBF) in Germany. The goal of this project is to contribute to advances in MRI using high magnetic fields. The benefits expected from these new technologies involve switching from anatomical imaging to molecular imaging contributing to a more detailed understanding of pathophysiological mechanisms that are today not accessible to doctors and will provide benefits in detecting, monitoring and treating major pathologies. The clinical indications will include brain tumours, cerebrovascular and Alzheimer's diseases.

This collaborative research program includes participants covering the entire R&D and MRI manufacturing spectrum:

- Guerbet, the coordinator for French participants and contrast agent manufacturer;
- Siemens Medical Solution, the coordinator for Germany and manufacturer of MRI systems;
- Bruker Biospin, specialised in MRI instrumentation and components;
- academic research teams of Neurospin;
- the ultra-high-field neuroimaging centre of the (French Alternative Energies and Atomic Energy Commission (CEA) in Saclay (France), the University of Fribourg, with cutting-edge expertise in medical imaging.

In parallel with work on contrast agent applications, the **Iseult – Inumac** project will result in the construction of a whole body 11.7 T ultra-high-field MRI magnet (11.7 T) for generating high precision images and study new imaging applications. The teams of Siemens, Bruker and the University of Fribourg will also work on developing new procedures for high field molecular imaging.
Guerbet is also pursuing R&D in Nuclear Medicine through two other collaborative projects co-financed by OSEO Innovation: **Gallimed** and **IMAkinib®**.

IMAkinib® is focused on improving cancer treatment by developing new specific imaging radiotracers. Radiotracers are diagnostic molecules that can be marked by a radioactive fluoride (F18) to allow the creation of an image using a scanner to follow the reaction of patients undergoing anti-tumour treatments. They also give a precise location of the tumour and any metastases. Guerbet is partnering with Oncodesign, a Dijon-based oncology-focused biotech SME and project leader, along with Ariana Pharmaceuticals, a Paris-based SME specialised in data mining and analysis solutions.

IMAkinib® is co-financed by OSEO innovation within the framework of the ISI program for strategic industrial innovation (*Innovation Stratégique Industrielle*) for promoting the emergence of European or global leaders.

Gallimed is a network-based collaborative research project led by Guerbet in close collaboration with the Canadian company MDS Nordion and Cyceron, the French research centre for *in vivo* isotopic imaging based in Caen. Gallimed's goal is to develop new radioactive tracer for Positron Emission Tomography (PET) specifically targeting a biological receptor overexpressed in many cancers and metastases, particularly in bone marrow, the lungs and the liver. Gallimed has received the Eurêka European label.

In addition, Guerbet also participates in the 7th Research and Development Framework Programme (RDFP) implemented by the European commission. This is the **NAD** (Nanoparticles for the therapy and diagnosis of Alzheimer's Disease) program focusing on the development of nanoparticles targeting different forms of beta-amyloid aggregates and plaques for the diagnosis and prognosis of Alzheimer's disease.

Guerbet is also a member of the worldwide competitive cluster, **Medicen Paris Region**, a group of key biomedical innovators in the Ile-de-France region. This stimulating environment has resulted in the launch of collaborative projects.

5) Group organisation at 31 December 2011

a) Executive Committee and Management Board

- **Executive Committee**

Yves L'Epine – *Chief Executive Officer*
Marie-Christine Garnier – *Chief Quality Officer (QSE) - Deputy Chief Executive Officer, Qualified Person (QP)*
Bruno Bonnemain – *Chief Supply Chain Officer*
Claire Corot – *Chief Research Officer*
Pierre Courteille – *Vice President of Sales*
Jean-François Le Martret – *Chief Financial and Administrative Officer*
Pascal Mailliart – *VP, Human Resources*

- **Management Board**

Yves L'Epine – *Chief Executive Officer*
Marie-Christine Garnier – *Chief Quality Officer (QSE) - Deputy Chief Executive Officer, Qualified Person (QP)*
Bruno Bonnemain – *Chief Supply Chain Officer*
Philippe Barthelet – *Chief Business Development Officer*
Virginie Beck – *Vice President, Strategic Projects & Information*
Claire Corot – *Chief Research Officer*
Pierre Courteille – *Vice President of Sales*
Anne-Laure Delasalle – *Vice President, Communications*
Pierre Desche – *Vice President, Medical and Regulatory Affairs*
Frédéric Duchet – *Chief Information Officer*
Henri-François Gregy – *Vice President, Pharmaceuticals*
Alain Le Jeune – *Vice President, Medex*
Jean-François Le Martret – *Chief Financial and Administrative Officer*
Pascal Mailliart – *Vice President, Human Resources*
Antoine Mazraani – *Vice President, Europe*
Dominique Meyer – *Vice President, Chemicals*
Elena Puntorieri – *Vice President, Purchasing*

b) Board of Directors

Jean-Jacques Bertrand – *Chairman of the Board Of Directors (Independent Director)*
Marion Barbier
Jacques Biot – *Independent Director*
Vincent Dagommer
Olivier Guerbet
Marie-Claire Janailhac-Fritsch – *Independent Director*
Christian Louvet

c) International presence

Region	Country	Company	Ownership interest (%)
Europe	France	Guerbet	N/A
		Simafex	100.00%
		Medex	60.00% [1]
	Germany	Guerbet GmbH	100.00%
	Austria	Guerbet Austria	100.00%
	Belgium	SA Guerbet NV	99.78%
	Spain	Guerbet Laboratorios Farmaceuticos	100.00%
	Italy	Guerbet SpA	99.90%
	Netherlands	Guerbet NLBV	100.00%
	Portugal	A. Martins & Fernandes	100.00%
	United Kingdom	Guerbet Laboratories	100.00%
	Switzerland	Guerbet A.G.	100.00%
	Turkey	Guerbet A.S.	99.99%
Americas	Brazil	Guerbet Produtos Radiologicos	99.99%
	Mexico	Guerbet Mexicana	99.98%
	United States	Guerbet LLC	100.00%
Asia	Hong Kong	Guerbet Asia Pacific	100.00%
	South Korea	Guerbet Korea	100.00%
	Taiwan	Guerbet Taiwan	100.00%
	Japan	Guerbet Japan KK	100.00%

d) Industrial assets – manufacturing facilities

Establishment	Address	Activity
Aulnay-sous-Bois	16/24 rue Jean Chaptal 93600 Aulnay-sous-Bois	Main pharmaceutical manufacturing plant Research laboratory
Gonesse	16-18 rue Gay-Lussac Zone Industrielle de Gonesse 95500 Gonesse	Distribution centre
Lanester	705 rue Denis Papin 56607 Lanester	Main chemicals plant
Marans (Simafex)	16 rue des Fours-à-Chaux 17 320 Marans	Fine chemicals
Rio de Janeiro	Rua André Rocha, 3000 – Jacarepagua CEP 22710 - 561 Rio de Janeiro Brazil	Second pharmaceutical manufacturing plant

[1] Guerbet has a purchase commitment for the minority share of Medex which is accordingly fully consolidated.

e) Distribution

Group sales are assured:
- Directly through the sales organisation;
- Through licensees;
- Through distributors.

Direct sales

The Group has focused on progressively developing a network of direct sales subsidiaries. A direct local presence in key markets has been decisive in developing strong and durable customer relationships. The Group has a network of direct operations in Europe, Asia, North and Latin America.

License agreements

Under the terms of this type of agreement, generally long-term (10 years or more), licensees assure all or part of the pharmaceutical development, pharmaceutical production and the sale of the product for a given territory.

At present, Guerbet distributes Hexabrix® in the U.S. both through a license granted to Covidien and directly through it subsidiary Guerbet LLC.

Customer segments

The structure of Guerbet's local customer base in each of the national markets, excluding of course distributors and licensees, varies from one country to the next. However, in a majority of countries there exist two main categories:
- Hospitals, clinics, radiology centres and purchasing groups accounting for a significant portion of sales (generally involving negotiated contracts or calls for tender);
- Wholesalers-distributors that in turn supply pharmacies.

Distribution agreements

In markets of not covered by direct sales or a Guerbet license agreement, the Group has recourse to distributors. The key markets covered by distributors are Scandinavia, Eastern Europe, Greece, Africa and the Middle East, certain countries in South America, Asia and Oceania. The average duration of distribution agreements is three years.

CORPORATE GOVERNANCE

1) Board of Directors

a) Board members

Directors	Other offices and offices
Jean-Jacques Bertrand *Chairman of the Board of Directors and subsequent to the death of Mr. Bernard Massiot* *Chief Executive Officer until 23 November 2011* Independent Director Date of appointment: 21 May 2010 <u>Expiration of appointment: 2016 AGM</u>	Chairman of the Board of Directors of NEOVACS Director, Fondation pour la Recherche Médicale Honorary Chairman, LEEM - - - - - - - - - - - - - A graduate of the Business School HEC Paris (*Ecole des Hautes Etudes Commerciales de Paris*), Jean-Jacques Bertrand has occupied since 1965 a number of functions within pharmaceutical companies and in particular, the following management functions: - Chief Executive Officer of Pharmaceutical Operations of Rhône-Poulenc Santé in France in 1985; - Chief Executive Officer of Rhône-Poulenc Rorer in 1990; - Chief Executive Officer of Pasteur Mérieux Connaught (Aventis Pasteur in 2000) from 1994 until the end of 2002; - Executive Committee member of Rhône-Poulenc in 1999 and Deputy Chief Executive Officer of Aventis Pharma. Jean-Jacques Bertrand was successively appointed: - Member of the Supervisory Board of Guerbet on 25 May 2002; - Vice Chairman of the Supervisory Board of Guerbet on 15 November 2002; - Member of the Supervisory Board of Guerbet on 19 May 2006 and serving until 21 May 2010; - Chairman of the Board of Directors on 21 May 2010 - - - - - - - - - - - - - Jean-Jacques Bertrand is co-author with Prof. Pierre Saliou of the work "*Les sentinelles de la vie*" on the world of vaccines published by Albin Michel.
Bernard Massiot *Chief Executive Officer* Director & Guerbet shareholders agreement member Date of appointment: 21 May 2010 <u>End of appointment on 29 May 2011</u>	Bernard Massiot served as Chief Executive Officer (*Directeur Général*) and Director of Guerbet from 21 May 2010 until his death on 29 May 2011.

Directors	Other offices and functions
Marion Barbier Director & Guerbet shareholders agreement member Date of appointment: 27 July 2011 Expiration of appointment: 2017 AGM	Graduate of Université Panthéon-Sorbonne with a degree in International Law and member of the Paris Bar Association, Marion BARBIER served as a lawyer from 1984 to 2000 with the firm Jeantet & Associés and subsequently joined Bird & Bird as partner in January 2000 when the firm was opened.
Philippe Biju-Duval Director & Guerbet shareholders agreement member Date of appointment: 21 May 2010 End of appointment on 27 May 2011	Graduate of the ENA (National School of Administration). Philippe Biju-Duval was appointed member of the Supervisory Board of Guerbet on 18 May 2006 and served until 21 May 2010.
Jacques Biot Independent Director Date of appointment: 21 May 2010 Expiration of appointment: 2016 AGM	Chairman & Chief Executive Officer, JNB – Développement SA Chairman of the Board of the Ecole des Mines d'Alès Chairman of the Board of the Fondation du Rein - - - - - - - - - - - - - Graduate of Ecole Polytechnique (1971), member of the Corps des Mines, Jacques Biot has: - Occupied the position of Technical Advisor, responsible for industry and technology for the office of the Prime Minister; - Served as Management Board member for the companies Roussel-Uclaf and Pasteur-Mérieux Sérums et Vaccins. Jacques Biot founded JNB-Développement (JNBD) in 1992 for which he is the Chairman and Chief Executive Officer, a company of expert consultants in the healthcare field proposing to different participants in that sector aid and support in developing strategies as well as operational services. Jacques Biot was appointed member of the Supervisory Board of Guerbet on 25 May 2002 and served until 21 May 2010. - - - - - - - - - - - - - Jacques Biot is author and co-author of several reports and studies in the healthcare field : - Biot-Dangoumau Report on the future of the French pharmaceutical industry written at the request of the Ministry of Health, Industry and Research (1989); - Report on the reorganisation of the French system for the fractionation of plasma derivatives produced in the request of the Ministry of Health (1992); - The French medical equipment industry: overview, outlook and proposals. Report produced at the request of the Ministry of the Economy, Finance and Industry (July 2001) - The impact of biotechnologies on pharmaceutical R&D, La Jaune et la Rouge, special biotechnology issue, December 2003; - Biot J., Fasano C., Dos Santos C. From orthoclone to denosumab, the fast growing market of monoclonal antibodies Médecines Sciences, No 12, vol. 25, December 2009; 1177-82.

Director	Other offices and functions
Jacky Boudeville Independent Director Date of appointment: 21 May 2010 End of appointment on 1 March 2011	Professor of E.S.C.P.-E.A.P. (C.C.I.P. graduate programme) Member of the Research Committee of the French Institute of Directors (*Institut Français des Administrateurs*). Jacky Boudeville was successively appointed: - Director of Guerbet on 7 June 1986; - Member of the Supervisory Board of Guerbet on 27 October 2001, serving until 21 May 2010.
Vincent Dagommer Director & Guerbet shareholders agreement member Date of appointment: 21 May 2010 Expiration of appointment: 2016 AGM	With a business degree from the Ecole Supérieure de Commerce de Paris, Vincent Dagommer since the beginning of his professional career in 1990, occupied several responsibilities in the area of management control, mainly in large pharmaceutical groups in France, Brazil and Switzerland. Since 2011, Vincent Dagommer has been responsible for Agreements and Licenses in charge of divestments for Novartis Consumer Health in Nyon (Switzerland).
Olivier Guerbet Director & Guerbet shareholders agreement member Date of appointment: 21 May 2010 Expiration of appointment: 2016 AGM	Senior executive of SAS KEOSYS Managing Partner of SARL ADS - - - - - - - - - - - - - With a degree from the Institut Supérieur de Gestion, Olivier Guerbet participated in the INSEAD Advanced Management Program. Olivier Guerbet has occupied functions in the sale and marketing of biomedical instruments in the United States, France within US multinationals. In 1993, he joined the Group bearing his family name and during nine years successively created the Turkish subsidiary, repositioned the biomedical activity and managed the fine chemicals subsidiary. In 2001, giving preference to an entrepreneurial project, he joined the Board of Directors. He is the owner of a small company specialised in marine aquaculture with an interest in developing intermediate sized companies or SME with potential for future development. Olivier Guerbet was successively appointed: - Director of Guerbet on 19 May 2001; - Member of the Supervisory Board of Guerbet on 27 October 2001, serving until 21 May 2010.
Marie-Claire Janailhac-Fritsch Date of appointment: 27 May 2011 Expiration of appointment: 2017 AGM	A graduate of the Business School HEC Paris (*Ecole des Hautes Etudes Commerciales de Paris*), during 10 years Marie-Claire Janailhac-Fritsch occupied a number of functions in different pharmaceutical companies and over a period of 17 years participated in the creation, development and sale of start-ups in the cosmetic sector (IRIS, LANATECH, SIRICIE). Since 2003 Ms. Marie-Claire Janailhac-Fritsch has worked as a consultant in the cosmetics sector. Marie-Claire Janailhac-Fritsch was appointed: - Director of Guerbet on 27 May 2011. - - - - - - - - - - - - - Marie-Claire Janailhac-Fritsch has been a member of the French Institute of Directors (*Institut Français des Administrateurs)* since 2007.

Director	Other offices and functions
Christian Louvet Director & Guerbet shareholders agreement member Date of appointment: 21 May 2010 Expiration of appointment: 2016 AGM	An Optician-Optometrist and Audioprosthetist by training, with a management degree from IFG (*Institut Français de Gestion*), in 1972 Christian Louvet joined the Essilor Group where he exercised the majority of his career occupying successively from 1979 until 2002 a number of management functions. Christian Louvet was successively appointed: - Director of Guerbet on 15 May 1993; - Member of the Supervisory Board of Guerbet on 27 October 2001, serving until 21 May 2010; - Secretary General of the Guerbet family shareholders agreement since October 2001.

The members of the Board of Directors have selected the Company's registered office for the address of service.

At no time has any of these Directors been convicted for fraud or ever been involved in a bankruptcy, receivership or liquidation procedure.

b) Conflicts of interest

To the best of the issuer's knowledge, there are no items that could potentially give rise to conflict of interest between the duties of members of the Board of Directors vis-à-vis the Company and their private interests.

There exist no arrangements or understandings concluded with customers, suppliers or others by virtue of which one of the parties mentioned above was selected to serve.

2) Report of the Chairman of the Board of Directors on corporate governance and internal control and the principles for setting the compensation of corporate officers

In accordance with Article L 225-37 subsection 6 of the French commercial code, we are pleased to report to you notably on the composition of the Board, procedures for preparing and organising its work as well as the procedures established by the Board of Directors for determining compensation and benefits of any nature granted to corporate officers, as well as the internal control and risk management procedures implemented by your company. This report was approved by your Board of Directors on 12 April 2012.

Guerbet adheres to the AFEP/MEDEF code of corporate governance. However, exceptions to these guidelines are mentioned in this report. This code can be consulted at the website www.code-afep-medef.com.

I - Corporate governance

Your Board of Directors had seven members at 31 December 2011, three of whom considered independent directors as they are not members of the Guerbet family shareholders group nor have any relationship with the company or the Guerbet Group. These are Messrs. Jean-Jacques Bertrand, Jacques Biot and Ms. Marie-Claire Janailhac-Fritsch. Jean-Jacques Bertrand is the Chairman of the Board of Directors. No independent directors hold a significant number of the Company's shares. Furthermore, no Board of Directors member has an employment contract with the parent company or any of its subsidiaries.

Dr. Michel Guerbet is Honorary Chairman of the Company.

In accordance with the provisions of the law and the Company's Articles of Association, members of the Board of Directors are appointed for terms of office of six years. In light of the specific characteristics of the Company's activities and wish that the Board's work be based on a long-term approach, the Company has not in this case followed the provisions of the AFEP-MEDEF corporate governance code recommending that terms of office not exceed four years.

The Board of Directors adopted its charter (rules or procedures) on 21 May 2010. This charter sets forth and completes the rules governing the functioning of the Board provided for by the Company's Articles of Association and the law.

In 2011, the Board of Directors met eight times with an attendance rate of 96%. Pursuant to the death of Bernard Massiot, Chief Executive Officer of the Company, on 9 June 2011, the Board of Directors also conferred upon Jean-Jacques Bertrand responsibility for the General Management for the period necessary to appoint a new Chief Executive Officer. On 17 October 2011, the Board of Directors appointed Yves L'Epine as the Chief Executive Officer with a term of office commencing on 23 November 2011.

Messrs. Jacky Boudeville and Philippe Biju-Duval resigned from their offices as directors on respectively 1 March and 27 May 2011.

Ms. Marie-Claire Janailhac-Fritsch and Ms. Marion Barbier were appointed as Directors of the Company respectively by the Ordinary General Meeting of 27 May and the Combined Ordinary and Extraordinary General Meeting of 27 July 2011.

Since the beginning of 2012, the Board of Directors met four times, including once to review the annual financial statements for fiscal 2011.

I – 1 Organisation of the work of the Board of Directors and Board Committees

Evaluation
On 16 December 2011, the Board performed its self-assessment and no difficulties were identified in the conduct of its work. In consequence, the report on its performance was satisfactory.

Committees
To prepare its work and improve the effectiveness of its meetings the Board of Directors established four specialised committees on 21 May 2010. These Committees represent bodies destined for study and reflection. These committees issue recommendations and proposals though do not exercise decision-making authority and report to the Board of Directors on their work.

Strategy Committee
All members of the Board of Directors participate in this committee that meets in general at least once every quarter and more frequently if required This Committee met four times in 2011. This Committee is headed by Jean-Jacques Bertrand, Chairman of the Board of Directors.

The work of this Strategy Committee consists in reviewing five-year plans and the ten-year strategic plan, progress on strategic initiatives, research projects and the organisation of the Group.

Compensation Committee
This Committee is chaired by the Chairman of the Board of Directors, Jean Jacques Bertrand, also the sole Independent Director serving on this body. Christian Louvet and Marion Barbier are also members of this Committee. It is noted that the recommendations of the AFEP-MEDEF Code providing for three independent directors has not been applied. This Committee met two times in 2011.

The mission of the Compensation Committee is to ensure that the Board of Directors is able to determine under optimal conditions all compensation and benefits of executive officers.

Its mission also is to:
- Review the compensation policy applied within the Group;
- Address in particular succession plans for senior management and persons considered to exercise key functions within the Group.

Audit committee
This Committee is chaired by Jacques Biot. The members of this committee include Jean-Jacques Bertrand, Olivier Guerbet, Vincent Dagommer and Marie-Claire Janailhac-Fritsch who replaced Jacky Boudeville. Three out of the five members of this committee are considered as Independent Directors. It is noted that the recommendations of the AFEP-MEDEF Code providing for a minimum for independent directors of two thirds has not been applied. This Committee met five times in 2011.

In compliance with Article L.823-19 of the French commercial code, the Audit Committee covers, under the exclusive and collective responsibility of its members the following issues:
- Preparing and reviewing the separate and consolidated financial statements;
- The independence and objectivity of the Statutory Auditors;
- The effectiveness of internal control and risk management procedures.

It receives input provided by the Chief Executive Officer, Chief Financial and Administrative Officer, and the Statutory Auditors who participate in the work of the Committee.

"Research and Innovation" Committee
All members of the Board of Directors participate in this Committee headed by Jacques Biot. This Committee met two times in 2011.

The Research and Innovation Committee:

- Provides members of the Board of Directors with regular updates on work and progress on research projects selected within the framework of the Strategy Committee along with scientific and technological developments in the field of medical imaging, and more generally, on healthcare policies with potential impacts on the Group's strategy;
- Prepares if it considers useful, with the assistance of the Chief Research Officer, or any other employee or consultant whose assistance it may solicit, decisions relating to innovation or research that the Board of Directors or the Strategy Committee may be required to render.

I – 2 Principles and rules for determining compensation and benefits granted to corporate officers

The Compensation Committee is tasked by the Board of Directors to study compensation and contribute to the preparation of the decisions of the Board.

Board of Directors

1) Board members

For fiscal 2011, the combined shareholders' meeting to be held on 25 May 2012 will be asked to approve a total allocation for attendance fees of €166,200 consisting of fixed and variable portions calculated according to the contributions of each member to Audit Committee and Compensation Committee meetings.

Based on comparisons, these amounts are in the lower range for the companies of similar size.

2) Chairman of the Board of Directors

In 2011, for the office of Chairman of the Board of Directors, Jean-Jacques Bertrand was granted gross compensation of €43,976.11 or net compensation of €37,925.

Jean-Jacques Bertrand also received, due to the exceptional circumstances resulting in his serving as Chief Executive Officer for the period from June to November, a fixed amount of gross compensation of €78,894.22 or net compensation of €63,384.

Executive Management

The Chief Executive Officer receives compensation for the performance of his functions as a corporate officer. Though without an employment contract, he is entitled to the same social benefits allocated to Guerbet executive management. He is entitled to reimbursement for costs incurred in the performance of his duties and notably travel and entertainment costs subject to submission of expense vouchers.

The Qualified Person, as Deputy Chief Executive Officer of Guerbet, receives compensation for this office in addition to compensation under the terms of an employment contract as Chief Quality Officer (QSE).

I – 3 Information on changes to the Board of Directors

In connection with changes in Guerbet Group's system of governance, following the provisions of the AFEP-MEDEF Code, the recommendations of the French Institute of Directors (*Institut Français des Administrateurs* or IFA) and legislative reforms providing for a more balanced representation of men and women on Boards Ms. Marie-Claire Janailhac-Fritsch and Ms. Marion Barbier were appointed Directors of the Company by the General Meetings of 27 May 2011 and 27 July 2011

I – 4 Participation in General Meetings

Procedures governing shareholder participation in General Meetings and, notably, for the grant of entitlement to double voting rights for shares held in registered form, are defined in Articles 19 and 20 of the Articles of Association.

I - 5 Items having a potential impact in the event of public offerings

Information relating to items that could have an impact in the event of public offerings mentioned in Article L 225-100-3 of the French commercial code are presented in the Management Report of the Board of Directors of the Company.

II - Internal control and risk management

The Group considers internal control as a set of policies and processes destined to provide reasonable assurance as to the achievement of operational objectives, the reliability of information and compliance with applicable laws and regulations.

Internal control is based on:

- The organization and operating procedures of company management bodies such as those described above;
- Guerbet's own quality system, including activities of control, indicators, risk assessment and, steering process procedures;
- Procedures and organisation related to the elaboration of the financial and accounting information.

II – 1 The Guerbet "quality" system

The Group's parent company is certified ISO 9001 according to the V 2000 standard. The Group's principal subsidiaries also benefit from ISO 9001 certification.

The quality strategy is focused on three key priorities:

- Customer satisfaction;
- Standards specific to its activity and notably pharmaceutical industry standards for which its operations are furthermore subject to inspections;
- On-going improvements in processes and organisational efficiency.

Guerbet has defined eight major processes on which its operations are based (one steering process, three implementation processes and four support processes) to which the main Group procedures are linked. Implementation processes are overseen by decision-making committees while steering processes are managed by an Executive Committee responsible for decisions relating to strategy and the allocation of resources.

Activity indicators have been developed for each process. The control of these indicators has provided a tool for highlighting incidents and/or progress for each progress. The organisation of steering committee meetings has provided opportunities to monitor indicators and identify areas for improvement.

A Failure Mode, Effects and Criticality Analysis (FMECA) is periodically updated during process reviews to measure risks associated with activities, identify potential emergencies and define the necessary organisation and resources in response and periodically reassess the organisation and resources that have been allocated.

Finally, On-going Quality Improvement Plans are developed process by process to achieve efficiency gains and reach their performance goals.

Guerbet's quality program provides for:
- The formalisation of activities through a system of documents defining methods and responsibilities;
- On-going training of personnel;
- Upstream and downstream traceability for all product batches;
- Internal audits;
- Corrective measures when cases of non-conformity are detected and the improvement of processes

This quality system is regularly inspected by:
- French Health Authorities;
- Foreign food and drug agencies (FDA, etc.);
- Certification agencies (AFAQ, SGS, TUV);
- The Group's French and foreign commercial and industrial customers and partners.

II – 2 Procedures and organisation related to the preparation and processing of the financial and accounting information.

Internal controls of financial and accounting information is destined to ensure the compliance within Guerbet Group of accounting and financial information with laws and regulations. Internal controls are also destined to ensure that instructions and guidelines set by Executive Management are followed.

General management, financial management and financial control activities are centralised at the level of Guerbet parent company. In addition, most Group subsidiaries have administrative and finance departments.

Guerbet Group has adopted a procedure for conducting controls of off-balance sheet commitments, notably relating to security and guarantees as well as market instruments that are periodically reviewed by the Audit Committee and the Board of Directors.

The Group Finance Department has drawn up an Accounting Plan and procedures applicable by all the entities of the Group. These procedures relate to accounting standards and the transmission of information.

Group subsidiaries have also undertaken to apply key general principles (notably the Group finance policy) through Group charters signed between them and the parent company.

Group consolidated accounts are prepared by head office teams. A consolidation package in conformity with Group standards is established for every consolidated subsidiary, based on the financial data from local information systems.

Finally, the Group regularly organises internal audits to verify the level of compliance in relation to applicable strategies and procedures in force.

II – 3 Risk management

Risks incurred by the company are identified, evaluated and ranked by importance.

The risks of every process, project and business line are regularly reviewed, making it possible to implement risk prevention and reduction measures.

Measures implemented are monitored through continuous improvement plans.

The Group's environmental safety policy is focused on two major priorities:
- Ensuring the health and security conditions at all our sites;
- Managing the environmental impacts of our activity.

The Risk Manager is responsible for promoting and developing risk management expertise by transmitting this expertise and providing methodological support to line management. The Risk Manager is also responsible for optimising the cost of risk by eventually transferring it to insurers.

Chairman of the Board of Directors

3) Statutory Auditors' report prepared in accordance with Article L.225-235 of the French commercial code on the report of the Chairman of the Board of Directors of Guerbet

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders:

As the statutory auditors of Guerbet and in accordance with Article L.225-235 of the French commercial code, we hereby report to you on the document prepared by the Chairman of your company in accordance with Article L. 225-37 of said code for the year ended 31 December 2011.

The Chairman is required to prepare a report describing the internal control and risk management procedures implemented within the Company and providing the other information required by Article L. 225-37 of the French Commercial Code notably relating to the system of corporate governance.

It is our responsibility to:

- Report our observations on the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and;

- Certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, while specifying that we are not responsible for verifying the fairness of this other information.

