REGISTRATION Document 2012

Annual Financial Report included

Guerbet

Contrast for Life

2012 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 2013 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) 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 and the Auditors' report on the consolidated financial statements for the fiscal year ended 31 December 2011 included in the registration document filed with the AMF on 16 April 2012 (No. D.12-0349).

2. The Board of Directors' management report, the consolidated financial statements and 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. D.11-0278).

Disclaimer: This English language version of this Registration Document is a free translation of the original "Document de Référence 2011" that was prepared in French. All possible care has been taken to ensure that this translation is an accurate representation of the original the issued in French language and registered on 16 April, 2013 by the AMF (the French securities regulator). However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation. In consequence, the translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Guerbet expressly disclaims all liability for any inaccuracy herein.

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 Company and Trade Register (RCS) No.308 491 521

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CHIEF EXECUTIVE OFFICERS' MESSAGE

Yves L'Epine, Guerbet Chief Executive Officer

"***A strategy combining optimal growth and profitability***"

What was the profile of results in 2012?
Last year, our revenue reached €403.5 million. This represented growth of 6.8%, exceeding our expectations, and driven in part by an exceptional performance for sales in Europe at year-end.

In terms of the geographic breakdown, these gains were driven mainly by Europe (up 9%) and Asia (up 22.3%). With this trend, Asia will become, along with the United States, our primary source of growth over the next five years. In contrast, this year sales in the Americas declined 8% due to under-performance in Brazil from increased competition on prices. It is now important to focus in priority on those customers able to absorb the rise in raw material prices (mainly iodine) to stop the erosion in prices in Latin America. Export sales that now account for 70% of total revenue are continuing to build momentum.

In terms of market segment, MRI increased to 40% of revenue contributing to a more balanced business mix for the Group alongside the X-ray segment (50% of revenue in 2012), with interventional radiology, medical equipment and miscellaneous products accounting for the remaining 10%.

Our financial results in turn benefited from sales growth and the success of projects in 2012. EBITDA rose nearly 30% to €54.9 million or 13.6% of sales while operating profit and net income each surged by more than 40%. Finally, Guerbet is supported by a solid balance sheet with debt remaining under control at slightly more than €100 million which allows us to respect a ratio of Net debt/EBITDA of 1.80

What were the major projects in 2012?
I would mention in particular the registration of Dotarem® in the US market, the certification of production sites by the FDA, investments made to double our production capacity, the reduction in operating and manufacturing expenses, the streamlining of our system of corporate governance as well setting priorities for our portfolio of existing products and R&D projects.

Dotarem® was approved in the United States on 21 March 2013. Should this be considered a major success for Guerbet?
The US Food and Drug Administration (FDA) approved Dotarem® last March, after the end of fiscal 2012. This gadolinium-based contrast agent (GBCA) is indicated for intravenous use with magnetic resonance imaging (MRI) in brain, spine and associated tissues in adult and paediatric patients (2 years of age and older). This approval indeed represents a major milestone for Guerbet which has a proud history of providing safe and effective contrast agents to patients worldwide.

Dotarem® - already a leader in Europe – is a compelling new CNS imaging option for US healthcare providers and enriches our product portfolio for improved patient management through diagnostic imaging in the US.

The US represents a promising growth market. It is estimated that there were more than 10 million contrast-enhanced MRI examinations performed in the US in 2011, with approximately 60% of these examinations performed to image the CNS. Our objective is to acquire a 15%-20% market share in 5 years.

Has your model for research and development been readjusted?
We have refocused priorities within our research and development programmes with an emphasis on achieving a balance between projects, i) new chemical entities (NCEs), ii) product lifecycle management for existing products and iii) solutions or services for medical equipment. This choice reflects a desire to optimise the allocation of risks. NCEs in effect have a high risk of failure (new requirements by authorities for market approval) and are subject to new economic constraints imposed by the healthcare payers. Among these NCEs, we consequently decided to focus in priority on P3277, a new generation of gadolinium-based products expected to enter phase 1 trials in the 2013 second half. Our total research and development budget has remained sustained (10% of revenue), reflecting our strategy focused on competitiveness by developing innovative solutions.

What is your industrial strategy today and are new investments planned?
Between 2005 and 2012, Guerbet invested €186 million to strengthen its industrial base to prepare for growth in worldwide demand for contrast products and accelerate export sales. Today, most of these production capacity investments have now been completed. As a result, the level for capital expenditures in France should return to an annual level of around €15 million. France continues to remain our primary manufacturing base, assuring 100% of our production for chemicals and 70% for pharmaceuticals. The Group has thus succeeded in preserving a model for production and job creation in France while developing a strategy for top-range products. In terms of manufacturing strategy, we are accordingly focussed on innovation to invent products both greener and safer, while reducing costs for synthesising our active ingredients. With this objective, Guerbet has developed solutions for recycling iodine, new processes for synthesis using lower amounts of solvents and new technologies to improve the treatment of effluents. Guerbet in this way combines innovation, competitiveness and sustainable development.

What is the outlook for 2013 and beyond?
For 2013, Group momentum for the period is expected to level off. On that basis, we expect sales growth of around 3% or significantly lower than in 2012. This slowdown takes into account the 2012 comparison base reflecting exceptional year-end sales combined with lower growth expected for Europe where the Group retains a strong presence. In contrast, our gross margin is expected to improve in 2013. At the same time, the entry of Dotarem® in the US market will generate costs associated with the commercial launch whereas it will only start to generate significant sales in the following year. However, despite these additional costs, current operating income is expected to remain steady in relation to 2012.

Over the 2014-2016 period, Guerbet will accelerate its revenue growth and improve its margin. This positive momentum will be bolstered by the American and Asian markets as well as the benefits of measures implemented to reduce production costs.

By 2016, we foresee growth in sales of 20% with a target for the operating margin greater than or equal to 12% or significantly higher than the current level of 7.9%

"*Become a world leader in diagnostic and interventional radiology to improve patient outcome and quality of life*."

Will the strategy initiated last year be pursued?
Because we have the chance of operating in a segment sustained by natural growth of around 3% year, our strategy, with the full agreement of our majority family shareholder, is focused on building competitive advantages over the long-term. We have identified four value drivers for the Group. First, we are pursuing a strategy of high-end positioning for our MRI and x-ray products. This is followed by accelerating diversification by the creation of an Interventional Radiology and Theranostics (IRT) division and exploring alliances in other segments (nuclear medicine, ultrasound, optical imaging). Our third priority is reducing production and operating costs. Finally, we are building a more streamlined and agile "Best in Class" organisation to meet our ambitious goals and maintain our customer-centric focus.

What is Guerbet's position in the worldwide market of medical imaging?
The worldwide market for contrast agents and radiopharmaceuticals in 2012 was estimated at €6.5 billion. In this market, Guerbet has made a noteworthy advance last year by moving up to fourth place worldwide for the combined segments of x-rays and MRI where it previously ranked fifth.

Will you pursue your policy with respect to the distribution of earnings?
Earnings must continue to be allocated among staff as the key contributors to the improvements made by the Group, and the shareholders, while continuing to invest in future projects and gradually reducing debt.
The Board of Directors will submit a proposal to the General Meeting of 24 May for the distribution of a dividend of €2 per share representing an 11% increase from the prior year.

THE GUERBET GROUP

1) History of the Company

Guerbet is a French pharmaceutical group that since 1926 has been providing healthcare professionals intervening in the fields of diagnostic and interventional medical imaging with contrast agents, injection systems, medical equipment and related solutions specifically adapted to their needs.

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. Today Guerbet provides a complete range of imaging products for both x-ray and MRI applications.

The main products of the Group's portfolio include Dotarem®, an ionic macrocyclic gadolinium chelate indicated for MRI examinations, Xenetix®, Hexabrix® and Telebrix®, iodinated contrast products used for different types of x-ray examinations and Lipiodol, a promising molecule in the area of interventional radiology. Supplementing this product range of contrast agents, Guerbet and its subsidiary Medex have developed injection systems for CT scans and angiography as well as medical devices for radiologists.

Guerbet Group milestones:

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)
2006	Launch of the dual innovation: Xenetix® in Scanbag ®
2008	Implementation of the Iseult programme (financed by Oséo Innovation)
2011	Takeover of Lipiodol® sales in the US on a direct basis
2012	Launch of a complete CT range of medical imaging extension lines: "Linkfill CT®"
2013	FDA approval for Dotarem® in the United States

2) Financial highlights

a) Revenue

In thousands of euros – IFRS	2012	2011
Consolidated net sales	**403,495**	**377,834**
Sales by region		
Europe	71.4%	70.2%
Other markets	28.6%	29.8%
Sales by type of product		
X-ray	50.4%	51.1%
MRI	40.2%	39.0%
Other	9.4%	9.9%

b) Balance sheet and income statement highlights

In thousands of euros – IFRS	2012	2011
EBITDA[1]	54,908	42,670
Current operating income	31,731	22,551
Net income	20,399	14,427
Net earnings per share	6.69	4.73
Dividend per share	2.00 [2]	1.80
Cash flow	45,289	34,200
Shareholders' equity	226,209	214,798
Net debt[3]	99,009	100,039
Capital expenditures	33,195	40,008
Research and development expenditures	39,252	42,431
Employees[4]	1,374	1,346

[1] Details for the calculation of EBITDA is presented on page 47 of this document
[2] Dividend submitted to the vote of the General Meeting of 24 May 2013.
[3] Details for the calculation of net debt are presented on page 48 of this document.
[4] Average number of employees for the year.

3) Business overview

3.1 Guerbet is a pharmaceutical group specialised in contrast agents for medical imaging

Guerbet is a pharmaceutical group specialised in contrast agents, their injection systems and medical devices for diagnostic and interventional medical imaging. These products are administered to humans for diagnostic or therapeutic purposes to evaluate the origin and impact of an illness or for medical procedures guided by imaging technologies. They contribute to 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.

a) Contrast agents

Contrast agents have different forms of action according to the imaging techniques used. They act as enhancers of x-ray or magnetic imaging signals emitted from large-scale medical equipment (CT computerised tomography scanners, magnetic resonance imaging (MRI) or as radioactive tracers for nuclear medicine examinations pour through gas-filled micro-bubbles in echography.

The medical interest of a contrast agent is therefore to increase the contrast, making it possible to visualise an atomic or pathological structure, under normal conditions with limited or no contrast at all, and in this way distinguish it from surrounding tissues.

The diagnostic performance that radiologists and clinicians seek is accordingly directly related to the relevance of the information obtained from the contrast agent's imaging enhancement properties. This is achieved by the quality of static or dynamic images detailing anatomical data of organs, the structure of arterial and venous networks and the parameters of the infusion rate.

With the development of interventional radiology, contrast media may also be used to guide a medical procedure during a therapeutic intervention.

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. 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 required before they can be put on the market is in consequence very high. These investments cover work on research and validation of the concept as well as clinical trials to demonstrate the effectiveness of the signal enhancement and tolerance of the contrast agent.

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) Injection systems

Control over injection speed and volume for contrast media 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 and are determined by the needs for exploring the pathology. This device is attached to the patient by equipment in the form of consumables specifically adapted to requirements for safe use and to sterility. These devices contribute to the effectiveness of procedures while at the same time ensuring patient safety.

Guerbet develops, markets and provides maintenance services for medical equipment and devices destined for diagnostic and interventional imaging.

3.2 Guerbet's mission

Guerbet is positioned in this sector of diagnostic performance with the goal of contributing to better patient care by proposing healthcare professionals contrast agents, injection systems and innovative medical devices and solutions, essential for diagnostic and interventional imaging to improve patient outcomes and quality of life.

Passionate about our profession, our efforts are deployed daily to combine **performance**, **quality** and **sustainable development**.

3.3 The medical contrast media market

The market for medical contrast agents is dependent on three parameters:

- The level of the installed base;
- The pathologies for which examinations require the injection of a contrast agent to confirm or improve the diagnosis and guide the therapeutic response;
- Recommendations on exam methods and choices in daily healthcare practice according to recommendations issued by medical and scientific experts issued by medical societies and/or health authorities.

The market for contrast agents and radiopharmaceuticals is estimated at €6.5 billion, breaking down as follows:

- X-rays: 50%; MRI: 13%; Nuclear medicine 33%; Ultrasound > 5%;
- USA 39%: Europe 27%: Japan 16%: Rest of the World: 18%.

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 expansion of the installed base of equipment is low or even nil in turn resulting in annual volumes and market levels characterised by low or flat growth.
- In countries with strong economic growth, access to healthcare represents a major strategic issue and the increase of the installed base has a real impact on the number of contrast-enhanced MRI examinations resulting in significant growth in annual volumes and market levels.

Imaging examinations are performed to detect, characterise and monitor a pathology. 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 scintigraphy (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 examinations.

Number of examinations (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

3.4 The pathologies

In Oncology, the impact of the main forms of cancer (lung, breast, prostate, colorectal…) is regularly increasing and more than 14 million exams involving injections of contrast agents are carried out every year in Europe's five largest countries. This increase is linked to the ageing of the population as well as established risk factors (tobacco, eating habits, stress and the environment, etc.). It contributes to a rise in the number of examinations 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 agent 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 7 million examinations 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 agent, interventional radiology makes it possible, for example, to visualise 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 agent 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 examinations and medical research.

3.5 Guerbet products

Guerbet growth is based in large part on three major product ranges: Dotarem® (MRI), Xenetix® (X-ray) and Lipiodol®.

Dotarem®, a non-specific gadolinium-based MRI contrast agent, 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 which gives it a particularly high thermodynamic stability) and its optimal security profile makes it the 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 2008 when the appearance of serious undesirable side effects were 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 leader in Europe with a 47%[1] market share and registering strong sustained growth in other international markets.

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 by improving safety for patients and medical personnel, as well as by 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 per millilitre is the preferred concentration for cardiovascular pathologies, while 300 mg per millilitre 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 today the only iodised 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 agent 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, Lipiodol® is today mainly used in interventional radiology (IRT: Interventional Radiology and Theranostics) in the embolization of malignant tumours (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 Food and Drug Administration (FDA) for interventional radiologists and patients. Lipiodol® is also registered for chemo-embolization in Italy and Mexico. In addition, for the exploration of female infertility, Lipiodol® has been shown to have therapeutic properties after imaging exams.

[1] ECMIG database - European Contrast Medial Industry Group - produced by the US company W&W services in 2008

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 agent 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 following the agreement concluded 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.

Injectors and medical devices

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

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 makes it possible to propose a service offering adapted to radiology clinics ranging from contrast media, injection systems and medical devices (Secufill®, Manyfill®, Linkfill®). Its gradual commercial introduction in Europe will enable Guerbet and Medex to reconcile the goals of clinical utility, ease-of-use and sustainable development, notably in terms of reduced waste.

e) Product lifecycle

Contrast agents generally have a shelf-life of three years. The shelf-life is determined by stability studies performed during the pharmaceutical development phase of finished products.

3.6 Competition

The main companies marketing worldwide contrast agents for X-ray and MRI applications are Bayer Healthcare, General Electric Healthcare, Bracco and Covidien.

- **Bayer Healthcare**[1]

Bayer Healthcare is part of the Bayer Group, a global enterprise with core competencies in the fields of health care, nutrition and high-tech materials whose headquarters are based in Germany. In 2011, the group had revenue of €36.5 billion including annual sales of 17.2 billion for the sub-group, Bayer Healthcare. Its mission is to research, develop, manufacture and market products for prevention, diagnosis and patient treatment. Medrad, a subsidiary of Bayer Healthcare, manufactures and distributes medical equipment and **injectors** worldwide, used in particular for medical imaging.

- **General Electric Healthcare**[2]

General Electric Healthcare is a division of the General Electric group headquartered in the United Kingdom. In 2011 this division had revenue of US$18 billion. GE Healthcare employs more than 46,000 people worldwide with operations in more than 100 countries.

This company has a complete range of products in the sector of medical imaging and information technologies, **medical diagnostics**, systems for patient monitoring, performance improvements, drug discovery and biopharmaceutical manufacturing technologies.

- **Bracco**[3]

Bracco is a pharmaceutical group that had revenue of approximately €1.1 billion in 2011. The Group's product range consists mainly of **contrast agents and injectors**. However, Bracco SpA, the holding company of Bracco Group, also distributes over-the-counter drugs and personal care services in Italy as well as medical services.

Bracco operates in more than 90 countries worldwide both directly and through joint ventures or subsidiaries and currently employs more than 3,000 people.