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

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Professional accounting standards require that we perform procedures to assess the fairness of the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures notably consisted in:

- Obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, on which the information presented in the Chairman's report is based, as well as reviewing supporting documentation;

- Obtaining an understanding of the work performed to prepare this information, as well as reviewing supporting documentation;

- Determining if material weaknesses in internal control procedures relating to the preparation and processing of financial and accounting information detected in the course of our engagement have been properly disclosed in the Chairman's report

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We certify that the Chairman's report contains the other information required by Article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine,12 April 2012

The Statutory Auditors
[*French original signed by*]

Horwath Audit France	**Deloitte & Associés**
Marc de Prémare	Jean-Marie Le Guiner

SHAREHOLDER INFORMATION

1) The Guerbet share

Guerbet's shares are traded on NYSE Euronext Paris - Eurolist (Compartment B). Its ISIN code is FR0000032526. On the basis of the closing price on 21 March 2012, Guerbet has a market capitalisation of €231 million.

Trading activity (range & volume).

	High (in euros)	Low (in euros)	Trading volume (number of shares)	Trading volume (in thousands of euros)
January 2011	71.50	62.40	39,618	2,584.47
February 2011	69.45	61.73	20,040	1,303.72
March 2011	73.12	61.50	59,704	3,962.11
April 2011	71.50	64.90	24,827	1,690.02
May 2011	79.00	69.90	35,496	2,646.02
June 2011	79.00	72.00	28,564	2,172.01
July 2011	89.00	78.00	54,439	4,509.76
August 2011	85.50	71.53	21,202	1,635.84
September 2011	77.14	60.28	32,790	2,171.33
October 2011	72.60	60.00	24,352	1,615.50
November 2011	70.20	62.50	11,756	789.74
December 2011	69.00	63.20	5,658	370.63
January 2012	70.00	61.00	22,579	1,452.51
February 2012	67.80	60.11	44,305	2,831.33

2) Three year dividend highlights

Year	Total distribution	Gross dividend per share	Tax allowance[1]
2008	€ 6,794,921.25	€ 2.25	€ 0.90
2009	€ 6,843,962.25	€ 2.25	€ 0.90
2010	€ 5,490,082.80	€ 1.80	€ 0.72

3) Shareholder base

No new shares were created in the fiscal year under review. In consequence, at 31 December 2011 the share capital was unchanged in relation to the prior year that amounted to €12,200,184 divided into 3,050,046 shares with a par value of 4 euros, fully paid up.

In light of shares held in registered form, the shareholder base breaks down as follows[2]:

	SHARES		VOTING RIGHTS	
	Number	**Percentage**	**Number**	**Percentage**
Guerbet family shareholders group	1,754,812	57.53%	3,476,813	69.40%
Employees, ex-employees & FCP	126,719	4.15%	233,024	4.65%
Other registered shares (Guerbet family shareholder group)	59,741	1.96%	119,127	2.38%
Other registered shares (excluding the Guerbet family shareholder group)	78,050	2.56%	155,366	3.10%
Treasury stock	5,107	0.17%	-	-
Free float including	1,025,617	33.63%	1,025,617	20.47%
Financière de l'Echiquier[3]	*171,700*	*5.63%*	*171,700*	*3.43%*
TOTAL	**3,050,046**	**100.00%**	**5,009,947**	**100.00%**

At 31 December 2011, Michel Guerbet, Honorary Chairman of the Board of Directors and the Directors held 16.11% of the share capital and 19.01% of the voting rights.

In the previous two fiscal years, the breakdown of the shareholder base was as follows:

Shareholder base at 31 December 2010	SHARES		VOTING RIGHTS	
	Number	**Percentage**	**Number**	**Percentage**
Guerbet family shareholders group	1,687,930	55.34%	3,342,660	66.78%
Employees, ex-employees & FCP	127,522	4.18%	231,479	4.62%
Other registered shares	203,447	6.67%	405,491	8.10%
Treasury stock	5,107	0.17%	-	-
Free float including	1,026,040	33.64%	1,026,040	20.50%
Financière de l'Echiquier[4]	*171,700*	*5.63%*	*171,700*	*3.43%*
TOTAL	**3,050,046**	**100.00%**	**5,005,670**	**100.00%**

[1] For natural persons having their tax residence in France.
[2] The breakdown of share capital corresponds to ownership of shares and voting rights for Ordinary General Meetings. The breakdown relating to the Extraordinary General meeting is only marginally different without modifying the share capital structure.
[3] In the absence of disclosures reporting the crossing of ownership thresholds in either direction, holdings by Financière de l'Echiquier of the company's shares remain between 5% and 10%. The number indicated, on an arbitrary basis, corresponds to the last reported position.
[4] In light of the disclosure reporting the crossing of an ownership disclosure threshold on 13 August 2010.

Shareholder base at 31 December 2009	SHARES		VOTING RIGHTS	
	Number	Percentage	Number	Percentage
Guerbet family shareholders group	1,688,233	55.50%	3,366,135	67.46%
Employees, ex-employees & FCP	111,512	3.67%	210,592	4.22%
Other registered shares	178,304	5.86%	354,881	7.11%
Treasury stock	5,107	0.17%	-	-
Free float	1,058,605	34.80%	1,058,605	21.21%
TOTAL	**3,041,761**	**100.00%**	**4,990,213**	**100.00%**

To the best of the Company's knowledge, four shareholders with registered shares have crossed disclosure thresholds set by with respect to the number of shares and/or voting rights held. The crossing of these thresholds were not subject to disclosure requirements in fiscal 2011 as they did not relate to that period.

Shareholder	SHARES (AGM)		VOTING RIGHTS (AGM)		SHARES (EGM)		VOTING RIGHTS (EGM)	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Michel Guerbet	201,210	6.60%	394,886	7.88%	57,877	1.90%	108,220	2.16%
SC Guerbet Fron	177,000	5.80%	332,000	6.63%	177,000	5.80%	332,000	6.63%
Brigitte Lamort	165,659	5.43%	331,318	6.61%	127,481	4.18%	254,962	5.09%
Annie Guerbet	120,889	3.96%	241,778	4.83%	130,889	4.29%	261,778	5.23%

4) Transactions by executive officers or equivalent persons

The following table summarises transactions by related parties subject to the provisions of Article L.621-18-2 [1] of the French Monetary and Financial Code in 2011.

Type of transaction	Name	Quantity	Amount
Purchase of shares	Michel Guerbet	1,226	€ 80,477.78
	SC Guerbet Fron	500	€ 32,940.46
	Vincent Dagommer	385	€ 28,426.35

5) Crossing of ownership thresholds

To the best of the Company's knowledge, no cases of thresholds being crossed have been reported since 1 January 2011.

6) Shareholders' agreement and joint undertakings to retain shares

- ### Shareholders agreement

A shareholders agreement forming a group comprised principally of family shareholders was concluded on 16 November 2002. This agreement was published by the *Conseil des Marchés Financiers* (CMF) on 13 December 2002 under No. 202C1653.

[1] Persons within the Guerbet Group concerned are the Chief Executive Officer, Deputy Chief Executive Officer, members of the Board of Directors as well parties having personal ties to the latter as defined by Article R 621-43-1 of the French Monetary and Financial Code.

Its purpose is notably to "coordinate the group of founder shareholders (principally family shareholders), organise the transfers of Guerbet shares each member possesses or will possess and ensure the cohesion and representation of the group they form within the framework of applicable laws and regulations" and to "associate parties to the agreement with the company's proposed business plan; coordinate the disposal of shares; actively participate in the eventual selection of new Guerbet partners; suggest the designation of new members of the Board of Directors of Guerbet".

- **Undertaking to retain shares through a "Dutreil agreement"**

Two collective pledges to retain shares entered into in accordance with Article 885-I bis of the French general tax code[1] were signed on 21 December 2010 by certain Guerbet shareholders and notably those of the Guerbet family. The first agreement concerned 1,303,216 shares or 42.73% of the share capital and the second 1,065,053 shares or 34.92% of the share capital at 31 December 2011.

Two other collective pledges to retain shares entered into in accordance with Article 787 B of the French General Tax Code[2] were signed on 21 December 2010 by certain Guerbet shareholders and notably those of the Guerbet family. The first agreement concerned 1,242,054 shares or 40.72% of the share capital and the second 912,662 shares or 29.92% of the share capital at 31 December 2011.

7) Rules governing the appointment and replacement of members of the Board of Directors and modification of the Articles of Association

- **Appointing and replacing members of the Board of Directors**

Members of the Board of Directors, whether natural person or legal entities, are appointed by the ordinary general meeting of the shareholders for terms of six (6) years, that expire at the end of the de ordinary general meeting of the shareholders ruling on the financial statements for the fiscal year ended and held in the year during which the term of office expires.

Each Board member must be an owner of at least one (1) qualifying share of the Company. If on the day of his or her appointment, a Board member is not an owner of the qualifying share required or if during his or her term of office is no longer an owner, he or she shall be considered to have resigned from the Board, if the situation is not remedied within three months.

The number of Board members having reached the age of 70 may not represent more than one third of members serving. In the case where this limit is exceeded, the oldest board members serving shall be considered to have automatically resigned at the end of the ordinary general meeting called to rule on the financial statements of the period during which this age limit was exceeded.

The renewal, resignation, appointment by co-optation and revocation of members of the Board of Directors are carried out as provided for by statute.

[1] Article 885-I bis of the French General Tax Code stipulates that "shares of company exercising an industrial activity are not included in the base for assessing the French wealth tax for up to three quarters fair value when they are subject to a collective pledge to retain shares ."

[2] Article 787 B of the French General Tax Code stipulates that "the shares of a company exercising an industrial activity are entitled to an exemption from transfer duties at no cost for up to 75% when subject to a collective pledge to retain shares. ."

8) Powers of the Executive Board concerning the issuance and repurchase of shares

The shareholders' meeting of 27 May 2011 authorised the Board of Directors for 18 months to implement a share buyback programme limited to 5% of the capital.

The shareholders' meeting of 15 May 2009 authorised the Executive Board for 26 months to undertake capital increases for an aggregate amount not to exceed 20% of the share capital.

The shareholders' meeting of 15 May 2009 authorised the Executive Board for 38 months to implement stock option plans to subscribe for and/or purchase shares in favour of members of the personnel.

The shareholders' meeting of 15 May 2009 authorised the Executive Board for 26 months to increase the share capital through the issuance of shares or securities giving access to the share capital of the company reserved for adherents of a Group employee savings plan (*Plan Epargne Groupe* or PEG).

The following authorisations granted to the Executive Board by the General Meeting of 15 May 2009 were transferred to the Board of Directors when the General Meeting of 21 May 2010 changed the form of the company's corporate governance to that of a French joint stock company (*Société Anonyme*) with a Board of Directors

9) Summary of authorisations having a potential impact on the share capital

Authorisations granted to the General Meeting to the Executive Board and the Board of Directors remaining in force	**Amounts used in fiscal 2011**
Authority to repurchase shares of the company granted on 21 may 2010 for 18 months	-
Authority to undertake a capital increase granted on 15 May 2009 for 26 months.	-
Authority to undertake capital increases reserved to members of a Group employee savings plan (PEG) on 15 May 2009 for 26 months.	-
Authority to issue options to subscribe for and/or purchase shares granted on 15 May 2009 for 38 months	2 stock option plans were put into place in 2011 on respectively 17 October and 23 November.

10) Provisions of the Articles of Association relating to share capital

- **Double voting rights (Article 19 of the Articles of Association)**

Except where deprived as provided by law, voting rights attached to shares equal the percentage of capital they represent. However, double voting rights are granted to fully paid-up shares registered in the same name for at least two years.

New shares issued further to the capitalisation of reserves, earnings or premium will also benefit from double voting rights when freely allotted to shareholders as a result of existing shares.

- **General meetings (Article 18 of the Articles of Association)**

Shareholders' meetings are called according to the procedures defined by law.

They are held at the registered office or any other location indicated in the notice of meeting.

All shareholders are entitled to attend and vote in shareholders' meetings and participate in discussions, either in person or by proxy, however many shares they hold, provided they can demonstrate that they are shareholders of record.

This right shall remain subject to, either registration of the shareholder or the registered financial intermediary, as provided for under Article L.228-1 of the French commercial code, in the account for registered shares, or the filing for bearer shares, at the locations indicated in the meeting notice, of a document certifying that the shares have been deposited in a blocked account with an authorised intermediary at least three (3) business days before the meeting date.

It is specified that all shareholders may, if the Board of Directors so permits when the general meeting is called, participate in the meeting by videoconferencing or other electronic, telecommunications or teletransmission means subject to the reservations and conditions established under applicable laws and regulations. These shareholders shall thereupon be considered as present for the purpose of calculating the quorum and majority quorum.

- **Identifiable bearer shares (*titres au porteur identifiables*) (Article 8 of the Articles of Association)**

At any time the company may request the clearing organisation, according to procedures provided by law, disclosure of the identity of holders of shares conferring present or future voting rights at shareholders' meetings as well as the number of shares held and where applicable, restrictions thereon.

- **Special disclosure requirements concerning share ownership thresholds**

The Company's Articles of Association do not impose additional disclosure requirements relative to reporting percentages of ownership in the capital and voting rights less than the one twentieth mentioned in Article L. 233-7 paragraph 1 of the French commercial code.

- **Actions necessary to change the rights of holders of shares indicating where the conditions are more significant than is required by law**

There exist no conditions more stringent than those required by law.

MANAGEMENT DISCUSSION AND ANALYSIS

1) Analysis of revenue and earnings

a) Revenue highlights

- **Sales by type of product**

<table>
<tr><th colspan="2">IFRS
(In thousands of euros)</th><th>2011</th><th>2010</th><th>Change</th></tr>
<tr><td rowspan="5">X-ray products</td><td>Xenetix®</td><td rowspan="5">193,024</td><td rowspan="5">190,841</td><td rowspan="5">+1.1%</td></tr>
<tr><td>Hexabrix®</td></tr>
<tr><td>Telebrix®</td></tr>
<tr><td>Optiray®/Optiject®</td></tr>
<tr><td>Oxilan®</td></tr>
<tr><td rowspan="4">MRI products</td><td>Dotarem®</td><td rowspan="4">147,341</td><td rowspan="4">131,003</td><td rowspan="4">+12.5%</td></tr>
<tr><td>Artirem®</td></tr>
<tr><td>Lumirem®</td></tr>
<tr><td>Endorem®</td></tr>
<tr><td colspan="2">Other products[1]</td><td>37,469</td><td>30,735</td><td>+21.9%</td></tr>
<tr><td colspan="2">Total sales</td><td>377,834</td><td>352,579</td><td>+7.2%</td></tr>
</table>

- **Sales by region**

IFRS (In thousands of euros)	2011	2010	Change
Europe	265,422	253,993	+4.5%
Outside Europe	112,412	98,586	+14.0%
Total sales	**377,834**	**352,579**	**+7.2%**

b) Analysis of sales

With a market share of more than 45%, adding four points from the prior year, Dotarem® further strengthened in 2011 its leadership in Europe. This flagship product of the Guerbet MRI range grew 6.2% in value sales in the fourth quarter and 12.8% for the full year, with growth in "Other markets" (+14.9%) marginally outpacing Europe (+12.3%). In Germany Dotarem® registered a strong increase in volume sales.

For x-ray imaging, Xenetix® sales expanded 5% in the year with a strong acceleration in the fourth quarter of 9.1%. The strongest growth of the period was generated by the "Other markets" region (+22.1% for the full year), driven mainly by China, South Korea and Mexico. In Europe, sales contracted 2.5% in response to pressures on prices.

Lipiodol®, currently the product used largely for interventional radiology, registered very strong gains on a relative basis with sales surging 56.4%. This spectacular expansion was strongest in North America and

[1] Including notably Lipiodol®, barium sulphate-based products, “bleu patenté” and fine chemicals.

Latin America particularly in the first quarter. In October 2011 the Marans plant received FDA approval to produce Lipiodol®'s active ingredient.

Overall, Guerbet's consolidated revenue in 2011 rose 7.2% with very remarkable advances in Asia, North America, Latin America as well as for Europe in Germany and Switzerland.

c) Earnings highlights

IFRS (In thousands of euros)	2011		2010	
		% of sales		% of sales
+ Net sales	377,834	100.0%	352,579	100.0%
+ Other revenue[1]	3,573	0.9%	6,173	1.8%
+/- Change in immediate and finished goods, work in progress	5,923	1.6%	2,924	0.8%
- Supplies used in operations	(103,675)	-27.4%	(101,725)	-28.9%
- External charges and other	(128,600)	-34.0%	(117,810)	-33.4%
- Staff costs	(100,624)	-26.6%	(93,379)	-26.5%
- Taxes other than on income	(11,761)	-3.1%	(11,732)	-3.3%
EBITDA[2]	**42,670**	**11.3%**	**37,030**	**10.5%**
- Exceptional appropriations for amortisations and reserves	(20,119)	-5.3%	(25 811)	-7.3%
Current Operating Income	**22,551**	**6.0%**	**11,219**	**3.2%**
+/- Other operating income and expenses[3]	(16)	-0.0%	(2 942)	-0.8%
- Net interest expense	(4,187)	-1.1%	(2 557)	-0.7%
+/- Currency gains/(losses) and other financial income and expense	(379)	-0.1%	(591)	-0.2%
+/- Tax charge	(3,542)	-0.9%	751	0.2%
Net Income	**14,427**	**3.8%**	**5,880**	**1.7%**
Research and development expenditures	**42,431**	**11.2%**	**38,435**	**10.4%**

[1] Including operating grants, capitalised production costs, sold production for services and royalties.
[2] EBITDA: earnings before interests, tax, depreciation and amortisation.
[3] Detailed information for this line item is presented in the notes to the consolidated financial statements on page 90.

d) Factors affecting results

Research and development projects have remained on track along with the corresponding expenditures. In particular, the program for Dotarem®'s filing in the US, representing a charge under 2011 results equivalent to 2% sales, is continuing to move forward according to the roadmap.

EBITDA grew twice as fast as sales on a relative basis. This performance reflected improvements in production costs despite rising raw material prices at year-end. These developments led to a strong rise in current operating income.

Net income in turn also increased significantly to €14.4 million from €5.9 million in 2010, despite rising interest expenses and a corporate tax rate more in line with normative levels.

e) Financial position

IFRS **(In thousands of euros)**	**2011**	**2010**
Cash flow	**34,200**	**32,879**
Change in WCR:	3,663	3,367
of which change in inventories	*(13,428)*	*(2,073)*
of which change in trade receivables	*477*	*(5,043)*
of which change in trade payables	*8,981*	*9,208*
of which change in other assets and liabilities	*7,633*	*1,275*
Capital expenditures	(40,008)	(40,770)
Dividend	(5,481)	(6,832)
Other[1]	(2,733)	571
Free cash flow[2]	**(10,359)**	**(10,785)**
Net debt[3]	**100,039**	**89,680**
Number of months of cash flow	35	33

f) Factors affecting the financial position

Capital expenditures remained comparable to 2010 at €40 million. These included €15.8 million allocated to the new pharmaceutical primary packaging unit at the Aulnay-sous-Bois site.

The level of debt that rose to €100 million has nevertheless been maintained effectively under control, benefiting from the positive trend for working capital requirements.

[1] Including primarily tax, the effect of exchange rate fluctuations, fixed asset disposals and capital increases described in detail in the consolidated cash flow statement.
[2] Free cash flow represents the difference between surplus operating cash flows and capital expenditures and accounts for the increase or decrease in net debt.
[3] Net debt constitutes the sum total of current and non-current borrowings less cash and cash equivalents.

g) Outlook

Strongly focused on the needs of practitioners, Guerbet has adapted its positioning with respect to pathologies/products in each major geographical market to ensure the highest quality medical service while optimising profitability from sales.

Against the backdrop of the increasing role of imaging technologies in preventing and treating pathologies, continuing growth in sales is expected in 2012. In this context, the Group's priority will be ensuring profitable sales, maintaining effective cost controls and optimizing operating profit.

The financial statements for the financial year ended 31 December 2011 were approved by the Board of Directors' meeting of 6 March 2012. The Board will submit a proposal to the General Meeting of 25 May 2012 for the payment of a dividend of €1.80 per share, unchanged from the prior year and representing a payout ratio of 2.85% based on the share price of 30 December 2011.

2) Risk factors

The company conducted a review of risks having a potential material adverse impact on its business, financial position or results. Excluding those described below, to the best of its knowledge, it considers that there are no other material risks.

2) Operating risks

- **Pharmaceutical risks**

Pharmaceutical risks could potentially result in liability incurred by the company for the effects caused by its products or financial risk resulting thereof (loss of revenue), legal risks (notably recourse by patients), reputational risk (reputational damage vis-à-vis customers).

As with all pharmaceutical companies, a system of pharmacovigilance (PhV) or post-marketing surveillance is in place in the Group that consists of monitoring and reporting to health authorities undesirable effects arising when one of our products is administered. Furthermore, to manage and limit this risk, the information notices of products can be modified and healthcare professionals as well as patients are informed on precautions of use. Following the inspection in June 2011, UK and French health authorities sent a formal notice of compliance to Guerbet, requesting in particular that information be updated in all countries with respect to tolerance of products accompanied by the implementation of the appropriate organisations for managing PhV information. In this area, the maximum risk of a formal notice of compliance would be suspension of use until the measures taken in response are considered satisfactory by the health authorities. This formal notice resulted in a very comprehensive action plan and decisions adopted to respond to the comments of the health authorities. These authorities were informed within the required time period and may return at any time to reinspect the company.

Another significant risk for pharmaceutical companies concerns compliance with good manufacturing and distribution practices. The pharmaceutical plant of Aulnay-Sous-Bois is subject to regular inspections by drug agencies from around the world starting with the French agency (AFSSAPS). The last visit that occurred in 2010 when we informed health authorities of Guerbet's determination to pursue major investments for the manufacturing facilities of our products to better meet European requirements in the area of good manufacturing rights for injectable products. After a first investment devoted to equipment for the preparation of solutions, a new tranche of investments is now in progress and expected result in the commissioning of a new filling unit by the end of 2012.

With respect to new products in an experimental phase, mandatory civil liability insurance, necessary to obtain the authorisation to conduct the study by the ethics committees, covers risks that may be incurred to persons included in the clinical investigation protocol.

In addition a risk management plan that complies with public health requirements exists to prepare for the monitoring that must be conducted during the marketing phase of products. Finally, as required by law, the company has implemented a system for ensuring the traceability of products sold making it possible, when necessary, to immediately recall product batches whether in clinical trial or marketing phases in all countries where they are distributed.

- **Pricing and product reimbursement risks**

Guerbet is subject to regulatory constraints with respect to market prices that may apply in certain countries which could result in a potential decrease in sales and the gross margin.

- **Dependency on industrial patents or licenses**

For several years, Guerbet has successfully developed technologies through license agreements. The following table presents all license agreements remaining in force.

Product	License holder
Dotarem®	Bayer[1]
Optiray® / Optiject®	Covidien[2]
Lumirem®	Amag[3]

The evaluation of opportunities and risks relating to industrial property is assured by several members of the Management Board. The implementation of partnerships for research and development and the distribution of products take into account the issue of patents. When intellectual property rights lapse, generic products could compete with the Group's current products.

- **Industrial and environmental risks**

The production of chemical active ingredients for contrast agents generates different security and environmental risks. These risks result from dangers inherent in chemical products, their production, transport, use and elimination.

Active chemical ingredients used to produce contrast agents for medical imaging are distinguished by their low toxicity and excellent level of tolerance, even though certain ingredients might be noxious in their natural form. In contrast, certain synthetic intermediates or products used in the production of these active ingredients (raw materials, solvents, reactants, intermediates, etc.) may present the following risks: risk of fire/explosion with potential consequences on people and business continuity, risks of pollution/accidental emissions involving products with potential consequences on the environment and people.

In this context, prior to 2011, Guerbet received a formal notice from the DREAL requesting a reduction in VOC (Volatile Organic Compounds) emissions at the Lanester site. This formal notice of compliance remains in force. Another formal notice was received in December 2011 imposing on Lanester an obligation to comply with management of effluents. These formal notices of compliance resulted in action plans to meet regulatory standards and demands of the DREAL, the French regional agency for the environment, planning and housing.[4]. If results expected are not achieved, the company could be subject to administrative or criminal proceedings under provisions of the French environmental regulations.

→ The Group's environmental safety policy is specifically designed to manage this risk. This issue is discussed in the section on environmental information and in the Report of the Chairman of the Board of Directors on corporate governance and internal control and the principles for setting the compensation of corporate officers.

[1] The pioneer license of Schering (subsequently Bayer Schering Ag) has now expired. For Japan, an agreement was signed in 2005 enabling Guerbet to sell Dotarem® through its agent Terumo.
[2] For France, Belgium and Switzerland.
[3] Primarily for Europe and Latin America.
[4] See the section "Environmental information" on page 52.

- **Sourcing risks**

The crisis of Fukushima in Japan in 2011 and industrial investments by producers in Chile resulted in a sharp rise in iodine prices in the 2011 second half. This in turn led to a rise in production costs for iodinated active ingredients.

Guerbet's multiple sources of supply ensure the availability of satisfactory levels to meet its production needs.

- **Regulatory risks**

As a designer, manufacturer and distributor of pharmaceutical products, Guerbet is subject to a number of regulatory constraints both in France and in other countries In particular, Guerbet is required to comply with French public health laws (*Code de la santé publique*) as well as the good practices defined by the Minister of Health for laboratory work, clinical trials, the manufacture and distribution of pharmaceutical products, information provided to clients and pharmacovigilance.

For the production of active chemical ingredients for its products, the Group is subject to regulations governing facilities designated as “Seveso” sites regularly inspected by regional environmental authorities (DREAL). These products are manufactured and controlled according to the conditions defined and approved by the marketing authorisation (AMM) issued by the health authorities and their manufacture is subject to rules of good manufacturing practices for raw materials used for pharmaceutical applications.

The Group is also subject to the European regulation (REACH or “Registration, Evaluation, Authorisation and Restriction of Chemical substances”) reinforcing requirements for the registration of chemical substances manufactured or imported in the European Union.

As a modification of these regulations, both in France and other countries could have a material effect on the Group's business, it cannot in consequence guarantee that such changes, in particular those affecting the key markets where it operates, will not have an adverse impact on its business and operating performance.

b) Market risks

- **Interest-rate risks**

The Group carries a structural risk under liabilities concerning floating-rate bank debt not offset by equivalent positions under assets. In recent years, floating-rate debt has increased to represent a greater percentage of total debt in relation to fixed-rate debt in line with Guerbet's objective to profit from the structural reduction in interest in the European interbank rate or Euribor. To manage the risk of rising interest rates that would have an unfavourable impact on interest expense, 75% of Guerbet's floating-rate debt is hedged through the use of traditional instruments such as swaps, caps and floors. Maintaining open positions on these financial instruments is prohibited.

→Information on the exposure to interest rate risks and hedging operations related to the period is presented in the notes to the consolidated financial statements.

- **Foreign exchange risk**

Because two thirds of Group sales and purchases are in euros, it does not have an exposure to foreign exchange risk. The Group's €/USD exposure is marginal as Group U.S. dollars purchases and sales offset each other.

However, because of its international operations, the Group is exposed to foreign exchange fluctuations for certain currencies of its subsidiaries, and notably the Brazilian real, the South Korean won and the Turkish lira.

The strategy is to hedge residual currency risks on assets and liabilities by concentrating resources in currencies involving the greatest amounts and volatility. Hedging instruments used include swaps and forwards. Maintaining open positions on these financial instruments is prohibited.

→Information on the exposure to foreign exchange risks and hedging operations related to the period is presented in the notes to the consolidated financial statements.

- **Liquidity risk**

Concerning the risk of insufficient borrowing resources or cases of default imposing immediate repayment of these loans, the Group is required to respect to certain prudential ratios in connection with financial management. In the event ratios are breached, Guerbet and its banking partners are required to negotiate amendments to loan agreements. In the event of a disagreement in these negotiations, these loan agreements provide for the immediate repayment of the debt.

Guerbet Group's objective is to extend the duration of its medium and long-term capital resources. Short-term liquid assets are centralised by the parent company through an automatic cash pooling arrangement that has been adopted by most subsidiaries.

In early 2011, Guerbet entered into discussions with its banking partners to secure financing to support growth, development projects and capital investments for the next five years in the form of bilateral loans, supplementing, existing credit lines.

- **Risks related to financial investments**

The Group, in connection with its industrial pharmaceutical activity is not led to invest in short-term securities. However, it may on occasion have recourse to investments in open-ended investment trusts (SICAV) or UCITS (undertakings for collective investments in transferable securities). The Group's policy is to purchase risk-free securities on the money market.

c) Other risks

- **Litigation risks**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the company is aware) which may have or have had during the last twelve months a significant effect on the financial position or profitability of the company.

→ Information on legal risks, for cases when provisions have been set aside, is provided in the notes to the consolidated financial statements.

- **Risk of counterfeiting**

The risk of counterfeit contrast products is very unlikely. Nevertheless, a procedure describing the conduct to be adopted when occurrence of a counterfeit is suspected is in place making it possible to notify the relevant authorities to take action (attachment, recalls, search for the potential source).

Furthermore, Guerbet has implemented in France Data Matrix marking in compliance with applicable laws to improve traceability and reduce risks of counterfeiting.

- **Country risks**

Guerbet may conduct commercial operations in geographical areas subject to unstable geopolitical conditions. This is notably the case of Iran. The nature of the risk incurred is related mainly to receivables collection.

d) Insurance and risk management

An essential tool of Group risk management includes coverage by insurance policies. This insurance coverage is provided in the traditional insurance market from top standing insurance companies without use of captive insurance vehicles.

Covers are defined according to the Group's risk profile and market conditions. A centralised global insurance program provides for the level of protection required while offering economies of scale. The placement of this program is reviewed annually.

Guerbet’s principal insurance policies provide coverage for:

- Damage to property and business interruption. Maximum coverage for the Group is €250 million per claim. This amount can evolve according to the estimated Maximum Possible Loss (MPL) in terms of property damage or operating losses resulting from business interruption.
- Civil liability: product liability, liability for clinical trials and comprehensive general liability;
- Transport insurance for goods and merchandise both for France and international shipments.

Other coverage includes a policy for directors and officers liability plus, as required, Works Building Insurance and Contractor's All Risk Insurance for our most important construction projects.

3) Human resources

a) Employee-related data

▪ Workforce of Guerbet (parent company)

At 31 December 2011, the Guerbet parent company had 829 employees with permanent contracts:
- 598 employees for Categories I to VI and sales representatives;
- 231 for Categories VII and above (excluding sales representatives).

Including those with fixed-term contracts, there were 891 employees at year-end.

In 2011, Guerbet recruited 84 employees with permanent contracts and 68 with fixed-term contracts. Recruitment of employees with permanent contracts concerned primarily sites in the Ile de France region (70 employees). In respect to employees who left during the period, 47 had permanent contracts and 56 fixed-term contracts.

Guerbet had recourse to 2452 hours of overtime (a 50% reduction on 2010). This overtime concerned in large part chemicals production and pharmaceuticals

The normal workweek is 35 hours. However, in certain production units as a result of specific working hours, the workweek is 28.875, 32, 33 or 33.5 hours.

At 31 December 2011, there were 70 part-time employees and 3 employees on leave (2 on sabbatical leaves and 1 on parental leave). Of these part-time workers, 67 worked more than half-time. Part-time positions selected by the personnel themselves, concern in majority women (86%).

In 2011, the absenteeism rate was 4.14% with 2.80% the result of sick leave. The rate of absenteeism declined significantly in 2011 from the level of recent years (5.06% in 2010 vs. 5.06% in 2009 and 5.35% in 2008).

▪ Salaries

At 31 December 2011, the average annual salary[1] for Guerbet was €50,198, up 2.49% from the previous year. The average salary for women is €46,676 and for men €50,547, representing a wage gap of 1.75% between men and women. This gap that was reduced from the previous period (2.10%) is in line with the structure of professional qualifications. For employees in Categories IV to VI, where there exists no difference in the skill sets between men and women, the average salary difference was 1.98% in favour of women.

The base salary (excluding seniority bonuses and adjustments though including the increase for "continuous work operations" for non-management personnel with permanent employment contracts in 2010 and 2011 increased 2.90%. This change reflects general wage increases with rates that vary according to the employee category (2% for employees of category II – 1.75% for categories III and IV – 1,5% four category V and 1.25% per category VI) to which are added individual wage increases. The base salary (excluding adjustments though including the increase for "continuous work operations") increased 3.77% for managers with permanent employment contracts.

In 2011, employees[1] received an average amount in benefits from statutory profit sharing plans for fiscal 2010 of €259. For 2011, the amount to be paid in 2012 under statutory profit sharing will be €235.
In 2012, no payments from 2011 results will be made under voluntary profit sharing plans, as was the case in 2011 for 2010 results.

In 2011, 29,776 hours were allocated to training compared with 29,519 hours in 2010. Out of the total number of employees in the company with permanent contracts, 83.1% have received training whether under certified or non-certified programs.

[1] Annual payroll including variable compensation divided by the number of permanent employees (*bilan social* or social responsibility report indicator).
[1] The statutory profit-sharing (*participation*) plan concern employees of Guerbet, Simafex and Medex. Voluntary (*intéressement*) profit-sharing plans concern employees of Guerbet and Simafex.

▪ Occupational accidents

The number of occupational accidents remained stable in 2011 with 18 followed by sick leave compared to 20 in 2010. In addition, 3 commuting accidents resulted in sick leave.

▪ Labour relations

Five agreements were signed obtaining the unanimous consent of labour partners:

- "Social Dialogue and Employee Expression Agreement" (*Accord Dialogue Social et Expression des Salariés*);
- GPEC (jobs and skills planning) agreement;
- Gender equality agreement;
- NAO mandatory annual agreement (*Négociation Annuelle Obligatoire*);
- Agreement on fixed-term contractual assignments

Also in 2011, negotiations were opened on measures to prevent harsh working conditions.

The agreement involving an action plan promoting employment of older workers signed in 2009 between management and labour organisations resulted in the following measures in 2011 and already initiated in 2010:

- Information sessions on new retirement provisions;
- Organization of four training programs on "profiting from one's retirement" in connection with the individual training benefits (*"Droit Individuel à la Formation*");
- Organisation of training programs on "gestures and positions" specifically adapted for older workers.

▪ Skills and Management

Within the framework of the GPEC forward-looking employment and skills management initiative, Guerbet has implemented **Skills guidelines** applicable to all employees. These guidelines are destined to promote the development of all staff by integrating major priorities for the Company.
It is organised around three key areas of expertise:

- The core base of Group expertise corresponding to the company strategy;
- Expertise specific to each business lines defined in terms of the major priorities of each
- Managerial expertise, in line with the Management Charter and the "Social Dialogue and Employee Expression Agreement".

These guidelines represent the basis for objective and factual discussion used in conducting annual performance and career development interviews (*Entretien Annuel d'évaluation et de Développement* or EAD). Training on the conduct of these interviews is provided to all Managers incorporating the guidelines for skills and expertise.

Because management contribute to individual and collective performance, Guerbet has decided to strengthen managerial skills. To this purpose, Guerbet wished to develop a **Management Charter** destined in particular to focus priorities on what the Company expects from its managers, provide guidelines on management policy and assist managers in the performance of their duties.

This Charter clearly defines the skills and behaviour expected from each manager of the Group. The development of this Charter is the result of collective work that involved the participation of fifty people.

Finally, to promote the concrete application of this Management Charter, Guerbet proposes managerial training programs destined for all categories of managers in all Group companies.

- **Diversity**

Guerbet had a rate of compliance with statutory obligations for the employment of handicap workers of two thirds. Guerbet has developed partnerships in the protected work sector for the disabled with a vocational rehabilitation centre (ESAT) that provides recycling services. Other services (landscaping, road upkeep, mailing, copying, etc.) are also subcontracted to similar organisations.

In 2011, 110 trainees were provided with work experience at Guerbet and 29 young workers through work-study contracts.

In addition Guerbet is a sponsor of young students from disadvantaged neighbourhoods in partnership with the Association "*Nos quartiers ont du talent*".

At 31 December 2011, Guerbet employed 116 seniors over 55 years of age. Age-based measures have been adapted including specific provisions for holiday and part-time work to promote the continued presence of seniors in the workplace.

Furthermore, Guerbet hired four employees older than 50 in 2011.

- **Social benefits**

Amounts for social benefits (works council, restaurant services, housing) totalled €783,000 in 2011 compared with €774,000 in the previous year.

For employees in the Ile-de-France greater Paris area, Guerbet has reserved four places in an inter-company day care facility.

b) Compensation of corporate officers

- **Compensation of corporate officers**

The following table presents a summary of compensation provided to each of corporate officers for fiscal 2011. Bernard Massiot, J-J Bertrand, M. Yves L'Epine and Marie-Christine Garnier are considered to be corporate officers in their respective capacities of Chief Executive Officer (*Directeur Général*), Chairman-CEO (*Président Directeur Général*), Chief Executive Officer and Deputy Chief Executive Officer (*Directeur Général Délégué*) in addition to exercising the function of Qualified Person.

Summary of compensation for Bernard Massiot

	2011	2010
Compensation owed for the period	342,292 [1]	364,738
Valuation of options granted in the period	-	-
Valuation of performance shares granted in the period	-	-
Attendance fees for serving as director	-	20,749
Total	**342,292**	**385,487**

Breakdown of compensation for Bernard Massiot

	Amounts owed for the period		Amounts paid in the period	
	2011	2010	2011	2010
Fixed compensation	310,000	290,988	174,509	290,988
Variable compensation	32,292	73,750	106,042	-
Exceptional compensation	-	-	-	-
Gross attendance fees:	-	20,749	20,749	21,463
- o.w. net amount	-	18,963	18,963	-
- o.w. social charges	-	1,786	1,786	-
Benefits in-kind	-	-	-	-
Total	**342,292**	**385,487**	**301,300**	**312,451**

[1] Including the final settlement.

Summary of compensation for Jean-Jacques Bertrand

	2011	2010
Compensation owed for the period	122,870	47,478
Valuation of options granted in the period	-	-
Valuation of performance shares granted in the period	-	-
Attendance fees for serving as director	Not yet determined	22,463
Total	**122,870**	**69,941**

Breakdown of compensation for Jean-Jacques Bertrand

	Amounts owed for the period		Amounts paid in the period	
	2011	2010	2011	2010
Fixed compensation o.w.:	122,870	47,478	122,870	47,478
for the office of Chairman of the Board of Directors	43,976	47,478	43,976	47,478
for the office of Chief Executive Officer	78,894	-	78,894	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	Not yet determined	22,463	22,463	21,963
Benefits in-kind	-	-	-	-
Total	**122,870**	**69,941**	**145,333**	**69,441**

Summary of compensation for Yves L'Epine

	2011	2010
Compensation owed for the period	38,632	-
Valuation of options granted in the period	6,000	-
Valuation of performance shares granted in the period	-	-
Attendance fees for serving as director	-	-
Total	**44,632**	**-**

Breakdown of compensation for Yves L'Epine

	Amounts owed for the period		Amounts paid in the period	
	2011	2010	2011	2010
Fixed compensation	38,182	-	38,182	-
Variable compensation	Not yet determined	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in-kind	450	-	450	-
Total	**38,632**	**-**	**38,632**	**-**

Summary of compensation for Marie-Christine Garnier		
	2011	**2010**
Compensation owed for the period	140,315	154,472
Valuation of options granted in the period	3,654	-
Valuation of performance shares granted in the period	-	-
Attendance fees for serving as director	-	-
Total	**143,969**	**154,472**

Breakdown of compensation for Marie-Christine Garnier				
	Amounts owed for the period		**Amounts paid in the period**	
	2011	**2010**	**2011**	**2010**
Fixed compensation	126,185	122,510	126,185	122,510
Variable compensation	Not yet determined	18,000	18,000	19,434
Exceptional compensation	11,385	11,217	11,385	11,217
Attendance fees	-	-	-	-
Benefits in-kind	2,745	2,745	2,745	2,745
Total	**140,315**	**154,472**	**158,315**	**155,906**

Other pertinent information relating to future compensation of executive officers:

	Employment contract		**Supplementary retirement benefits**		**Severance payments or benefits owed on termination or change of functions**		**Compensation payable under noncompete clauses**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Bernard Massiot		x	x			x		x
Jean-Jacques Bertrand		x		x		x		x
Yves L'Epine		x	x			x		x
Marie-Christine Garnier	x		x			x		x

In 2011, three executive officers, like other Guerbet executives, benefit from an individual retirement account funded by contributions from Guerbet. Only Jean-Jacques Bertrand, executive officer in 2011 in his capacity as interim Chairman-Chief Executive Officer, did not benefit from such benefits. The total amount of funded pension benefits paid to individual retirement accounts amounted to €13,063.77 in 2011 breaking down as follows: €5,232.10 for Bernard Massiot, €1,343.38 for Yves L'Epine and €6,448.29 for Marie-Christine Garnier.

Furthermore, no performance shares, loans or guarantees were granted to the two executive officers in 2011.

- **Attendance fees paid to corporate officers**

Director	In 2011 pursuant to the decision of the AGM of 27 May 2011[1]	In 2010 pursuant to the decision of the AGM of 21 May 2010
Bernard Massiot	€ 18,963	€ 21,463
Jean-Jacques Bertrand	€ 22,463	€ 21,963
Jacques Biot	€ 21,463	€ 20,963
Jacky Boudeville	€ 21,463	€ 21,463
Vincent Dagommer	€ 20,463	-
Olivier Guerbet	€ 21,463	€ 20,963
Christian Louvet	€ 19,963	€ 20,463

- **Commitments granted to corporate officers following the assumption, changes or termination of functions**

None

[1] Attendance fees paid in 2011 for fiscal 2010 include a fixed amount of €18,962.50 per director plus a variable amount calculated according to the number of Audit Committee or Compensation Committee meetings attended.

c) Stock option and stock purchase option plans

- **Stock options or stock purchase options granted to executive officers[1] in 2011**

In 2011, two executive officers were granted stock options:
- Marie-Christine Garnier, 4,000 stock options relating to the plan of 17 October;
- Yves L'Epine, 12,000 stock options relating to the plan of 23 November.

- **Stock options or stock purchase options exercised by the executive officers in 2011**

None

- **Stock options or stock purchase options not exercised by the executive officers as of 31 December 2011**

Yves L'Epine held 12,000 stock options not yet exercised at 31 December 2011.

Marie-Christine Garnier held 2,000 stock options not yet exercised at 31 December 2011.

- **Stock options granted to non-officer employees in 2011**

A stock option plan for employee beneficiaries who are not officers was set up on 17 October 2011. The details on this plan are presented in the notes to the consolidated financial statements on page 93.

- **Summary of stock option plans in force at 31 December 2011**

Refer to page 93 of the notes to the consolidated financial statements.

- **Stock options or stock purchase options exercised in 2011 by salaried employees who are not corporate officers**

None

[1] With the meaning of executive officers defined by the Law 2001-420 of 15 May 2001 and at 31 December 2011, i.e. the Chief Executive Officer (*Directeur Général*), Deputy Chief Executive Officer (*Directeur Général Délégué*) and the Chairman of the Board of Directors.

4) Environmental information

- **Utility consumption in connection with the company's manufacturing activities**

Utility consumption of the Aulnay, Lanester, Marans and Rio de Janeiro plants is summarised below:

	Aulnay	Lanester	Marans	Rio de Janeiro	Total
Water (in m^3)	55,636	164,461	48,684	16,494	285,275
Electricity (in MWh)	10,024	19,058	8,598	1,850	39,530
Gas (in MWh)	5,586	47,887		1,403	54,876
Fuel (in m^3)			586		586

Water consumption of the manufacturing sites remained stable in relation to the prior year period. In contrast, in relation to production volume, water consumption declined 5.9% from 2010.

- **Policy relating to the use of chemical products**

The production of chemical active ingredients for contrast agents generates different safety and environmental risks. These risks result from dangers inherent in chemical products, their production, transport, use and elimination.

Active chemical ingredients used to produce contrast agents for medical imaging are distinguished by their low toxicity and excellent level of tolerance, even though certain ingredients might be noxious in their natural form. In contrast, certain synthetic intermediates or products used in the production of these active ingredients (raw materials, solvents, reactants, intermediates, etc.) may present certain risks.

In 2011, the deployment of prevention systems continued and a new Quality, Safety, Environment Policy for the Group was implemented by Executive Management in January 2012. HSE (Health, Safety and the Environment) management systems continued to be implemented through HSE manuals that are regularly reviewed and adopted at the Lanester, Marans, Aulnay and Gonesse sites based on an approach of achieving on-going improvements.

These manuals describe the safety and environmental systems and management organisations deployed at the sites. Internal HSE guidelines for the Group were created in 2010. Audits conducted in 2011 made it possible to measure progress achieved at the manufacturing sites in France while identifying priority areas for improvement. This repository integrates standards and systems such as OHSAS18001, ISO14001 and SGS (Management and Security System for SEVESO sites in France).

The foundation of these management systems is based on work involving an evaluation of risks destined to prevent incidents having an impact on people and property (including major accident scenarios).

The Lanester and Marans plants (SEVESO high threshold sites) organise full-scale response exercises for managing emergency situations in collaboration with regional authorities. The Internal Emergency Plan (POI) and the Emergency Response Plan (PPI) are in this way tested for the purpose of achieving ongoing improvements in the abilities of teams to respond in the event of a crisis, both internally and, when interfacing with outside emergency relief teams.

Outside communications for Seveso site operations are assured through local coordinating bodies (CLIC or *Comité Local d'Information et de Concertation*) that include members of the operating entity, departments of the Prefecture, elected officials and local associations.

En 2011, the review of the PPRT (*Plans de Prévention des Risques Technologiques*) technology risk prevention plans was continued and represented a priority for local stakeholders. These plans define notably zoning measures applicable around the Lanester and Marans sites.

The safety and environmental risk management systems implemented at the sites also define:

- Performance indicators and associated objectives;
- Training requirements for operational staff and regular follow-up;
- Management of feedback/lessons learned through the analysis of incidents or near accidents within or outside the sites (ex: use of BARPI databases on industrial risks and pollution that maintains records of industrial accidents) and adoption of necessary corrective measures;
- Inspections and audits;
- Review of the system and its performance by supervisory staff.

▪ Environmental actions carried out in the year

A number of environmental projects or initiatives were pursued in 2011. Teams at the sites continued to focus efforts on projects and investments for developing improved solutions for the treatment of effluents at the Lanester and Marans sites, while at the same time meeting operating regulatory requirements. These improvement programs are based on:

- Reinforcing sorting measures for effluents;
- The implementation of new separation techniques;
- Recycling/recovery of solvents;
- The evolution of certain manufacturing processes;
- Continuing measures to reduce VOC emissions.

These significant measures have been the subject of regular exchanges with supervisory authorities.

At the same time, measures have been undertaken to reduce water consumption at the Lanester site by optimising water recycling. Analysis and regular monitoring of water consumption at Aulnay made it possible to identify and correct anomalies in our water supply systems. Awareness-raising actions with respect to simple measures in the area of environmental conservation were undertaken when the paper sorting system was adopted at the Gonesse site.

▪ Contributions to adaptations and measures to combat global warming: greenhouse gas missions (GHE)

In 2011, the Group adopted a voluntary greenhouse gas emissions evaluation approach developed by France's research-based pharmaceutical association LEEM (CarbonEM). This tool enables pharmaceutical companies to perform carbon assessments in an independent manner and promotes a common and coherent approach for companies of the sector. This approach enabled the Group to identify the main sources of greenhouse gas emissions and leverage the experience of other companies of the sector as an active participant in the user committee

For all these HSE themes, inter-site exchanges were organised to share good practices, accelerate feedback and develop synergies. In 2011, the Rio de Janeiro site was integrated into the system of regular exchanges.

Finally, in 2011 Guerbet Group pursued work to ensure the registration of substances falling under the scope of the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemical substances) within the stipulated timetable.

5) Other statutory disclosures

- **Five-year financial highlights for Guerbet**

In euros	2011	2010	2009	2008	2007
CAPITAL STOCK AT YEAR-END					
Share capital	12,200,184	12,200,184	12,167,044	12,079,860	12,018,276
Number of ordinary shares	3,050,046	3,050,046	3,041,761	3,019,965	3,004,569
Preferred non-voting stock	-	-	-	-	-
Maximum number of future shares to be issued:					
• By conversion of bonds	-	-	-	-	-
• By exercise of warrants	210,937	77,294	97,637	117,233	134,679
OPERATIONS AND INCOME FOR THE YEAR					
Sales ex-VAT of services and other products	294,780,554	264,309,452	245,860,666	229,517,636	233,664,367
Income before taxes, employee profit-sharing, depreciation, amortisation and provisions	27,566,026	6,501,502	28,820,141	36,524,946	34,709,255
Income tax	(1,778,280)	(5,938,312)	(1,201,339)	2,591,252	4,744,508
Employee profit-sharing for the financial year	258,632	234,809	412,000	1,101,000	1,892,000
Earnings after taxes, employee profit-sharing, depreciation, amortisation and provisions	300,397	84,918	12,560,045	9,724,904	22,026,975
Income distributed to shareholders	5,490,083	5,490,083	6,843,962	6,794,921	6,760,280
EARNINGS PER SHARE					
Earnings after taxes and employee profit-sharing, but before depreciation, amortisation and provisions	9.54	4.00	9.73	10.87	9.34
Earnings after taxes, employee profit-sharing, depreciation, amortisation and provisions	0.10	0.03	4.13	3.22	7.33
Net income after dilution	0.15	0.05	4.05	3.17	7.15
Net dividend	1.80	1.80	2.25	2.25	2.25
PERSONNEL					
Workforce at 31 December (permanent and fixed term contracts)	891	842	820	810	783
Payroll	44,422,299	41,791,527	38,981,274	39,111,571	36,660,060
Social charges and benefits	20,156,661	18,210,348	17,142,664	16,109,138	15,230,776

- **Aged trial balance information on trade payables of Guerbet**

Effective as of 1 January 2009, the French Economic Modernisation Act (LME) established a maximum period from the invoice date for settlement within 60 days (or 45 days from the end of the month).

At 31 December 2011, the balance of trade payables of the parent company financial statements broke down as follows:

In thousands of euros	>120 days	Between 61 and 120 days	Between 0 and 60 days	Unbilled payables	Total
Trade payables for goods and services/France	131	1,497	14,819		16,447
Trade payables for goods and services/outside France	763	895	9,186		10,844
Trade payables for goods and services	**894**	**2,392**	**24,005**	**10,736**	**38,027**
Payables to suppliers of fixed assets/France	429	7	3,618		4,054
Payables to suppliers of fixed assets/Outside France	313	101	1,095		1,509
Payables outstanding for investment securities	72	-	-		72
Payables to suppliers of fixed assets	**814**	**108**	**4,713**		**5,635**
Total	**1,708**	**2,500**	**28,718**	**10,736**	**43,659**

At 31 December 2010, the balance of trade payables of the parent company financial statements broke down as follows:

In thousands of euros	>120 days	Between 61 and 120 days	Between 0 and 60 days	Unbilled payables	Total
Trade payables for goods and services/France	143	479	12,795		13,417
Trade payables for goods and services/outside France	389	624	3,722		4,735
Trade payables for goods and services	**532**	**1,103**	**16,517**	**11,272**	**29,424**
Payables to suppliers of fixed assets/France	133	153	3,453		3,739
Payables to suppliers of fixed assets/Outside France	-	-	931		931
Payables outstanding for investment securities	72	-	-		72
Payables to suppliers of fixed assets	**205**	**153**	**4,384**		**4,742**
Total	**737**	**1,256**	**20,901**	**11,272**	**34,166**

- **Other information included in the Management Report (Management Discussion & Analysis) and already included in the Registration Document**

In addition to other disclosures included in this section, Guerbet Group provides other information included in the Management Report as required by provisions of the French Commercial Code. The following table indicates for each type of information the section where this information is presented.

Type of information	**Relevant section of the Registration Document**
List of offices and functions exercised by each corporate officer during the fiscal year	Corporate governance – pages 18 to 21
Employee stock ownership	Shareholder information – page 31
Dividends distributed for the last three financial periods	Shareholder information – page 31
Disallowed deductions under Article 39-4 of the French General Tax Code	Financial statements and notes – page 115

FINANCIAL STATEMENTS AND NOTES

1) Consolidated financial statements and notes

a) Guerbet Group consolidated financial statements

- **Consolidated balance sheet**

ASSETS (net) **In thousands of euros**	**Note**	**2011**	**2010**
Intangible assets	**5**	35,772	34,190
Property, plant and equipment	**6**	183,141	166,223
Non-current financial assets	**7**	7,590	6,640
Deferred tax assets	**8**	10,896	7,132
Total non-current assets		**237,399**	**214,185**
Inventories	**9**	104,495	91,067
Trade receivables and related accounts	**10 & 1.1**	85,254	85,867
Current assets held for sale		-	-
Other current financial assets	**1.1**	14,699	21,681
Cash and cash equivalents	**1.2**	7,872	9,210
Total current assets		**212,320**	**207,825**
TOTAL ASSETS		**449,719**	**422,010**

LIABILITIES AND EQUITY (net) **In thousands of euros**	**Note**	**2011**	**2010**
Share capital		12,200	12,200
Other reserves		185,023	186,658
Consolidated net income		14,427	5,880
Currency translation adjustments		3,148	5,778
Shareholders' equity of which attributable to equity holders of the parent company	**11**	**214,798** 214,798	**210,516** 210,516
Non-current financial liabilities	**2.1**	79,518	85,541
Other non-current financial liabilities	**2.0**	1,529	664
Deferred tax liabilities	**8**	8,603	5,820
Non-current provisions	**12**	16,871	13,157
Total non-current liabilities		**106,521**	**105,182**
Trade payables and equivalent		48,409	39,462
Current financial liabilities	**2.1**	28,393	13,349
Other current financial liabilities	**2.2**	40,642	37,155
Current tax liabilities		5,781	8,677
Current provisions	**12**	5,175	7,669
Total current liabilities		**128,400**	**106,312**
TOTAL EQUITY AND LIABILITIES		**449,719**	**422,010**

▪ Consolidated income statement

In thousands of euros	Note	2011	2010
Revenue	**4**	**377,834**	**352,579**
Royalties		83	45
Other revenue	**13**	3,490	6,128
Supplies used in operations		(103,675)	(101,725)
Staff costs	**14.1**	(100,624)	(93,379)
External charges	**15**	(126,947)	(116,153)
Taxes other than on income	**16**	(11,761)	(11,732)
Allowances for depreciation and amortisation	**17**	(20,385)	(20,104)
Net allowances for reserves		266	(5,707)
Change in work in progress and finished goods		5,923	2,924
Other current operating income and expenses	**18**	(1,653)	(1,657)
Current operating income		**22,551**	**11,219**
Other operating income and expenses	**19**	(16)	(2,942)
Operating profit		**22,535**	**8,277**
Income from cash and cash equivalents		64	91
Finance costs	**20**	(4,1201)	(2,648)
Net interest expense		**(4,187)**	**(2,557)**
Currency gains and losses		(680)	(605)
Other financial income and charges		301	14
Income tax	**21**	(3 542)	751
Consolidated net income of which attributable to equity holders of the parent company		**14,427** 14,427	**5,880** 5,880
Net basic earnings per share (€)	**27**	4.73	1.93
Net diluted earnings per share (€)	**27**	4.48	1.90

▪ Statement of net profit and income and expense recognised directly in equity

In thousands of euros	2011	2010
Net profit of the period	**14,427**	**5,880**
Income and expense recognised directly in equity		
Actuarial gains/(losses) on retirement benefits (IAS 19)	(2,118)	1,023
Currency translation adjustments	(2,630)	4,720
Total net profit and income and expense recognised directly in equity	**9,679**	**11,623**

- **Consolidated statement of cash flows**

In thousands of euros	**Note**	**2011**	**2010**
Net income		**14,427**	**5,880**
Allowances and reversals of provisions for fixed assets		20,385	23,141
Allowances and reversals for contingencies	**12.1**	(1,997)	4,120
Changes in fair value of hedging instruments		888	(607)
Stock option expenses		84	87
Income from the disposal of fixed assets and other adjustments		413	258
Cash flow after net interest expense and tax		**34,200**	**32,879**
Net interest expense		4,187	2,557
Tax expenses (including deferred tax)	**21**	3,542	(751)
Cash flow before net interest expense and tax		**41,929**	**34,685**
Tax payments		(4,150)	(1,014)
Change in inventories	**9**	*(13,428)*	*(2,073)*
Change in trade receivables and related accounts		*477*	*(5,043)*
Change in trade payables and related accounts		*8,981*	*9,208*
Increase/(decrease) in other assets		*3,146*	*882*
(Decrease)/increase in other liabilities		*4,487*	*393*
Change in operating working capital		***3,663***	***3,367***
CASH FLOWS FROM OPERATING ACTIVITIES (A)		**41,442**	**37,038**
Capital expenditures		(40,008)	(40,770)
of which for intangible assets	**5**	*(2,350)*	*(1,766)*
of which for property, plant and equipment	**6**	*(37,378)*	*(38,662)*
of which for financial assets		*(280)*	*(342)*
Proceeds from the disposal of fixed assets		421	991
CASH FLOWS FROM INVESTING ACTIVITIES (B)		**(39,587)**	**(39,779)**
Dividends paid		(5,481)	(6,832)
Capital increases		-	325
New long-term debt		6,240	34,720
Repayment of borrowings		(11,368)	(19,518)
Purchase and sale of treasury stock		-	-
Net interest payments (including finance lease agreements)		(4,146)	(2,613)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**(14,755)**	**6,082**
Impact of foreign exchange fluctuations (D)		(2,546)	1,021
NET CHANGE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C) + (D)		**(15,446)**	**4,362**
OPENING CASH AND CASH EQUIVALENTS		**3,633**	**(728)**
CLOSING CASH AND CASH EQUIVALENTS	**2.1**	**(11,813)**	**3,633**

- ## Statement of changes in shareholders' equity

In thousands of euros	Share capital	Retained earnings	Income	Translation reserves	Total
Balance at 31/12/2009	**12,167**	**171,586**	**20,495**	**1,058**	**205,306**
Capital increase	33	292			325
Capitalisation of 2009 income		20,495	(20,495)		-
Stock options		87			87
Distribution of dividends		(6,832)			(6,832)
2010 consolidated income			5,880		5,880
Actuarial gains and losses		1,023			1,023
Currency translation adjustments				4,720	4,720
Other changes		7			7
Balance at 31/12/2010	**12,200**	**186,658**	**5,880**	**5,778**	**210,516**
Capitalisation of 2010 income		5,880	(5,880)		-
Stock options		88			88
Distribution of dividends		(5,481)			(5,481)
2011 consolidated income			14,427		14,427
Actuarial gains and losses		(2,118)			(2,118)
Currency translation adjustments				(2,630)	(2,630)
Other changes		(4)			(4)
Balance at 31/12/2011	**12,200**	**185,023**	**14,427**	**3,148**	**214,798**

b) Notes in the consolidated financial statements

Figures presented in these notes are in thousands of euros.