- **Covidien**[4]

Covidien is a manufacturer of medical devices, diagnostic imaging agents and pharmaceutical products headquartered in Dublin (Ireland). Covidien manufactures and markets its products in more than 140 companies with 41,000 employees and had revenue of US$11.6 billion in 2011.

Covidien manufactures, distributes and services a diverse range of product lines in three segments including medical devices (68% of sales) pharmaceuticals that include contrast products and injectors (17% of sales).

In addition, there exist other specialised companies operating in the areas of electronics or medical devices (Medtron, Némoto…) that also market injection systems used in medical imaging.

[1] Source : www.bayer.com
[2] Source: www.gehealthcare.com
[3] Source: www.braccoimaging.com - www.bracco.com - Corriere della Sera - Diagnostic Imaging Europe February/March 2012
[4] Source: www.covidien.com

4) Manufacturing activity, investments and R&D

a) Manufacturing activity, logistics and investments

Guerbet manages the complete production and manufacturing cycle through its four production sites and its network of subcontractors.

Three of Guerbet's four production sites

- are located in France:
    - A fine chemical facility located in **Marans**, Northeast of La Rochelle (Charente Maritime), specialised in the synthesis and production of active ingredients and chemical intermediates. In addition, Simafex has developed toll manufacturing services for pharmaceutical companies and acquired specific expertise in process extrapolation,
    - The **Lanester** site (Morbihan) manufacturers active ingredients for the X-ray line,
    - The **Aulnay-sous-Bois** site (Seine-Saint-Denis) manufacturers finished pharmaceutical products,
- Plus one pharmaceutical production plant in Brazil based in Rio de Janeiro.

Guerbet also has three distribution centres located in Europe, Asia and South America. Our logistics expertise contributes to optimising costs and guarantees that delivery deadlines are met while maintaining the quality standards of our products. The Gonesse platform located near the Aulnay-sous-Bois site handles our product ranges destined for Europe, the US, Africa and the Middle East. Our Hong Kong centre manages distribution for the entire Asia region where proximity to local markets is essential. Finally, our Brazilian subsidiary has a logistics department and supplies all of South America. Measures have been taken to complete our logistics capabilities in the US to prepare for Dotarem's launch.

For several years, Guerbet has been preparing for the future by investing in its industrial base:

- Chemical manufacturing for intermediates and active ingredients;
- Production of finished pharmaceutical products in the form of sterile injectable solutions (vials and bags).

These investments are part of an ambitious programme for modernising the industrial sites to increase production capacity and competitiveness by securing supplies, improving productivity and the production time cycle and reducing production costs. Furthermore, significant efforts have been taken to improve the environmental performance of manufacturing sites. Commitment to quality, respecting international manufacturing standards reinforced safety and respecting the environment are integral parts of the Group's industrial strategy.

At Marans, after the production line for the active ingredient of Lipiodol® was fully renovated, production capacity for chemicals in the MRI sector were increased significantly in order to meet growing demand for Dotarem®, strengthened by the preparation for its launch in the US. Investments at the Marans site also concerned completion of the first phases for improving environmental performance and strengthening fire protection and prevention systems.

At Lanester, capacity investments were completed for Xenetix® though important investments have been undertaken to improve the environmental footprint involving notably the recycling of iodine, the treatment of effluents and the management and prevention of industrial risks.

At Aulnay-sous-Bois, the Group has invested in a new filling unit for the manufacture of injectable solutions in the form of vials and bags that is in the process of being completed. Buildings and the installation of utilities have been completed and the first validations of the vial and bag filling lines initially scheduled for end of 2012 have been moved ahead to 2013. This investment responds to demand for increasing production capacity, improving productivity and meeting international standards of quality for the manufacture of injectable pharmaceutical products.

At the **Rio de Janeiro plant**, investments for the renewal of the filling line are in progress and will be commissioned at the end of 2013. They involve mainly the installation of a new cleaning machine and a new bag filling line.

Overall, between 2005 and 2012, capital expenditures for Guerbet's French manufacturing sites have totalled €186 million.

c) Research & development

▪ R&D objectives

The goal of Guerbet's R&D is to propose to radiologists and patients contrast agents and effective, safe and innovative delivery systems that respond to their needs.

Guerbet's research and development is focused on the three major medical imaging segments: MRI, X-ray imaging and Interventional Radiology and Theranostics (IRT).

This includes R&D activities focusing on the Life Cycle Management (LCM) of products already on the market (ex: extension of indications, developing new formulations, registration in new geographic markets) as well as research and development for New Chemical Entities (NCEs).

▪ Target pathologies

Guerbet's Research & Innovation is focused on major diseases where the appropriate contrast agent can improve the initial diagnosis and monitor the effectiveness of treatments (cardiology, oncology, neurology).

▪ Positioning in the sector of medical procedures

Constantly taking into account the input and needs of clinical practitioners, Guerbet's R&D is focused on the critical components of modern radiology: the diagnosis of pathology, monitoring treatment and the treatment itself (interventional radiology).

Diagnostic performance is a key component of the therapeutic and surgical decision-making process. It has a direct and immediate 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.

Interventional radiology represents one of the top priority areas of Guerbet's research and development. It is occupies a major position in the theranostic arsenal for diagnostic-based therapy specifically adapted for individual patients.

This very dynamic discipline is defined as a set of medical procedures performed by radiologists and under the control of radiological technologies making it possible to treat a significant number of pathologies through minimally-invasive interventions.

Everyday throughout the world a large number of pathologies are treated using interventional radiology techniques. This approach is deployed in particular in the field of oncology. In this way, intra-arterial chemo-embolization has a key role in the treatment of primary liver cancers.

▪ New Chemical Entity (NCE)

Guerbet is currently focused on developing a gadolinium chelate based NCE (P03277) for MRI applications. This particularly efficient product is adapted for high magnetic field applications. With the pre-clinical safety profile having been determined to be satisfactory, preparations for phase 1 trials corresponding to the evaluation in healthy volunteers are in progress.

Phase I represents the first level of tests on people using volunteers in good health. They seek to evaluate the tolerance profile, pharmacokinetics (the process by which a drug is absorbed, distributed, metabolised, and eliminated by the body) and the pharmacodynamic profile of the product.

Guerbet is also conducting a "phase 0" exploratory clinical study in the field of nuclear medicine (Positron Emission Tomography or PET) for an ovarian cancer indication.

- **Product portfolio lifecycle management:**

Guerbet R&D is pursuing major research and optimisation projects for contrast agents already on the market. This work has contributed to significant advances concerning:

- ✓ **The mechanism of nephrogenic systemic fibrosis (NSF)**: R&D work on the pathophysiological mechanisms of this serious secondary effect of certain categories of gadolinium compounds has led Guerbet to conduct major preclinical and clinical trials to document the differentiated safety profile of Dotarem® and integrate this risk factor in work on the conception of future molecules.
- ✓ **Improving existing processes**: the process optimisation programme is continuing to focus on ways to improve the environmental impact of manufacturing activities and reduce production costs. This makes it possible to reduce raw material consumption while increasing chemical output and limiting consumption with respect to both effluents and discharges.
- ✓ **Registration in new geographic areas and/or for new indications:** The drug application for Dotarem® in the US was submitted to the FDA on 20 September 2012 and received a priority review period. On 20 March 2013, it received FDA approval for the indication of central nervous system lesions.

- **R&D spending and organisation: innovation as an ongoing Guerbet priority**

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

	2012	**2011**	**Change**
R&D expenditures (thousands of euros)	39,252	42,431	-7.5%
R&D expenditures (% of sales)	9.7%	11.2%	

The decline in R&D expenditures reflects the evolution of the portfolio of molecules under development (end of development of Dotarem USA, start up for development of a new NCE, with the early phases being less costly) as well as from setting of strict priorities for the R&D portfolio in 2012 according to criteria such as the degree of innovation, the medical service provided, the product benefit/risk trade-off, development feasibility, the existence of a market, etc.

R&D teams are organised for ensuring optimal contributions to the four **Group priorities**:

- Adapt our current business model for XR, MRI, NM (Nuclear Medicine) to the environment to optimise our operating margin;
- Create a new business division IRT (Interventional Radiology and Theranostics);
- Reduce costs;
- Build a "Best-in-Class" organisation.

Brand teams have been established to spearhead the XR, MRI and IRT franchises. These consist of multidisciplinary teams coordinated by a team leader responsible for imagining, promoting and contributing to concrete implementation within the company of all initiatives with potential for optimising their business model.

- **A proactive partnering strategy**

To meet its research and development goals, Guerbet has developed partnership and collaboration agreements. 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 Innovation in France 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 target clinical indications are brain tumours, stokes and Alzheimer's diseases.

This collaborative research programme 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;
- and 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.

Guerbet is also pursuing R&D in Nuclear Medicine through three other collaborative projects co-financed by Oseo Innovation and the General Regional Council of Seine Saint Denis for the third: Gallimed, IMAkinib® and Imova.

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. 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, lung and liver tumours. Gallimed has received the Eurêka European label.

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 programme for strategic industrial innovation (*Innovation Stratégique Industrielle*) for promoting the emergence of European or global leaders.

Imova is a project seeking to address unmet medical diagnostic needs for atherothrombosis imaging. With its partners, Guerbet will develop and validate new molecular imaging products for atherothrombosis (MRI and nuclear medicine). A phase 0 clinical study may be launched at the end of this project. In addition to Guerbet, four other partners based in the greater Paris region are participating in the Imova project: DOSIsoft, a start-up specialised in software applications for the quantification analysis of medical images, the SIMOPRO unit of the French Atomic Energy and Alternative Energies Commission (CEA), the IMNC unit of the French National Center for Scientific Research (CNRS) and the INSERM U698 research unit for cardiovascular remodelling.

Guerbet is also a participant in the FUI **SpineInject** project in partnership with Graftys and university research teams which is developing phosphocalcic cements which can be used as an alternative to bone grafts of biological origin in the spinal column. As Guerbet's first network-based research partnerships in the field of interventional radiology, its goal is to create a cement containing a radio-opaque contrast agent to monitor the correct implantation of the cement and its bioabsorption.

Certain network-based research partnerships are subject to two types of financial provisions providing for:

- Reimbursement of repayable advances in the event of success in the commercial phase of the products;
- Payment of a percentage of revenue based on sales and/or operating income generated by these projects.

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) programme 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.

▪ Intellectual property

In the pharmaceutical sector, intellectual property represents a key strategic asset as it assures a role in offsetting the development time and costs related to the innovation. The patent term is 20 years from the filing date of the earliest application. In practice, the development time for products is such that the period of patent protection is often frequently considerably reduced. The expiry of a patent can result in the emergence of fierce competition associated with the arrival on the market of generic products (see generic risks) In certain cases, the patent may be extended through a document providing for additional protection refer to in the US as a "Patent Term Extension". Products can also benefit from protection that may be offered by other patents obtained over the course of their development such as manufacturing patents as well in the course of product lifecycle management activities.

Guerbet's patent portfolio concerns active ingredients, new pharmaceutical formulations, manufacturing processes, injection systems or medical devices.

5) Group organisation at 31 December 2012

a) Executive Committee

Yves L'Epine – *Chief Executive Officer*
Virginie Beck – *Vice President, Strategic Projects & Secretary General*
Bruno Bonnemain – *Qualified Person (QP)*
Claire Corot – *Vice President, Research & Innovation*
Pierre Courteille – *Vice President, Sales & Marketing*
Pierre Desché – *Vice President, Development, Medical and Regulatory Affairs*
Brigitte Gayet – *Chief Manufacturing Quality Officer*
Henri-François Gregy – *Vice President, Pharmaceuticals*
Jean-François Le Martret – *Chief Financial and Administrative Officer*
Pascal Mailliart – *Vice President, Human Resources*
Dominique Meyer – *Vice President, Chemicals*
Olivier Vallet – *Chief Supply Chain Officer*

b) Board of Directors

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

c) International presence

Region	Country	Company	Ownership interest (%)
Europe	France	Guerbet	N/A
		Simafex	100.00%
		Medex	60.00%[1]
		Guerbet France	100.00%[2]
		Abalux	100.00%[2]
		Abarem	100.00%[2]
	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 – list of manufacturing facilities

Establishment	Address	Type of activity
Aulnay-sous-Bois	16/24 rue Jean Chaptal 93600 Aulnay-sous-Bois	Main pharmaceutical manufacturing plant Research laboratory
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

Guerbet is also the operator of its distribution platform based in Gonesse (95).

[1] Guerbet has a purchase commitment for the minority share of Medex which is accordingly fully consolidated.
[2] Guerbet France, Abalux and Abarem were created in 2012 and are wholly-owned Guerbet subsidiaries.

e) Distribution

Guerbet distribute its products in nearly 70 countries on all five continents.

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

▪ Direct sales

The Group's strategy has been to gradually shift its priority over to its own 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 (13 subsidiaries), Asia (4 subsidiaries), North and Latin America (3 subsidiaries).

This coverage is completed through license and distribution agreements.

▪ 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 United States both through a license granted to Covidien and directly through it subsidiary Guerbet LLC.

▪ Distribution agreements

In markets not covered by direct sales subsidiaries or a license agreement, Guerbet has executed agreements with 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.

▪ 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.

CORPORATE GOVERNANCE

1) Board of Directors

a) Board members

Directors	Other offices and directorships
Jean-Jacques Bertrand Appointment date: 21 May 2010 <u>Expiry of term of office:</u> <u>2016 AGM</u>	Chairman of the Board of Directors of Neovacs (a biotech company) Director, Fondation pour la Recherche Médicale Director, Pierre Fabre Laboratoire Chairman, Holding Incubatrice Biotechnologie et Pharmacie, Pilosciences, Diaccurate 2013 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; - Chairman 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.
Marion Barbier *Guerbet family member* Appointment date: 27 July 2011 <u>Expiry of term of office:</u> <u>2017 AGM</u>	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.

Directors	Other offices and directorships
Jacques Biot Appointment date: 21 May 2010 Expiry of term of office: 2016 AGM	Managing Partner, Joburg Life Sciences SARL Director, HELSE Capital Chairman of the Board of the Ecole des Mines d'Alès Steering Committee Member of the Rein conference (*Etats Généraux 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, 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. He resigned from this position in Mid-2012, having sold the company to the MAPI Group in November 2007 and made arrangements for his replacement. 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.
Vincent Dagommer *Guerbet family member* Appointment date: 21 May 2010 Expiry of term of office: 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).

Director	Other offices and directorships
Olivier Guerbet *Guerbet family member* Appointment date: 21 May 2010 <u>Expiry of term of office:</u> <u>2016 AGM</u>	Chairman of SAS Holus, and in this capacity Chairman of SAS Commercialisation Rene Briand Managing Partner of SCEA Rene Briand Managing Partner of SCEA Val d'Or Managing Partner of SARL Société De L'Officière Managing Partner of SARL ADS - - - - - - - - - - - - - With a degree from the Institut Supérieur de Gestion, Olivier Guerbet participated in the INSEAD Advanced Management Programme. Olivier Guerbet began his career in the United States, and subsequently in France, with US multinationals operating in the sector of interventional medical devices. In 1993, he joined the Group bearing his family name, and 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. Since the end of 2012, he has served as Chairman-Chief Executive Officer of René Briand Group, French leader of garden products for professionals. 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 Appointment date: 27 May 2011 <u>Expiry of term of office:</u> <u>2017 AGM</u>	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.
Christian Louvet *Guerbet family member* Appointment date: 21 May 2010 <u>Expiry of term of office:</u> <u>2016 AGM</u>	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 a party in a governmental action, 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) Compensation of executive officers

a) Compensation of executive officers

The following table presents a summary of compensation provided to each of corporate officers for fiscal 2012. Jean-Jacques Bertrand, Yves L'Epine, Bruno Bonnemain and Marie-Christine Garnier are considered to be executive officers in their respective capacities of Chairman of the Board of Directors, Chief Executive Officer (*Directeur Général*), and Deputy Chief Executive Officers (*Directeur Général Délégué*).

Variable compensation is based on both quantitative and qualitative criteria linked to the Company's financial performance and strategy. For reasons of confidentiality, these criteria cannot be disclosed in this document.