I) Significant accounting policies

a) Basis of presentation and statement of compliance

The main accounting policies applied for the preparation of the consolidated financial statements are described below. Except where otherwise indicated, these methods have been consistently applied for all periods presented herein.

In compliance with EC regulation 1606/2002 of 19 July 2002 on international accounting standards, since 1 January 2005 the Guerbet Group consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) as approved by the European Union and applicable on the date of publication of these accounts. IFRS adopted by the European Union differ in certain respects to those published by the IASB. Nevertheless, the Group has ensured that the financial information for the periods presented herein would not be materially different if the IFRS published by the IASB had been applied.

International financial standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) as well as SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

All texts adopted by the European Union can be consulted at the following website of the European Commission: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The format for the financial statements complies with recommendation 2009-R-03 of the French standard setter (*Conseil National de la Comptabilité* or CNC).

Main options retained for the transition to IFRS::

1°) All office property in Villepinte was remeasured at fair value on 1 January 2004 on the basis of an estimate by an independent appraiser. The revaluation was for €8 million including €6.5 million allocated to buildings and €1.5 million to land.

2°) In compliance with IAS 38 intangible assets with indefinite useful lives are not amortised. The accumulated amortisation previously applied in the French GAAP financial statements was maintained at the value of 1 January 2004.

3°) Translation differences existing at 1 January 2004 were recorded under “Other reserves”.

For other information relating to 2005, the reader is referred to the registration document filed with the AMF (No. D.06-0221) that can be consulted at its website.

Changes in standards and interpretations applicable to the consolidated financial statements in the period

Standards, amendments and interpretations whose application was mandatory commencing in the period

Standards, amendments and interpretations whose application is not warranted or would not have a material effect on the consolidated financial statements of the period include:

- FRS 1 amendment: exemptions from IFRS 7 disclosures;
- Revised IAS 24: clarification of the definition of a related party and exemptions for government-related entities;
- IAS 32 amendment: Classification of rights issues;
- IFRIC 14 amendment: prepayments of a minimum funding requirement;
- IFRIC 19: extinguishing financial liabilities with equity instruments;
- IFRS 7 amendment: Disclosures - transfers of financial assets;
- Annual improvements to IFRSs (May 2010).

Standards, amendments and interpretations adopted by the European Union, applicable in advance for the fiscal year but not yet applied by the Group

- IAS 1 amendment: Presentation of other comprehensive income; Application of this amendment is mandatory for periods beginning on or after 1 July 2012.
- IFRS 7 amendment: Disclosures - transfers of financial assets Application of this amendment is mandatory for periods beginning on or after 1 July 2012.
- Amendments to IAS 32 and IFRS 7 on offsetting financial assets and liabilities.

The potential impacts of these standards and amendments are in the process of being assessed. At this stage of the review, their application is not expected to result in a significant change for the Group.

b) Estimates and assumptions

To prepare the financial statements in compliance with IFRS, the Group makes estimates and assumptions that affect the book value of assets and liabilities, income and expenses, as well as information provided in certain notes.

Management reviews these estimates and assumptions on an ongoing basis in reference to past experience as well as other factors considered reasonable that provide the basis for these assumptions.

The main estimates concern primarily the measurement of intangible assets, the impairment of inventory, provisions, litigation with third parties and deferred taxes.

c) Basis of consolidation

Guerbet applies:

- The full consolidation method for companies in which the parent company directly or indirectly exercises exclusive control;
- The equity accounting method for companies in which the Group exercises, directly or indirectly, a significant influence without assuring however the management;
- The proportionate method for companies in which the Group exercises joint control with a limited number of other shareholders.

All intercompany transactions are eliminated.

d) Consolidation of subsidiaries

Business combinations are recorded in accordance with IFRS 3 according to the purchase method. Under this method, assets and liabilities acquired in addition to contingent liabilities incurred are recorded at fair value at the acquisition date.

Identifiable assets and liabilities

On consolidation of an exclusively controlled subsidiary, identifiable assets and liabilities and contingent liabilities of the acquiree are recognised at fair value in accordance with IFRS. Goodwill arising from consolidation is recognised under assets and liabilities, including non-controlling interests in their pre-acquisition carrying amounts and not only their percentage of shares acquired

Goodwill

The excess of the cost over the acquirer's interest in the fair value of identifiable assets and liabilities acquired is described as goodwill
and when positive recognised as an asset. If negative it is immediately recognised under income.

e) Translation methods

1 - Recognition of transactions in currencies of consolidated subsidiaries:

In accordance with IAS 21, transactions denominated in foreign currencies are translated by the subsidiary in its operating currency on the transaction date.

Monetary items of the balance sheet are remeasured on the basis of the exchange rate applicable on the balance sheet date. Resulting translation differences are recorded under "other financial income and expenses" taking into account forward exchange contracts and currency options.

The results of transactions in currency options are recorded at the options’ maturity where they cover commercial transactions after the closing date. Premium paid is recorded in the balance sheet under assets until the maturity of the option.

2 - Translation of accounts of subsidiaries outside the euro area:

Shareholders' equity is translated on the basis of historical exchange rates, other balance sheet items at official year-end exchange rates and income statement items at average exchange rates for the year. Translation gains and losses resulting from the application of these rates are recorded under "translation adjustments" under shareholders' equity.

f) Intangible assets

Intangible assets are recorded at cost.

Trademarks recorded in the balance sheet under assets concern exclusively individual trademarks of significant long-term value supported by promotional budgets.

Intangible assets are amortised over their useful life estimated by the Group. This period is calculated case-by-case according to the nature and characteristics of the items included in this heading.

As a general rule:

- Trademarks are not amortised;
- Patents acquired are amortised on a straight-line basis for periods not exceeding their duration;
- Software is amortised on a straight-line basis over periods of three to ten three years.

g) Research and development expenditures

In compliance with IAS 38, research costs are expensed in the period in which they are incurred.

According to IAS 38, development expenditures are capitalised as intangible assets only if the Group can demonstrate that they meet the following criteria:
- There exists an intent and financial and technical resources to complete the development;
- It is probable that future economic benefits attributable to the asset will flow to the Group;
- The cost of this asset can be measured reliably.

Because of risks and uncertainties related to regulatory authorisations, the Group considers that expenses incurred in connection with obtaining market authorisations (AMM) do not meet the above definition of intangible assets. Consequently, development expenditures are expensed in the period incurred. Furthermore, expenses incurred after market authorisations are obtained constitute selling costs that may not be capitalised under IAS 38.

h) Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost or production cost Except for the Villepinte site recorded at fair value as of 1 January 2004 according to the option available under IFRS1 for the first time adoption of IFRS.

All costs directly attributable and necessary for commissioning investments are capitalised, from pre-project (summaries and details) engineering to costs for validating and certifying installations.

In accordance with revised IAS 23, borrowing costs are capitalised in the value of fixed assets for strategic investment projects spread over several months of manufacturing operations and having begun after 1 January 2009.

Equipment grants received are not deducted from the value of fixed assets but are presented according to their amortised value under deferred revenue.

Depreciation allowances are calculated on a straight-line basis over the assets' useful lives at acquisition or production cost. They are eventually restated, deducting when applicable their residual value. Depreciation is calculated on a straight-line basis over the estimated useful life of these assets, i.e. on average:
- Buildings: 20 to 50 years;
- Fixtures, fittings: 10 to 20 years;
- Machinery and equipment: 5 to 10 years;
- Other PPE: 5 to 10 years.

i) Impairment of fixed assets

Goodwill and indefinite life intangible assets are subject to an impairment test in accordance with IAS 36 Impairment of assets, at least once a year or more frequently when there exists evidence of impairment. The annual tests are carried out in the fourth quarter.

Other intangible assets are also subject to impairment tests whenever events or circumstances indicate that the carrying value of these assets may not be recoverable. The impairment test involves comparing the carrying value of the asset with its recoverable value. The recoverable amount of an asset is measured at the higher of its net selling price and value in use.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset (or groups of assets) and its disposal at the end of its useful life. The discount rate applied is the pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. This corresponds to the expected rate of return investors would request if they were required to choose an investment involving an amount, maturity and risk equivalent to the asset in question. The net selling price is the amount obtainable from the sale of an asset (or group of assets) between knowledgeable, willing parties in an arm's-length transaction after deducting any direct incremental disposal costs.

When impairment tests indicate a loss in value, an impairment is recorded so that the carrying amount does not exceed the recoverable value.

Property, plant and equipment are subject to an impairment test whenever there is evidence of impairment. To this purpose, tangible assets are grouped into cash generating units (CGU). A CGU is a homogeneous group of assets that generates cash inflows from continuing use largely independent of the cash inflows from other assets or groups of assets. The value in use of these units is the net present value of the future cash flows expected to be derived from an asset. When the recoverable value is lower than the carrying value of the asset (or group of assets), an impairment loss is recorded in the income statement for the difference and allocated in priority to goodwill.

An impairment loss recorded for goodwill may not be reversed.

j) Finance leases

Finance leases

Property acquired through finance leases are capitalised when they transfer substantially all risks and rewards incident to ownership of an asset to the Group. The criteria for evaluating these leases are notably:

- The relationship between the lease period and the economic life of the asset;
- Total future payments in relation to the fair value of the asset financed;
- Transfer of title at the end of the lease period;
- The existence of a purchase option;
- The specific nature of the leased assets.

Assets acquired through finance leases are capitalised and an obligation of the same amount is recorded as a liability. Each lease instalment payment is broken down into interest expense and repayment of the debt.
Assets held through finance leases are depreciated over the shorter of their useful lives or the corresponding lease period.

Operating leases

Operating leases constitute all leases other than those with the characteristics of finance leases. Operating lease payments are recognised as an expense in the income statement.

k) Financial assets

Financial assets are recognised and measured by the Group in accordance with IAS 39 on the IFRS transition date (option IFRS 1). Financial assets, excluding cash and financial derivatives, are classified into one of the following four categories:

- Financial assets held for trading;
- Originated loans and receivables;
- Held to maturity investments;
- Available-for-sale financial assets.

The Group determines the classification of financial assets at the time of their initial recognition according to the purpose for which they were acquired.

Financial assets held for trading

These correspond to trading assets destined principally to generate short-term gains or intentionally classified under this category.
Initially measured at cost, they are remeasured at fair value with gains and losses recorded under income.

Originated loans and receivables

Originated loans and receivables are initially recognised at cost and subsequently measured at amortised cost - the effective interest rate. The balance sheet value includes the outstanding amount of the principal increased by accrued interest. They are subject to impairment testing of the recoverable value when there is an indication that this amount is less than the carrying value of these assets to be conducted at least upon every financial cut-off period. When the recoverable value is less than the carrying value, an impairment is recorded in the income statement.

Held to maturity investments

Held-to-maturity-investments are financial assets the Group intends to and is able to hold to maturity. These assets are recorded at amortised cost on the basis of the effective interest rate method. They are subject to impairment testing when there is an indication of impairment. When the carrying value is greater than the estimated recoverable value, an impairment is recorded.

Available-for-sale assets

Available-for-sale assets are a residual category for non-derivative financial assets that do not fall in any of the previous categories. Unrealised capital gains or losses are recorded under shareholders' equity until their disposal, with the exception of impairment recorded under income upon measurement.

Currency gains and losses on these assets are recognised under income for monetary assets and shareholders' equity for non-monetary assets.

Fair value for listed securities corresponds to market price and for unlisted securities is determined on the basis of reference to recent transactions or reliable and objective indicators and third-party estimations and market data. However, when fair value cannot be reasonably estimated, it is maintained at cost. These assets are subject to impairment testing to determine their recoverable value.

This category of investments concerns mainly non-consolidated participating interests and marketable securities that do not meet the other definitions for financial assets. They are classified under other assets (current and non-current) and cash and cash equivalents.

l) Inventories

Raw materials and other supplies are recorded at the opening weighted average price. When the carrying value falls below this amount, a provision is recorded for the difference. Provisions are also made for inventories subject to low turnover rates.

Production in progress and finished goods are recorded on the basis of production cost which includes direct and indirect production costs and excludes headquarters, financial or selling expenses. A provision for impairment is recorded when there is a risk that the products will not be sold before their expiration date or below cost in light of selling costs that remain to be incurred.

m) Trade receivables and related accounts

Accounts receivable are recorded at face value. An allowance for doubtful accounts is recorded when a collection risk exists which is determined on a case-by-case basis.
The securitisation of receivables consists of the assignment of receivables to an entity that finances the acquisition of these receivables by the issuance of securities on capital markets. When guarantees granted to this entity do not suffice to consider that there was a real transfer of risks to the assignee, these receivables continue to be recorded under assets with a debt recorded under liabilities for the amount of financing granted by the entity.

n) Non-current assets held for sale

A non-current asset, or group of assets and liabilities, is classified as held for sale when its carrying amount will be principally recovered through a sale transaction rather than through continuing use. For this to be the case, the sale must be highly probable. For the sale to be considered highly probable, there must exist a plan to sell the asset (or "disposal group"), management must be committed to sell the asset and the asset must be actively marketed.

o) Cash and cash equivalents

Cash includes cash on hand and bank balances. Cash equivalents include marketable securities, term deposits which can be realised or sold within a very short period (less than three months) and do not present a significant risk of impairment in response to interest rate changes. These marketable securities are considered as financial instruments remeasured at fair value in income.

p) Provisions

Provisions correspond to liabilities that may define criteria:

- Uncertain timing or amount;
- The economic impact for the Group is negative, i.e. this liability is analysed as a Group commitment to a third party for which it is probable or certain that it will result in an outflow from the Group of resources embodying economic benefits to settle the obligation, without receiving in exchange consideration of a value at least equivalent to the latter.

To manage its interest rate exposure, the Group has recourse to options recorded at fair value in accordance with IAS 39. Changes in fair value of these financial instrument are recognized in the income statement under "Finance costs".

q) Employee benefits

In accordance with the laws and practices applicable in the countries where the Group operates, employees may qualify for retirement indemnities.

Retirement indemnities are measured in compliance with IAS 19. For defined contribution plans concerning post-employment benefits, costs are estimated according to the method of the projected unit credit method. This method is based on benefits payable to employees on their expected date of retirement taking into account the age pyramid, rate of employee turnover, mortality rates on the basis of actuarial tables by age bracket. The amounts are remeasured according to assumptions concerning inflation and promotions and discounted in respect to the date benefits will actually be paid. When the assumptions on which calculations are based are revised, actuarial gains and losses are recorded under equity.

All plans are remeasured once year.

r) Financial instruments

The Group trades in financial instruments to manage and reduce interest rate and foreign exchange exposures. These instruments are traded with investment grade financial institutions. Under IAS 39 recourse to hedge accounting requires that its effectiveness must be demonstrated and documented from inception and throughout the life of the hedge.

The effectiveness of the hedge is evaluated in relation to the changes in the value of the hedge and the hedged item that must remain between a range of 80% and 125%.

Financial instruments are recognised in the balance sheet at market value on the closing date. Changes in the value are recognised on the basis of the following principles:

- For cash flow hedges, changes in fair value are recognised under shareholders' equity for the effective portion and the ineffective portion is recognised in the income statement;
- For instruments appropriately documented as fair value hedges and non-documented instruments, fair value adjustments are recognized in income.

Market value is determined on the basis of the trading price of third-party establishments and verified by a firm specialised in financial instruments. Changes in fair value of financial instrument derivatives are recognised in the income statement under "Finance costs" for interest rate derivatives and under “Currency gains (losses)” for foreign exchange derivatives.

s) Revenue recognition

Revenue is recognised when significant risks and rewards incident to ownership have been transferred to the buyer. Revenue is recognised net of cash discounts granted.

t) Investment grants

Investment grants are not recorded as a charge to fixed assets acquisition costs but instead under deferred revenue. They are written back to other operating income on the basis of the depreciation of the corresponding fixed assets financed by these grants. Special grants received to support innovation and job creation are recorded under "Other revenue" in the period in which they are fully vested.

u) Share-based payment

Share-based payments concern stock option plans in favour of employees. The Group applies IFRS 2 to stock options granted to employees after 7 November 2002. The binomial options pricing model is applied for the fair value measurement of options granted. The fair value of options is recognised under staff costs and spread over the duration of the vesting period, with a reverse entry under shareholders' equity.

v) Income tax, deferred tax and French business tax

The tax charge on income corresponds to tax payable for each consolidated tax entity, adjusted for deferred tax resulting from temporary differences between the tax basis and the book basis of assets and liabilities according to the liability method when reversals can be reliably scheduled. The tax rate and rules are based on tax regulations in force at year-end and those that will apply when the transactions concerned are settled.

Deferred taxes on losses are recorded when the recovery of these taxes is considered probable in the near future.

Deferred tax assets or liabilities are offset at the level of each tax entity and the resulting net amount is recorded under liabilities or assets.

In France Guerbet and Simafex form a tax group within the framework of Article 223 A of the French general tax code and consequently constitute a single tax entity.

The French businesses tax (*Contribution Economique Territoriale* or CET) that entered into force in 2010, replacing the previous tax (*Taxe Professionnelle*) includes a new levy on added value (*Contribution Basée sur la Valeur Ajoutée* or CVAE). After analysis and in respect to procedures for calculating this contribution, it was decided to present this levy under "Tax and similar payments" as was previously the case for the local business tax for which companies of the Group already benefited from a maximum assessment for value added. In consequence, no deferred tax has been recognised for this new tax.

w) Earnings per share

Basic earnings per share are calculated by dividing net earnings by the average number of shares outstanding during the period.

Diluted net earnings per share are calculated on the basis of all shares available for issuance and the potential savings, net of tax, from the conversion of securities conferring future rights to the capital.

At the end of the period under review, potential shares available for issuance concern exclusively those resulting from the exercise of stock options.

x) Cash flow

Cash flow after net finance costs and income tax represents the sum total of:

- net income;
- income and expense recognised directly in equity,
- and calculated expenses (allowances for reserves, provisions, etc.) minus estimated reversals of charges;
- plus proceeds from the disposal of fixed assets and other non-current financial assets;

less:

- the share of investment grants recorded under income.

II) Consolidated operations

There were no changes in Group structure with respect to consolidation. All companies are fully consolidated with ownership interests of 100% (refer to the list of companies in note 32).

The parent company, Guerbet acquired 60% of Medex shares in June 2004 for €3 million. Of the goodwill from this acquisition of €6,023,000, €5,623,000 was allocated for patents subject to amortisation.

Under the terms of a reciprocal agreement between Guerbet and the non-controlling shareholder, in April 2010, Guerbet exercised the put option to acquire the remaining 40% of the capital at a price to be determined in reference to Medex's commercial performance. A dispute has arisen with respect to the fixing of this price. The maximum price under the terms of the agreement or €2,500,000 remained recognised under "Other current liabilities" at 31 December 2011.

In light of this agreement, Medex has been fully consolidated since 2004.

The financial period of all consolidated companies is twelve months ending 31 December.

III) Notes to the financial statements

Note 1 – Financial assets

2011	Available-for-sale securities	Originated loans and receivables	Financial assets measured at fair value through profit or loss	Total balance sheet
Non-current tax receivables[1]	-	5,376	-	5,376
Other non-current financial assets	117	2,097	-	2,214
Trade and other receivables	-	85,254	-	85,254
Other current financial assets	-	14,699	-	14,699
Cash and cash equivalents	-	-	7,872	7,872
Total	**117**	**107,426**	**7,872**	**115,415**

2010	Available-for-sale securities	Originated loans and receivables	Financial assets measured at fair value through profit or loss	Total balance sheet
Non-current tax receivables [2]	-	4,675	-	4,675
Other non-current financial assets	116	1,849	-	1,965
Trade and other receivables	-	85,867	-	85,867
Other current financial assets o.w.:	-	21,635	46	21,681
- Current derivative financial instruments	-	-	*46*	*46*
- Other current financial assets	-	*21,635*	-	*21,635*
Cash and cash equivalents	-	-	9,210	9,210
Total	**116**	**114,026**	**9,256**	**123,398**

Change in financial assets depreciation

	31/12/2010	Allowances	Reversals	Currency translation adjustments	31/12/2011
Non-current tax receivables	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-
Trade and other receivables	1,740	2,099	(1,215)	63	2,687
Current derivative financial instruments	-	-	-	-	-
Other current financial assets	29	-	-	-	29
Cash and cash equivalents	-	-	-	-	-
Total	**1,769**	**2,099**	**(1,215)**	**63**	**2,716**

	31/12/2009	Allowances	Reversals	Currency translation adjustments	31/12/2010
Non-current tax receivables	-	-	-	-	-
Other non-current financial assets	18	-	(18)	-	-
Trade and other receivables	1,849	727	(902)	66	1,740
Current derivative financial instruments	-	-	-	-	-
Other current financial assets	723	-	(694)	-	29
Cash and cash equivalents	-	-	-	-	-
Total	**2,590**	**727**	**(1,614)**	**66**	**1,769**

[1] Of which a discounted receivable for a carry-back of €2,027,000 (repayable no later than 2016) as well as discounted receivables for 2010 and 2011 research tax credits of €2,698,000 and €651,000, repayable no later than respectively 2014 and 2015.
[2] Including a discounted tax receivable from a carryback of €2,118,000 plus a discounted Research Tax Credit receivable of €2,557,000. These receivables are due for repayment no later than respectively in 2016 and 2014.

1.1 – Originated loans and receivables at amortised cost

	2011			2010		
	Cost	Depreciation	Net	Cost	Depreciation	Net
Non-current tax receivables	5,376		5,376	4,675		4,675
Other non-current financial assets	2,097		2,097	1,849		1,849
Trade and other receivables	87,941	(2,687)	85,254	87,607	(1,740)	85,867
Other current financial assets	14,728	(29)	14,699	21,664	(29)	21,635
Total	**110,142**	**(2,716)**	**107,426**	**115,795**	**(1,769)**	**114,026**

Other current financial assets at amortised cost	**2011**	**2010**
Advances and down-payments to suppliers	535	507
Tax receivables (other than on income)	10,469	17,214
Trade receivables	204	267
Employee- related receivables	300	447
Royalty payment receivables	10	23
Other current assets	811	674
Deferred expenses	2,370	2,503
Total	**14,699**	**21,635**

Aged trial balance information for trade receivables at 31 December 2011	**Cost**	**Depreciation**	**Net**
Receivables not due	64,495	(117)	64,378
Receivables past due less than 3 months	8,086	(51)	8,035
Receivables past due less than 6 months	4,546	(9)	4,537
Receivables past due less than 1 year	6,563	(142)	6,421
Receivables past due less than 2 years	3,466	(1,635)	1,831
Receivables past due more than 2 years	785	(733)	52
Total	**87,941**	**(2,687)**	**85,254**

The balance of trade receivables outstanding at 31 December 2011 is reduced through the non-recourse assignments of receivables for €1,598,000 in Italy and €1,237,000 in Spain in December 2011. In 2010, non-recourse assignments of receivables amounted to €1.9 million and concerned exclusively Italy.

Aged trial balance information for trade receivables at 31 December 2010	**Cost**	**Depreciation**	**Net**
Receivables not due	68,475	(228)	68,247
Receivables past due less than 3 months	6,998	(42)	6,956
Receivables past due less than 6 months	5,331	(66)	5,265
Receivables past due less than 1 year	3,090	(138)	2,952
Receivables past due less than 2 years	2,985	(761)	2,224
Receivables past due more than 2 years	728	(505)	223
Total	**87,607**	**(1,740)**	**85,867**

1.2 – Financial assets measured at fair value through profit or loss

	2011	2010
Derivative financial instruments o.w.:	**-**	**46**
Foreign-exchange hedges on financial debt	-	46
Financial assets measured at fair value through profit or loss excluding derivatives o.w.:	**7,872**	**9,210**
Marketable securities	3,536	3,498
Cash at bank and in hand	4,336	5,712
Total	**7,872**	**9,256**

Foreign exchange and interest rate hedges generated a loss of €888,000 in 2011 compared with a gain of €606,000 in 2010.

Other marketable securities consist of money market funds (SICAV) and medium-term notes with a market value of €3,536,000 at 31 December 2011:

		SICAV 3	SICAV 4	SICAV 5	SICAV 6	MTN	Total
2009 balance	Number	27	-	-	-	-	
	Value	3,479	-	-	-	-	**3,479**
2010 purchases	Number	-	-	-	175	-	
	Value	-	-	-	38,654	-	**38,654**
2010 disposals	Number	-	-	-	175	-	
	Value	-	-	-	38,654	-	**38,654**
2010 balance	Number	27	-	-	-	-	
	Value	3,479	-	-	-	-	**3,479**
31/12/2010	Value	3,498	-	-	-	-	**3,498**
2011 purchases	Number	-	-	-	168	-	
	Value	-	-	-	37,419	-	**37,419**
2011 disposals	Number	-	-	-	168	-	
	Value	-	-	-	37,419	-	**37,419**
2011 balance	Number	27	-	-	-	-	
	Value	3,479	-	-	-	-	**3,479**
31/12/2011	Value	3,536	-	-	-	-	**3,536**

1.3 – Financial assets given as collateral

Under the program for the securitisation of trade receivables implemented in 2004, on 31 December 2011, the Group assigned trade receivables of €21,294,000 that generated financing of €13,419,000.

1.4 – Fair value of financial assets

Financial instruments used for hedging foreign exchange and interest-rate risks are measured at fair value (mark-to-market). These valuations are carried out both by the financial institutions from which Guerbet has obtained the financial instruments and by an independent firm. Provisions are measured and adjusted according to changes in value recognised for market instruments from one period to another. Marketable securities are measured at the market price of 31 December.

Note 2 – Financial liabilities

2.0 - Breakdown of current and non-current financial liabilities

	2011			2010
	Current	**Non-current**	**Total**	**Total**
Borrowings (Note 2.1)	28,393	79,518	107,911	98,890
Trade payables	48,409	-	48,409	39,462
Other payables (Note 2.6) o.w.:	40,642	1,529	42,171	37,819
Derivative financial instruments (cf. notes 3.4, 3.5 and26)	-	*1,529*	-	*687*
Total	**117,444**	**81,047**	**198,491**	**176,171**

2.1 - Breakdown of current and non-current borrowings

	2011	2010
Non-current borrowings o.w.	**79,518**	**85,541**
Securitisation	13,419	17,686
Special profit-sharing reserve	1,084	1,193
Finance leases	1,775	-
Medium-term borrowings	19,756	23,846
Other borrowings	43,484	42,816
Current borrowings o.w.	**28,393**	**13,349**
Finance leases	905	1,963
Medium-term borrowings (maturities < 1 year)	320	-
Other current borrowings and profit-sharing reserve	3,094	5,824
Short-term bank loans & overdrafts	24,074	5,562
Total borrowings	**107,911**	**98,890**

This debt is primarily subject to floating-rate interest:

	2011	2010
Floating-rate debt (before hedging)	95%	96%
Fixed-rate debt	5%	4%

2.2 - Borrowings by currency

Currency	2011			2010		
	Year-end rate	**Amount**	**%**	***Year-end rate***	**Amount**	**%**
Euro		73,285	67.91%		73,089	73.91%
Yen	*100.20*	25,985	24.08%	*108.65*	19,819	20.04%
Dollar US	*1.2939*	22	0.02%	*1.3362*	806	0.82%
Won	*1,498.69*	3,883	3.60%	*1,499.06*	2,028	2.05%
Divers		4,736	4.39%		3,148	3.18%
Total		**107,911**	**100.00%**		**98,890**	**100.00%**

2.3 - Borrowings ranked by maturity

Borrowings ranked by maturity:

	2011	2010
Less than 6 months	27,782	13,109
More than six months and less than one year	611	240
Between one and five years	21,719	28,893
Greater than five years	57,799	56,648
Total	**107,911**	**98,890**

2.4 – Finance leases

Under the category of financial liabilities, finance leases have the following maturities:

	2011	2010
Less than one year	905	1,963
Between one and five years	1,775	-
Greater than five years	-	-
Total	**2,680**	**1,963**

Note 2.5 – Changes in financial debt

Changes in financial debt in the period:

	2010	Change	2011
Marketable securities[1]	3,498	38	3,536
Cash at bank and in hand	5,712	(1,376)	4,336
Total	**9,210**	**(1,338)**	**7,872**
Bank facilities and credit balances	(5,577)	(14,108)	(19,685)
Net cash and cash equivalents	**3,633**	**(15,446)**	**(11,813)**
Gross borrowings excluding bank lines and balances	(93 328)	5,102	(88,226)
Net financial debt	**(89 695)**	**(10,344)**	**(100,039)**

2.6 – Other current financial liabilities

	2011	2010
Employee-related payables	26,712	23,115
Payables to fixed asset suppliers[2]	9,092	8,622
Grants[3]	2,688	2,631
Trade debtors-credit balances	405	327
Royalties	189	211
Commissions	1,070	984
Other payables	486	1,265
Total	**40,642**	**37,155**

[1] Details on marketable securities are provided above in note 1.2 herein.
[2] Of which €2,500,000 for the discounted purchase price for 40% of Medex shares.
[3] Of which advances received for €2,352,000 on the signature of the Iseult agreement (cf. note 23).

Note 3 – Management of financial risks

In compliance with its risk management policy, Guerbet hedges the main accounting risks of the balance sheet. Guerbet centralises the management of foreign currency exposures.

3.1 - Foreign exchange hedging positions open by Guerbet in 2011

In 2011, Guerbet implemented 34 forward exchange contracts, mainly for US dollars (USD), Turkish Lira (TRY), Japanese yen (JPY) and Hong Kong dollars (HKD) including 6 contracts (puts and calls) open at 31 December 2011 with a net value of €246,000.

3.2. Exposure to currency fluctuations at 31/12/2011

The following table presents the main risks of the Group centralised at the level of the Guerbet parent company:

In millions of euros	USD	BRL	JPY	TRY	CHF	KRW	HKD	GBP	TWD	MXN	Total*
Budget risk (1)** (1)	-8.77	0.00	5.37	2.73	12.20	-0.20	17.01	2.90	0.00	4.51	53.68
Balance sheet risk*** (2)	-2.47	1.51	0.00	1.13	0.01	-0.10	0.23	0.42	0.01	2.01	7.89
Position before hedging (3=1+2)	-11.23	1.51	5.36	3.86	12.21	-0.30	17.25	3.32	0.01	6.52	61.56
Outstanding hedges (4)	2.80	0.00	0.00	-1.15	0.00	0.00	0.00	0.00	0.00	-2.00	5.94
Position after hedging (5=3+4)	-8.43	1.51	5.36	2.71	12.21	-0.30	17.25	3.32	0.01	4.52	55.62

3.3 - Analysis of the sensitivity of net financial income (expense) to the balance sheet foreign exchange risk for key currencies

The principal sensitivity concerns foreign currencies unhedged at 31 December 2011, i.e. the net balance for balance sheet risks and outstanding hedges for these currencies. The following table presents the impact on net financial income of a 10% change in these currencies against the euro.

In thousands of euros	2011	2010
HKD	23	22
TRY	2	29
GBP	42	31

3.4 - Interest-rate risks

At 31 December 2011, borrowings consisted primarily and almost entirely of floating-rate debt. Since 2009 the interest rate hedging strategy of Guerbet Group by locking in interest rates has increased from 50% to 75% of floating-rate debt, taking into account in consequence the historically low level of rates.

3.5 - Interest rate hedging positions of Guerbet open in 2011

In the fiscal year the Group's net debt increased to €100 million. The Group's hedging policy is to cover 75% of floating rate debt. At 31 December 2011, the hedge rate was 84%. The weighted average rate from our hedging results in a fixed rate of 2.27%.

Four additional hedging contracts were acquired to meet the hedging target for a total amount of €43.9 million.

* Total in absolute values.

** Budget risk corresponds to the risk concerning future commercial flows for orders not yet confirmed or invoices booked in the balance sheet. This risk has no immediate impact on the income statement.

*** Balance sheet risk concerns all assets and liabilities in non-euro zone foreign currencies.

3.6 - Exposure to interest rate changes at 31 December 2011

In thousands of euros	Current debt*	Non-current debt	Total
Financial liabilities at fixed-rates	(2,937)	(2,965)	(5 902)
Financial liabilities at floating-rates	(28,034)	(73,975)	(102,009)
Financial assets at floating-rates	7,872		7,872
Net balance before hedging**:			
- fixed-rate	(2,937)	(2,965)	(5,902)
- floating-rate	(20,162)	(73,975)	(94,137)
Off-balance sheet***	-	79,202	79,202
Net balance after hedging			
- fixed-rate	(2,937)	(82,167)	(85,104)
- floating-rate	(20,162)	5,227	(14,935)

For 2012, with interest rates at very low levels due to the economic environment, Guerbet will seek to benefit from the best opportunities for hedging by all means debt carried on its is balance sheet under liabilities.

3.7 - Analysis of the sensitivity of net financial income to interest-rate risks after hedging at 31 December 2011

Interest rate change of:	1%
Sensitivity to interest rate risk	€ 184,290

3.8 - Liquidity risk

Guerbet Group's objective is to extend the duration of its medium and long-term capital resources. At 31 December 2011 the average maturity for debt was 3.86 years. The percentage of confirmed payable debt with a maturity exceeding one year was 75.52%.

Note 4 – Segment reporting

All Group activity is conducted in a single business segment covering the research and development, manufacturing and sale of contrast agents for medical imaging.

In consequence, the Group presents segment information by geographical area that corresponds to the internal reporting statements used by Management for operating purposes. This was already the case before IFRS 8 took effect on 1 January 2009.

Geographical segments are separated on the basis of an analysis of risks and returns into two subgroups, each corresponding to the internal organisation of the Group and different growth strategies of Guerbet for these markets:

- The main European markets where Guerbet Group has developed long-term relations with its customers and a strong position through its network of pharmaceutical sales representatives;
- Other markets where the Group has a direct presence through sales subsidiaries only in selected countries (Brazil, South Korea, China, USA, etc.) and where sales are generated primarily from license or distribution agreements.

* Total financial assets and liabilities at floating-rates plus short term fixed-rate assets and liabilities.
** Total of differences (assets - liabilities) at fixed rates and (assets - liabilities) at floating-rates.
*** Interest rate and corridor swaps (receiving floating-rate and paying fixed rates).

4.1 - Geographical segment information

Segment information is provided on the basis of the geographical location of companies with an additional market breakdown for sales.

"European companies" include European countries where the Group operates through its own network of pharmaceutical sales representatives and notably: Germany, Austria, Belgium, Spain, France, United Kingdom, Netherlands, Italy, Portugal, Switzerland, Turkey.

The portion not allocated to operating income corresponds to headquarters administrative expenses, research and development expenditure and factory overheads not allocated to products representing components able to be allocated to the different sectors only on an arbitrary basis.

Research and development expenses and corporate support functions are based in France.

2011	European companies for their respective markets	Other	Unallocated	Total
Revenue				
European markets	255,787	9,635		265,422
Other markets		112,412		112,412
Total	**255,787**	**122,047**		**377,834**
Current operating income	**91,781**	**27,563**	**(96,793)**	**22,551**
Other operating income and expenses			(16)	(16)
Operating profit				**22,535**
Net interest expense			(4,187)	(4,187)
Other financial income and charges			(379)	(379)
Tax charge			(3,542)	(3,542)
Net income				**14,427**
- of which amortisation and depreciation	(2,786)	(947)	(16,652)	(20,385)
- of which other non-cash expenses	(1,061)	(179)	1,506	266
Segment assets	368,667	81,049		449,716
- of which fixed assets	197,772	23,312		221,084
Segment liabilities excluding borrowings	133,426	15,525		148,951
Borrowings	80,922	2,937		83,859
Shareholders' equity			216,906	216,906
Segment capital expenditures				
- intangible assets	2,327	23		2,350
- property, plant and equipment	35,000	2,378		37,378

2010	European companies for their respective markets	Other	Unallocated	Total
Revenue				
European markets	245,535	8,461		253,996
Other markets		98,583		98,583
Total	**245,535**	**107,044**		**352,579**
Current operating income	**89,705**	**17,230**	**(95,716)**	**11,219**
Other operating income and expenses			(2,942)	(2,942)
Operating profit				**8,277**
Net interest expense			(2,557)	(2,557)
Other financial income and charges			(591)	(591)
Tax charge			751	751
Net income				**5,880**
- of which amortisation and depreciation	(2,712)	(2,061)	(15,331)	(20,104)
- of which other non-cash expenses	(864)	(121)	(4,722)	(5,707)
Segment assets	346,239	75,771		422,010
- of which fixed assets	180,306	22,072		202,378
Segment liabilities excluding borrowings	102,687	15,529		118,216
Borrowings	88,103	5,176		93,279
Shareholders' equity			210,516	210,516
Segment capital expenditures				
- of which intangible assets	1,682	84		1,766
- of which property, plant and equipment	36,677	1,985		38,662

4.2 – Sales by product range

Percentage before trade discounts and rebates	2011	2010
X-ray	50.8%	53.7%
MRI	38.8%	36.9%
Other	10.4%	9.4%
Total	**100.0%**	**100.0%**

Note 5 - Intangible assets

	31/12/2010	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2011
Trademarks	8,864				117	8,981
Patents	13,101				1	13,102
Marketing authorisations	7,921				668	8,589
Commercial relations	5,615				460	6,075
Goodwill	9,917				5	9,922
Software	10,519	969	(104)	100	(97)	11,387
Intangible assets in progress	694	1,381				2,075
Cost	**56,631**	**2,350**	**(104)**	**100**	**1,154**	**60,131**
Allowances for depreciation	(19,404)	(1,422)	100	(89)	(251)	(21,066)
Impairment	(3,037)				(256)	(3,293)
Net	**34,190**	**928**	**(4)**	**11**	**647**	**35,772**

	31/12/2009	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2010
Trademarks	8,615				249	8,864
Patents	13,101					13,101
Marketing authorisations	6,463				1,458	7,921
Commercial relations	4,609				1,006	5,615
Goodwill	9,447				470	9,917
Software	7,527	1,940	(71)	1,034	89	10,519
Other intangible assets	868	(174)				694
Cost	**50,630**	**1,766**	**(71)**	**1,034**	**3,272**	**56,631**
Allowances for depreciation	(15,901)	(2,089)	32	(764)	(682)	(19,404)
Impairment		(2,833)			(204)	(3,037)
Net	**34,729**	**(3,156)**	**(39)**	**270**	**2,386**	**34,190**

Trademarks purchased include mainly €7,476,000 for worldwide distribution of the barium line in 1992 and ¥151 million (€1,502,000 at the 2011 year-end exchange rate) of Magnescope in Japan.

Patents for the barium line were purchased by the Group in 1992 for €7,476,000. In June 2004 patents registered by Medex were remeasured at €5,623,000 on the acquisition date of this company.

In 2005, the Group acquired marketing authorisations for Japan for Imagenil, Magnescope and Hexabrix for ¥861 million (or €8,589,000 at the 2011 year-end exchange rate). The carrying value of marketing authorisations for Imagenil and Hexabrix had been fully amortised at 31 December 2010. The net carrying value of €6,933,000 corresponds to the marketing authorisation for Magnescope in Japan.

In 2005, the Group acquired for ¥593 million based on the discounted value from the previous distributor of Imagenil (Oxilan) in Japan various intangible assets destined to maintain the commercial relations existing with the Japanese customer base when the distribution was transferred to Terumo. After translation at year-end, these intangible assets were recorded for €5,522,000 at 31 December 2011. At 31 December 2010, the net carrying value after amortisation had been fully written down.

Business goodwill was acquired from former Group distributors when commercial subsidiaries were opened in various countries. This goodwill was amortised over 20 years until the IFRS transition date of 31 December 2003. Because the useful life of this goodwill is currently considered indefinite, as of 1 January 2004 it is no longer amortised.

Software is amortised over its useful life that is generally approximately three years.

Estimates of recoverable values of cash generating units including goodwill or indefinite life intangible assets representing material amounts:

The cash generating units were as follows:

Cash generating units	**Goodwill and intangible assets**	**Net carrying value**
Japan	Trademarks (Magnescope)	1,502
	Commercial relations	-
	Marketing authorisations	6,933
Germany	Patents	1,745
	Trademarks (Barium)	7,476
	Goodwill	990
South Korea	Goodwill	3,990
Italy	Goodwill	3,796

At 31 December 2011, impairment tests were conducted on the basis of discounted cash flows determined according to the medium-term plan or more detailed data. This MTP covers the years from 2012 to 2016. A discount rate of 6.09% was applied to all assets other than of Japan (3.97%).

Calculation of value in use incorporates the notion of a terminal value.

For each of these CGUs, the present value of future cash flows significantly exceeds the net carrying value.

In respect to sensitivity, a 1 point variance in interest rates would not have resulted in the recognition of an impairment charge.

Note 6 – Property, plant and equipment

6.1 – Analysis of changes by type of asset

	31/12/2010	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2011
Land	6,271				(17)	6,254
- of which finance leases	*2*					*2*
Buildings	97,567	4,409	(3 959)	44	(536)	97,525
- of which finances leases	*2,501*					*2,501*
Machinery and equipment	159,507	9,655	(9,028)	1,511	(418)	161,227
- of which finance leases	*7,408*	*588*				*7,996*
Other tangible assets	46,354	6,426	(4,381)	18	(436)	47,981
- of which finance leases	*3,264*	*550*				*3,814*
Construction in progress	33,159	19,558	(1)	(1,587)	(102)	51,027
Advances and instalments on fixed assets	3,216	(2,670)				546
Cost	**346,074**	**37,378**	**(17,369)**	**(14)**	**(1,509)**	**364,560**
Allowances for depreciation	(179,851)	(18,965)	16,550	22	825	(181,419)
Impairment	-					-
Net	**166,223**	**18,413**	**(819)**	**8**	**(684)**	**183,141**

	31/12/2009	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2010
Land	6,241				30	6,271
- of which finance leases	*2*					*2*
Buildings	95,242	4,578	(3,008)	1	754	97,567
- of which finance leases	*2,501*					*2,501*
Machinery and equipment	146,474	15,837	(3,379)	63	512	159,507
- of which finance leases	*7,408*					*7,408*
Other tangible assets	45,815	6,378	(6,581)	(33)	775	46,354
- of which finance leases	*3,303*	*1,081*	*(1,124)*		*4*	*3,264*
Construction in progress	24,984	9,082		(1,093)	186	33,159
Advances and instalments on fixed assets	432	2,787		(3)		3,216
Cost	**319,188**	**38,662**	**(12,968)**	**(1,065)**	**2,257**	**346,074**
Allowances for depreciation	(173,538)	(18,006)	12,162	791	(1,260)	(179,851)
Impairment	(122)		122			-
Net	**145,528**	**20,656**	**(684)**	**(274)**	**997**	**166,223**

Significant capital expenditures since 2005 have included notably:

- Projects to enlarge and increase the capacity of the Aulnay and Lanester plants;
- Investments to improve security and backfit all French plants;
- The transfer of production for active ingredients from Aulnay to Lanester and Marans.

6.2 – Analysis of property, plant and equipment by currency, net

Currency	2011		2010	
	Year-end rate	Amount	*Year-end rate*	Amount
Euro		174,036		157,395
Real	*2.42*	7,882	*2.2177*	7,791
Other currencies		1,223		1,037
Total		**183,141**		**166,223**

6.3 – Revaluations

All office property in Villepinte was remeasured at fair value on 1 January 2004 in accordance with the option provided for under IFRS1 for first-time adoption of IFRS. This remeasurement was based on an estimate provided by independent appraisers. The value of the buildings was estimated at €11.3 million on the basis of the following two approaches:

- Capitalisation of revenue that could be generated from rental;
- Comparison with market values on the basis of recent transactions for properties of the same nature and in the same area.

On the basis of the net carrying value of these buildings at 1 January 2004 of €3.3 million, the revaluation was for €8 million including €6.5 million allocated to buildings and €1.5 million to land.

A second valuation was undertaken by an independent appraiser in 2008. The buildings were valued at €12.6 million, confirming that the recognition of an impairment loss was not necessary despite the real estate market downturn.

Note 7 – Other non-current assets

	2011			2010
	Cost	Provisions	Net	Net
Deposits and guarantees	1,942	-	1,942	1,732
Carry-back receivables	2,027	-	2,027	2,118
Research tax credits	3,349	-	3,349	2,557
Loans to personnel	98	-	98	103
Other non-current financial assets	174	-	174	130
Total	**7,590**	**-**	**7,590**	**6,640**

Note 8 – Deferred tax assets and liabilities

	31/12/2010	Changes in income	Changes in equity	Translation adjustments & misc.	31/12/2011
Deferred tax assets	7,132				10,896
Deferred tax liabilities	(5,820)				(8,603)
Total	**1,312**	**(390)**	**934**	**437**	**2,293**
Of which deferred taxes resulting from:					
Recognition of tax losses	6,857	1,647		575	9,079
Temporary differences	8,734	126	1,072	37	9,969
Restatement of regulated provisions	(9,088)	(2,402)			(11,490)
Remeasurement of tangible assets	(2,835)	106			(2 729)
Remeasurement of intangible assets	(9 840)	731		(287)	(9,396)
Restatement of inventory margins	4,095	917		21	5,033
Restatement of provisions for subsidiary risks	-	(1,109)			(1,109)
Finance leases	(464)	220			(244)
Restatement of Medex injectors	45	11			56
Other	3,808	(637)	(138)	91	3,124

	31/12/2009	Changes in income	Changes in equity	Translation adjustments & misc.	31/12/2010
Deferred tax assets	6,995				7,132
Deferred tax liabilities	(7,493)				(5,820)
Total	**(498)**	**1,438**	**(636)**	**1,008**	**1,312**
Of which deferred taxes resulting					
Recognition of tax losses	7,478	(1,805)		1,184	6,857
Temporary differences	7,684	1,290	(566)	326	8,734
Restatement of regulated	(6,341)	(2,746)		(1)	(9,088)
Remeasurement of tangible assets	(2,944)	109			(2,835)
Remeasurement of intangible	(9,064)	(38)		(738)	(9,840)
Restatement of inventory margins	3,345	637		113	4,095
Restatement of provisions for	(838)	838			-
Finance leases	(707)	243			(464)
Restatement of Medex injectors	-	45			45
Other	889	2,865	(70)	124	3,808

Note 9 – Inventories

	2011	2010
Raw materials and packaging supplies	22,752	11,253
Trade goods	13,079	15,418
Intermediate and finished goods, work in progress	74,025	69,273
Spare parts	2,170	1,858
Cost	**112,026**	**97,802**
Current provisions	(7,531)	(6,735)
Net	**104,495**	**91,067**

Changes in the net value of inventories in the period (+14.7%) reflect both business growth (+7.1%) and rebuilding inventories of raw materials that had fallen to historically low levels at 31 December 2010.

Note 10 – Trade receivables and related accounts

	2011	2010
Cost	**87,941**	**87,607**
Current provisions	(2,687)	(1,740)
Net	**85,254**	**85,867**

Receivables transferred within the framework of securitisation agreements are maintained in the balance sheet as assets when the risks and rewards are not transferred in full. For further information of maturities and the assignment of receivables refer to note 1.1.

Note 11 – Shareholders' equity

At 31 December 2011, the share capital of the parent company was 3,050,046 shares with a par value of €4 per share. The Group has 5,107 treasury shares.

11.1 – Changes in the share capital of the parent company

Number of shares at 31 December 2009	**3,041,761**
Increase in capital from the exercise of stock options	8,285
Number of shares at 31 December 2010 and 2011	**3,050,046**

11.2 – Analysis of shareholders' equity

	2011	2010
Guerbet common stock	12,200	12,200
Additional paid-in capital and shares from Guerbet convertible bonds	5,559	5,558
Guerbet legal reserves	1,220	1,217
Retained earnings	117,961	114,191
Guerbet retained earnings	60,283	65,692
Consolidated net income	14,427	5,880
Currency translation adjustments	3,148	5,778
Total	**214,798**	**210,516**

Note 12 – Provisions

12.1 – Analysis of changes in the period

	2010	Increases	Provisions used in the period	Reversals (unused provisions)	Currency translation adjustments & reclassifications	Change in actuarial assumptions	2011
Non-current provisions	**13,157**	**737**	**(366)**	**-**	**(14)**	**3,357**	**16,871**
Deferred employee benefits (note 12.2)	13,157	737	(366)	-	(14)	3,357	16,871
Current provisions							
Costs for mandatory paediatric studies	346	-	-	-	11	-	357
Tax dispute contingencies[1]	1,717	80	-	(105)	(105)	-	1,587
Sales-related lawsuit contingencies	493	431	(29)	-	-	-	895
Late payment interest	-						-
Anticipated losses on purchase commitments[2]	4,258	-	(2,418)	-	-	-	1,840
Other contingencies	855	80	(283)	(141)	(15)	-	496
Total current provisions	**7,669**	**591**	**(2,730)**	**(246)**	**(109)**	**-**	**5,175**
Total provisions	**20,826**	**1,328**	**(3,096)**	**(246)**	**(123)**	**3,357**	**22,046**

	2009	Increases	Provisions used in the period	Reversals (unused provisions)	Currency translation adjustments & reclassifications	Change in actuarial assumptions	2010
Non-current provisions	**14,108**	**1,085**	**(466)**	**-**	**19**	**(1,589)**	**13,157**
Deferred employee benefits (note 12.2)	14,108	1,085	(466)	-	19	(1,589)	13,157
Current provisions							
Costs for mandatory paediatric studies	321	-	-	-	25	-	346
Tax dispute contingencies	1,113	531	(77)	-	150	-	1,717
Sales-related lawsuit contingencies	983	243	(732)	-	-	(1)	493
Late payment interest	-						-
Anticipated losses on purchase commitments	884	3,374	-	-	-	-	4,258
Other contingencies	886	192	(150)	(114)	41	-	855
Total current provisions	**4,187**	**4,340**	**(959)**	**(114)**	**216**	**-**	**7,669**
Total provisions	**18,295**	**5,425**	**(1,425)**	**(114)**	**235**	**(1,590)**	**20,826**

[1] Tax contingencies relate to sundry tax and customs-related disputes in Brazil with provisions of BRL 2.8 million (€1.2 million) and a €0.4 million provision for a tax audit in Italy.
[2] Anticipated losses on purchase commitments result from a contractual obligation by Guerbet to purchase active ingredients at specified prices from a supplier.

12.2 – Accrued employee benefits

a) Description:

Employees of the Group are eligible for:
- deferred benefits in the form retirement severance payments (France, Italy, Austria, South Korea, Japan, Turkey);
- post-employment benefits in the form of supplementary defined benefit retirement schemes (Germany) early retirement benefits for persons of 58 to 60 years of age (Belgium).

Provisions are recorded for these benefits.
Commitments relating to supplementary retirement benefits paid to German employees are covered by financial assets corresponding to funds invested with third parties (plan assets). These assets are remeasured every year at sufficient frequencies to ensure that amounts recognised not materially differ from assets and liabilities at term.
At 31 December 2011, the assets were valued at €2,900,000 with an estimated total rate of return of 4.50%.

Payments on behalf of defined contribution pension plans are incurred in the period.

b) Measurement and recognition:

Group obligations are calculated on the basis of assumptions applicable in the countries concerned.
Actuarial gains or losses are recorded directly under equity in accordance with IAS 19.

c) Actuarial assumptions applied for France and Germany representing 91% of the provisions and 100% of plan assets:

	France		Germany	
	2011	2010	2011	2010
Discount rate	C	C	5.14%	5.15%
Projected rate of return for plan assets	N/A	N/A	4.50%	4.50%
Rate of salary increase[1]	2.50%	2.50%	3.00%	3.00%
Inflation	0%	0%	0%	0%
Average rate of annuity increases	N/A	N/A	2.00%	2.00%
Average growth rate of medical expenses	N/A	N/A	N/A	N/A
Mortality table assumptions	T	T	T	T
Employee turnover rate	S	S	S	S
Retirement age	E	E	65	65
Rate of social charges	47.00%	47.00%	V	V

C = Bloomberg yield curve (discount rate for investment-grade companies). The impact of a 10% change in these rates would be €1,060,000.
E = Estimated age of retirement on the basis of an average age at the start of employment and annuities required by regulation;
S = Table rates on the basis of statistics and guidelines of analysis such as the classification, gender and age of the employee, according to their pertinence;
T= The most recent mortality table published by the INSEE for metropolitan France and the table of Dr. Klaus Heubeck (RT 2005 G) for Germany;
V = Variable according to the remuneration.
Detailed information is not provided on the following (N/A):
- Average expected rates of return for plan assets for French companies as the French schemes do not include assets;
- Average rates of increases for annual payments as the French schemes represent lump-sum retirement severance benefits and not annual payments;
- The average rate of increase for medical expenses as no companies provide coverage for medical expenses under their plans.

Total actuarial gains and losses for the Group charged to equity at 31 December 2006 on the changeover to IFRS was €4,449,000 before deferred taxes or €2,901,000 net of tax.

[1] According to job category classifications for France.

Balance sheet commitments	2011	2010	2009	2008	2007
Discounted value of funded commitments	4,988	4,536	3,985	3,256	3,742
Discounted value of unfunded commitments	16,064	12,561	13,838	13,268	11,449
Subtotal: discounted value of commitments	**21,052**	**17,097**	**17,823**	**16,524**	**15,191**
Fair value of plan assets	(4,181)	(3,940)	(3,715)	(3,596)	(3,437)
Balance	**16,871**	**13,157**	**14,108**	**12,928**	**11,754**
Items not yet recognised					
Unrecognised past service costs	-	-	-	-	-
Unrecognised net actuarial gains (losses)	-	-	-	-	-
Total unrecognised items	-	-	-	-	-
Total liabilities	**16,871**	**13,157**	**14,108**	**12,928**	**11,754**
Amounts recognised in the balance sheet					
Accrued employee benefits	16,871	13,157	14,108	13,268	11,754
Non-current financial assets	-	-	-	(340)	-
Net balance of the balance sheet (net liabilities)	**16,871**	**13,157**	**14,108**	**12,928**	**11,754**

Income statement expenses	2011	2010
Service costs of the year	1,251	1,152
Finance costs	540	639
Projected return of plan assets	(58)	(56)
Employer contributions to financing assets	(277)	(258)
Benefits paid	(1,099)	(850)
Past service costs recognised		
Actuarial losses or gains recognised		
Effect of liquidations/reductions of future service		
Change in the maximum amount of assets		
Adjustments for the prior year	128	
Total net expenses of plans	**485**	**627**

Change in net liabilities of the period	2011	2010
Opening net liabilities	**13,157**	**14,108**
Service costs of the year	1,251	1,152
Finance costs	540	639
Projected return of plan assets	(58)	(56)
Employer contributions to financing assets	(277)	(258)
Benefits paid	(1 099)	(850)
Actuarial gains and losses	3,216	(1,597)
Foreign currency translation adjustments	(14)	19
Past service costs	-	-
Changes in consolidation scope	-	-
Reduction of future service	-	-
Liquidation of future service	-	-
Other	155	-
Closing net liabilities	**16,871**	**13,157**

Change in hedged assets	2011	2010
Market value of funds invested at 1 January	**3,940**	**3,715**
Projected return of funds	58	57
Actuarial gains and losses	3	(90)
Currency translation adjustments	-	-
Employer contributions	277	258
Employee contributions	-	-
Benefits paid	(97)	-
Change in Group structure (consolidation)	-	-
Plan reductions	-	-
Plan liquidations	-	-
Market value of funds invested at 31 December	**4,181**	**3,940**

Note 13 – Other revenue

	2011	2010
Sold production - services	929	627
Capitalised production costs (*)	-	489
Operating grants	2,561	5,012
Total	**3,490**	**6,128**

In 2010, capitalised production costs of €489,000 represented supplies used in operations.