Summary of compensation for Jean-Jacques Bertrand

	2012	**2011**
Compensation paid for the period	43,509	122,870
Valuation of options granted in the period		-
Valuation of performance shares granted in the period		-
Attendance fees paid for serving as director	22,463	22,463
Total	**65,972**	**145,333**

Breakdown of compensation for Jean-Jacques Bertrand

	Amounts owed for the period		**Amounts paid in the period**	
	2012	**2011**	**2012**	**2011**
Fixed compensation o.w.:	43,509	122,870	43,509	122,870
for the office of Chairman of the Board of Directors	43,509	43,976	43,509	43,976
for the office of Chief Executive Officer	-	78,894	-	78,894
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	Not yet determined	22,463	22,463	22,463
Benefits in-kind	-	-	-	-
Total	**43,509**	**145,333**	**65,972**	**145,333**

Summary of compensation for Yves L'Epine		
	2012	**2011**
Compensation paid for the period	455,405	38,632
Valuation of options granted in the period	-	6,000
Valuation of performance shares granted in the period	-	-
Total	**455,405**	**44,632**

Breakdown of compensation for Yves L'Epine				
	Amounts owed for the period		**Amounts paid in the period**	
	2012	**2011**	**2012**	**2011**
Fixed compensation	360,000	38,182	360,000	38,182
Variable compensation	Not yet determined	90,000	90,000	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in-kind	5,405	450	5,405	450
Total	**365,405**	**128,632**	**455,405**	**38,632**

Summary of compensation for Bruno Bonnemain		
	2012	**2011**
Compensation paid for the period	197,964	170,990
Valuation of options granted in the period	-	3,654
Valuation of performance shares granted in the period	-	-
Total	197,964	174,644

Breakdown of compensation for Bruno Bonnemain				
	Amounts owed for the period		**Amounts paid in the period**	
	2012	**2011**	**2012**	**2011**
Fixed compensation	151,241	148,567	151,241	148,567
Variable compensation	Not yet determined	30,333	30,333	15,000
Exceptional compensation	11,441	5,111	11,441	5,111
Attendance fees	-	-	-	-
Benefits in-kind	4,949	2,312	4,949	2,312
Total	**167,631**	**186,323**	**197,964**	**170,990**

Summary of compensation for Marie-Christine Garnier

	2012	2011
Compensation paid for the period	313,756	158,315
Valuation of options granted in the period	-	3,654
Valuation of performance shares granted in the period	-	-
Total	**313,756**	**161,969**

Breakdown of compensation for Marie-Christine Garnier

	Amounts owed for the period		Amounts paid in the period	
	2012	**2011**	**2012**	**2011**
Fixed compensation	52,577	126,185	52,577	126,185
Variable compensation	-	-	-	18,000
Exceptional compensation	260,125	11,385	260,125	11,385
Attendance fees	-	-	-	-
Benefits in-kind	1,054	2,745	1,054	2,745
Total	**313,756**	**143,969**	**313,756**	**158,315**

Other relevant disclosures 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**
Jean-Jacques Bertrand		x		x		x		x
Bruno Bonnemain	X		X			X		X
Yves L'Epine		x	x			x		x
Marie-Christine Garnier	X		X			X		X

In 2012, three executive officers, like other Guerbet executives, benefited from an individual retirement account funded by employer contributions from Guerbet. Only Jean-Jacques Bertrand, executive officer in 2012 in his capacity as Chairman of the Board of Directors, does not benefit from such a provision. The total amount of funded pension benefits paid to individual retirement accounts amounted to €23,444 in 2012 breaking down as follows: €13,094 for Yves L'Epine, €8,170 for Bruno Bonnemain and €2,180 for Marie-Christine Garnier.

Furthermore, no performance shares, loans or guarantees were granted to executive officers in 2012.

b) Attendance fees paid to corporate officers

Director	In 2012 pursuant to the decision of the AGM of 27 May 2012	In 2011 pursuant to the decision of the AGM of 27 May 2011
Jean-Jacques Bertrand	€ 22,463	€ 22,463
Marion Barbier	€ 8,401	-
Jacques Biot	€ 21,463	€ 21,463
Jacky Boudeville	€ 8,901	€ 21,463
Vincent Dagommer	€ 21,463	€ 20,463
Olivier Guerbet	€ 21,463	€ 21,463
Marie-Claire Janailhac-Fritsch	€ 12,562	-
Christian Louvet	€ 19,963	€ 19,963
Bernard Massiot	€ 7,901	€ 18,963

c) Commitments granted to corporate officers following the assumption, changes or termination of functions

None

d) Stock option and stock purchase option plans

- **Stock options or stock purchase options granted to executive officers[1] in 2012**

In 2012, no executive officers were granted stock options or stock purchase options.

- **Stock options or stock purchase options exercised by the executive officers in 2012**

None

- **Stock options or stock purchase options not exercised by the executive officers as of 31 December 2012**

Yves L'Epine and Bruno Bonnemain held respectively 12,000 and 4,000 stock options not yet exercised at 31 December 2012.

Pursuant to her departure in 2012, the 6,000 options granted to Marie-Christine Garnier on 17 October 2011 were cancelled.

Furthermore, as the stock option plan set up on 26 July 2005 expired on 26 July 2012, the options held by all beneficiaries and including Bruno Bonnemain and Marie-Christine Garnier (2,000 options each) were cancelled.

[1] Within the meaning of executive officers as defined by the Law 2001-420 of 15 May 2001 and at 31 December 2012, i.e. the Chief Executive Officer (*Directeur Général*), Deputy Chief Executive Officer (*Directeur Général Délégué*) and the Chairman of the Board of Directors.

- **Stock options granted to non-officer employees in 2012**

A stock option plan for employee beneficiaries who are not officers was set up on 20 February 2012 for 1,700 options. The details on this plan are presented in the notes to the consolidated financial statements on page 106.

- **Summary of stock option plans in force at 31 December 2012**

Refer to page 106 of the notes to the consolidated financial statements.

- **Stock options or stock purchase options exercised in 2012 by salaried employees who are not corporate officers**

None

3) 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 and rules established by it to determine 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 5 March 2013.

Guerbet adheres to the AFEP/MEDEF corporate governance code. The exceptions to the standard with respect to the composition of the Board of Directors and Committees are mentioned in the table summary presented at the end of 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 2012, three of whom are considered as independent directors. 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. In 2012, the Board of Directors met eight times with an attendance rate of 96%.

Independent directors meet the criteria set by the APFEF/MEDEF Code:

- they are not a member of the Guerbet family;
- they have no relationship of any kind with the Company or one of its subsidiaries;
- they exercise no function within the Company's management;
- they do not possess a significant number of shares of the Company;
- they are not bound by any employment contract with the Company or one of its subsidiaries;
- they have exercised their functions on the Board of Directors for less than twelve years.

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. It is noted that the recommendations of the AFEP-MEDEF Code providing for a four-year term of office for directorships not been applied. The Company undertakes, whenever compatible with its organisation and operating procedures, to fulfil the criteria of the AFEP-MEDEF Code as best as possible. However, in light of the size of his company, its equity profile and the aim of ensuring that the Board of Directors operates based on a long-term perspective, the Board has decided in consequence to provide for an exception waving the application of this recommendation.

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.

The Executive Management of Guerbet is entirely separate from the Chairmanship of the Board of Directors. 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.

Since the beginning of 2013, the Board of Directors met twice, including once to review the annual financial statements for fiscal 2012.

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

Evaluation
The Board charter (rules of procedure) provides that every year the Board evaluates its operating procedures and ensures that questions of importance for the effective running of the company are properly prepared and discussed.

In accordance with the provisions, on 21 December 2012, the Board conducted a self-the valuation through a questionnaire transmitted to its members. This analysis represented a formalised procedure (detailed questionnaire with both open-ended and closed-ended questions enabling Board members to explain their responses).

Based on this survey and the proceedings of the meeting held on 5 March, no dysfunctional items were identified. In consequence, the report on its performance was satisfactory. The Board appreciated the quality of exchanges and information provided to the Board on Group operations. The key areas for improvement identified will be taken into account in 2013.

With respect to the examination of the independence of Independent Directors, the Board examined the contribution and degree of participation of these Directors. It considered that the proportion of Independent Directors in light of the company's organisation and operating procedures was satisfactory and recognised that the Directors retained their status as Independent Directors since none of them maintain any relations whatsoever with the Company, its Group, or management which could impair the free exercise of their judgement and that moreover they are determined to represent, within the Board, the market. Finally, it is recalled that Marie-Claire Janailhac-Fritsch, Independent Director, joined the Board of Directors of Guerbet in 2011.

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 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 2012. This Committee is headed by Jean-Jacques Bertrand, Chairman of the Board of Directors.

The work of this Strategy Committee consists in reviewing medium-term plans and 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, and whose other members include Christian Louvet and Marion Barbier. It is noted that the recommendations of the AFEP-MEDEF Code providing for a majority of independent members has not been applied.
This exception is justified by the majority shareholding of the Guerbet family in the Company's share capital that results in a majority representation of Guerbet family members within the Board of Directors, none of whom assure management or operational functions within the Company.
The Board considered the proportion of Independent Directors satisfactory and duly noted that these Directors have retained their status as Independent Directors since none of them maintain any relations whatsoever with the Company, its Group, or management which could impair the free exercise of their judgement.
Finally, for the record, it is noted that the Compensation Committee was renewed with the arrival of Marion Barbier in 2011.

This Committee met two times in 2012.

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

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. Jean-Jacques Bertrand, Olivier Guerbet, Vincent Dagommer and Marie-Claire Janailhac-Fritsch are members of this Committee. Three out of the five members of this Committee are Independent Directors. It is noted that the recommendations of the AFEP-MEDEF Code providing for a minimum for independent directors of two thirds within this Committee has not been applied. This exception is justified by the majority shareholding of the Guerbet family in the Company's share capital that results in a majority representation of Guerbet family members within the Board of Directors, none of whom assure management or operational functions within the Company.

The Board considered the proportion of Independent Directors satisfactory and duly noted that these Directors have retained their status as Independent Directors since none of them maintain any relations whatsoever with the Company, its Group, or management which could impair the free exercise of their judgement. Finally, it is recalled that Marie-Claire Janailhac-Fritsch, Independent Director, joined the Audit Committee of Guerbet in 2011.

This Committee met seven times in 2012.

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 twice in 2012.

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 and Innovation 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.

In compliance with Article L 225-37 subsection 7 of the French commercial code, the following table specifies those provisions of the AFEP-MEDEF Code not adopted and the reasons thereof.

Exceptions with respect to the composition of the Board of Directors and Committees		
SUBJECTS	**AFEP/MEDEF Code**	**Guerbet comments**
Duration of directors' terms of office	Limitation of the duration of directors' terms of office to be set by articles of association ("*statuts*") is 4 years Art. 12 of the AFEP/MEDEF Code	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. It is accordingly noted that the recommendations of the AFEP-MEDEF Code providing for a four-year term of office for directorships were not applied. The Company undertakes, whenever this is compatible with its organisation and operating procedures, to fulfil the criteria of the AFEP-MEDEF Code as best as possible. However, in light of the size of the company, its equity profile and the aim of ensuring that the Board of Directors operates based on a long-term perspective, the Board has decided in consequence to provide for an exception waving the application of this recommendation.
Composition of the Compensation Committee	Majority of independent directors Art. 16 of the AFEP/MEDEF Code	It is noted that the recommendations of the AFEP-MEDEF Code providing that the Compensation Committee be comprised of a majority of independent members has not been applied. This exception is justified by the majority shareholding of the Guerbet family in the Company's share capital that results in a majority representation of Guerbet family members within the Board of Directors, none of whom assure management or operational functions within the Company. The Board considered the proportion of Independent Directors satisfactory and duly noted that these Directors have retained their status as Independent Directors since none of them maintain any relations whatsoever with the Company, its Group, or management which could impair the free exercise of their judgement.
Composition of the Audit Committee	Independent directors to account for at least two thirds of the Committee Art. 14 of the AFEP/MEDEF Code	It is noted that the recommendations of the AFEP-MEDEF Code providing for a minimum for independent directors of two thirds within this Committee has not been applied. Three out of the five members of this Committee are Independent Directors. This exception is justified by the majority shareholding of the Guerbet family in the Company's share capital that results in a majority representation of Guerbet family members within the Board of Directors, none of whom assure management or operational functions within the Company. The Board considered the proportion of Independent Directors satisfactory and duly noted that these Directors have retained their status as Independent Directors since none of them maintain any relations whatsoever with the Company, its Group, or management which could impair the free exercise of their judgement.

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 2012, the combined shareholders' meeting to be held on 24 May 2013 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 2012, for the office of Chairman of the Board of Directors, Jean-Jacques Bertrand was granted the same gross compensation of €43,976.11 or net compensation of €37,925 as in 2011.

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. Compensation of the Chief Executive Officer is comprised of both fixed and variable compensation. Variable compensation is based on both quantitative and qualitative criteria linked to the Company's financial performance and strategy. For reasons of confidentiality, these criteria cannot be disclosed in this document. He is also entitled to reimbursement for costs incurred in the performance of his duties and notably travel and entertainment costs.

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 Supply Chain Officer.

I – 3 Information on changes to the Board of Directors

In 2012, there were no changes to the Board of Directors in relation to the prior period.

Within the framework of changes in Guerbet's corporate governance, in particular in line with the provisions of the AFEP-MEDEF Code as well as the recommendations of the French Institute of Directors (*Institut Français des Administrateurs* or IFA), in 2012, the Board initiated revisions to its Charter. The results of this work will be disclosed in 2013.

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 and risk management procedures as a set of policies destined to provide reasonable assurance as to the achievement of operational objectives, the reliability of information and compliance with applicable laws and regulations.

These functions are based on:
- The organisation and operating procedures of company management bodies such as those described above;
- A quality system, including activities of control, indicators and risk assessment;
- Procedures and organisation related to the elaboration of the financial and accounting information.

II – 1 The Guerbet "quality" system

Since January 2002, the Company's quality system has been based on two pillars:
- a convention-based approach involving the adoption of operating procedures linked to ISO 9001 certification;
- a regulatory-based approach focusing on operating procedures with respect to Good Practices applicable to the pharmaceutical industry.

In 2012, the Company wished to discontinue the ISO 9001 certification while maintaining the certification for Pharmaceutical Sales Visits in France in accordance with the guidelines issued by the French National Authority for Health (*Haute Autorité de Santé*).
The Company has pursued its quality initiatives with respect to business-based guidelines relating to its activity and in particular pharmaceutical industry guidelines in order to meet the challenge of successfully filing the "New Drug Application" (NDA) in the United States for Dotarem®.

Guerbet Group, through all it subsidiaries, is pursuing continuous improvement processes seeking to promote the responsibility of all parties to:
- preserve the health and safety of the men and women who contribute to its activities;
- guarantee safety of its industrial installations and their environmental impact, in particular in terms of emissions, effluents or waste in order to preserve the natural environment;
- respect, wherever it operates, applicable laws and regulations governing quality, safety and the environment.
- maintain relations with stakeholders based on transparency and dialogue.

Every Division, Site or Subsidiary manager is responsible for implementing and monitoring quality, safety and environmental programmes in his/her respective areas, by ensuring that all staff are informed and actively contribute in meeting these objectives.

Guerbet's quality programme provides for:
- The formalisation of activities through a system of documents defining methods and responsibilities;
- Ongoing 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 operations.

This quality system is regularly inspected by the French Ministry of Health, foreign drug agencies (FDA, etc.), as well as by customers, French and foreign industrial and commercial partners of the Group.

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.

4) 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 2012.