(*) In contrast to 2010, capitalised production costs that amounted to €2,275,000 in 2011 were recognised as charges under current operating expenses according to the nature of expenses incurred:

	2011
Supplies used in operations	(751)
External charges	(529)
Staff costs	(995)
Total	**(2,275)**

Note 14 – Staff costs

14.1 – 1 Analysis of staff costs

	2011	2010
Salaries and wages	(71,216)	(66,723)
Social security charges	(28,974)	(26,266)
Employee profit-sharing	(297)	(303)
Amortisation of share-based payment	(137)	(87)
Total	**(100,624)**	**(93,379)**

14.2 – Group share-based payment highlights

The binomial options pricing model is applied for the fair value measurement of options granted. Under this method, it is possible to measure the value of options able to be exercised at any time during the option life. The value of the option thus defined is decreased by the conveyance costs resulting from restrictions to sell shares from the exercise of options prior to the fourth anniversary date of the plan.

This imputed cost is determined on a price risk-neutral basis whereby the employee is able to exercise the option at any time. This strategy consists in purchasing the share on the cash market by borrowing the funds required and in exchange to sell forward the security. The cost of this approach is a financial expense that represents a borrowing cost reduced by dividends.

14.2.1 - Highlights of share-based payments under plans in force in 2011

Grant date	Number	Share price on date of grant	Volatility	Risk-free rate	Exercise price	Vesting period
26 March 2009	4,000	€ 112.20	35 %	3.80%	€ 112.26	2 years
17 October 2011	132,710	€ 66.30	35 %	2.77 %	€ 61.60	4 years
23 November 2011	12,000	€ 67.20	35 %	2.77 %	€ 64.30	4 years

14.2.2 – Breakdown of benefits per financial year for plans in force in 2011

Grant date	26 March 2009	17 October 2011	23 November 2011	Total
2009	67			67
2010	87			87
2011	10	121	6	137
2012		591	53	644
2013		590	53	643
2014		590	53	643
2015		468	47	515
Total	**164**	**2,360**	**212**	**2,736**

14.2.3 – Impact on the balance sheet

These benefits are recognised every year according to the number of options that remain to be exercised in exchange for equity.

14.3 – 3 Average number of personnel during the year

The average number of personnel for Guerbet Group in 2011 was 1,346 employees. The following tables provide a breakdown of this workforce by employee category and activity for the last three financial periods.

Year	Management	Technicians/Employees Supervisors, Sales reps	Plant workers	Total
2011	345	689	312	1,346
2010	327	683	304	1,314
2009	306	705	276	1,287

Year	Supply Chain	Commercial	Research & development	Support functions	Total
2011	567	301	205	273	1,346
2010	542	300	201	271	1,314
2009	519	296	208	264	1,287

14.4 - 4 Personnel by region at year-end

	2011	2010
Europe	1,133	1,107
Latin	159	162
Asia	54	45
Total	**1,346**	**1,314**

Note 15 – External charges

	2011	2010
Studies and services	(21,776)	(19,040)
Non-stock supplies	(13,015)	(11,099)
Lease payments and rental charges	(6,060)	(5,615)
Maintenance and repairs	(7,540)	(7,032)
Insurance	(1,618)	(1,725)
Studies and research	(12,368)	(9,660)
External personnel	(2,964)	(4,568)
Commissions and fees	(16,315)	(13,896)
Advertising and external relations	(8,495)	(8,802)
Transport expenses	(6,401)	(6,152)
Travel and entertainment costs	(7,134)	(6,885)
Postal and telecommunications expenses	(1,566)	(1,325)
Divers	(21,695)	(20,354)
Total	**(126,947)**	**(116,153)**

Note 16 – Tax and similar expenses (other than on income)

	2011	2010
Taxes on compensation	(2,515)	(2,374)
CET tax (*Contribution Economique Territoriale)* (France)	(3,360)	(3,069)
Inami tax (Belgium)	(1,855)	(1,973)
Other taxes	(4,031)	(4,316)
Total	**(11,761)**	**(11,732)**

Note 17 – Allowances for depreciation and reserves

	2011	2010
On intangible assets	(1,422)	(2,045)
On property, plant and equipment	(18,963)	(18,059)
Total	**(20,385)**	**(20,104)**

Note 18 – Other current operating income and expenses

	2011	2010
Royalty payments	(777)	(502)
Other miscellaneous income and expenses	(876)	(1,155)
Total	**(1,653)**	**(1,657)**

Note 19 – Other operating income and expenses

	2011	2010
Allowances for the impairment of fixed assets[1]	-	(2,833)
Investment grants	74	74
Other miscellaneous income and expenses	(90)	(183)
Total	**(16)**	**(2,942)**

[1] Impairment of intangible assets in Japan (see note 5).

Note 20 – Finance costs

	2011	2010
Finance leases	(189)	(169)
Securitisation	(371)	(276)
Interest from borrowings and current bank lines	(2,167)	(1,535)
Interest-rate swaps	(1,524)	(668)
Total	**(4,251)**	**(2,648)**

Note 21 – Corporate income tax

21.1 – Breakdown between current and deferred income tax

	2011	2010
Current tax	(3,024)	(687)
Deferred tax	(518)	1,438
Total	**(3,542)**	**751**

21.2 – Analysis of the tax charge

	2011	2010
Theoretical tax charge for the consolidated company at applicable tax rate[1]	(6,471)	(1,709)
Impact of different tax rates	698	230
Impact of permanent non-deductible or tax-exempt expenses	(1,426)	(1,979)
Impact of tax credits	3,675	4,027
Impact of deferred taxes on unrecognised losses and misc.	(18)	182
Total	**(3,542)**	**751**

Note 22 – Research and development expenditures

The following amounts were recognised under expenses:

	2011	2010
Direct expenses	35,627	32,237
Indirect expenses	6,804	6,198
Total	**42,431**	**38,435**

Direct expenses include supplies used in operations, external charges, personnel expenses and allowances for depreciation.

[1] The tax rates applied were 36.10% for 2011 and 33.33% for 2010.

Note 23 – Investment grants

The following investment grants were recorded under income:

Account heading	Nature	2011	2010
Other revenue	Innovation grant	2,423	4,865
Other revenue	Job creation subsidies	125	140
Other revenue	Misc. grants	13	7
Other operating income	Investment grants	74	74
Total		**2,635**	**5,086**

In December 2008, the request for aid submitted to OSEO innovation agency for the Franco-German research project, Iseult, was approved by the European commission. The aid agreement provides for financing for one half of the expenses incurred including 39% in the form of repayable advances and 61% in the form of grants.

An initial payment of €3.4 million was received in December 2008 upon the signature of the agreement. This amount is divided into a €1.1 million repayable advance recognised under non-current borrowings and a €2.3 million grant of recorded under other liabilities. It has no impact on the income statement.

In January 2010, OSEO approved the research expenditures incurred by Guerbet until 30 June 2009 and paid in consequence a grant equal to half these expenses. This amount of €2.9 million had been recognised under grants receivable at 31 December 2009.

In December 2010, Guerbet received €5.2 million including:

- Repayable advances of €0.5 and a grant of €3.3 million for research expenditures incurred by Guerbet up to 30 June 2010;
- Grants of €1.4 million for cost overruns in relation to the budget prior to 30 June 2009.

In October 2011, Guerbet received financing of €2.5 million including €2.4 million in grants and €0.1 million in repayable advances for research expenditures incurred by Guerbet up to 30 June 2011.

The amount of contingent income that remains to be received for research expenses incurred in the 2011 second half but not yet approved by OSEO on the balance sheet date totalled €822,000. This contingent income was not recognised in 2011.

Note 24 - Stock options and stock purchase options

Personnel of the company and its subsidiaries qualify for stock options. Under these plans at 31 December 2011, personnel were able to subscribe for or purchase 216,044 shares at a weighted average price of €69.08. The portion reserved for officers represented 18,000 shares at a weighted average price of €65.77.

At 31 December 2011, 210,937 stock options and 5,107 stock purchase options were outstanding. If all options to subscribe for shares were exercised, 210,937 new shares would be issued increasing the total number of existing shares to 3,260,983. These new shares would represent an increase in shareholders' equity of €14,501,870.

Fully diluted net earnings per share calculated to take into account the dilutive effect of stock options grants offered to personnel was €4.48 for fiscal 2011.

A stock purchase option plan implemented by the Executive Board on 26 July 2005 and expiring on 25 July 2012 remains in force. This plan concerns the grant of one stock purchase option for 5,107 Guerbet shares at a purchase price of €82.91.

Stock option plan highlights

	Plan 6	Plan 7	Plan 8	Plan 9	Plan 10
Grant date	26/07/2005	25/09/2007	26/03/2009	17/10/2011	23/11/2011
Tax availability date	26/07/2007	25/09/2009	26/03/2011	17/10/2015	23/11/2015
Number of options granted	106,950	7,000	6,000	132,710	12,000
o.w.Yves L'Epine	-	-	-	-	*12,000*
o.w. Marie-Christine Garnier	*2,000*	-	-	*4,000*	-
Subscription or purchase price	€ 82.91	€ 150.22	€ 112.26	€ 61.60	€ 64.30
Plan expiration date	25/07/2012	24/09/2017	25/03/2019	16/10/2021	22/11/2021
Number of options exercised	16,023	-	-	-	-
Number of options cancelled	26,430	7,000	4,000	270	-
Number of options outstanding	69,604 [1]	-	2,000	132,440	12,000

At 31 December 2011, 216,044 options were exercisable including 5,107 stock purchase options. In consequence, if all stock options were exercised, the share capital of the company would consist of 3,260,983 shares with a nominal value of €13,043,932. On that basis, potential dilution of the share capital is 6.92%.

Note 25 – Related parties

25.1 – Relations with non-consolidated companies

All significant Group subsidiaries are wholly-owned and fully consolidated. Inter-company transactions are eliminated.

25.2 – Compensation and benefits granted by the Group to executive management

Executive management include persons with authority and responsibility for planning, management and oversight of activities, directly or indirectly, including directors (both executive and non-executive directors). Those present at 31 December 2011 received the following compensation and benefits in-kind (in euros):

Short-term benefits	**1,731,073**
Fixed portion of total gross compensation (excluding benefits in-kind)[2]	1,487,765
Variable compensation[3]	226,842
Benefits in-kind	16,466
Post-unemployment benefits	**513,614**
o.w. supplementary funded pension schemes	56,654
of which provisions for retirement severance payments	456,960
Other long-term benefits	**None**
Severance benefits	**None**
Share-based payments[4]	**39,000**

[1] Of which 5,107 stock purchase options.
[2] The fixed portion includes compensation of executive management as well as indemnities for corporate officers serving as Qualified Persons amounting to €16,497, attendance fees paid to Directors of €148,024 and compensation paid to the Chairman of the Board of Directors of €39,925.
[3] The variable portion for each board member depends on the number of individual objectives that were achieved in the prior year. It is adjusted to take into account the performance of the Company or Group in this same year and calculated on the basis of the salary at December 2010. This variable compensation includes attendance fees paid to Directors of €13,500.
[4] This concerns expenses recognised in the period for stock option grants (cf. note 14.2).

Note 26 – Off-balance sheet commitments

Commitments given:

	2011	2010
Guarantees and security and other commitments granted to third parties on behalf of associates	13,009	9,903
Guarantees and security granted to third parties	3,180	5,635
Receivables assigned within the framework of securitisation programs	21,294	19,849
Guaranteed debt	-	-
Total	**37,483**	**35,387**

Commitments vis-à-vis suppliers

In 2010, Guerbet undertook to acquire from a supplier 50 tonnes of active ingredients for a value of US$8.45 million (or €6.3 million at the year-end exchange rate). This undertaking follows similar undertakings entered into in 2002 to purchase 200 tons and in 2008 for 30 tons. At 31 December 2011, a commitment remained for the purchase of 24 tons.

Under the terms of any Memorandum of Understanding concluded on 25 November 2011, Guerbet undertook to purchase from Covidien Imaging France certain amounts of contrast agents for imaging by Optiray x-ray, in the form of an active ingredient (Ioversol) and a finished product (Optiject) for the period from 1 October 2011 to 30 September 2012. At 31 December 2011, this commitment by Guerbet represented a total remaining balance of €19,332,000.

Other

The fair value of cash instruments is -€1.5 million for interest rate hedges and virtually nil for foreign exchange hedges.

At 31 December 2011 there were 10 interest rate hedges for €75.7 million. Total open positions are presented below in detail:

Inception date	Expiration date	Contract type	Position Guerbet	Benchmark	Contract rate	Fair value (in €)	Notional amount (in €)
30/11/2006	04/12/2013	Swap	Purchase	3 Month Euribor	3.77%	-129,965.00	4,285,714.29
20/06/2008	20/06/2013	Swap	Purchase	3 Month Euribor	5.12%	-40,660.18	1,000,000.00
15/06/2009	15/06/2014	Swap	Purchase	3 Month Euribor	2.49%	-147,223.00	7,500,000.00
09/12/2009	12/12/2016	Call	Purchase	3 Month Euribor	2.53%	-97,835.00	7,142,857.14
17/12/2009	17/12/2014	Call	Purchase	3 Month Euribor	2.30%	-46,657.00	6,000,000.00
28/09/2010	28/09/2013	Swap	Purchase	3 Month Euribor	1.20%	-7,323.79	5,833,333.33
29/03/2011	31/03/2018	Swap	Purchase	3 Month Euribor	2.77%	-847,437.00	19,196,428.58
30/06/2011	04/07/2016	Swap	Purchase	3 Month Euribor	2.29%	-123,787.55	4,750,000.00
04/11/2011	08/11/2016	Swap	Purchase	3 Month Euribor	1.43%	-43,638.18	10,000,000.00
10/11/2011	14/11/2016	Swap	Purchase	3 Month Euribor	1.45%	-36,758.03	10,000,000.00

With respect to the management of foreign exchange risk, 31 forward exchange hedging contracts were negotiated in 2011 including 6 that are still open at 31 December 2010 for €5.8 million. Total open positions open are presented below in detail:

Inception date	Expiration date	Type	Spot trade	Hedging rate	Amount (in €)	Amount (in currency)	Fair value
15/12/2011	05/01/2012	USD forward purchase	1.2990	1.2981	554,656.81	720,000.00	1,779.21
15/12/2011	18/01/2012	USD forward purchase	1.2990	1.2975	2,016,955.68	2,617,000.00	5,447.33
22/12/2011	18/01/2012	USD forward purchase	1.3072	1.3070	218,821.73	286,000.00	2,197.38
19/12/2011	05/01/2012	MXN forward sale	18.0405	18.0775	-1,810,649.70	-32,732,020.00	-2,763.94
01/12/2011	12/12/2012	TRY forward sale	2.4730	2.6829	-1,043,646.80	-2,800,000.00	-14,084.00
29/12/2011	03/01/2012	MXN non-deliverable forward	181,000	18.1026	-182,957.14	-3,312,000.00	-498.83

Bank covenants

	Minimum obligations for all contracts	Actual Guerbet ratios at 31/12/2011
Net debt/Equity	< 0.7	0.46
Net debt/(Gross operating profit + Net financial income/expense)	< 4.0	2.62
Net debt/EBITDA[1]	< 3.0	2.34

Note 27 – Basic earnings per share and diluted earnings per share

	2011	2010
Consolidated net income attributable to the Group (in euros)	14,427,000	5,880,000
Weighted average number of shares outstanding in the period	3,050,046	3,045,774
Net earnings per share	**4.73**	**1.93**

	2011	2010
Consolidated net income attributable to the Group (in euros)	14,427,000	5,880,000
Annual savings of interest net of tax at the market rate and resulting from the exercise of stock options	170,703	66,484
Consolidated net income after dilution (in euros)	14,597,703	5,946,484
Total number of potential shares	3,260,983	3,122,233
Net diluted earnings per share	**4.48**	**1.90**

Note 28 – Post-closing events

None

Note 29 – 2011 Appropriation of income

On 6 March 2012, the Board of Directors ruled on the consolidated financial statements for the period ending 31 December 2011. These financial statements will become definitive only after they have been approved by the Annual General Meeting of the shareholders. The Board of Directors will propose the distribution of a net dividend of €1.80 per share, unchanged in relation to the 2010. The total amount of dividends to be distributed will consequently be €5,490,000.

[1] EBITDA (represents earnings before interest, tax, depreciation and amortisation) corresponds to the financial aggregate of Current Operating Income before depreciation and amortisation.

Note 30 – Auditors' fees

In thousands of euros	Deloitte & Associés				Horwath Audit France			
	Amount		%		Amount		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
Work as statutory auditors, certification, auditing of corporate and consolidated financial statements:								
- Issuer	83.50	83.50	30%	36%	83.50	83.50	36%	39%
- Fully consolidated subsidiaries	155.87	145.50	56%	64%	109.10	114.00	47%	54%
Other procedures and services directly related to the mission of the statutory auditors:								
- Issuer	30.00		11%		36.08	14.90	15%	7%
- Fully consolidated subsidiaries	10.00		4%		4.11		2%	
Subtotal	**279.37**	**229.00**	**100%**	**100%**	**232.79**	**212.40**	**100%**	**100%**
Other procedures and services	9.31							
Total	**288.68**	**229.00**	**100%**	**100%**	**232.79**	**212.40**	**100%**	**100%**

Note 31 – Consolidated companies

Registration number (Siren)	Company	Country of registration or incorporation	Ownership interest / Controlling interest
308 491 521	Guerbet SA	France	100%
308 412 434	Simafex	France	100%
332 789 346	SCI Kalb et Compagnie	France	100%
	SA Guerbet nv	Belgium	100%
	Laboratorios Farmaceuticos Guerbet SA	Spain	100%
	Martins & Fernandes	Portugal	100%
	Guerbet AG	Switzerland	100%
	Guerbet Nederland BV	Netherlands	100%
	Guerbet GmbH	Germany	100%
	Guerbet AS	Turkey	100%
	Guerbet Laboratories Ltd	United Kingdom	100%
	Guerbet Ges.m.b.H	Austria	100%
	Guerbet SpA	Italy	100%
	Guerbet Produtos Radiologicos	Brazil	100%
	Guerbet Mexicana	Mexico	100%
	Guerbet Japan	Japan	100%
	Guerbet Korea	South Korea	100%
	Guerbet Taiwan Co.Ltd	Taiwan	100%
	Guerbet Asia Pacific Ltd	Hong Kong	100%
	Guerbet LLC	USA	100%
	Medex	France	100%[1]

[1] Of which 40% to be acquired under the terms of a reciprocal agreement between Guerbet and a non-controlling shareholder.

2) Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. 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 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.

To the shareholders

In accordance with our appointment as auditors at your annual general meeting, we hereby report to you for the year ended 31 December 2011 on:

- the audit of the accompanying consolidated financial statements of Guerbet;
- the justification of our assessments;
- specific procedures required by law.

These consolidated financial statements were prepared by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I. 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, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31December 2008 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

II. Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French commercial code defining our obligation to explain our assessments, we draw your attention to the following:

- The company conducts impairment tests at the end of each period for indefinite life tangible assets and also determines if there exists an indication of impairment for long-lived assets, according to the procedures described in note I. i) of the financial statements. We have reviewed the procedures implemented for these impairment tests as well as the forecasted cash flows and assumptions applied and have verified that Note 5 to the financial statements provides the appropriate disclosures.

- The company records deferred taxes on losses according to the procedures presented in note I. v) of the financial statements. Our work has consisted in evaluating the data and assumptions on which these estimations have been based, reviewing the calculations made by the company and the procedures for approval of these estimations by management. On this basis, we have assessed the reasonable nature of these estimations and have verified that Note 8 to the financial statements provides the appropriate disclosures.

Our assessments on these matters are part of our audit approach regarding the consolidated financial statements taken as a whole and contribute to the formation of our unqualified opinion expressed in the first part of this report.

III. SPECIFIC PROCEDURES

We have also performed specific procedures required by law in accordance with French professional standards in respect to the information provided in the management report. We have nothing to report with respect to the fair presentation of such information and its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 12 April 2012
The Statutory Auditors
[*French original signed by*]

Horwath Audit France	**Deloitte & Associés**
Marc de Prémare	Jean-Marie Le Guiner

3) Parent company financial statements and notes

a) Annual financial statements of Guerbet

▪ Balance sheet

ASSETS (In thousands of euros)	Note	2011			2010
		Cost	Depreciation, Amort. & Provisions	Net	Net
Patents, trademarks and similar rights		194	-	194	194
Other intangible assets		10,731	5,886	4,845	3,509
Intangible assets	**1**	**10,925**	**5,886**	**5,039**	**3,703**
Land		1,491	-	1,491	1,491
Buildings		63,494	34,074	29,419	29,005
Machinery and equipment		116,749	65,099	51,650	51,182
Other tangible assets		24,364	16,783	7,581	7,322
Construction in progress		41,974	-	41,974	23,291
Advances and instalments on fixed assets		86	-	86	3,216
Property, plant and equipment	**2**	**248,158**	**115,956**	**132,201**	**115,506**
Investments in associates	**3**	52,917	12,138	40,779	41,703
Advances to associates	**6**	1,153	-	1,153	1,747
Loans	**4/6**	98	-	98	103
Other financial assets	**6**	8,960	-	8,960	9,208
Financial assets		**63,128**	**12,138**	**50,990**	**52,761**
TOTAL NON-CURRENT ASSETS		**322,211**	**133,981**	**188,230**	**171,970**
Inventories	**5**	**74,368**	**2,836**	**71,532**	**65,795**
Advances and instalments on fixed assets		444	-	444	473
Trade receivables and related accounts	**6**	17,314	27	17,287	12,138
Other trade receivables	**6**	66,234	3,070	63,164	57,610
Total trade receivables		**83,992**	**3,097**	**80,895**	**70,220**
Marketable securities and cash and cash equivalents	**7**	4,683	-	4,683	5,078
TOTAL CURRENT ASSETS		**163,043**	**5,933**	**157,110**	**141,093**
Deferred expenses	**6**	1,233	-	1,233	875
Expenses carried forward to future financial years		-	-	-	-
Currency translation adjustments		3,440	-	3,440	1,876
TOTAL ASSETS		**489,925**	**139,913**	**350,012**	**315,815**

SHAREHOLDERS' EQUITY AND LIABILITIES (In thousands of euros)	Note	2011	2010
Share capital		12,200	12,200
Additional paid-in capital		5,558	5,558
Legal reserve		1,220	1,217
Regulatory reserves		-	-
Other reserves		52,015	52,015
Retained earnings		60,293	65,692
Profit of the period		**300**	**85**
Equity capital		**131,587**	**136,767**
Regulated provisions	**9**	30,089	23,925
TOTAL SHAREHOLDERS' EQUITY	**8**	**161,675**	**160,692**
Provisions for contingencies and expenses	**10**	**18,349**	**13,259**
Subordinated grants		2,064	1,928
Other equity		**2,064**	**1,928**
Convertible bond loans		**-**	**-**
Borrowings and debt with credit institutions excluding current bank lines		60,595	65,292
Current bank lines and credit balances		19,204	5,756
Other loans and borrowings		1,177	1,208
Total borrowings		**80,976**	**72,256**
Trade payables and equivalent		38,027	28,769
Tax and employee-related payables		20,615	17,543
Payables to fixed asset suppliers and equivalent		5,634	5,398
Other payables		14,923	9,680
Total payables & misc. liabilities		**79,200**	**61,390**
TOTAL LIABILITIES	**11**	**160,176**	**133,646**
+Deferred revenue	**11**	3,392	4,211
Currency translation adjustments		4,356	2,079
TOTAL LIABILITIES AND EQUITY		**350,012**	**315,815**

- **Income statement**

In thousands of euros	Note	2011	2010
Sold production – France		106,205	102,125
Sold production – international		184,800	160,500
Sales	**13**	**291,005**	**262,625**
Other services and products		1,193	1,640
License fees and royalties		2,583	45
Capitalised production costs		1,525	-
Reversals of provisions, expense reclassifications		431	5,581
Other services and product		-	-
Operating grants	**14**	2,557	5,012
OPERATING INCOME		**299,294**	**274,903**
Purchase of goods, raw materials and other supplies		(114,504)	(99 074)
+ Opening inventory		(68,208)	(61,470)
- Closing inventory		74,368	68,208
Stock variation of the period		**(108,343)**	**(92,336)**
Non-stock purchases, other services and external charges		**(88,622)**	**(95,065)**
Taxes and similar payments		(9,063)	(7,955)
Staff costs	**15**	(64,579)	(60,002)
Allowances for depreciation		(13,112)	(11,989)
Provisions		(4,384)	(1,808)
OPERATING EXPENSES		**(288,102)**	**(269,155)**
OPERATING PROFIT		**11,191**	**5,748**
Reversals of provisions, expense reclassifications		2,140	6,031
Interest and similar income		3,732	5,817
Currency gains		2,956	3,488
FINANCIAL INCOME		**8,828**	**15,336**
Exceptional appropriations for amortisations and reserves		(7,697)	(2,563)
Interest and similar expenses		(2,528)	(2,420)
Currency losses		(4,051)	(5,260)
FINANCIAL EXPENSES		**(14,277)**	**(10,243)**
NET FINANCIAL EXPENSE	**16**	**(5,449)**	**5,093**
PRE-TAX INCOME BEFORE EXCEPTIONAL ITEMS		**5,743**	**10,842**

In thousands of euros	Note	2011	2010
PRE-TAX INCOME BEFORE EXCEPTIONAL ITEMS		**5,743**	**10,842**
Exceptional income from management operations		28	17
Exceptional income from capital transactions		165	220
Reinstatements of amortisations and reserves		1,586	1,109
EXCEPTIONAL INCOME		**1,778**	**1,346**
Exceptional expenses on management operations		(339)	(8,947)
Exceptional expenses on capital transactions		(652)	(378)
Exceptional appropriations for amortisations and reserves		(7,750)	(8,454)
EXCEPTIONAL EXPENSES		**(8,741)**	**(17,779)**
EXCEPTIONAL PROFIT (LOSS)	**17**	**(6,963)**	**(16,434)**
Employee profit-sharing		(258)	(261)
Income tax	**18**	1,778	5,938
NET INCOME FOR THE PERIOD		**300**	**85**

- **Statement of cash flows**

In millions of euros	**2011**	**2010**
Gross cash flow	26.48	15.90
Change in inventories	(6.16)	(6.74)
Change in trade receivables and related accounts	(5.19)	(0.21)
Change in trade payables and related accounts	9.59	7.20
Increase (decrease) in other current assets and liabilities	2.27	(0.97)
Cash flow from operating activities (A)	**26.99**	**15.18**
Capital expenditures for operations	(31.77)	(31.32)
Disposal of operating assets	0.16	0.10
Increase (decrease) in financial assets	0.85	(0.65)
Cash flow from investing activities (B)	**(30.76)**	**(31.,87)**
Capital increase	-	0.32
Decrease in retained earnings	-	-
Dividends paid	(5.48)	(6.83)
New long-term debt	1.71	33.12
Debt repayment	(6.30)	(4.78)
Cash flow from financing activities (C)	**(10.07)**	**21.83**
Net change in cash (A) + (B) + (C)	**(13.84)**	**5.14**
Opening cash and cash equivalents	**(0.68)**	**(5.82)**
Closing cash and cash equivalents	**(14.52)**	**(0.68)**

b) Notes to the annual financial statements of Guerbet

Figures presented in these notes are presented in thousands of euros.

Introduction

The balance sheet has been prepared before distribution. In consequence the dividend payment proposed to the general meeting is not included under debt.

Significant accounting policies

The financial statements have been prepared in accordance with the general principles established by the 1999 French Chart of Accounts (CRC regulation 99-03).

a) Estimates and assumptions

To prepare financial statements, the Group makes estimates and assumptions that affect the carrying value of assets and liabilities, income and expenses, as well as information provided in certain notes.

Management reviews these estimates and assumptions on an ongoing basis in reference to past experience as well as other factors considered reasonable that provide the basis for these assumptions. Actual results may materially differ from these estimates in light of different assumptions or conditions.

The principal material estimates made by management concern notably changes in value of investments.

b) Intangible assets

- **Patents and marketing authorisations**

Patents are carried at purchase cost.
Costs associated with patents and marketing authorisations are expensed.
Patents and marketing authorisations are amortised over their useful lives.

- **Trademarks**

Trademarks acquired are carried at their purchase cost.
In compliance with Regulations 2002-10 and 2004-06 concerning assets adopted by the Accounting Regulatory Committee, costs for registering or renewing trademarks are expensed in the period incurred.

Trademarks are not amortised.

- **Commercial rights**

Commercial rights correspond to royalty payments calculated on sales over a given period.

Their initial recognition is based on the estimated amount of royalties payable and amortised over five years.

- **Research and development expenditures**

Research costs are expensed in the period incurred.