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, knowing 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, 11 April 2013

The Statutory Auditors

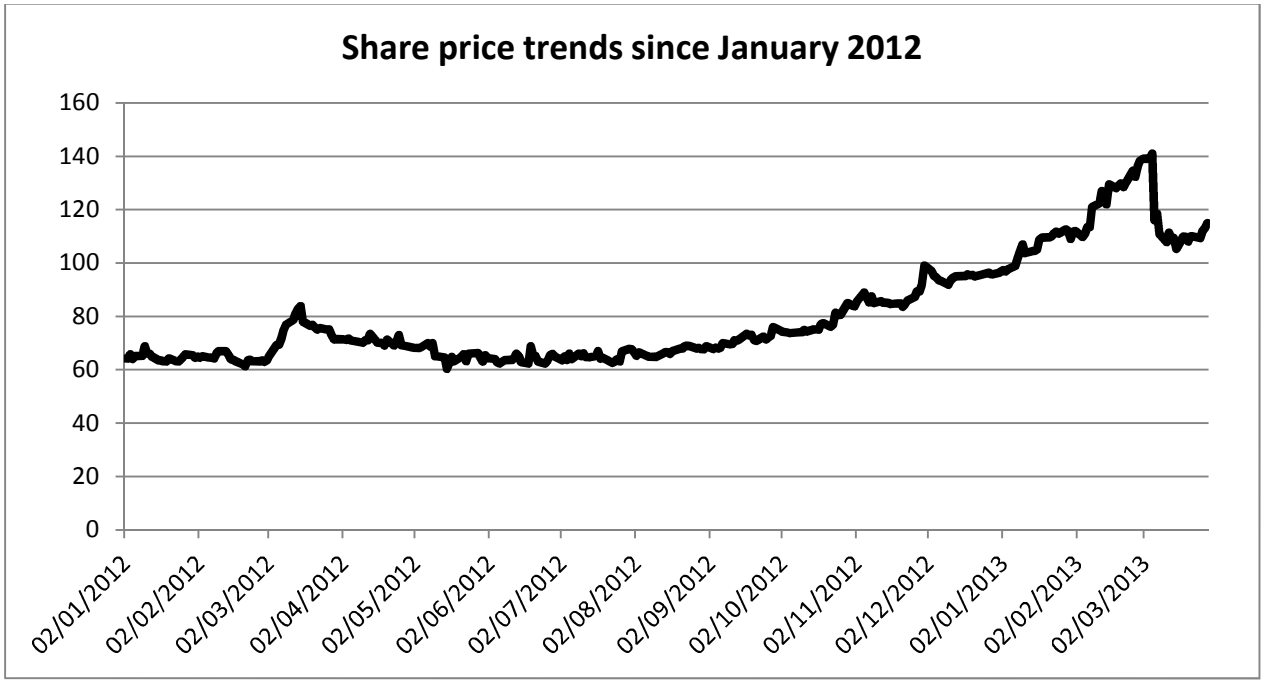
French original signed by:

Horwath Audit France	**Deloitte & Associés**
Member of Crowe Horwath International	
Marc de Prémare	Jean-Marie Le Guiner

SHAREHOLDER INFORMATION

1) The Guerbet share

Guerbet (GBT) is listed on NYSE Euronext Paris (Segment B – Mid Caps) under ISIN code FR0000032526. In light of the increase in trading volume in the 2012 second half, the Company was admitted to the "Long-Only" segment of the Deferred Settlement Service (*Service de Règlement Différé* - SRD) of NYSE Euronext. On the basis of the closing price on 22 March 2013, Guerbet has a market capitalisation of €336 million.



Trading activity (range & volume)

	High (in euros)	Low (in euros)	Trading volume (number of shares)	Trading volume (in thousands of euros)
January 2012	70.00	61.00	22,579	1,452.51
February 2012	67.80	60.11	44,305	2,831.33
March 2012	85.00	63.21	51,623	4,031.64
April 2012	77.97	68.30	19,423	1,364.29
May 2012	71.99	60.00	11,445	754.53
June 2012	68.80	62.29	53,503	3,459.52
July 2012	69.00	62.50	60,411	3,925.82
August 2012	70.00	64.52	76,742	5,176.67
September 2012	76.00	67.62	32,185	2,298.78
October 2012	85.29	73.10	42,152	3,336.32
November 2012	100.12	82.65	68,059	6,036.80
December 2012	98.50	91.00	55,139	5,206.21
January 2013	113.00	96.50	110,721	11,829.79
February 2013	141.89	102.12	128,682	16,163.75

2) Three year dividend highlights

Year	Total distribution	Gross dividend per share	Tax allowance[1]
2009	€ 6,843,962.25	€ 2.25	€ 0.90
2010	€ 5,490,082.80	€ 1.80	€ 0.72
2011	€ 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 2012 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. Of these 3,050,046 shares, 936 are pledged.

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

As at 31 December 2012	SHARES		VOTING RIGHTS[3]	
	Number	Percentage	Number	Percentage
Guerbet family shareholders group	1,728,406	56.67%	3,451,639	68.46%
Employees, ex-employees & FCP	116,368	3.82%	232,515	4.61%
Other registered shares (Guerbet family shareholder group)	73,901	2.42%	147,743	2.93%
Other registered shares (excluding the Guerbet family shareholder group)	84,627	2.77%	168,540	3.34%
Treasury stock	5,107 [4]	0.17%	-	-
Free float	1,041,637	34.15%	1,041,637	20.66%
TOTAL	**3,050,046**	**100.00%**	**5,042,074**	**100.00%**

At 31 December 2012, Directors held 8.77% of the capital representing 10.57% of the voting rights.

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

As at 31 December 2011	SHARES		VOTING RIGHTS[3]	
	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 (excl. the Guerbet family shareholder group)	78,050	2.56%	155,366	3.10%
Treasury stock	5,107	0.17%	-	-
Free float	1,025,617	33.63%	1,025,617	20.47%
TOTAL	**3,050,046**	**100.00%**	**5,009,947**	**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 of capital for Extraordinary General Meetings differs very little from the above and reflects the division of rights in connection with donations among Guerbet family members whereby beneficial owners (usufructuary) and bare owners do not belong to the same category of shareholders.
[3] The breakdown of voting rights is presented in terms of actual voting rights. The theoretical number of voting rights was respectively 5,047,181 at 31 December 2012, 5,015,054 at 31 December 2011 and 5,010,777 at 31 December 2010 in light of 5,107 shares held in treasury, each carrying entitlement to obtain one voting right.
[4] These treasury shares originate from shares acquired on the market for the stock purchase option plan of 26 July 2005 that expired on 25 July 2012.

As 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	1,026,040	33.64%	1,026,040	20.50%
TOTAL	**3,050,046**	**100.00%**	**5,005,670**	**100.00%**

To the best of the Company's knowledge, four shareholders with registered shares crossed thresholds set by law subject to disclosure obligations for the number of shares and/or voting rights held. These crossings of thresholds do not relate to this 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%	400,933	7.95%	57,877	1.90%	114,267	2.27%
SC Guerbet Fron	177,000	5.80%	352,453	6.99%	177,000	5.80%	352,453	6.99%
Brigitte Lamort	155,659	5.10%	312,318	6.19%	97,481	3.20%	194,962	3.87%
Annie Guerbet	120,889	3.96%	241,778	4.80%	130,889	4.29%	261,778	5.19%

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] the French Monetary and Financial Code in 2012. However, in early 2013, the following transactions took place:

Type of transaction	Name - function	Quantity	Amount
Disposal of shares	Christian Louvet - Director	711	€ 76,312.84

5) Crossing of ownership thresholds

To the best of the Company's knowledge, no cases of thresholds being crossed in either direction have been reported in 2012. However, one threshold subject to disclosure obligations was crossed in early 2013:

Date	Company	Threshold	Nature of threshold crossing
10 January 2013	Financière de L'Echiquier	5%	Below the threshold

[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 within the meaning of Article R 621-43-1 of the French Monetary and Financial Code.

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.

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 2012.

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 2012.

- **Limiting the risk of abuse in exercising control of the majority shareholder**

By separating the functions of Chairman and Chief Executive Officer, the Company has taken measures in order to limit the risk of an abuse in the exercise of control by the majority shareholder.

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

[1]Article 885-I bis of the French General Tax Code stipulates that "*shares of a company exercising an industrial activity are not included in the base for assessing the French wealth tax for up to three quarters their fair value when subject to a collective pledge to retain shares*."
[2]Article 787 B of the French General Tax Code stipulates that "*companies 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*."

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.

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

The shareholders' meeting of 25 May 2012 authorised the Board of Directors for 18 months to implement a share buyback programme limited to 5% of the capital corresponding to 152,502 shares with a total nominal value of €610,008.

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, corresponding to 152,502 shares with a total nominal value of €610,008.

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.

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

Authorisations granted by the General Meeting to the Executive Board and the Board of Directors remaining in force	**Amounts used in fiscal 2012**
Authority to repurchase shares of the company granted on 25 May 2012 for 18 months	-
Authority to repurchase shares of the company granted on 27 May 2011 for 18 months	-
Authority to issue options to subscribe for and/or purchase shares granted on 15 May 2009 for 38 months	1 stock option plan was established on 20 February 2012.

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 bylaws 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**

IFRS (in thousands of euros)		2012	2011	Change
X-ray products	Xenetix®	203,379	193,024	+5.4%
	Hexabrix®			
	Telebrix®			
	Optiray®/Optiject®			
	Oxilan®			
MRI products	Dotarem®	162,197	147,341	+10.1%
	Artirem®			
	Lumirem®			
	Endorem®			
Other products[1]		37,919	37,469	+1.2%
Total sales		**403,495**	**377,834**	**+6.8%**

- **Sales by region**

IFRS (in thousands of euros)	2012	2011	Change
Europe	288,242	265,422	+8.6%
Other markets	115,253	112,412	+2.5%
Total sales	**403,495**	**377,834**	**+6.8%**

b) Analysis of sales

Growth in 2012 annual revenue was driven by a particularly strong performance in the second half (+10.9%) compared with the first six months (+2.9%). These gains were achieved in Europe, and mainly in France, Germany and Switzerland.

For the full year, Dotarem® sales grew 10.3% with a 14.5% rise in the fourth quarter. Gains for this product were strongest in "Other Markets" (Asia, Middle East) with growth of 13.9%. A noteworthy performance was also registered in Europe with growth of 9.6%. In this region, Dotarem's market share gained an additional two points to reach 47%.

Growth for Xenetix® was more limited (+0.5%) for the full year. This reflects the application of a new commercial strategy in early 2012 that shifted the focus from volume growth to improving margins. This led to a reversal in trends for average sales prices to achieve a small increase for the year, excluding Brazil. Xenetix performed better in "Other Markets" (+2.9%) than in Europe (-0.8%), particularly in the fourth quarter (+4.7%).

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

c) Earnings highlights

IFRS (in thousands of euros)	2012		2011	
		% of sales		% of sales
+ Revenue	403,495	100.0%	377,834	100.0%
+ Other revenue from ordinary activities[1]	2,549	0.6%	3,573	0.9%
+/- Change in immediate and finished goods, work in progress	7,595	1.9%	5,923	1.6%
- Supplies used in operations	(121,724)	-30.2%	(103,675)	-27.4%
- External charges and other	(117,995)	-29.2%	(128,600)	-34.0%
- Staff costs	(105,264)	-26.1%	(100,624)	-26.6%
- Taxes other than on income	(13,748)	-3.4%	(11,761)	-3.1%
EBITDA[2]	**54,908**	**13.6%**	**42,670**	**11.3%**
- Exceptional appropriations for amortisations and reserves	(23,177)	-5.7%	(20,119)	-5.3%
Current Operating Income	**31,731**	**7.9%**	**22,551**	**6.0%**
+/- Other operating income and expenses[3]	(94)	-0.0%	(16)	-0.0%
- Net interest expense	(3,850)	-1.0%	(4,187)	-1.1%
+/- Currency gains/(losses) and other financial income and expense	(59)	-0.0%	(379)	-0.1%
+/- Tax charge	(7,329)	-1.8%	(3,542)	-0.9%
Net Income	**20,399**	**5.1%**	**14,427**	**3.8%**
Research and development expenditures	**39,252**	**9.7%**	**42,431**	**11.2%**

[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 104.

d) Factors affecting results

EBITDA was up sharply by nearly 30%, bolstered by savings in operating expenses, and despite more modest gains for the gross margin that continued to be impacted by rising raw material prices.

Current operating income rose by approximately 40% even though allowances for depreciation and amortisation increased.

Finally, the rise in net income closely tracked the trend for current operating income. This performance included an improvement in net financial income as well a higher tax expense consistent with the level of 2012 earnings.

e) Financial position

IFRS **(in thousands of euros)**	**2012**	**2011**
Cash flow	**45,289**	**34,200**
Change in WCR:	(11,034)	3,663
of which change in inventories	*(651)*	*(13,428)*
of which change in trade receivables	*(1,480)*	*477*
of which change in trade payables	*(10,145)*	*8,981*
of which change in other assets and liabilities	*(1,242)*	*7,633*
Capital expenditures	(33,195)	(40,008)
Dividends	(5,481)	(5,481)
Other[1]	5,451	(2,733)
Free cash flow[2]	**1,030**	**(10,359)**
Net debt[3]	**99,009**	**100,039**
Number of months of cash flow	26	35

f) Factors affecting the financial position

Net debt declined marginally, mainly in response to lower capital expenditures relative to the budget. This will moreover result in a time lag for certain investments as they are carried forward into 2013.

[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 high quality medical service while optimising profitability from sales.

In this context, revenue is expected to grow around 3% in 2013, with slower momentum compared with the prior year that reflects the comparison base (with exceptional sales in 2012) and activity still very concentrated in Europe with lagging growth.
In addition, the improvement expected in the gross margin will be offset by costs incurred in connection with Dotarem's launch in the US. Current operating income is in consequence expected to level off in relative terms.

Over 2014-2016, sales should increase by approximately 20% whereas the current operating margin is expected to reach a minimum of 12% of sales in 2016.

The financial statements for the financial year ended 31 December 2012 were approved by the Board of Directors' meeting of 5 March 2013. The Board will submit a proposal to the General Meeting of 24 May 2013 for the payment of a dividend of €2 per share, unchanged from the prior year and representing a payout ratio of 2.08% based on the share price of 31 December 2012.

2) Significant post-closing events

The Medical Imaging Drug Advisory Committee of the Food and Drug Administration (FDA) unanimously voted on 14 February by 17 to 0 to recommend that FDA approve Dotarem® (gadoterate meglumine) for adults, and for paediatric use for children two years of age and older. The Committee voted 10 to 6 (with one member abstaining) not to recommend at this time approval of the indication for children under two years of age.

On 20 March 2013, FDA accordingly granted approval for Dotarem® (gadoterate meglumine). This gadolinium-based contrast agent (GBCA) is indicated for intravenous use with magnetic resonance imaging (MRI) in brain, spine and associated tissues in adult and paediatric patients (2 years of age and older) to detect and visualise areas with disruption of the blood brain barrier (BBB) and/or abnormal vascularity.

3) 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. To date, Guerbet had responded to all comments formulated by health authorities and the corresponding formal notice of compliance was lifted in consequence.

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 National Drug and Health Products Safety Agency (ANSM). The last inspection by this agency was 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 2013.

With respect to new products in an experimental phase, a 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 a 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

In several countries, Guerbet is subject to economic regulatory constraints that govern the price of drugs and healthcare products. In this context, the financial constraints on public healthcare spending, notably in Europe could result in pressure on prices for pharmaceutical products and medical devices sold by Guerbet. Such measures would have an adverse impact on sales and the gross margin.
Furthermore, in the highly competitive market of contrast agents, purchasing policies of many hospitals, clinics, radiology centres or purchasing groups, may involve the use tendering procedures that would increase downward pressure on prices of products used.

- **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 in 2012
Dotarem®	Bayer[1]
Optiray® / Optiject®	Covidien[2]
Lumirem®	Amag[3]

In the future, Guerbet may be faced with competition from generic versions of Group products for which the intellectual and industrial property rights have lapsed. These scenarios could impact the stability of Group revenue and earnings.

To manage this risk, Guerbet takes measures to safeguard its intellectual and industrial property rights.

- **Industrial and environmental risks**

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 a good level of tolerance, even though certain ingredients might be noxious in their natural form. Certain synthetic intermediates or products used in the production of these active ingredients (raw materials, solvents, reactants, etc.) may present the risks of fire/explosion or pollution with potential consequences on people, the environment and business continuity.

In 2012, the key milestones were respected for projects adopted to respond to formal notices with respect to VOC and the treatment of effluents of the Lanester site. Ongoing progress in this area is monitored by our supervisory regulatory authority (DREAL - *Direction régionale de l'Industrie de la Recherche et de l'Environnement*). 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 included in the chapter of this document on CSR 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 in Europe.
[2] For France, Belgium and Switzerland.
[3] Mainly Europe

- **Sourcing risks**

Guerbet has an exposure with respect to the stability in sources for supplies and fluctuations in raw material prices. Guerbet's multiple sources for supplies ensure the availability of satisfactory levels to meet its production needs.

Suppliers of raw materials must comply with strict production standards (cGMP for Active Pharmaceutical Ingredients and cGMP for excipients). There are also declared in the US NDA regulatory files and may be inspected by the FDA.

- **Regulatory risks**

As a designer, manufacturer and distributor of pharmaceutical products and medical devices, Guerbet is subject to a number of regulatory constraints in all its markets. 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 risk**

The Group carries a structural risk under liabilities concerning floating-rate bank debt not offset by equivalent positions under assets. The breakdown between fixed and floating rate debt is decided by the Group's executive management and reviewed on a periodic basis according to expected trends for interest rates. Guerbet has hedged the total amount of its floating-rate debt through conventional 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 representing the greatest exposure in terms of 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**

In 2012, Guerbet obtained new credit lines, supplementing those already in place, to secure resources to finance growth, development projects and capital expenditures over the next five years.

The loans, as the credit lines, provide for compliance with certain financial ratios. Any breach of these ratios must result in negotiations between Guerbet and its banking partners.
If the negotiations do not succeed, the loans may become immediately repayable and the credit lines cancelled.

Short-term liquid assets of subsidiaries are centralised by the parent company through a mechanism for automatically transferring these liquid assets adopted by most subsidiaries.

The company has performed a specific review of its liquidity risk and, on that basis, considers that it has resources to honour its future payment obligations.

- **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 have recourse to open-ended collective investment vehicles (OEICs), undertakings for collective investments in transferable securities (UCITS) and interest-bearing accounts. The Group's policy consists in investing in risk-free vehicles readily convertible into cash with top-tier financial counterparties .

- **Customer counterparty risk**

Trade receivables are subject to strict management and to date the Group has not incurred any incidents of default by public sector customers related to the sovereign debt crisis.

c) Other risks

- **Litigation risks**

Guerbet, in the course of its normal activities, is a party in legal proceedings and disputes.

To the best of the Company's knowledge, there are no exceptional items or litigation proceedings that could have a material adverse effect on its business and earnings.

Among litigations in progress, it is noted that the minority shareholder of Medex, 60% held by Guerbet, in disagreement with respect to the purchase price for its shares by Guerbet, has initiated legal proceedings in consequence. This litigation has been properly recognised in the accounts and is referred to in the notes to the consolidated financial statements.

- **Risk of counterfeiting**

Cases of counterfeit contrast products are 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. The nature of the risk incurred is related mainly to receivables collection.

- **Information technology risks**

An information technology risk map has been established and a Business Recovery Plan is tested every year to verify the ability of the company to respond in the event of a major crisis with an information system centre to reconstruct its infrastructure and put back online the critical applications that support the Group's operations. An action plan to secure our information systems has also been established with its implementation to be carried out over a period of several years.

d) Insurance and risk management

The objective of the insurance strategy is to safeguard Group assets and protect the Group from the potential impact of material risks. The strategy is organised at two levels: At a central level, the Group negotiates the international insurance programme to cover its main risks based according to terms that are available; At the local level, subsidiaries take out insurance policies to meet their local regulatory obligations and obtain additional coverage to supplement the international programmes for their specific risk exposures.

This insurance coverage is provided in the traditional insurance market from top standing insurance companies without use of captive insurance vehicles. The placement of this programme 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, environmental damage, comprehensive general liability and directors and officers liability.
- Transport insurance for goods and merchandise both for France and international shipments.

Other coverage includes, as required, policies for Works Building Insurance and Contractor's All Risk Insurance for our most important construction projects.

4) Other statutory disclosures

▪ Five-year financial highlights for Guerbet

In euros	2012	2011	2010	2009	2008
CAPITAL STOCK AT YEAR-END					
Share capital	12,200,184	12,200,184	12,200,184	12,167,044	12,079,860
Number of ordinary shares	3,050,046	3,050,046	3,050,046	3,041,761	3,019,965
Preferred non-voting stock	-	-	-	-	-
Maximum number of future shares to be created					
• By conversion of bonds	-	-	-	-	-
• By exercise of options	135,300	210,937	77,294	97,637	117,233
OPERATIONS AND INCOME FOR THE YEAR					
Sales ex-VAT of services and other products	308,289,068	294,780,554	264,309,452	245,860,666	229,517,636
Income before taxes, employee profit-sharing, depreciation, amortisation and provisions	28,355,887	27,566,026	6,501,502	28,820,141	36,524,946
Income tax	1,767,779	(1,778,280)	(5,938,312)	(1,201,339)	2,591,252
Employee profit-sharing for the financial year	785,164	258,632	234,809	412,000	1,101,000
Earnings after taxes, employee profit-sharing, depreciation, amortisation and provisions	6,682,783	300,397	84,918	12,560,045	9,724,904
Income distributed to shareholders	6,100,092	5,490,083	5,490,083	6,843,962	6,794,921
EARNINGS PER SHARE					
Earnings after taxes and employee profit-sharing, but before depreciation, amortisation and provisions	8.46	9.54	4.00	9.73	10.87
Earnings after taxes, employee profit-sharing, depreciation, amortisation and provisions	2.19	0.10	0.03	4.13	3.22
Net income after dilution	2.13	0.15	0.05	4.05	3.17
Net dividend	2.00	1.80	1.80	2.25	2.25
PERSONNEL					
Workforce at 31 December (permanent and fixed term contracts)	877	891	842	820	810
Payroll	46,607,820	44,422,299	41,791,527	38,981,274	39,111,571
Social charges and benefits	21,064,783	20,156,661	18,210,348	17,142,664	16,109,138

- **Five-year summary of consolidated data**

In millions of euros	2012	2011	2010	2009	2008
Revenue	403.5	377.8	352.6	335.5	320.8
EBITDA margin	13.6%	11.3%	10.5%	13.0%	19.5%
Current operating margin	7.9%	6.0%	3.2%	8.4%	12.4%
Net margin	5.1%	3.8%	1.7%	6.1%	7.6%
ROI[1]	9.9%	7.2%	2.9%	11.1%	15.1%
Equity ratio[2]	49.1%	47.8%	49.9%	52.1%	48.5%
Debt to equity ratio[3]	43.8%	46.6%	42.6%	38.4%	42.2%
Cash flow	45.29	34.20	32.88	40.31	45.98
As a % of sales	*11.2%*	*9.1%*	*9.3%*	*12.0%*	*14.3%*
Capital expenditures	33.20	40.01	40.77	32.78	29.39
Research expenditures	39.25	42.43	38.44	32.71	29.04
As a % of sales	*9.7%*	*11.2%*	*10.9%*	*9.7%*	*9.0%*
Workforce at 31 December	1,368	1,345	1,314	1,311	1,277
Number of shares at 31 December	3,050,046	3,050,046	3,050,046	3,041,761	3,019,965
Net basic earnings per share (€)	6.69	4.73	1.93	6.77	8.10
Net earnings per share after dilution and adjustments[4] (€)	6.44	4.48	1.90	6.56	7.82
Dividend per share distributed for the period (in €)	2.00 [5]	1.80	1.80	2.25	2.25
Dividends distributed for the period (€m)	6.10 [5]	5.49	5.49	6.84	6.79
Trading range for the year (in €)					
High	100.12	89.00	104.99	118.00	139.40
Low	60.00	60.00	60.60	97.10	92.00
Closing price	96.32	63.20	65.61	97.15	107.00

[1] Consolidated net income divided by equity before profit of the year.
[2] Equity / total assets
[3] Net financial debt to equity.
[4] Earnings and the number of shares are adjusted according to the assumption that all stock options are exercised, it being specified that the number of shares after dilution is the number at 31 December for the year in progress.
[5] Dividend submitted to the vote of the General Meeting of 24 May 2013.

- **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 2012, 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	137	1,689	11,287		13,113
Trade payables for goods and services/outside France	343	919	3,076		4,338
Trade payables for goods and services	**480**	**2,608**	**14,363**	**10,547**	**27,998**
Payables to suppliers of fixed assets/France	126	96	3,881		4,103
Payables to suppliers of fixed assets/Outside France	386		36		422
Payables outstanding for investment securities	72				72
Payables to suppliers of fixed assets	**584**	**96**	**3,917**		**4,597**
Total	**1,064**	**2,704**	**18,280**	**10,547**	**32,595**

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**

- **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 appointments and functions exercised by each corporate officer during the fiscal year	Corporate governance – pages 22 to 29
Equity interests acquired in the period	Guerbet Group – page 20
Employee stock ownership plans	Shareholder information – pages 40 and 41
Dividends distributed for the last three financial periods	Shareholder information – page 40
Disallowed deductions under Article 39-4 of the French General Tax Code	Financial statements and notes – page 129
Social, environmental and societal information	Social, environmental and societal responsibility – pages 60 to 69

SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

1) Social information

Guerbet's responsible social policy governing labour relations is based on core principles of Balanced, Fair and Ethical business practices in turn organised around five major areas: Diversity, Prevention, Recognition, Commitment and Responsibility.

Guerbet affirms its rights, while developing with a constant commitment to respecting people, organisations, laws and the environment in full transparency. It guarantees the rights of employees while ensuring they remain focused on fulfilling their obligations in the day-to-day performance of their duties.

Guerbet applies a sustainable development approach and seeks to ensure a balance between the interests of all internal and external stakeholders in its development (economic, environmental, operational).

a) Employment

Within the framework of the GPEC forward-looking employment and skills management initiative, Guerbet has produced a map of its activities. Its purpose is to provide a global vision of the different activities within the company, notably through standard job descriptions that are regularly updated. This mapping system is presented in the form of a scalable webpage. It displays the different careers possible within a business line and as such represents a tool that contributes to internal mobility.

- **Total workforce and breakdown by gender, age and geographic region**

At 31 December 2012, Guerbet had 1,374 employees throughout the world on permanent contracts including 415 employees at its17 international subsidiaries.

The European subsidiaries have a total workforce on permanent contracts of 184 employees. Guerbet has 62 employees on permanent contracts working at its Asian subsidiaries, 141 in Brazil and Mexico and 28 in the United States.

In France, the Guerbet parent company has a workforce on permanent contracts of 825 employees plus 94 at its subsidiary Simafex 94 and 40 at Medex.
In France, the breakdown of employees on permanent contracts of Guerbet Group by location is as follows:

- 605 in the greater Paris region;
- 220 in Lanester (Morbihan);
- 94 in Marans (Charente-Maritime);
- 40 in Saint-Priest (Rhône).

Women represent 43% of Guerbet Group's total workforce. For the international subsidiaries, women account for 46% of the employees, with 42% at the level of the French entities.

The average age of employees of the Guerbet Group is 43 both at the level of French entities and international subsidiaries. For the latter, there nevertheless exist disparities with respect to age. In effect, the average age for Guerbet employees is 38 for South Korea, 39 for Brazil, 46 for Germany and 52 for Belgium.

- **Recruitment and dismissals**

Guerbet in priority hires employees on permanent contracts reflecting the long-term vision of its needs. Use of additional labour is strictly limited to temporary needs, justified by exceptional increases in activity, the replacement of employees on leave or needs related to specific projects.

Guerbet has implemented an ambitious GPEC forward-looking employment and skills management programme to anticipate its future needs. Detection early on of possibilities for mobility and their preparation seeks to promote more rapid and effective internal mobility as opportunities arise. Guerbet adopts a realistic GPEC employment and skills planning approach in order to support employees and encourage accountability in the success of their career path.

In 2012, Guerbet Group hired 130 employees on permanent contracts including 63 in France and 67 at its international subsidiaries. During the same period, 123 employees left the Group including 59 from French entities and 64 from international subsidiaries.

- **Remuneration and compensation trends**

As an important component of individual and collective motivation, recognising contributions to the success of Guerbet is an integral part of its system of remuneration and development.

Guerbet seeks to attract and motivate employees and promote employee retention, notably by providing equitable global compensation that is competitive and coherent with market practices.

The compensation policy is based on the principle of recognising talent and skills and encouraging commitment and fairly rewarding performance.

Total compensation of Guerbet employees is comprised of the following components:

- Fixed compensation consisting of the base salary. This takes into account the level of the position and the evolution of the employee's skills both in terms of professional know-how and life skills as well as managerial competency. These skills are evaluated every year at the annual performance and development appraisal.

- Individual variable compensation (bonus) rewarding the success in meeting objectives set in line with the Company's strategy.

- Collective variable compensation providing a mechanism for employees to share in the success of the company through statutory and voluntary profit sharing plans.

Guerbet proposes stock option plans on a regular basis. There is currently a stock option plan in progress open to all Guerbet employees and all categories of personnel.

Several medium and long-term savings vehicles are also in place in the company for employees:

- Retirement savings plans;

- A retirement savings plan provides a means for all employees of French companies of the Group with a savings vehicle funded from statutory and voluntary profit sharing plans as well as company contributions. Employees hold 3.82% of the company's share capital.

At 31 December 2012, the average annual salary[3] for Guerbet (parent company) was €52,178, up 3.94% from the previous year.

The base salary of non-management employees included in the permanent workforce in 2011 and 2012 rose 3.80%. The base salary for management employees included in the permanent workforce increased by an average of 3.43%.

[3] Annual payroll including variable compensation divided by the number of permanent employees (*bilan social* or social responsibility report indicator).

In 2012, employees of French entities of the Group[4] received an average gross amount in benefits from statutory profit sharing plans for fiscal 2011 of €287. In 2013 a voluntary and statutory profit sharing bonus[2] for 2012 results will be granted.

b) Work organisation

▪ Working time organisation

Guerbet Group complies with local laws governing working hours. For international subsidiaries, the average workweek is 39 hours. At the production facility in Brazil, two teams work 40 hours a week with shifts from 7:00 am to 4:00 pm and from 4:00 pm until 11:00 pm.

In France, Guerbet has implemented at its production units collective working time arrangements (shift work, continuous and semi-continuous production, on-call obligations) seeking to meet the requirements of activity. These arrangements are based on efforts to achieve a balance in terms of rewards/constraints, professional/personal life and overall fairness.

▪ Absenteeism

In 2012, the absenteeism rate at Guerbet (parent company) was 4.36% with 3.40% the result of sick leave. The rate of absenteeism rose marginally from the previous year (4.14% in 2011 vs. 5.06% in 2010, 5.06% in 2009 and 5.35% in 2008).
In 2012, the absenteeism rate at Simafex was 3.68% with 3.54% the result of sick leave.
In 2012, the absenteeism rate at Medex was 2.25% with sick leave accounting for 1.9% and maternity leaves 1.07%.

c) Labour relations

▪ Organisation of employee-management dialogue

The objective is to promote understanding between the different constituencies of the company and establish social dialogue at a global level to achieve company-wide improvements, whether with respect to dialogue between labour partners and management, between managers and their teams or between the different sectors. The employee is positioned at the centre of social dialogue and discussions are expanded to cover direct and collective expression of employees. The objective is to thus permit by expression and listening, to take into account early on signs making it possible to prevent conflicts, take into account working conditions and obtain propositions for improvement.

Guerbet's commitment with respect to preventing conflicts and preserving employment has resulted in the execution of agreements with signatures by all parties: Agreement for Social Dialogue and Employee Expression - GPEC agreement (forward-looking employment and skills management planning).

▪ Report of collective bargaining agreements

A corporate culture favouring negotiations.

The 28 agreements in force in the company (French entities) illustrate Guerbet's commitment to taking into account the interests of all its employees in its strategy. These agreements cover such areas as also dialogue, diversity, the organisation of working hours and recovery periods, working conditions, employment

4 The statutory profit-sharing (*participation*) plan concerns employees of Guerbet, Simafex and Medex. Voluntary (*intéressement*) profit-sharing plans concern employees of Guerbet and Simafex.

and employee savings. The goal is seeking a balance between the needs of the Company and the interests of collective work arrangements.

In 2012, six agreements were signed at Guerbet on a unanimous basis with its labour partners. These included procedures with respect to the employment of seniors, measures for preventing job stress or duress, gender equality, annual negotiations and working time arrangements. Also in 2012, negotiations were reopened on the employment of persons with disabilities.

d) Health and safety

- **Occupational health and safety conditions**

Guerbet carries out prevention initiatives in the area of working conditions, safety and appropriate medical care in order to preserve the physical and psychological well-being of its employees.

Guerbet also contributes to employee benefits in the area of social coverage and opportunities made available through savings plans.

This prevention strategy gives Guerbet a foundation to build momentum for change.

With respect to occupational safety and work conditions, Guerbet focuses on achieving global responses in preference to specific solutions, taking into account the risk factors upstream by seeking to identify collective prevention measures before turning to solutions such as personal safety equipment.

Guerbet has integrated the priority of working conditions and safety in its investment projects with the objective of enabling employees to operate in an improved work environment.

Several company-level agreements take into account this priority (Guerbet and Simafex agreements on continuous, and semi-continuous work shifts, the employment of seniors, agreement for preventing job stress or duress at Simafex)
Guerbet adopts responses of an organisational nature for incorporating time for physical recuperation in order to limit exposure to job stress or duress. In the area of prevention training, Guerbet seeks to provide all staff concerned with the expertise they require to evaluate the risk associated with their activity, to mitigate these risks and make proposals for improvements.