Development expenditures are capitalised as intangible assets only if they meet the following criteria:
- There exists an intent and financial and technical resources to complete the development;
- It is probable that future economic benefits attributable to the asset will flow to the company;
- The cost of this asset can be measured reliably.

Because not all these criteria have been met, development expenditures are expensed in the period incurred.

- **Other intangible assets**

Other intangible assets concern primarily software that is amortised over three years. Because of the option authorised by tax regulations to amortise software over 12 months, special excess tax amortisation has been recorded. This corresponds to the additional amortisation expense in excess of amortisation for impairment.

c) Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost. Depreciation is calculated on a straight-line basis over the estimated useful life of these assets:
- Buildings: 20 years;
- Fixtures, fittings: 10 years;
- Machinery and equipment: 5 to 10 years;
- Other tangible assets: 5 to 10 years.

For all acquisitions until 31 December 1997, and again starting on 1 January 2002, all possibilities offered by tax regulations concerning accelerated and exceptional depreciation have been used. The variance resulting from the difference between accelerated and straight-line depreciation is considered as a special accelerated tax depreciation.

Property, plant and equipment may be written down to reflect their utilisation by Guerbet.

d) Investments and non-current assets

Investments are recorded at cost and depreciated to reflect the share of net equity of subsidiaries after the restatement of their intangible assets.

Other non-current assets are recorded at the lower of their cost or their carrying value.

e) Inventories and production in progress

Raw materials and other supplies are recorded at the opening weighted average price. When the carrying value falls below this amount, a provision is recorded for the difference. Provisions are also made for inventories subject to low turnover rates.

Production in progress and finished goods are recorded on the basis of production cost which includes direct and indirect production costs and excludes headquarters, financial or selling expenses. A provision for impairment is made when justified by the inventory turnover rate and when there is a risk that products will not be sold before their expiration dates are reached or sold at a loss.

f) Trade receivables and related accounts

Accounts receivable are recorded at face value.

An allowance for doubtful accounts is recorded when a collection risk exists which is determined on a case-by-case basis.

The company has recourse to the securitisation of receivables. This transaction consists of the assignment of the trade receivables by the company owed by customers to an entity (specifically created for this purpose) that finances the acquisition of the receivables by the issuance of securities on capital markets.
From an accounting perspective, securitisation corresponds to the assignment of receivables whereby:

- The receivables assigned are eliminated from the balance sheet of the assignor;
- All costs incurred on the transaction are expensed in the corresponding period.

g) Marketable securities

Marketable securities are recorded at cost. When the carrying value of the securities, determined on the basis of their estimated market value, i.e. their net asset value on the closing date, is less than the acquisition cost, a provision for impairment is recorded.

h) Financial instruments

When interest rate options are acquired, premium is posted to the income statement pro rata over the duration of the contract. Provisions are made for eventual charges resulting from interest rate fluctuations.

To manage foreign exchange and interest rate exposure from its industrial and commercial activities, the Group has recourse to derivatives traded in organised markets. Group policy prohibits trading in such markets on a speculative basis.

i) Translation of foreign currency items

Guerbet centralises the management of foreign currency exposures of French subsidiaries.

Payables and receivables in foreign currency outside the euro area are converted in each Group company at year-end exchange rates. Resulting unrealised currency losses and gains are recorded in the balance sheet under translation adjustments. Guerbet’s foreign exchange risk is covered by forward exchange contracts and currency options and accruals made for currency losses take into account the impact of these instruments.

The results of transactions in currency options are recorded at the options’ maturity where they cover commercial transactions after the closing date. Premium paid is recorded in the balance sheet under assets until the maturity of the option.

j) Regulated provisions

In compliance with the law, regulated provisions are made for:

- Investments (in connection with employee profit-sharing);
- Special accelerated tax depreciation.

The special accelerated tax depreciation is calculated according to the method explained in b) and c) for intangible and tangible assets.

k) Provisions for contingencies and expenses

Provisions for contingencies and expenses correspond to liabilities that meet the following criteria:

- Uncertain timing or amount;
- With a negative economic impact for the company defined as an obligation to a third party resulting in a probable or certain outflow from the company of resources embodying economic benefits to settle the obligation, without receiving in exchange resources of a value at least equivalent to the latter.

l) Retirement obligations

Obligations in connection with retirement severance benefits are recorded under provisions for contingencies and expenses. For defined contribution plans concerning post-employment benefits, costs are estimated according to the method of the projected unit credit method.
This method is based on benefits payable to employees on their expected date of retirement taking into account the age pyramid, rate of employee turnover, mortality rates on the basis of actuarial tables by age bracket. The amounts are remeasured according to assumptions concerning inflation and promotions and discounted in respect to the date benefits will actually be paid.
When the assumptions on which calculations are based are revised, actuarial gains and losses are recorded under income. All plans are remeasured once year.

m) Revenue recognition

Revenue is recognised when significant risks and rewards incident to ownership have been transferred to the buyer.

n) Investment grants

According to the option available the under the French chart of accounts (*plan comptable général*), investment grants that finance a depreciable asset are recovered over the same period and at the same rate as the depreciation of the value of the acquisition acquired or created through this grant.

Note 1 - Intangible assets

1 - 1 - Cost

	2011	2010
Intangible assets at 1 January	**8,845**	**7,205**
Allowances	2,303	1,708
Decreases	223	68
Intangible assets at 31 December	**10,925**	**8,845**

In 2011, changes in cost correspond primarily to software.

1 – 2- Allowances for depreciation and amortisation

	2011	2010
Amortisation and provisions on intangible assets at 1 January	**5,142**	**4,421**
Allowances	843	730
Reversals	(99)	(9)
Amortisation and provisions on intangible assets at 31 December	**5,886**	**5,142**

Note 2 - Property, plant and equipment

	31/12/2010	2011 increase	2011 decrease	31/12/2011
Land	1,491	-	-	1491
Buildings	63,383	4,036	3,925	63,494
Machinery and equipment	118,450	7,269	8,970	116,749
Other tangible assets	24,857	2,699	3,192	24,364
Construction in progress	23,291	18,706	23	41,974
Advances and instalments on fixed assets	3,216		3,130	86
Cost	**234,688**	**32,710**	**19,240**	**248,158**
Allowances for depreciation	(119,182)	(12,269)	15,495	(115,956)
Impairment	**-**	**-**	**-**	**-**
Net	**115,506**	**20,441**	**(3;745)**	**132,201**

	31/12/2009	2010 increase	2010 decrease	31/12/2010
Land	1,491	-	-	1,491
Buildings	62,569	3,822	3,008	63,383
Machinery and equipment	107,513	14,296	3,359	118,450
Other tangible assets	25,468	3,522	4,133	24,857
Construction in progress	18,048	5,250	7	23,291
Advances and instalments on fixed assets	432	2,784	-	3,216
Cost	**215,521**	**29,674**	**10,507**	**234,688**
Allowances for depreciation	(118,056)	(11,259)	10,133	(119 182)
Impairment	(70)	**-**	70	**-**
Net	**97,395**	**18,415**	**(304)**	**115,506**

Capital expenditures with a gross value of €32.7 million in 2011 and €29.7 million in 2010 concerned primarily projects to increase production capacity at the Aulnay and Lanester plants.

The decrease in the net value of assets is primarily due to fixed assets scrapped and replaced for reasons of obsolescence.

Note 3 - Investments

	2011	2010
Cost	**52,917**	**52,917**
Provision for impairment	(12,138)	(11,214)
Net	**40,779**	**41,703**

These amounts correspond to shares held at 31 December. Detailed financial information on these investments is presented under "Subsidiaries and associates”.

Note 4 - Loans

	2011	2010
Loans to personnel	98	103

Note 5 - Inventory

	2011	2010
Raw materials, supplies		
Cost	23,323	17,868
Provisions	(312)	(274)
Net	**23,011**	**17,594**
Intermediate and finished goods		
Cost	41,683	41,966
Provisions	(1,066)	(1,185)
Net	**40,617**	**40,781**
Trade goods		
Cost	9,362	8,374
Provisions	(1,458)	(954)
Net	**7,904**	**7,420**
Total net	**71,532**	**65,795**

Note 6 – Receivables by maturity

	2011			2010
	Cost	Less than 1 year	More than one year	
Advances to associates	1,153	1,153	-	1,747
Loans	98	-	98	103
Other financial assets[1]	8,960	-	8,960	9,208
Bad or disputed debt	35	35	-	31
Other trade receivables[2]	5,513	5,513	-	1,280
Bills awaiting collection	11,766	11,766	-	10,850
Personnel and similar expenses	72	72	-	85
Social security charges and equivalent	45	45	-	14
Income tax receivables[3]	5,481	44	5,437	8,195
VAT receivables	4,463	4,463	-	5,243
Other tax receivables	20	20	-	159
Miscellaneous tax receivables	-	-	-	-
Payables to group companies and shareholders	54,599	54,599	-	41,683
Miscellaneous receivables	1,553	1,553	-	2,231
Prepaid expenses	1,233	1,090	143	875
Total	**94,991**	**80,353**	**14,638**	**81,704**

[1] A program for the securitisation of receivables was implemented in Guerbet Group in 2004. Guerbet has deposited €8.5 million with the assignee of the receivables as security.
[2] Outstanding trade receivables were reduced by the amount of receivables assigned acquired by the program of the assignee. At 31 December 2011, receivables assigned totalled €12,417,000. The actual corresponding collection risks have not been transferred in their entirety to the assignee.
[3] This concerns receivables for a carryback of €2,363,000 repayable no later than in 2016 and a research tax credit of €3,074,000 with €2,609,000 repayable the later than in 2014 and €465,000 no later than in 2015.

Note 7 – Marketable securities, cash and cash equivalents

Marketable securities consist in part of 5,107 shares held in treasury with a gross value of €170,000. In 2011, there were no changes in treasury shares. The market value of the Guerbet share was €63.20 at 30 December 2011 representing a total valuation for these shares of €323,000.

Other marketable securities consist of money market funds (SICAV) and medium-term notes with a market value of €3,536,000 at 31 December 2011:

		SICAV 3	SICAV 4	SICAV 5	SICAV 6	MTN	Total
2009 balance	Number	27	-	-	-	-	
	Value	3,479	-	-	-	-	**3,479**
2010 purchases	Number	-	-	-	175	-	
	Value	-	-	-	38,654	-	**38,654**
2010 disposals	Number	-	-	-	175	-	
	Value	-	-	-	38,654	-	**38,654**
2010 balance	Number	27	-	-	-	-	
	Value	3,479	-	-	-	-	**3,479**
31/12/2010	Value	3,498	-	-	-	-	**3,498**
2011 purchases	Number	-	-	-	168	-	
	Value	-	-	-	37,419	-	**37,419**
2011 disposals	Number	-	-	-	168	-	
	Value	-	-	-	37,419	-	**37,419**
2011 balance	Number	27	-	-	-	-	
	Value	3,479	-	-	-	-	**3,479**
31/12/2011	Value	3,536	-	-	-	-	**3,536**

Note 8 – Shareholders' equity

	2011	2010
Shareholders' equity at 1 January	**160,692**	**159,698**
Dividends distributed	(5,490)	(6,844)
Dividends allocated to retained earnings	9	12
Capital increase and paid-in capital	-	325
Decrease in retained earnings		-
Profit of the period	300	85
Regulated provisions	6,164	7,416
Shareholders' equity at 31 December	**161,675**	**160,692**

Changes in the number of Guerbet shares over the period:

	2011
Number of shares at 1 January	**3,050,046**
Shares created by exercising stock options[1]	-
Number of shares at 31 December	**3,050,046**

[1] For further detail refer to Note 22.

Note 9 – Regulated provisions

	31/12/2009	2010 allowances	2010 reversals	31/12/2010	2011 allowances	2011 reversals	31/12/2011
Investment provisions	158	60	59	159	-	-	159
Special accelerated depreciation	16,351	8,394	979	23,766	7,750	1,586	29,930
Total	**16,509**	**8,454**	**1,038**	**23,925**	**7,750**	**1,586**	**30,089**

Note 10 – Provisions for contingencies and expenses

	31/12/10	2011 allowances	2011 utilisation / reclassifications	2011 reversals	31/12/11
Retirement severance benefits (1)	10,669	3,184	-	-	13,853
Interest rate hedges	-	-	-	-	-
Forex exposure	1,876	3,439	1,876	-	3,439
Trade receivables and related accounts	-	-	-	-	-
Purchase commitments for active ingredients	-	-	-	-	-
Other	714	447	75	29	1,057
Total	**13,259**	**7,070**	**1,951**	**29**	**18,349**

	31/12/09	2010 allowances	2010 utilisation / reclassifications	2010 reversals	31/12/10
Retirement severance benefits (1)	11,823	-	-	1,153	10,669
Interest rate hedges	-	-	-	-	-
Forex exposure	2,197	1,876	2,197	-	1,876
Trade receivables and related accounts	832	-	732	101	-
Purchase commitments for active ingredients	834	-	834	-	-
Other	443	332	61	-	714
Total	**16,129**	**2,208**	**3,824**	**1,254**	**13,259**

(1) Retirement severance benefits:

Provisions for retirement severance benefits did not include any amount set aside for corporate officers at 31 December 2011. The company does not have any commitments with respect to pensions, supplemental retirement benefits or similar benefits, except for those relating to supplementary retirement benefits for officers.

The calculation of the provision for retirement severance benefits is based on an assumption that the total number of retirements is voluntary.

The main actuarial assumptions applied to measure retirement indemnities are as follows:

Discount rate:
In 2010 the Bloomberg yield curve, the discount rate for "investment grade" companies replaced the 0-coupon yield curve of the French Institute of Actuaries taking into account the different maturities.

Turnover rate:
Application of rate tables based on internal statistical data from recent years and analysis of the criteria with respect to the employee classification category and age.

Salaries increase rate:
The rate of salary increases adopted to calculate the commitment at 31 December 2011 was 2.5%.

Mortality table
Application of the most recent mortality table published by INSEE, the French National Institute for Statistics and Economic Studies.

Note 11 – Payables aged trial balance information

	2011				**2010**
	Cost	**Less than 1 year**	**Between 1 and 5 years**	**Greater than 5 years**	**Cost**
Non-current debt (>1 year at inception)	19,243	19,243			5,763
Current debt (<1 year at inception)	60,556	1,613	18,780	40,163	65,285
Miscellaneous loans and borrowings	1,177	65	1,112	-	1,207
Trade payables and equivalent	38,027	38,027	-	-	28,769
Personnel and similar expenses	13,317	13,058	-	259	11,308
Social security payables and equivalent	6,806	6,806	-	-	6,176
Income tax payables	145	145	-	-	-
VAT payables	-	-	-	-	-
Other tax payables	347	347	-	-	60
Payables to suppliers of fixed assets and equivalent	5,634	5,634	-	-	5,398
Payables to group companies and shareholders	13,666	13,666	-	-	8,814
Other payables	1,258	1,258	-	-	866
Deferred revenue	3,392	1,040	-	2,352	4,211
Total	**163,568**	**100,902**	**19,892**	**42,774**	**137,857**

Note 12 – Accrued income and expenses

	2011	2010
Accrued income		
Advances to associates	7	8
Trade receivables and related accounts	-	8
Other receivables	1,546	1,692
Banks, financial institutions	-	-
Total	**1,553**	**1,708**
Accrued expenses		
Borrowings and loans	71	38
Trade payables and equivalent	10,737	10,617
Payables to fixed asset suppliers	-	655
Tax and employee-related payables	15,080	12,836
Other payables	1,198	765
Accrued interest on overdrafts	67	80
Total	**27,153**	**24,991**

Note 13 – Sales by region

	2011	2010
France (including overseas department and territories)	108,958	104,798
Europe excluding France	105,492	97,273
Europe including France	**214,450**	**202,071**
Asia	26,031	23,040
Latin America	26,083	20,868
North America	9,798	3,297
Other countries	14,643	13,350
Total	**291,005**	**262,625**

Note 14 – Operating grants

In December 2008, the request for aid submitted to OSEO innovation agency for the Franco-German research project, Iseult, was approved by the European commission. The aid agreement provides for financing for one half of the expenses incurred including 39% in the form of repayable advances and 61% in the form of grants.

An initial payment of €3.4 million was received in December 2008 upon the signature of the agreement. This amount is divided into a repayable advance of €1.1 million recognised under non-current borrowings and a grant of €2.3 million recorded under other liabilities. It has no impact on the income statement.

In January 2010, OSEO approved the research expenditures incurred by Guerbet until 30 June 2009 and paid in consequence a grant equal to half these expenses. This amount of €2.9 million had been recognised under grants receivable at 31 December 2009.

In December 2010, Guerbet received €5.2 million including:

- Repayable advances of €0.5 and a grant of €3.3 million for research expenditures incurred by Guerbet up to 30 June 2010;
- Grants of €1.4 million for cost overruns in relation to the budget prior to 30 June 2009.

In October 2011, Guerbet received financing of €2.5 million including €2.4 million in grants and €0.1 million in repayable advances for research expenditures incurred by Guerbet up to 30 June 2011.

The amount of contingent income that remains to be received for research expenses incurred in the 2011 second half but not yet approved by OSEO on the balance sheet date totalled €822,000. This contingent income was not recognised in 2011.

Note 15 – Staff costs

	2011	2010
Salaries and wages	(44,422)	(41,792)
Social security charges	(20,157)	(18,210)
Total	**(64,579)**	**(60,002)**

Note 16 – Net financial income/(expense)

	2011	2010
Dividends	3,010	5,183
Interest income/(expense)	(1,306)	(633)
Currency gains/(losses)	(3,329)	(2,649)
Net provisions on investments	(3,994)	3,147
Cancellation of debt	-	-
Other	170	45
Total	**(5,449)**	**5,093**

Note 17 – Exceptional profit (loss)

	2011	2010
Cancellation of Guerbet Japan KK debt[1]	-	(8,896)
Net charges on regulated provisions	(6,164)	(7,416)
Net gains from the retirement of assets	(469)	(270)
Insurance repayments	-	115
Other	(330)	(33)
Total	**(6,963)**	**(16,434)**

Note 18 – Income tax

Since 1988, the Group has opted for filing under the French tax-sharing provisions for tax groups. The tax group includes Guerbet and Simafex.

The tax charges are recorded by the consolidated companies (subsidiaries and parent company) as in the absence of tax consolidation. Savings achieved by the Group unrelated to losses (adjustments related to certain intercompany transactions) are passed on to the parent company and recorded by the latter as income. Research and tax credits are re-allocated to the companies that produced them. Tax savings resulting from tax losses of subsidiaries are also re-allocated in their favour by applying them to future tax earnings.

The total tax profit at the standard rate of the tax group for fiscal 2011 was €8.61 million. The tax income for the tax consolidation group amounted to €0.36 million after application of tax credits including a research tax credit of €3.40. Because the tax charge owed by the Group is lower than the amount of research tax credits, income tax receivables are recorded under "Other trade receivables" for €5.48 million and included

[1] This waiver is accompanied by a "better fortunes" clause.

a carry back of €2.36 million and a research tax credit of €3.07 million. The exceptional contribution of 5% for tax payable by the French tax group amounted to €0.14 million and is recorded under "tax and employee-related payables"

Tax income or expense recorded in the income statement breaks down as follows:

	2011	2010
Group tax income / (expense)	364	5,111
Tax charge from consolidated subsidiaries	1,662	1,195
Tax savings passed back to consolidated subsidiaries	(122)	(345)
Other tax charges	(126)	(23)
Tax income /(expense) of the company heading the tax group	**1,778**	**5,938**

Tax income or expense for the company heading the tax group breaks down as follows:

	2011	2010
Income tax on current income[1]	(608)	294
Income tax on exceptional profit (loss)	2,386	5,644
Other tax charges	-	-
Tax income /(expense) of the company heading the tax group	**1,778**	**5,938**

Disallowed deductions provided for under Article 39-4 of the French general tax code

For 2011, disallowed deductions incurred by Guerbet concerned €145,000 for the depreciation of private vehicles.

Note 19 – Deferred taxes

Guerbet deferred tax has been calculated on the basis of French tax group starting in 1988. In consequence, taxes paid in advance resulting from the difference between income and expenses recorded and their inclusion in tax earnings, and taxes payable on items under shareholders' equity (regulated provisions) have been determined for all companies included in the tax group.

	2011	2010
Net deferred tax resulting from timing differences (tax assets)	7,587	4,884
Deferred tax on shareholders' equity items (tax liabilities)	11,510	9,083

These deferred taxes were calculated at the rate of 33 1/3% increased by the French social contribution tax plus the exceptional contribution applicable for those years provided for by the law.

Note 20 – Impact of the application of tax rules on income of the period

To benefit from certain tax provisions, the company is required to record certain items under income as non-recurring items that do not constitute book expenses or income.

	2011	2010
Pre-tax income	(1,478)	(5,853)
Net allowances or reversals of regulated provisions and special tax depreciation charges	(6,164)	(7,415)
Adjusted pre-tax income	4,686	1,562

[1] Including a research tax credit of €3.20 million.

Note 21 – Associates

All material transactions concluded with affiliated undertakings potentially falling under the scope of Article R 123-198 of the French Commercial Code concern wholly owned subsidiaries.

	2011	2010
Financial assets		
Investments in associates	52,809	52,809
Advances to associates	1,153	1,747
Trade receivables	**951**	**74**
Receivables		
Other receivables	1,536	1,618
Current account receivables	54,600	41,683
Provisions for contingencies and expenses	**-**	**-**
Payables		
Miscellaneous loans and borrowings	-	-
Trade payables	262	394
Payables to fixed asset suppliers	72	72
Other payables	-	-
Current account payables	13,666	8,814
Deferred revenue	704	896
Operating revenue		
Sale of goods	149,331	130,344
Sale of services	942	184
Other products	2,423	-
Operating expenses		
Purchase of goods and supplies	(24,418)	(27,413)
Non-stock purchases, other services	(6,897)	(16,236)
Taxes other than on income		-
Financial income		
Dividends	3,010	5,183
Interest and similar income	533	488
Reversals of provisions, expense reclassifications	264	3,834
Currency gains	-	-
Financial expenses		
Allowances for amortisations and reserves	(4,258)	(687)
Interest and similar expenses	(145)	(73)
Cancellation of debt	-	-
Currency losses	-	-
Exceptional expenses		
Exceptional appropriations for amortisation and reserves	-	-
Cancellation of debt	-	(8,896)

Debt waiver agreements granted to affiliated undertakings and implemented in 2010:

None

Note 22 – Stock options and stock purchase options

	Plan 6	Plan 7	Plan 8	Plan 9	Plan 10
Grant date	26/07/2005	25/09/2007	26/03/2009	17/10/2011	23/11/2011
Tax availability date	26/07/2007	25/09/2009	26/03/2011	17/10/2015	23/11/2015
Number of options granted	106,950	7,000	6,000	132,710	12,000
o.w.Yves L'Epine	-	-	-	-	*12,000*
o.w. Marie-Christine Garnier	*2,000*	-	-	*4,000*	-
Subscription or purchase price	€ 82.91	€ 150.22	€ 112.26	€ 61.60	€ 64.30
Plan expiration date	25/07/2012	24/09/2017	25/03/2019	16/10/2021	22/11/2021
Number of options exercised	16,023	-	-	-	-
Number of options cancelled	26,430	7,000	4,000	270	-
Number of options outstanding	69,604 [1]	-	2,000	132,440	12,000

Note 23 – Financial instruments subject to potential market risks

The fair value of cash instruments is -€1.5 million for interest rate hedges and virtually nil for foreign exchange hedges.

At 31 December 2011 there were 10 interest rate hedges for €75.7 million. Total positions remaining open are presented below in detail:

Inception date	Expiration date	Contract type	Position Guerbet	Benchmark	Contract rate	Fair value (in €)	Notional amount (in €)
30/11/2006	04/12/2013	Swap	Purchase	3 Month Euribor	3.7754%	-129,965.00	4,285,714.29
20/06/2008	20/06/2013	Swap	Purchase	3 Month Euribor	5.1250%	-40,660.18	1,000,000.00
15/06/2009	15/06/2014	Swap	Purchase	3 Month Euribor	2.4920%	-147,223.00	7,500,000.00
09/12/2009	12/12/2016	Call	Purchase	3 Month Euribor	2.5300%	-97,835.00	7,142,857.14
17/12/2009	17/12/2014	Call	Purchase	3 Month Euribor	2.3000%	-46,657.00	6,000,000.00
28/09/2010	30/09/2013	Swap	Purchase	3 Month Euribor	1.2025%	-7,323.79	5,833,333.33
29/03/2011	31/03/2018	Swap	Purchase	3 Month Euribor	2.7750%	-847,437.00	19,196,428.58
30/06/2011	04/07/2016	Swap	Purchase	3 Month Euribor	2.2950%	-123,787.55	4,750,000.00
04/11/2011	08/11/2016	Swap	Purchase	3 Month Euribor	1.4350%	-43,638.18	10,000,000.00
10/11/2011	14/11/2016	Swap	Purchase	3 Month Euribor	1.4525%	-36,758.03	10,000,000.00

[1] Of which 5,107 stock purchase options.

With respect to the management of foreign exchange risk, 31 forward exchange hedging contracts were negotiated in 2011 including 6 that still open at 31 December 2010 for €5.8 million. Total open positions are presented below in detail:

Inception date	Expiration date	Type	Spot trade	Hedging rate	Amount (in €)	Amount (in currency)	Fair value
15/12/2011	05/01/2012	USD forward purchase	1.2990	1.2981	554,656.81	720,000.00	1,799.21
15/12/2011	18/01/2012	USD forward purchase	1.2990	1.2975	2,016,955.68	2,617,000.00	5,447.33
22/12/2011	18/01/2012	USD forward purchase	1.3072	1.3070	218,821.73	286,000.00	2,197.38
19/12/2011	05/01/2012	MXN forward sale	18.0405	18.0775	-1,810,649.70	-32,732,020.00	-2,763.94
01/12/2011	12/12/2012	TRY forward sale	2.4730	2.6829	-1,043,646.80	-2,800,000.00	-14,084.00
29/12/2011	03/01/2012	MXN forward sale	18.1000	18.1026	-182,957.14	-3,312,000.00	-498.83

Note 24 – Compensation to officers

	2011	2010
Compensation granted to officers	560	496

This refers to compensation paid to executives of the company in their capacity as officers and salaried employees.

Note 25 – Average number of personnel during the year

	2011	2010
Office and plant workers	209	189
Technicians, supervisors, sales representatives	418	409
Management	246	238
Total	**873**	**836**

Note 26 – Off-balance sheet commitments

	2011	2010
Guarantees and security and other commitments granted to third parties on behalf of associates	13,009	9,903
Guarantees and security granted to third parties	3,141	3,422
Receivables assigned within the framework of securitisation programs	12,417	15,167
Property and equipment finance lease commitments:	650	-
- *less than 1 year*	*141*	-
- *between 1 and 5 years*	*509*	-
- *greater than five years*	-	-
Guaranteed debt	-	-
Total	**29,217**	**28,492**

	Finance lease payments in 2011	Finance lease payments in 2010
On property leases	-	4
On equipment leases	-	-
Total	**-**	**4**

Finance lease commitments relative to these items are as follows:

	2011	2010
Value of property and equipment	588	-
Depreciation allowance if acquired by the company	6	-
Residual value of the property at the end of the contract	-	-

For 2011, the breakdown of property held under finance leases by nature is as follows:

	Initial recognition	Allowances for depreciation in the period	Accumulated depreciation	Net
Land	-	-	-	-
Buildings	-	-	-	-
Machinery and equipment	588	6	6	582
Total	**588**	**6**	**6**	**582**

Commitments vis-à-vis suppliers

In 2010, Guerbet undertook to acquire from a supplier 50 tonnes of active ingredients for a value of US$8.45 million (or €6.3 million at the year-end exchange rate).

This undertaking follows similar undertakings entered into in 2002 to purchase 200 tons and in 2008 for 30 tons. At 31 December 2011, a commitment remained for the purchase of 24 tons.

Under the terms of a Memorandum of Understanding concluded on 25 November 2011, Guerbet undertook to purchase from Covidien Imaging France certain amounts of contrast agents for imaging by Optiray x-ray, in the form of an active ingredient (Ioversol) and a finished product (Optiject) for the period from 1 October 2011 to 30 September 2012. At 31 December 2011, this commitment by Guerbet represented a total remaining balance of €19,332,000

Note 27 – Other information

1. The number of training hours corresponding to vested rights in connection with training benefits eligible under French law (*droit individuel à la formation*) that have not been claimed totalled 74,242 hours. Guerbet financed 797 training hours in fiscal 2011.