The subject of psychosocial risks is taken into account within the framework of company initiatives undertaken in support of its strategy. To this purpose, a plan to provide support in adapting to changes is implemented for every large-scale project with an impact on employment and job skills. Meetings are organised within the framework of work crews providing every employee with a venue for expression, in particular with respect to working conditions. The workload of management staff is addressed in a specific section of their annual performance and development appraisal for the purpose of monitoring their health, safety and ensuring their entitlements to recovery periods are exercised.

The management charter as well as the managerial skill guidelines describes the management style expected that is consistent with the company's values. Training for "personal development" is proposed within the framework of the system for individual training benefits provided for under French law (*Droit Individuel à la Formation*). Use of mediation is possible in order to express difficulties experienced and find solutions when problems relating to psychosocial risks are evoked.

Guerbet seeks to safeguard the physical and psychological integrity of its staff over the course of their professional life. By conducting studies of workstations, Guerbet seeks to improve their ergonomics. Before any position is occupied, Guerbet ensures the staff possesses the necessary skills for the tasks involved.

By ensuring appropriate medical controls, Guerbet can anticipate possible cases of unfitness for work and provides responses in terms of modifications to the workstation or the organisation of working hours. As applicable, Guerbet attempts to find, with the assistance of its Disabled Workers Committees personalised job redeployment solutions to promote the continued employment of such workers.

In the area of social protection, a specific Guerbet contract, supplementing the industry agreement, provides insurance coverage for a significant portion of health care expenses up to 100%. In the case of long-term illness, Guerbet provides the payment of the salary for three months. After this period, remuneration is maintained over the duration of the illness, through a personal protection provident scheme

policy. In the event of death, a capital benefit is paid to the beneficiaries as a means of assisting them get through this difficult period by providing them with a degree of financial security.

- **Occupational accidents**

The HSE (Health, Safety and the Environment) management systems support Group strategies seeking to safeguard the health and security of the employees who contribute to its activities. (See the description under environmental information). The Group's HSE is presented at the corporate website of Guerbet.

In 2012 the accident frequency rate[(1)] was 16.5 and the severity rate[(2)] 0.59. These results cover all the Group's manufacturing activities (France and Brazil) as well as its administrative and commercial activities in France.

(1) Number of Lost Time Injuries (LTI) greater than or equal to one day occurring within a 12 month period in relation to 1 million hours worked.
(2) Number of days of sick leave following an occupational accident over a period of 12 months in relation to 1,000 hours worked.

e) Training

Guerbet Group has developed a training approach both for international operations and in France. In 2012, Guerbet adopted a new format for the annual performance and development appraisal for all employees by implementing an electronic version of a tool integrating guidelines for skills, and in that way facilitating the processing of information, in particular for developing specifically adapted training programs.

Guerbet has continued to deploy its large-scale managerial training programme for all its managers and extend it to international operations. Commercial Excellence training programmes are implemented in favour of all members of the sales force and marketing teams at all companies of the Group.

Regular training programmes are organised for the network of pharmaceutical sales representatives to strengthen their knowledge of products and their environment, notably with respect to pharmacovigilance. E-learning training programmes are developed for products.

In 2012, 30,333 hours of training were provided for French entities of the Group with 97% of employees on permanent contract participating in at least one training programme, formally accredited or not.

Guerbet also supports the participation of its employees in training programmes under the French statutory system for individual training benefits (31 programmes initiated in 2012).

f) Equal opportunity employment and non-discrimination

Guerbet applies a policy of equal opportunity employment and non-discrimination that is manifested in all actions carried out in the management of its human resources.

Furthermore, Guerbet's major commitment with respect to diversity is formalised by agreements unanimously signed by all parties: agreement in favour of the employment of seniors; agreement in favour of the employment of persons with disabilities, agreement on professional equality between men and women.

- **Measures adopted to promote gender equality**

The agreement unanimously signed by all parties originated from the observation that discrimination was not an issue in the company's policy and referred to results in particular in terms of recruitment, qualifications, training and remuneration. It defines provisions that foster maintaining professional equality between men and women, in the areas of recruitment, remuneration, career development and the balance between professional and personal life.

- **Measures adopted to promote employment and integration of disabled persons**

With persons with disabilities accounting for 4% of its workforce, Guerbet assists workers in continuing to pursue a professional activity, while developing cooperation with the sheltered work sector.

Guerbet has thus developed partnerships in a sheltered work facility (ESAT) that provides recycling services. Other services (landscaping, road upkeep, mailing, etc.) are also subcontracted to similar organisations.

- **Policy for combating discrimination**

Guerbet contributes to youth training and provides opportunities for real professional support in the field by regularly welcoming trainees at every level and in all areas and sectors of the company (44 trainees en 2012), and by developing work-study programmes involving as much as 3% of its workforce.

Guerbet is a sponsor of young students from under-resourced urban districts of Seine Saint Denis in partnership with the Association "*Nos quartiers ont du talent*".
Guerbet also participates in job forums designed to assist youth in their search for their first job.

At 31 December 2012, Guerbet employed 118 persons over 55. Age-based measures have been adapted including specific provisions for holiday and part-time work to promote maintaining seniors in the workplace. One employee older than 50 was also hired by Guerbet in 2012.

- **Promoting compliance with the core conventions of the International Labour Organisation**

Guerbet complies with these core conventions for all relevant areas:
- Respecting the right of freedom of association and collective bargaining;
- Eliminating discrimination in employment and professional life;
- Eliminating forced or compulsory labour;
- Effective abolition of child labour.

2) Environmental information

a) General policy

The production of chemical active ingredients for contrast agents generates different safety and environmental risks. These risks are inherent to the dangers of certain 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.

The Group implements and environmental policy supported by Executive Management and deployed at its manufacturing sites through an HSE (health, safety and the environment) management system.

The foundation of this HSE management system is based an evaluation of risks destined to prevent incidents having an impact on people, property and the environment (including the identification of major accident scenarios).

HSE manuals describe the safety and environmental systems and management organisations deployed at the sites.
The Lanester and Marans sites (SEVESO upper tier risk category sites) are subject to special requirements. They 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.

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.

Since 2010, audits have been performed at the manufacturing sites. They are based on internal standards comparable to standard and systems such as OHSAS 18001, ISO 14001 and SGS (Management and Security System for SEVESO sites in France). These audits make it possible to first identify, and then implement actions contributing to a sustainable HSE performance within the framework of a continual improvement process. Audits conducted in 2012 made it possible to measure progress achieved at the manufacturing sites while identifying priority areas for improvement.

In December 2012, technology risk prevention plans (*Plans de Prévention des Risques Technologiques* or PPRT) for the Seveso sites of Lanester and Marans were approved after a three-year review period. These plans define notably zoning measures applicable around the Lanester and Marans sites.

b) Pollution and waste management

The Group's Quality Safety Environment policy also involves a commitment to managing the environmental impacts of its manufacturing sites, in particular in terms of emissions, effluents or waste in order to preserve the natural environment.

Since 2006, Guerbet Group has strengthened its policy for waste management to guarantee traceability. Optimising channels for waste treatment, internal or external, also represents a major issue for effective operational management of manufacturing sites.

In 2012, 16,550 tonnes of hazardous waste were in this way processed externally. Projects in progress at the Lanester and Marans sites seek to insource a significant portion of the treatment of this hazardous waste, while reducing the associated environmental impacts: reducing road traffic volume, increase the portion of effluents processed through biological methods rather than incineration (internally or externally).

Standards governing waste and emissions applicable to manufacturing sites, and in particular the Seveso sites of Lanester and Marans, result in the application of numerous measures with respect to parameters covering atmospheric emissions (volatile organic compounds, NOx, dust, etc.), liquid emissions and monitoring soil.

All results are used for guiding the operational activities of the installations, with alert thresholds making it possible to detect and remedy anomalies. The results of this follow-up are communicated to the regional regulatory authorities (DREAL) for Seveso sites, through monthly reports or specific reports: management plan for solvents or annual environmental report.

Finally, internal procedures and employee training make it possible to integrate regulatory developments, maintain the level of expertise for managing specific risks (transport of hazardous materials, manipulation of chemical products, etc.), as well as respond to abnormal situations in order to limit their impacts.

In 2012, awareness-raising measures on responsible practices continued with the implementation of a paper sorting system at the Aulnay site.

c) Sustainable use of resources

Water consumption

In 2012, the water consumption of manufacturing sites (Aulnay, Lanester, Marans, Rio) remained stable at -0.3%, in relation to 2011 for a total volume of 284,558 m^3. Since 2007, water consumption per unit produced has been reduced by 24%.

	Aulnay	Lanester	Marans	Rio de Janeiro	Total
Water (in m3)	55,990	168,339	45,424	14,805	284,558

Energy consumption

The total energy consumption of its manufacturing sites (electricity, gas and fuel combined) rose marginally by 1.2% from 2011. Measures to improve the energy efficiency of the Lanester site continued (with consumption per unit produced down 5.9%), though this improvement was offset by the significant number of equipment commissioned at the Aulnay site.

A pilot programme "Energies Lanester" was initiated to achieve sustainable reductions in energy consumption for this site and define good practices for efficient energy management both at technical and organisational levels. This will also make it possible to support efforts by the Group to reduce greenhouse gas emissions (see "Contributions to measures against global warming").

	Aulnay	Lanester	Marans	Rio de Janeiro	Total
Electricity (in MWh)	11,844	18,726	7,965	1,996	40,531
Gas (in MWh)	6,738	47,651		1,221	55,610
Fuel (in m3)			549		549

Technological innovations

In 2012, work focusing on innovating our processes was strengthened. Initiative to recover iodine for internal recycling in our manufacturing processes reached new operational milestones. A more ecological and economical process has been implemented at the Lanester site. This more sustainable process in particular made it possible to substitute certain hazardous solvents and reduce the associated emissions.
The Marans and Lanester sites continued their investment projects for the transformation of channels used to process their effluents.
These improvement programs are based on:

- Reinforcing waste separation collection measures at the source;
- Identifying and implementing new separation techniques;
- Recycling/recovery of solvents;
- The evolution of certain manufacturing processes;
- Continuing measures to reduce VOC emissions.

In 2012, these measures were the focus of regular exchanges with supervisory authorities.

d) Contributions to measures against global warming

The Group has adopted measures to analyse its greenhouse gas (GHG) emissions since 2010 using the “carbon assessment” tool (CarbonEM) made available by French Pharmaceutical Companies Association (LEEM). In 2012, the analysis performed of its emissions confirmed a reduction of 5% per unit produced between 2010 and 2011.

GHG emissions related to energy consumption represent nearly 70% of the 26,000 Mt CO2e emitted by the Group. These emissions originate from the 4 manufacturing sites, the distribution centre of Gonesse and the Group's head office.
Guerbet's objective is to reduce energy-related emissions 20% by 2016 (fossil fuel and electricity consumption).
To achieve this goal, Guerbet will pursue its actions focusing on efficiently managing energy consumption at its manufacturing sites, awareness-raising initiatives for employees about environmentally responsible practices and responsible transport methods.
In December 2012, the results of the 2011 carbon assessment were published at Guerbet's corporate website.

e) Protection of biodiversity

In 2012, environmental impact studies were conducted by the Lanester site within the framework of the evolution of its treatment process for effluents. The studies contribute to a better understanding of receiving environments and their sensitivity to all forms of emissions in the natural environment. They also contribute to demonstrating the effectiveness in the management of environmental impacts in terms of ecotoxicity or bioaccumulation.

Finally, in 2012 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). The Group is also concerned by the 2013 and 2018 deadlines for the registration of substances with the European Chemical Agency (ECHA).

3) Societal information

a) Territorial, economic and social impact

As an economic stakeholder in the regions where it operates, Guerbet is committed to modernising its industrial infrastructure and developing more ecological solutions. With this objective, €197 million were invested from 2005 to 2012 at the French sites of Aulnay (Seine-Saint-Denis), Lanester (Morbihan), Marans (Charente Maritime) and Gonesse (Val d'Oise). The employment generated from these activities is thus largely local and regional.

b) Relations with stakeholders

Guerbet supports different organisations and associations concerned by the development and activity of the Group. Areas covered concern measures in favour of integration, general education and organisations having a connection with Guerbet's activities (for example, medical and pharmacy schools).

The partnership with the association "*Nos quartiers ont du talent*" was in this way strengthened in 2012. This mentoring programme for young students from under-resourced urban districts engaged in a job search enabled Guerbet employees to contribute their advice on CVs, letters of motivation or recruitment interviews.

As for the Lanester site, it opened up its doors to young students from the Lorient University Institute of Technology (IUT) to provide them with an opportunity to discover the company, the different business lines and the requirements for a production site of active pharmaceutical ingredients.

The Marans and Lanester sites, through local coordinating bodies (CLIC or *Comité Local d'Information et de Concertation*), engage with stakeholders that include residents from neighbouring areas, regional governments and representatives of the central government, on the report evaluating their operating activity. In 2012, the status of the review of the PPRT technology risk prevention plans was presented.

c) Subcontracting, suppliers and fair practices

The Group's financial and purchasing policies establish in particular rules for ethical conduct in relations with Guerbet's partners (suppliers, subcontractors, etc.). The Group is also subject to strict regulations governing relations with professionals in the healthcare sector (for example, French DMOS act regulating relations between businesses and the medical profession).

In 2012, Guerbet continued to participate in the CSR (Corporate Social Responsibility) committee of LEEM [(1)]. These exchanges provided an opportunity to share sector-based good practices and raise awareness of internal teams about the issue of "Responsible Purchasing".

(1) "*Les Entreprises du Médicament*" – the French Pharmaceutical Companies Association

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**	**2012**	**2011**
Intangible assets	**5**	36,254	35,772
Property, plant and equipment	**6**	189,582	183,141
Non-current financial assets	**7**	3,200	7,590
Deferred tax liabilities	**8**	9,250	10,896
Total non-current assets		**238,286**	**237,399**
Inventories	**9**	105,146	104,495
Trade receivables and related accounts	**10 & 1.1**	86,826	85,254
Current assets held for sale		-	-
Other current financial assets	**1.1**	20,235	14,699
Cash and cash equivalents	**1.2**	10,473	7,872
Total current assets		**222,680**	**212,320**
TOTAL ASSETS		**460,966**	**449,719**

LIABILITIES AND EQUITY (net) **In thousands of euros**	**Note**	**2012**	**2011**
Share capital		12,200	12,200
Other reserves		192,407	185,023
Consolidated net income		20,399	14,427
Currency translation adjustments		1,203	3,148
Shareholders' equity of which attributable to equity holders of the parent company	**11**	**226,209** 226,209	**214,798** 214,798
Non-current financial liabilities	**2.1**	67,043	79,518
Other non-current financial liabilities	**2.0**	2,258	1,529
Deferred tax liabilities	**8**	10,345	8,603
Provisions	**12**	20,927	16,871
Total non-current liabilities		**100,573**	**106,521**
Trade payables and equivalent		38,855	48,409
Current financial liabilities	**2.1**	42,439	28,393
Other current financial liabilities	**2.6**	42,429	40,642
Current tax liabilities		6,436	5,781
Provisions	**12**	4,025	5,175
Total current liabilities		**134,184**	**128,400**
TOTAL EQUITY AND LIABILITIES		**460,966**	**449,719**

▪ Consolidated income statement

In thousands of euros	Note	2012	2011
Revenue	**4**	**403,495**	**377,834**
Royalties		32	83
Other revenue from ordinary activities	**13**	2,517	3,490
Supplies used in operations		(121,724)	(103,675)
Staff costs	**14.1**	(105,264)	(100,624)
External charges	**15**	(119,334)	(126,947)
Taxes other than on income	**16**	(13,748)	(11,761)
Allowances for depreciation and amortisation	**17**	(21,800)	(20,385)
Net allowances for reserves		(1,377)	266
Change in work in progress and finished goods		7,595	5,923
Other current operating income and expenses	**18**	1,339	(1,653)
Current operating income		**31,731**	**22,551**
Other operating income and expenses	**19**	(94)	(16)
Operating profit		**31,637**	**22,535**
Income from cash and cash equivalents		142	64
Finance costs	**20**	(3,992)	(4,251)
Net interest expense		**(3,850)**	**(4,187)**
Currency gains and losses		(380)	(680)
Other financial income and charges		321	301
Income tax	**21**	(7,329)	(3,542)
Consolidated net income of which attributable to equity holders of the parent company		**20,399** 20,399	**14,427** 14,427
Net basic earnings per share (€)	**27**	6.69	4.73
Net diluted earnings per share (€)	**27**	6.44	4.48