2. Development expenditures of €38,914,000 not capitalised were expensed in 2011.

3. Auditors' fees incurred by Guerbet for fiscal 2011 are presented in Note 30 of the consolidated financial statements.

Note 28 – Post-closing events

None

SUBSIDIARIES AND ASSOCIATES

In thousands of euros

Detailed information on subsidiaries and associates	Capital	Other equity and earnings	Ownership interest in equity capital (%)	Gross value of shares	Net value of shares	Loans and advances granted by the company	Guarantees and sureties	Revenue Products	Dividends	Income for the last financial year
A – INVESTMENTS WHOSE GROSS VALUE EXCEEDS 1% OF Guerbet 'S CAPITAL										
SUBSIDIARIES										
Simafex (France)	1,280	15,494	100.00	1,224	1,224	4,829		23,278		3,570
Medex (France)	180	-1,592	60.00	3,000	-	4,553	2,500	8,795		-313
S.C.I. KALB (France)	63		100.00	615	159	91		120		96
Guerbet Produtos Radiologicos (Brazil)	12,524	14,056	100.00	11,197	11,197	181		43,921	1,329	391
SA Guerbet N.V. (Belgium)	541	9,759	99.56	379	379			24,997		485
Martins & Fernandes (Portugal)	410	34	99.73	1,224	469	931		3,068		25
Guerbet A.G. (Switzerland)	411	4,671	99.60	304	304	746		18,517	916	963
Guerbet G.M.B.H. (Germany)	511	13,911	100.00	19,962	19,962			53,990		1,114
Guerbet A.S. (Turkey)	475	-303	99.99	795	218	1,146		5,004		48
Laboratorios Farmaceuticos Guerbet (Spain)										
Guerbet Austria G.M.B.H. (Austria)	781	609	100.00	790	790	6,316		8,838		-131
Guerbet Korea LTD (South Korea)	73	1,041	100.00	146	146			3,753	765	350
Guerbet Taiwan (Taiwan)	5,594	-4,135	100.00	8,202	4,608		3,883	9,741		33
Guerbet SPA (Italy)	179	-26	100.00	191	191	8	506	2,419		84
Guerbet LLC (USA)	500	4,211	100.00	500	500	4,690	2,995	14,361		312
Guerbet Mexicana (Mexico)	1,236	-1,158	100.00	1,624	269	3,343	92	5,880		193
Guerbet Japan KK (Japan)	488	-332	100.00	600	150	2,004	2,970	5,305		-2
	1,697	-777	100.00	1,951	-	22,516		13,151		-3,870
ASSOCIATES										
	-	-	-	-	-	-		-	-	-
B – INVESTMENTS WHOSE GROSS VALUE DOES NOT EXCEED 1% OF Guerbet 'S CAPITAL										
SUBSIDIARIES										
Guerbet Nederland B.V. (Netherlands)	91	1,487	100.00	92	92	760		9,530		378
Guerbet Laboratories LTD (United Kingdom)	12	428	100.00	13	13	218	63	4,884		57
Guerbet Asie Pacifique (Hong Kong)	N.S.	4,542	100.00	N.S.	N.S.	3,421		18,995		370
ASSOCIATES										
Investments in French companies	N.C.	N.C.		108	108					N.S.

General information relating to subsidiaries or associates	Subsidiaries – French	Subsidiaries – Other countries	Investments in associates – French	Investments in associates – Other countries
Book value of shares:				
- Cost:	4,839	47,970	108	-
- Net:	1,383	39,288	108	-
Loans and advances granted	9,473	46,280	-	-
Guarantees and sureties granted	2,500	10,509	-	-
Dividends received	-	3,010	-	-

In the interest of consistency, shareholders' equity and income of subsidiaries are presented under IFRS. For subsidiaries of countries outside the euro zone, shareholders' equity and income have been converted at the exchange rate of 31 December 2011.

4) Statutory Auditors' report on the separate annual financial statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. 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 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.

To the shareholders

In compliance with the assignment entrusted to us by the annual general meeting, we hereby report you for the year ended 31 December 2011, on:

- The audit of the accompanying financial statements of Guerbet;
- The justification of our assessments;
- Specific procedures and disclosures required by law.

These annual financial statements were adopted by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

I. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or by other sampling methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the financial position and the assets and liabilities of the company as of 31 December 2011 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II. Justification of our assessments

Pursuant to the provisions of Article L.823-9 of the French commercial code on the justification of our assessments, we draw your attention to the following:

- The company assesses every year the carrying value of its investments and other non-current assets according to the method described in note d) of the annual financial statements describing significant accounting policies. Our work has consisted in evaluating the data on which these estimations have been based, reviewing the calculations made by the company and the procedures for approval of these estimations by management. On this basis, we have assessed the reasonable nature of these estimations.

Our assessments on these matters are part of our audit approach regarding the annual financial statements taken as a whole and contribute to the formation of audit opinion expressed in the first part of this report.

III. SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report in connection with the fair presentation and consistency with the financial statements of the information given in the report of the Board of Directors and the documents addressed to the shareholders in respect to the financial position and the financial statements.

Concerning information provided in accordance with the provisions of Article 225-102-1 of the French commercial code on compensation and benefits paid to corporate officers as well as commitments incurred in their favour, we have verified their consistency with the accounts or the data used to produce these accounts and, when necessary, with information obtained by your company both from companies exercising control over your company or controlled by it. On the basis of these procedures, we certify the accuracy and fair presentation of this information.

Pursuant to the law, we have verified that the management discussion and analysis contains the appropriate disclosures relating to the identity of holders of capital and voting rights.

Paris and Neuilly-sur-Seine, 12 April 2012
The Statutory Auditors
[*French original signed by*]

Horwath Audit France	**Deloitte & Associés**
Marc de Prémare	Jean-Marie Le Guiner

5) Statutory Auditors’ special report on related party agreements and commitments

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Annual General Meeting called to approve the financial statements
for the fiscal year ending 31 December 2011

To the shareholders

As your Company’s Statutory Auditors, we hereby present our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and merits or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R.225- 31 of the French Commercial Code, to assess the interest of these agreements and commitments with a view to their approval.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders’ Meeting, if any.

We performed procedures that we considered necessary in accordance with the professional guidelines of the French national accounting standard setter (*Compagnie nationale des Commissaires aux Comptes*) relating to this engagement. These standards require that we ensure that the information provided to us is consistent with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

Agreements and commitments approved in the period ended

We hereby inform you that we have not been advised of any agreement or commitment entered into during the year to be submitted to the General meeting for approval in accordance with the provisions of Article L. 225-38 of the French commercial code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

We inform you that we have not been advised of any agreement or commitment already approved by the General Meeting remaining in force in the period under review.

Paris and Neuilly-sur-Seine, 12 April 2012

Statutory Auditors

[*French original signed by*]

Horwath Audit France	Deloitte & Associés
Marc de Prémare	Jean-Marie Le Guiner

ANNUAL GENERAL MEETING OF 25 MAY 2012

1) Agenda

1. Reports of the Board of Directors and the Chairman of the Board of Directors.
   Reports of the Statutory Auditors on the separate parent company and consolidated financial statements of the 2011 financial period.
   Approval of the parent company and consolidated financial statements of the 2011 financial period.
   Special report of the Statutory Auditors issued in accordance with Article L 225-235 of the French Commercial Code on internal control and risk management procedures relating to the preparation and processing of accounting and financial information.
   Grant of discharge for members of the Board of Directors, Supervisory Board and the Statutory Auditors for the performance of their duties for the year under review.

2. Appropriation of earnings and distribution of dividends.

3. Special report of the auditors on related party agreements as required by Article L 225-86 and L 225-38 of the French commercial code and approval of said agreements.

4. Determination of attendance fees.

5. Authorisation to be granted to the Board of Directors to buy and sell shares of the company.

6. Powers for formalities.

2) Resolutions

RESOLUTION ONE (Approval of the parent company and consolidated financial statements for the fiscal year ended 31 December 2011 and grant of discharge to members of the Board of Directors, Supervisory Board and the Auditors)

The shareholders, after having reviewed the reports of the Board of Directors and the Board's Chairman and the reports of the Auditors, approve the parent company and consolidated financial statements for the 2011 fiscal year as presented.

On this basis, they approve the operations reflected in the financial statements or summarized in these reports and grant a discharge to the Board of Directors, Supervisory Board and the Auditors for the performance of their duties in the period under review.

RESOLUTION TWO (Appropriation of earnings and distribution of dividends)

The shareholders, after recognising that net income for the period 2011 was €300,397.37 approve the following appropriation of earnings and the distribution of dividends proposed by the Board of Directors:

	In euros
Net income	300,397.37
Retained earnings	60,292,557.52
Total appropriation	**60,592,954.99**
Legal reserve	-
Distributable profit	**60,592,954.99**
Initial dividend (minimum payout under the Article of Associations)	732,011.04
Additional dividend	4,758,071.76
Total net dividend	**5,490,082.80**
Balance allocated to retained earnings	**55,102,872.19**

The shareholders set in consequence the dividend for this period at €1.80 per share. This dividend will be payable on 7 June 2012 in favour of the 3,050,046 shares comprising the capital stock at 31 December 2011.

In accordance with the provisions of Article 158 of the French General Tax Code, individuals who are French tax residents qualify for a tax allowance on this dividend of 40%.

If on the date of payment, the company holds treasury shares, the amount corresponding to undistributed dividends on said shares will be allocated to retained earnings.

Information on dividends paid out for the last three financial periods are reported below as required by law:

Year	Total distribution	Gross dividend per share[1]	Tax allowance [2]
2008	€ 6,794,921.25	€ 2.25	€ 0.90
2009	€ 6,843,962.25	€ 2.25	€ 0.90
2010	€ 5,490,082.80	€ 1.80	€ 0.72

[1] Before taxes and social levies.
[2] For natural persons having their tax residence in France.

RESOLUTION THREE (Special report of the auditors on related party agreements as required by Article L 225-86 of the French commercial code and approval of said agreements)

The shareholders, after having reviewed the special report of the Auditors on related party agreements as provided for by Article L 225-86 and L 225-38 of the French Commercial Code, ruling on this report, approve the agreements mentioned therein.

RESOLUTION FOUR (Determination of attendance fees)

The shareholders set a maximum amount for attendance fees of €166,200 for the fiscal year ending 31 December 2011.

RESOLUTION FIVE *(Authorisation to be granted to the Board of Directors to buy and sell shares of the Company)*

The shareholders, after having reviewed the Board of Directors' report and the Statutory Auditors' special report, in compliance with the provisions L. 225-209 *et seq*. of the French Commercial Code and EC regulation No. 2273/2003 authorise the Board of Directors to have the Company purchase its own shares:

This authorisation is granted for the following purposes if necessary:

- The grant of shares to employees and/or executive management of the company (in accordance with conditions and procedures provided for by law) and notably in connection with stock option and stock purchase option plans, bonus share plans or a company employee savings plan;
- The purchase of shares to be held and subsequently remitted in connection with tender offers or payment for eventual acquisitions where provided for by the AMF, French financial market authority;
- Market-making or share liquidity services provided by an investment service provider through a liquidity agreement in compliance with the conduct of business rules of the AMAFI (the French association of securities industry and financial market professionals) recognised by the AMF.

The acquisitions, sale or transfer of shares referred to above may be carried out by all means provided for under law and applicable regulations, including through the use of financial derivatives or the acquisition or sale of blocs of shares.

These transactions may be carried out at any time, including notably during public offerings of the Company's shares, provided said offering is settled in full in cash and subject to application of the abstention periods provided for by applicable laws and regulations.

The shareholders set the maximum number of shares that may be acquired under this resolution at 5% of the share capital of the Company on the date of this meeting which corresponds to 152,502 shares with a par value of €4 per share. It is moreover specified in connection with the use of this authorisation that the number of treasury shares must be taken into account so that the Company remains at all times within the maximum threshold for treasury shares equal to 10% of the share capital.

The maximum purchase price is €102 per share and the minimum purchase price is €34 Accordingly, the shareholders decide that the total amount that may be set aside for the purchase of the company's own shares may not exceed €15,555,204 on the basis of 152,502 shares.

In the case of a capital increase through the capitalisation of additional paid-in capital, earnings or other means through the grant of bonus shares during the period this authority is valid as well as in the case of stock splits or reverse stock splits, the total nominal amount mentioned above shall be adjusted by the application of a multiplier factor equal to the ratio between the number of shares comprising the share capital before and after the issue.

The shareholders grant all powers to the Board of Directors that it may further delegate under the conditions provided for by law, notably to:

- Resolve to implement this authorisation, subject to the provisions of the company's Articles of Association;
- Place all stock market orders, conclude all agreements, notably for the purpose of maintaining the registers recording the purchase and sale of shares, in compliance with applicable financial market regulations;
- Make all representations and fulfil all formalities, and in general, undertake everything that is required.

The Board of Directors will inform the shareholders at the annual ordinary general meeting of all transactions carried out under this resolution.

This authorisation is granted for 18 months from the date of this meeting. It supersedes and replaces the authorisation previously granted under resolution five of the General Meeting of 27 May 2011.

RESOLUTION NINE *(Powers for formalities)*

The shareholders grant all powers to the bearer of an original copy, an extract or a copy of these minutes for all publications, filing and other formalities that may be required.

Your Board of Directors hereby invites you to vote on the items of business submitted for your consideration on the meeting agenda.

Board of Directors

ADDITIONAL INFORMATION

1) Responsibility statement

I hereby certify, having taken all reasonable care to ensure that such is the case, that the information contained in this registration document is, to the best of my knowledge, accurate and contains no omission likely to affect it materially.

I also hereby certify, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable financial reporting standards and give a true and fair view of the assets and liabilities, financial position and results of the operations of the company and all consolidated companies, and that the management report for the period faithfully presents business trends, the results and financial position of the company and all consolidated companies and a description of the main risks and uncertainties they face.

The company has obtained a letter from its statutory auditors confirming the completion of their engagement and the performance of procedures to verify the information on the financial position and financial statements presented in this document and review its entire content. A report has been issued by the statutory auditors on the historical consolidated financial information for the fiscal year ending 31 December 2009 that contains an observation that is included on page 156 of the original French version of the 2009 registration document.

Villepinte, 13 April 2012

Yves L'Epine

Chief Executive Officer

2) The Statutory Auditors

a) Statutory auditors

	First appointment	Last appointment	Expiration of appointment
Deloitte & Associés Member of the Deloitte Touche Tohmatsu network represented by Jean-Marie Le Guiner 185, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex	General Meeting of 21 May 1987	General Meeting of 27 May 2011	General Meeting relating to fiscal 2016
Horwath Audit France Member of the Crowe Horwath International network represented by Mr. Marc De Prémare 41, avenue de Friedland 75008 Paris	General Meeting of 23 May 2008	General Meeting of 21 May 2010	General Meeting relating to fiscal 2015

b) Deputy auditors

	First appointment	Last appointment	Expiration of appointment
B.E.A.S. Represented by Mr. William Di Cicco 7-9 villa Houssay 92524 Neuilly-sur-Seine Cedex	General Meeting of 3 June 2005	General Meeting of 27 May 2011	General Meeting relating to fiscal 2016
M. Jean-Jacques Becouze 19 rue René Rouchy 49100 Angers	General Meeting of 23 May 2008	General Meeting of 21 May 2010	General Meeting relating to fiscal 2015

3) Share capital

a) History of changes in share capital

Executive/Board of Directors meeting date recording the capital increase	Type of capital increase	Number of shares issued	Number of shares comprising the share capital	Aggregate share capital (in €)
4 January 2007	From the exercise of stock options	10,199	2,985,518	11,942,072
3 January 2008		19,051	3,004,569	12,018,276
6 January 2009		15,396	3,019,965	12,079,860
19 January 2010		21,796	3,041,761	12,167,044
19 January 2011		8,285	3,050,046	12,200,184
N/A		-	3,050,046 [1]	12,200,184

[1] As no stock options were exercised in 2011, the amount of share capital remained unchanged at 31 December 2011.

b) Non-equity securities

None

4) Documents on display

The registration documents for the last three fiscal years are available for consultation at the website www.guerbet.com under the heading "Finance" along with all other documents relating to regulated information (interim financial reports, press releases, monthly notices on the number of shares and voting rights, etc.).

In addition, in compliance with statute, all shareholders possess a right of inspection and on that basis may consult the documents mentioned in Article L.225-15 of the French Commercial Code at company's registered office located at 15 rue des Vanesses – 93420 Villepinte, France.

a) General information about the company

- **Legal form and company name**

The company name is Guerbet SA that is organised in the form of a Société Anonyme (a French joint stock company) with a Board of Directors governed by French law.

- **Date of incorporation**

Guerbet was created on 16 July 1926 from an undisclosed partnership (Société en Participation) originally created in 1901. It was subsequently transformed into a limited partnership (*Société en Commandite Simple*) on 1 January 1965 into a joint-stock company (*Société Anonyme*). On 27 October 2001 it adopted the dual form of corporate governance for French joint-stock companies with an Executive Board and a Supervisory Board. Pursuant to the decision of the combined shareholders' meeting of 21 May 2010 this form was changed to a French joint stock company with a Board of Directors (*Société Anonyme à Conseil d'Administration*). The term of the company expires on 30 June 2100 saving early dissolution or extension as with the initial extension of 99 years already decided of the Extraordinary General Meeting on 8 December 1998.

- **Place of incorporation, registration number and French activity codes**

Guerbet is identified in the Bobigny Trade and Company Register (*Registre du Commerce et des Sociétés*) under No. 308 491 521 with the APE activity code 2120 Z – Manufacture of Pharmaceutical Preparations.

- **Financial year**

The financial year runs for twelve months from 1 January to 31 December.

6) Articles of Association (selected provisions)

a) Board practices

▪ Powers of the Board of Directors (Article 12)

The Board of Directors shall determine the business strategy of the Company and ensure its implementation. Notwithstanding the powers specifically assigned to the Shareholders' Meetings by law, and within the limit of the Company's purpose, the Board shall consider any question related to the proper functioning of the Company and take all appropriate decisions for its business.

The Board of Directors shall perform such controls and verifications that it judges appropriate.

Each Director shall be provided with all information necessary to perform his or her duties and may obtain copies of documents considered useful for this purpose.

The Board of Directors grants authorisations provided for by statute (and notably those provided for under the provisions of Article L. 225-38 of the French Commercial Code) as well as, for the measures of internal policy not enforceable on third parties, authorisations mentioned in Article 14 of these Articles of Association.

The Board may create special committees from among its members. It determines the composition and functions of such committees that exercise their activity under its responsibility, without however delegating to these committees those authorities vested upon the Board itself by statute or the Articles of Association or reducing or limiting the Board's powers.

The Board of Directors may grant one or more of its members special powers for specific purposes.

Directors other than legal entities are prohibited from contracting loans from the company in any form whatsoever, to guarantee overdrafts on current accounts or otherwise or secure their undertakings toward third parties and such arrangements may accordingly be rendered null and void. These same restrictions apply to the Chief Executive Officer (*Directeur Général*) or Deputy Chief Executive Officer(s) (*Directeurs Générals Délégués*) and permanent representatives of legal entity directors, as well as their spouses, ascendants and descendants as well as to all persons acting as intermediaries.

Directors cannot enter into any personal or joint contractual obligations, relating to their commitments to the Company, other than those provided by statute.

▪ Powers of the Chief Executive Officer (Article 14)

Subject to limitations provided for by statute, the Chief Executive Officer shall be vested with the broadest powers to act in all circumstances on behalf of the Company.

However, under the terms of the Board charter and without this provision being binding on or enforceable by third parties, the Board of Directors may limit the scope of the Chief Executive Officer's powers.

▪ Powers of the Deputy Chief Executive Officer (Article 14)

The Board of Directors, upon agreement with the Chief Executive Officer, shall determine the scope and duration of powers vested to the Deputy Chief Executive Officers. However, the Deputy Chief Executive Officer shall have the same powers as the Chief Executive Officer vis-à-vis third parties.

b) Provisions of the Articles of Association governing the distribution of earnings

- **Distribution of earnings (Article 23)**

Distributable profits comprise profits for the financial year less prior losses and amounts appropriated to reserves by law and under the company's Articles of Association, plus retained earnings.

Following the approval of the financial statements and recognition of a distributable profit, a non-cumulative amount is deducted representing 6% of paid-up and unredeemed shares possessed by shareholders as an initial dividend.

The general meeting may appropriate from distributable profit any sum it deems fit to be carried forward as retained earnings or transferred to revenue reserves.

The balance, when it exists, is distributed to shareholders in proportion to the number of shares they own.

The general meeting ruling on the accounts of the financial year is entitled to grant to each shareholder, for all or part of the dividend or interim dividend distributed, an option between payment in cash or in shares.

c) Provisions of the Articles of Association relating to share capital

Provisions of the Articles of Association relating to share capital are presented in the third section of this document, "Shareholder information".

d) Other provisions of the Articles of Association

- **Corporate charter (Article 2)**

The purpose of the company, in France and all other countries includes:

- The administration and management of all companies or enterprises and direct or indirect interests in all undertakings of these companies or enterprises and through all means;
- Research and technical assistance to all companies, notably in the chemical and pharmaceutical areas;
- The purchase, sale, manufacturing, processing and exploitation of all chemical or pharmaceutical products;
- The purchase, production, exploitation, sale and distribution of all products and pharmaceutical specialities and all related accessories, articles and services;
- Pharmacological and clinical research, as well as the production and distribution of all products destined for pharmaceutical and clinical trials;
- The creation, registration, acquisition and direct or indirect use of all invention patents, the acquisition of all licenses and their direct or indirect exploitation;
- Acquisition of equity interests in all industrial, commercial, financial, real estate and investment companies, the creation of all companies, participation in capital increases, mergers, spin-offs, merger-demergers and partial mergers;
- The acquisition and management of all securities and ownership rights, through all means, notably through subscriptions, contributions, acquisitions of shares, shares of founders or beneficiaries of share rights, partnership interests or other types of ownership interests and bonds;
- And, in general, all industrial, commercial, financial, securities and real-estate transactions which may be directly or indirectly related to the above or contribute thereto.

7) 2012 shareholders calendar

Event	Date
Publication of 2011 annual sales	9 February 2012
Presentation of 2011 consolidated financial statements	7 March 2012
Publication of 2012 fourth-quarter sales	18 April 2012
Annual General Meeting for FY 2011	25 May 2012
Presentation of semi-annual consolidated financial statements of 30 June 2012	27 July 2012
Publication of 2012 third-quarter sales	24 October 2012
Publication of 2012 annual sales	8 February 2013

Financial information and investor relations contact for the Guerbet Group:

Executive officer responsible for financial information
Jean-François Le Martret, Chief Financial and Administrative Officer
Telephone: +33 (0)1 45 91 50 69
E-mail: jean-francois.lemartret@guerbet-group.com

8) Concordance tables

a) European Prospectus directive

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b) Annual financial report

GLOSSARY

Glossary of financial terms

AFEP/MEDEF code

The code of corporate governance developed by the French Private Companies Association (AFEP) and French Business Confederation (MEDEF). This code is currently used as the basis for preparing the registration document within Guerbet Group.

Cash flow

The company's ability to generate cash to finance its operations and development. It is equal to income before taking into account non-cash items (allowances for depreciation and amortisation, provisions), but after tax.

Cap, Floor, Collar, Swap

Hedging instruments used to reduce foreign exchange and interest rate risks.

Current Operating Income

Operating profit or income from ordinary activities or profit before tax and non recurrent items defined as the result of the operating and investment activities of the period. It reflects the growth in value generated by the manufacturing and commercial activity of the company.

Dividends

Dividend is a part of net income distributed in cash to shareholders.

EBITDA

EBITDA represents earnings before interest, tax, depreciation and amortisation.

Free cash flow

Free cash flow is the difference for a defined period for the fiscal year between operating cash flows (net of fixed asset disposals) and capital expenditure.
It is a factor contributing to the increase or decrease in net debt.

Foreign exchange risk

This risk arises from a decline in exchange rates that may result in a loss in asset values denominated in a foreign currency. Similarly, the increase in exchange rates may result in an increase in value in the national currency of commitments payable in foreign currency.

Interest rate risk

The risk incurred by an increase in interest rates may result in increasing in turn interest expense on floating rate debt. Similarly, a decline in interest rates generates an opportunity cost on fixed rate debt.

Investment (capital expenditure)

An investment represents an outlay undertaken destined to modify the company's operating cycle from a long-term perspective; in contrast to an expense, it is not consumed through the operating cycle. An investment represents a decision to renounce an immediate resource to increase future revenue.

Net financial debt

Total financial debt net of short-term financial investments.

Net income

The portion remaining of current operating income attributable to shareholders after the payment of creditors and amounts owed to the State. This net income may in consequence be distributed in the form of dividends or appropriated to reserves.

Ownership disclosure thresholds

All individuals or legal entities that possess directly or indirectly, alone or in concert, more than 5%, 10%, 15%, 20%, 25%, 33%, 50% and 66% of the share capital or voting rights of a publicly traded company in France must notify the French market regulator (*Autorité des Marchés Financiers)* within 4 trading days from the date of crossing one of these thresholds for the number of shares and voting rights they possess.

Operating working capital

Operating working capital (WCR) represents the balance of the application and sources of funds (i.e.: inventories + trade receivables - trade payables).
It represents funds set aside by the company to finance its operating cycle.

Shareholder

An individual or legal entity that possesses shares in a company. On this basis, the shareholder is entitled to receive a dividend, and has a right to vote in shareholders' general meetings.

Shareholders' equity

The capital represented by the contributions of shareholders when the company is created or on subsequent occasions, or capital remaining available to the company originating from earnings that have not been distributed in the form of dividends.

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Stock options

Stock options are options to buy existing or to subscribe to new shares at a fixed price. They are generally granted to managers of a company in order to provide them with a direct interest or incentive in contributing to growth in the value of the company.

Glossary of technical terms

Atheroma

An atheromatous plaque is characterised by the build-up of cholesterol on an artery wall. This phenomenon contributes to the thickening of the artery wall and leads to a partial or total occlusion of the artery that disrupts blood circulation.

Anatomical imaging

A technique designed to provide anatomical images of different organs such as the brain and anything that may alter them (tumours, haemorrhages, clots).

Contrast product

A pharmaceutical product administered to humans for diagnostic purposes. It makes it possible to render opaque organs such as blood vessels, the brain, the kidney, the liver, the heart, the digestive tract.

Diagnosis

Procedure for identifying an illness on the basis of the symptoms described and examinations performed by a doctor.

DREAL (*Direction Régionale, de l'Environnement de l' Aménagement et du Logement*)

French Regional Agencies of the Environment, Planning and Housing, under the authority of *Préfet*, responsible for spearheading sustainable development policies resulting from commitments made under the Grenelle Environment Round Table. These agencies are the result of the merger of previously existing agencies including of the DRIRE (*Direction régionale de l'Industrie de la Recherche et de l'Environnement*).

Functional imaging

Functional imaging measures the activity of organs (brain, liver, heart). In the case of the brain, fundamental research is above all used in order to provide a better understanding of the different structures of the brain and to localise and diagnose anomalies in their functioning (ex: presence of epileptic areas, location of vital cerebral zones that must not be touched during a surgical operation).

Iodine

The main raw material used in contrast products for x-ray medical imaging.

Macrophage

A macrophage is a large cell whose role is to contribute to the immune response. Through its ability to capture, it eradicates from the body any type of pathogenic agent or recognised as foreign (nanoparticles, cellular waste and microorganisms).

Marketing authorisation (*Autorisation de Mise sur le Marché* or AMM)

A national or European authorisation issued to a holder responsible for sale after an evaluation of the quality, security and efficacy of a pharmaceutical specialty.

MRI

MRI or Magnetic Resonance Imaging represents a non-invasive and painless technique of exploration using the magnetic properties of water to generate images of within a body.

OSEO

OSEO is a French government agency whose mission is to provide support to innovative projects with a technological component offering concrete prospects for commercial development in France or in foreign markets.

Patent

An industrial property right granted by a public authority (INPI in France) to the party that discovers in a comprehensive and sufficient manner and claims title to an invention in order to benefit from an exclusive right to use it. This right provides against possible patent infringements and also ensures the possibility to reap the benefits for a limited period (20 years from the application date in France).

Pathology

A scientific term for the study and diagnoses of disease that has come to designate more generally an illness.

Pharmacovigilance

The purpose of pharmacovigilance is to monitor the risks of undesirable effects resulting from the use of drugs or products mentioned in Article R.5144-1 of the French Public Health Code.

REACH

REACH (Registration, Evaluation, Authorisation and restriction of Chemicals) is a European regulation whose primary purpose is to improve the knowledge of the intrinsic properties (dangers) of chemical substances and risks associated with their use.

SEVESO

A site classified as SEVESO is an industrial installation subject to special environmental and safety regulations (notably concerning the quantity of products stored) representing a significant risk for the neighbouring population in the event of a serious accident.

X-ray

X-rays are a form of high frequency electromagnetic radiation with ionizing radiation used for a number of applications including medical imaging.

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