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

In thousands of euros	2012	2011
Net profit of the period	**20,399**	**14,427**
Income and expense recognised directly in equity		
Actuarial gains/(losses) on retirement benefits (IAS 19)	(1,984)	(2,118)
Currency translation adjustments	(1,945)	(2,630)
Total net profit and income and expense recognised directly in equity	**16,470**	**9,679**

- **Consolidated statement of cash flows**

In thousands of euros	Note	2012	2011
Net income		**20,399**	**14,427**
Allowances and reversals of provisions for fixed assets		21,785	20,385
Allowances and reversals for contingencies	**12.1**	80	(1,997)
Fair value changes in hedging instruments		729	888
Stock option expenses		416	84
Income from the disposal of fixed assets and other adjustments		1,880	413
Cash flow after net interest expense and tax		**45,289**	**34,200**
Net interest expense		3,850	4,187
Tax expenses (including deferred tax)	**21**	7,329	3,542
Cash flow before net interest expense and tax		**56,468**	**41,929**
Tax payments		(2,349)	(4,150)
Change in inventories	**9**	*(651)*	*(13,428)*
Change in trade receivables and related accounts		*(1,480)*	*477*
Change in trade payables and related accounts		*(10,145)*	*8,981*
Increase/(decrease) in other assets		*(484)*	*3,146*
Increase/(decrease) in other liabilities		*3,273*	*4,017*
Change in operating working capital		***(9,487)***	***3,193***
CASH FLOWS FROM OPERATING ACTIVITIES (A)		**44,632**	**40,972**
Capital expenditures		(33,195)	(40,008)
of which for intangible assets	**5**	*(3,182)*	*(2,350)*
of which for property, plant and equipment	**6**	*(29,649)*	*(37,378)*
of which for financial assets		*(364)*	*(280)*
Proceeds from the disposal of fixed assets		820	421
(Increase), decrease in payables to fixed assets suppliers		(1,547)	470
CASH FLOWS FROM INVESTING ACTIVITIES (B)		**(33,922)**	**(39,117)**
Dividends paid		(5,481)	(5,481)
Capital increases		0	0
New long-term debt		14,868	6,240
Repayment of borrowings		(8,058)	(11,368)
Purchase and sale of treasury stock		-	-
Net interest payments (including on capital leases)		(3,863)	(4,146)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**(2,534)**	**(14,755)**
Impact of foreign exchange fluctuations (D)		(349)	(2,546)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C) + (D)	**2.5**	**7,827**	**(15,446)**
OPENING CASH AND CASH EQUIVALENTS		**(11,813)**	**3,633**
CLOSING CASH AND CASH EQUIVALENTS	**2.1**	**(3,986)**	**(11,813)**

- **Statement of changes in shareholders' equity**

In thousands of euros	Share capital	Retained earnings	Result	Change in cumulative translation adjustments	Total
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**
Capitalisation of 2011 income		14,427	(14,427)		-
Stock options		426			426
Distribution of dividends		(5,481)			(5,481)
2012 consolidated income			20,399		20,399
Actuarial gains and losses		(1,984)			(1,984)
Currency translation adjustments				(1,945)	(1,945)
Other changes		(4)			(4)
Balance at 31/12/2012	**12,200**	**192,407**	**20,399**	**1,203**	**226,209**

b) Notes to 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 presenting the financial statements complies with recommendation 2009-R-03 of the French Accounting Standards Authority (*Autorité des Normes Comptables* 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 are not warranted or would not have a material effect on the consolidated financial statements of the period include:

- Amendments to IFRS 7: Disclosures - Transfers of financial assets
- Amendments to IAS 12: Recovery of underlying assets

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

- Amendments to IFRS 7: Disclosures on the offsetting of financial assets and financial liabilities.
- Amendments to IAS 1: Presentation of other comprehensive income
- Amendments to IAS 19: Employee benefits
- IFRS 13: Fair value measurement
- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interests in other entities
- Amendments to IAS 28: Investments in associates and joint ventures
- Amendments to IAS 32: Offsetting financial assets and financial liabilities

While the potential impacts of these standards and amendments are currently 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 revalued 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 costs (summaries and details) engineering costs 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 tangible assets: 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) Capital 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 bargain 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 measured at amortised cost using the effective interest method. 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 exists 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 impairment charge is recorded when a collection risk exists determined on a case-by-case basis, except under certain specific economic circumstances.
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 meet the following 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 recognised 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 revalued 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 fair value hedges all changes in fair value are recognised in the income statement.

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 from ordinary activities" 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 companies

There were no changes in the Group structure of consolidated companies in the period other than that resulting from the simplified merger procedure entailing the transfer of all liabilities and assets of SCI Kalb to the parent company Guerbet (*Transfert Universel du Patrimoine*).

All companies are fully consolidated with ownership interests of 100% (refer to the list of companies in Note 31).

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, 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. The setting of the price is subject to a dispute. The maximum price under the terms of the agreement remained recognised under "Other current liabilities" for €2,500,000 at 31 December 2012.

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

2012	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]	-	832	-	832
Other non-current financial assets	118	2,250	-	2,368
Trade and other receivables	-	86,826	-	86,826
Other current financial assets	-	20,235	-	20,235
Cash and cash equivalents	-	-	10,473	10,473
Total	**118**	**110,143**	**10,473**	**120,734**

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[2]	-	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**

Change in financial assets depreciation

	31/12/2011	Allowances	Reversals	Currency translation adjustments	31/12/2012
Non-current tax receivables	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-
Trade and other receivables	2,687	652	(1,560)	(10)	1,769
Current derivative financial instruments	-				
Other current financial assets	29	900	-	(64)	865
Cash and cash equivalents	-				
Total	**2,716**	**1,552**	**(1,560)**	**(74)**	**2,634**

[1] Of which discounted receivables for Research Tax Credits of 2010, 2011 and 2012 for €160,000, €216,000 and €442,000 and repayable no later than 2014, 2015 and 2016 respectively.
[2] 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.

	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	**1769**	**2,099**	**(1,215)**	**63**	**2,716**

1.1 – Originated loans and receivables at amortised cost

	2012			2011		
	Cost	Depreciation	Net	Cost	Depreciation	Net
Non-current tax receivables	832		832	5,376		5,376
Other non-current financial assets	2,250		2,250	2,097		2,097
Trade and other receivables	88,595	(1,769)	86,826	87,941	(2,687)	85,254
Other current financial assets	21,100	(865)	20,235	14,728	(29)	14,699
Total	**112,777**	**(2,634)**	**110,143**	**110,142**	**(2,716)**	**107,426**

Other current financial assets at amortised cost	2012	2011
Advances and down-payments to suppliers	504	535
Tax receivables (other than on income)	15,255	10,469
Trade receivables	826	204
Employee- related receivables	239	300
Royalty payment receivables	4	10
Grant receivables	1,253	-
Other current assets	404	811
Prepaid expenses	1,750	2,370
Total	**20,235**	**14,699**

Aged trial balance information for trade receivables at 31 December 2012	Cost	Depreciation	Net
Receivables not due	72,236	(214)	72,022
Receivables past due less than 3 months	10,493	(52)	10,441
Receivables past due less than 6 months	2,489	(63)	2,426
Receivables past due less than 1 year	1,699	(197)	1,502
Receivables past due less than 2 years	1,302	(882)	420
Receivables past due more than 2 years	376	(361)	15
Total	**88,595**	**(1,769)**	**86,826**

Outstanding trade receivables at 31 December 2012 were reduced by a non-recourse assignment in Italy in December 2012 for €2,921,000.

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 was reduced through non-recourse assignments of receivables for €1,598,000 in Italy and €1,237,000 in Spain in December 2011.

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

	2012	2011
Financial assets measured at fair value through profit or loss excluding derivatives o.w.	**10,473**	**7,872**
Marketable securities	-	3,536
Cash at bank and in hand	10,473	4,336
Total	**10,473**	**7,872**

Foreign exchange and interest rate hedges generated a loss of €729,000 in 2011 compared with a gain of €888,000 in 2011.

Marketable securities in 2010 and 2011 included OEIC money market funds (SICAV) and medium-term notes. At 31 December 2012, the parent company no longer held such securities and placed €3,500,000 in an interest-bearing account, available at any time, offering a more attractive yield (1.2% per annum).

		SICAV 1	SICAV 2	Total
2010 balance	Number	27	-	
	Value	3,479	-	**3,479**
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**
2012 purchases	Number	-	9	**-**
	Value	-	2,020	**2,020**
2012 disposals	Number	27	9	**-**
	Value	3,479	2,020	**5,499**
2012 balance	Number	-	-	**-**
	Value	-	-	**-**
31/12/2012	Value	-	-	**-**

1.3 – Financial assets given as collateral

Under the programme for the securitisation of trade receivables implemented in 2004, on 21 December 2012 the Group assigned receivables of €20,121,000 that generated financing of €11,621,000.

1.4 – Fair value of financial assets

Financial instruments used for hedging foreign exchange and interest-rate risks are measured at fair value and consequently marked 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

	2012			2011
	Current	**Non-current**	**Total**	**Total**
Borrowings (Note 2.1)	42,439	67,043	109,482	107,911
Trade payables	38,855		38,855	48,409
Other payables (Note 2.6) o.w.	42,429	2,258	44,687	42,171
Derivative financial instruments (see notes 3.4, 3.5 and 26)		*2,258*	*2,258*	-
Total	**123,723**	**69,301**	**193,024**	**198,491**

2.1 - Breakdown of current and non-current borrowings

€ thousands	**2012**	**2011**
Non-current borrowings o.w.	**67,043**	**79,518**
Securitisation	-	13,419
Special profit-sharing reserve (blocked current accounts)	703	1,084
Capital leases	2,347	1,775
Medium-term borrowings	23,705	19,756
Other borrowings	40,288	43,484
Current borrowings o.w.	**42,439**	**28,393**
Securitisation	11,621	-
Capital leases	767	905
Medium-term borrowings (maturities < 1 year)	5,885	320
Other current borrowings and profit-sharing reserve	4,504	3,094
Short-term bank loans & overdrafts	19,662	24,074
Total borrowings	**109,482**	**107,911**

This debt is primarily subject to floating-rate interest:

	2012	**2011**
Floating-rate debt (before hedging)	96%	95%
Fixed-rate debt	4%	5%

2.2 - Borrowings by currency

Currency	2012			2011		
	Year-end rate	Amount	%	*Year-end rate*	Amount	%
Euro		78,709	71.89%		73,285	67.91%
Yen	*113.61*	21,600	19.73%	*100.20*	25,985	24.08%
Dollar US	*1.3194*	3,032	2.77%	*1.2939*	22	0.02%
Won	*1406.23*	4,366	3.99%	*1,498.69*	3,883	3.60%
Divers		1,775	1.62%		4,736	4.39%
Total		**109,482**	**100.00%**		**107,911**	**100.00%**

2.3 - Borrowings ranked by maturity

	2012	2011
Less than 6 months	27,593	27,782
More than six months and less than one year	14,846	611
Between one and five years	47,569	21,719
Greater than five years	19,474	57,799
Total	**109,482**	**107,911**

2.4 – Finance leases

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

	2012	2011
Less than one year	767	905
Between one and five years	2,347	1,775
Greater than five years	-	-
Total	**3,114**	**2,680**

Note 2.5 – Changes in financial debt

Changes in net borrowings in the period

	2011	Change	2012
Marketable securities[1]	3,536	(3,536)	-
Cash at bank and in hand	4,336	6,137	10,473
Total	**7,872**	**2,601**	**10,473**
Bank facilities and credit balances	(19,685)	5,226	(14,459)
Net cash and cash equivalents	**(11,813)**	**7,827**	**(3,986)**
Gross borrowings excluding bank lines and balances	(88,226)	(6,797)	(95,023)
Net financial debt	**(100,039)**	**1,030**	**(99,009)**

[1] Details on marketable securities are provided above in Note 1.2 herein.

2.6 – Other current financial liabilities

	2012	2011
Employee-related payables	29,416	26,712
Payables to fixed asset suppliers[2]	7,545	9,092
Grants[3]	3,184	2,688
Trade debtors-credit balances	497	405
Royalties	407	189
Commissions	974	1,070
Other payables	406	486
Total	**42,429**	**40,642**

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 2012

In 2011, Guerbet implemented 74 forward exchange contracts, mainly for: US dollars (USD), Turkish Lira (TRY), Japanese yen (JPY) and Hong Kong dollars (HKD) including 3 forward exchange purchase agreements still open at 31 December 2012 for a net total equivalent value of €1,130,000.

3.2. Exposure to currency fluctuations at 31/12/2012

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	MXN	TWD	Total*
Budget risk** (1)	-20.99	1.31	4.23	1.93	14.06	-0.10	23.45	3.13	4.31	0.00	73.51
Balance sheet risk (2)	2.04	0.00	0.09	0.13	-0.74	-0.03	2.95	-0.08	4.21	0.00	10.27
Position before hedging (3=1+2)	-18.95	1.31	4.32	2.06	13.32	-0.13	26.40	3.05	8.52	0.00	78.06
Outstanding hedges (4)	1.13										1.13
Position after hedging (5=3+4)	-17.82	1.31	4.32	2.06	13.32	-0.13	26.40	3.05	8.52	0.00	76.93

[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 (see Note 23).
* Total in absolute values.
** The budget risk corresponds to the risk associated with future commercial flows not yet confirmed by firm orders or invoices recognised in the balance sheet. This risk has no immediate impact on the income statement.

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

The calculation of sensitivity is carried out on the net unhedged amount at 31 December 2012 (balance sheet risk after subtracting outstanding hedges) for the main 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	2012	2011
HKD	295	23
MXN	421	201
USD	317	269

3.4 - Interest-rate risks

At 31 December 2012, borrowings consisted exclusively of floating-rate debt. The breakdown between fixed and floating rate debt is decided by the Group's executive management and reviewed on a periodic basis according two expected trends for interest rates.

3.5 - Interest rate hedging positions of Guerbet open in 2012

In 2012, an interest rate hedge was acquired for €48.5 million. At 31 December 2012 the Group's net debt amounted to €99 million. The full amount of Guerbet's floating-rate debt has been hedged. The weighted average rate for hedges represented a fixed rate of 1.57 %.

3.6 - Exposure to interest rate changes at 31 December 2012

In thousands of euros	Current debt	Non-current debt	Total
Financial liabilities at fixed-rates		(4,774)	(4,774)
Financial liabilities at floating-rates	(42,439)	(62,268)	(104,708)
Financial assets at fixed rates	3,500		3,500
Financial assets at floating-rates	6,973		6,973
Net position before hedging:			
- fixed-rate	3,500	(4,774)	(1,274)
- floating-rate	(35,466)	(62,268)	(97,734)
Off-balance sheet	5,143	95,277	100,420
Net position after hedging			
- fixed-rate	(1,643)	(100,051)	(101,694)
- floating-rate	(30,323)	33,008	2,685

3.7 - Analysis of the sensitivity of net financial income to interest-rate risks after hedging at 31/12/2012

The full amount of floating-rate debt is hedged.

3.8 - Liquidity risk

At 31 December 2012, unused lines of credit available amounted to €111 million. In 2011, the Group obtained additional credit lines, supplementing its existing facilities to secure its financing requirements for the next five years. The banking counterparties represent top-tier financial institutions.

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.

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.

2012	European companies for their respective markets	Other	Unallocated	Total
Revenue				
European markets	277,982	10,260		288,242
Other markets		115,253		115,253
Total	**277,982**	**125,513**		**403,495**
Current operating income	**101,761**	**16,881**	**(86,911)**	**31,731**
Other operating income and expenses				(94)
Operating profit				**31,637**
Net interest expense				(3,850)
Other financial income and charges				(59)
Tax charge				(7,329)
Net income				**20,399**
- of which amortisation and depreciation	(3,375)	(1,070)	(17,355)	(21,800)
- of which other non-cash expenses	542	(1,283)	(636)	(1,377)
Segment assets	379,802	81,164		460,966
- of which fixed assets	205,360	22,844		228,204
Segment liabilities excluding borrowings	128,919	10,852		139,771
Borrowings	90,164	4,822		94,986
Shareholders' equity			226,209	226,209
Segment capital expenditures				
- intangible assets	3,153	29		3,182
- property, plant and equipment	26,688	2,961		29,649

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	368,670	81,049		449,719
- of which fixed assets	197,772	23,312		221,084
Segment liabilities excluding borrowings	135,601	11,136		146,737
Borrowings	80,858	7,326		88,184
Shareholders' equity			214,798	214,798
Segment capital expenditures				
- intangible assets	2,327	23		2,350
- property, plant and equipment	35,000	2,378		37,378

4.2 – Sales by product range

Percentage before trade discounts and rebates	2012	2011
X-ray	50.3%	50.8%
MRI	40.1%	38.8%
Other	9.6%	10.4%
Total	**100.0%**	**100.0%**

Note 5 - Intangible assets

	31/12/2011	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2012
Trademarks	8,981			5	(179)	8,807
Patents	13,102			(5)		13,097
Marketing authorisations	8,589				(1,014)	7,575
Commercial relations	6,075			(5,782)	(140)	153
Goodwill	9,922				268	10,190
Software	11,387	2,520	(611)		(98)	13,198
Intangible assets in progress	2,075	662	(193)			2,544
Cost	**60,131**	**3,182**	**(804)**	**(5,782)**	**(1,163)**	**55,564**
Allowances for depreciation	(21,066)	(1,716)	561	5,782	33	(16,406)
Impairment	(3,293)				389	(2,904)
Net	**35,772**	**1,466**	**(243)**	**-**	**(741)**	**36,254**

	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**

Trademarks purchased include mainly €7,476,000 for worldwide distribution of the barium line in 1992 and ¥151 million (€1,325,000 at the 2012 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 €7,575,000 at the 2012 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 €6,114,000 corresponds to the marketing authorisation for Magnescope in Japan.

In 2005, the Group acquired for ¥593 million on a present value basis 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. At 31 December 2010, the net carrying value after amortisation had been fully written down. These intangible assets were written off in 2012.

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 was 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)	1,325
	Commercial relations	-
	Marketing authorisations	6,114
Germany	Patents	1,745
	Trademarks (Barium)	7,476
	Goodwill	990
South Korea	Goodwill	4,252
Italy	Goodwill	3,796
Medex	Patent	2,079

At 31 December 2012, 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 2013 to 2017. A discount rate of 4.85% was applied to all assets other than of Japan (3.70%).

The calculation of value in use does not incorporate the notion of a terminal value. For each of these CGUs, the present value of future cash flows 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

	31/12/2011	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2012
Land	6,254				(28)	6,226
- including capital leases	*2*					*2*
Buildings	97,525	6,990	(2,561)		(660)	101,294
- including capital leases	*2,501*					*2,501*
Machinery and equipment	161,227	8,504	(5,591)		(606)	163,534
- including capital leases	*7,996*					*7,996*
Other tangible assets	47,981	5,929	(4,907)		(538)	48,465
- including capital leases	*3,814*	*1,729*	*(891)*			*4,652*
Construction in progress	51,027	8,213	(1,457)		(126)	57,657
Advances and instalments on fixed assets	546	13				559
Cost	**364,560**	**29,649**	**(14,516)**		**(1,958)**	**377,735**
Allowances for depreciation	(181,419)	(20,069)	12,265		1,070	(188,153)
Impairment	-					-
Net	**183,141**	**9,580**	**(2,251)**		**(888)**	**189,582**

	31/12/2010	Increase	Decrease	Other changes	Currency translation adjustments	31/12/2011
Land	6,271				(17)	6,254
- including capital leases	*2*					*2*
Buildings	97,567	4,409	(3,959)	44	(536)	97,525
- including capital leases	*2,501*					*2,501*
Machinery and equipment	159,507	9,655	(9,028)	1,511	(418)	161,227
- including capital leases	*7,408*	*588*				*7,996*
Other tangible assets	46,354	6,426	(4,381)	18	(436)	47,981
- including capital 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**

Significant capital expenditures in 2012 have included notably:

- Production capacity investments for the Lanester, Marans and Aulnay sites (including €9 million for a new primary packaging facility);
- Investments to improve safety and backfit all French plants.

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

Currency	2012		2011	
	Year-end rate	Amount	*Year-end rate*	Amount
Euro		180,278		174,036
Real	*2.70*	8,115	*2.42*	7,882
Other currencies		1,189		1,223
Total		**189,582**		**183,141**

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.

Note 7 – Other non-current assets

	2012			2011
	Cost	Non-current provisions	Net	Net
Deposits and guarantees	2,146	-	2,146	1,942
Carry-back receivables	-	-	-	2,027
Research tax credits	825	-	825	3,349
Loans to personnel	90	-	90	98
Other non-current financial assets	139	-	139	174
Total	**3,200**	**-**	**3,200**	**7,590**

Note 8 – Deferred tax assets and liabilities

	31/12/2011	Changes in income	Changes in equity	Translation adjustments & misc.	31/12/2012
Deferred tax assets	10,896				9,250
Deferred tax liabilities	(8,603)				(10,345)
Total	**2,293**	**(3,280)**	**421**	**(529)**	**(1,095)**
Of which deferred taxes resulting from:					
Recognition of tax losses	9,079	(126)		(829)	8,124
Temporary differences	9,969	(115)	30	110	9,994
Restatement of regulated provisions	(11,490)	(1,978)		1	(13,467)
Remeasurement of tangible assets	(2,729)	94		(2)	(2,637)
Remeasurement of intangible assets	(9,396)	187		984	(8,225)
Restatement of inventory margins	5,033	(1,301)		(113)	3,619
Restatement of provisions for subsidiary risks	(1,109)	(15)			(1,124)
Capital leases	(244)	108			(136)
Restatement of Medex injectors	56	1		7	64
Other	3,124	(135)	391	(687)	2,693

	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)
Capital leases	(464)	220			(244)
Restatement of Medex injectors	45	11			56
Other	3,808	(637)	(138)	91	3,124

Note 9 – Inventories

	2012	2011
Raw materials and packaging supplies	20,627	22,752
Trade goods	10,014	13,079
Intermediate and finished goods, work in progress	80,590	74,025
Spare parts	2,488	2,170
Cost	**113,719**	**112,026**
Provisions	(8,573)	(7,531)
Net	**105,146**	**104,495**

The change in the net value of inventory in the period (+0.6%) reflects a significant decline in trade goods (Optiject) linked to the renewal of the Covidien contract and offset by an increase in finished goods and active ingredients for Xenetix. The provision for impairment increased by €1 million resulting mainly from slow inventory turnover.

Note 10 – Trade receivables and related accounts

	2012	2011
Gross	**88,595**	**87,941**
Provisions	(1,769)	(2,687)
Net	**86,826**	**85,254**

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 2012, 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

The share capital has remained unchanged since 31 December 2010.

11.2 – Analysis of shareholders' equity

	2012	2011
Guerbet common stock	12,200	12,200
Additional paid-in capital and shares from Guerbet convertible bonds	5,462	5,559
Guerbet legal reserves	1,220	1,220
Retained earnings	130,602	117,961
Guerbet retained earnings	55,123	60,283
Consolidated net income	20,399	14,427
Currency translation adjustments	1,203	3,148
Total	**226,209**	**214,798**

Note 12 – Provisions

12.1 – Analysis of changes in the period

	2011	Increases	Provisions used in the period	Reversals (unused provisions)	Currency translation adjustments & reclassifications	Change in actuarial assumptions	2012
Non-current provisions	**16,871**	**1,489**	**(251)**		**(9)**	**2,827**	**20,927**
Deferred employee benefits (Note 12.2)	16,871	1,489	(251)		(9)	2,827	20,927
Current provisions							
Costs for mandatory paediatric studies	357				(7)		350
Tax dispute contingencies[1]	1,587	1,055	(720)	(213)	(131)		1,578
Sales-related lawsuit contingencies	895	589	(723)				761
Anticipated losses on purchase commitments[2]	1,840	425	(1,840)				425
Other contingencies	496	576	(139)	(10)	(12)		911
Total current provisions	**5,175**	**2,645**	**(3,422)**	**(223)**	**(150)**		**4,025**
Total provisions	**22,046**	**4,134**	**(3,673)**	**(223)**	**(159)**	**2,827**	**24,952**

	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	1,717	80	-	(105)	(105)	-	1,587
Sales-related lawsuit contingencies	493	431	(29)	-	-	-	895
Late payment interest	-						-
Anticipated losses on purchase commitments[52]	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**

[1] Tax dispute contingencies relate mainly to various tax and customs disputes in Brazil for which provisions were recorded of BRL 1.8 million (€1.2 million) at 31 December 2011 and BRL 3 million (€1.1 million) at 31 December 2012.
[2] Anticipated losses on purchase commitments resulted from a contractual obligation until 31 December 2011 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 revalued every year at sufficient frequencies to ensure that amounts recognised not materially differ from assets and liabilities at term.
At 31 December 2012, these assets were valued at €3,071,000.
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 93% of the provisions and 100% of plan assets:

	France		Germany	
	2012	**2011**	**2012**	**2011**
Discount rate	C	C	3.50%	5.14%
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 €424,000.
E = Estimated age of retirement on the basis of an average age at the start of employment by employees category 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 indemnities and not annual payments;
- The average rate of increase for medical expenses as no companies provide coverage for medical expenses under their plans.

[1] According to classifications for France.

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.

Balance sheet commitments	**2012**	**2011**	**2010**	**2009**	**2008**
Discounted value of funded commitments	6,895	4,988	4,536	3,985	3,256
Discounted value of unfunded commitments	18,393	16,064	12,561	13,838	13,268
Subtotal: discounted value of commitments	**25,288**	**21,052**	**17,097**	**17,823**	**16,524**
Fair value of plan assets	(4,361)	(4,181)	(3,940)	(3,715)	(3,596)
Balance	**20,927**	**16,871**	**13,157**	**14,108**	**12,928**
Items not yet recognised					
Unrecognised past service costs	-	-	-	-	-
Unrecognised net actuarial gains (losses)	-	-	-	-	-
Total unrecognised items	-	-	-	-	-
Total liabilities	**20,927**	**16,871**	**13,157**	**14,108**	**12,928**
Amounts recognised in the balance sheet					
Accrued employee benefits	20,927	16,871	13,157	14,108	13,268
Non-current financial assets		-	-	-	(340)
Net balance of the balance sheet (net liabilities)	**20,927**	**16,871**	**13,157**	**14,108**	**12,928**

Income statement expenses	**2012**	**2011**
Service costs of the year	1,731	1,251
Finance costs	660	540
Projected return of plan assets	(59)	(58)
Employer contributions to financing assets	(228)	(277)
Benefits paid	(867)	(1,099)
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	**1,237**	**485**

Change in net liabilities of the period	2012	2011
Opening net liabilities	**16,871**	**13,157**
Service costs of the year	1,731	1,251
Finance costs	660	540
Projected return of plan assets	(59)	(58)
Employer contributions to financing assets	(228)	(277)
Benefits paid	(867)	(1,099)
Actuarial gains and losses	2,811	3,216
Foreign currency translation adjustments	21	(14)
Past service costs	-	-
Changes in consolidation scope	-	-
Reduction of future service	-	-
Liquidation of future service	-	-
Other	(13)	155
Closing net liabilities	**20,927**	**16,871**

Change in hedged assets	2012	2011
Market value of funds invested at 1 January	**4,181**	**3,940**
Projected return of funds	59	58
Actuarial gains and losses	(9)	3
Currency translation adjustments	-	-
Employer contributions	228	277
Employee contributions	-	-
Benefits paid	(98)	(97)
Change in Group structure (consolidation)	-	-
Plan reductions	-	-
Plan liquidations	-	-
Market value of funds invested at 31 December	**4,361**	**4,181**

Note 13 – Other revenue from ordinary activities

	2012	2011
Sold production - services	759	929
Operating grants	1,758	2,561
Total	**2,517**	**3,490**

Note 14 – Staff costs

14.1 – 1 Analysis of staff costs

	2012	2011
Salaries and wages	(74,131)	(71,216)
Social security charges	(29,614)	(28,974)
Employee profit-sharing	(889)	(297)
Amortisation of share-based payment	(630)	(137)
Total	**(105,264)**	**(100,624)**

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 at 31/12/2012

Grant date	Number granted	Share price on date of grant	Volatility	Risk-free rate	Exercise price	Vesting period
26 March 2009	6,000	€ 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
20 February 2012	1,700	€ 61.50	35 %	2.77 %	€ 61.50	4 years

14.2.2 – Breakdown of benefits per financial year for plans in force in 2012

Grant date	26 March 2009	17 October 2011	23 November 2011	20 February 2012	Total
2011	10	121	6		137
2012		591	53	6	650
2013		590	53	8	651
2014		590	53	8	651
2015		468	47	7	522
2016				1	1
Total	**10**	**2,360**	**212**	**30**	**2,612**

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 – Average number of personnel during the year

The average number of personnel for Guerbet Group in 2012 was 1,374 employees. The following tables provide a breakdown of this workforce by employee category and activity for the last three financial periods.

Year	Management	Technicians/Workers Supervisors, Medical sales representatives	Plant workers	Total
2012	361	707	306	1,374
2011	345	689	312	1,346
2010	327	683	304	1,314

Year	Supply Chain	Commercial	Research & development	Support functions	Total
2012	575	306	208	285	1,374
2011	567	301	205	273	1,346
2010	542	300	201	271	1,314

14.4 - Personnel by region at year-end

	2012	2011
Europe	1,152	1,133
Latin	164	159
Asia	58	54
Total	**1,374**	**1,346**

Note 15 – External charges

	2012	2011
Studies and services	(19,113)	(21,776)
Non-stock supplies	(12,205)	(13,015)
Lease payments and rental charges	(6,269)	(6,060)
Maintenance and repairs	(8,088)	(7,540)
Insurance	(1,367)	(1,618)
Studies and research	(8,089)	(12,368)
External personnel	(2,070)	(2,964)
Commissions and fees	(14,703)	(16,315)
Advertising and external relations	(7,948)	(8,495)
Transport expenses	(6,007)	(6,401)
Travel and entertainment costs	(6,321)	(7,134)
Postal and telecommunications expenses	(1,705)	(1,566)
Divers	(25,449)	(21,695)
Total	**(119,334)**	**(126,947)**

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

	2012	2011
Taxes on compensation	(2,569)	(2,515)
CET tax (*Contribution Economique Territoriale)* (France)	(3,434)	(3,360)
Inami tax (Belgium)	(1,743)	(1,855)
Other taxes	(6,002)	(4,031)
Total	**(13,748)**	**(11,761)**

Note 17 – Allowances for depreciation and reserves

	2012	2011
On intangible assets	(1,663)	(1,422)
On property, plant and equipment	(20,137)	(18,963)
Total	**(21,800)**	**(20,385)**

Note 18 – Other current operating income and expenses

	2012	2011
Royalty payments	(1,058)	(777)
Other miscellaneous income and expenses	4,277	(876)
Proceeds from the disposal of fixed assets	(1,880)	-
Total	**1,339**	**(1,653)**

Other miscellaneous income and expenses include a business interruption insurance payment of €3,277,000 and a €1,195,000 payment related to a production shutdown for Lumirem.

Note 19 – Other operating income and expenses

	2012	2011
Investment grants	-	74
Other miscellaneous income and expenses	(94)	(90)
Total	**(94)**	**(16)**

Note 20 – Finance costs

	2012	2011
Capital leases	(215)	(189)
Securitisation	(184)	(371)
Interest from borrowings and current bank lines	(1,958)	(2,167)
Interest-rate swaps	(1,635)	(1,524)
Total	**(3,992)**	**(4,251)**

Note 21 – Corporate income tax

21.1 – Breakdown between current and deferred income tax

	2012	2011
Current tax	(4,060)	(3,024)
Deferred tax	(3,269)	(518)
Total	**(7,329)**	**(3,542)**

21.2 – Analysis of the tax charge

	2012	2011
Theoretical tax charge for the consolidated company at applicable tax rate[1]	(10,010)	(6,471)
Impact of different tax rates	1,374	698
Impact of permanent non-deductible or tax-exempt expenses	(2,087)	(1,426)
Impact of tax credits	3,450	3,675
Impact of deferred taxes on unrecognised losses and misc.	(56)	(18)
Total	**(7,329)**	**(3,542)**

[1] The tax rate applied for the two periods is 36.10%.

Note 22 – Research and development expenditures

The following amounts were recognised under expenses:

	2012	2011
Direct expenses	31,338	35,627
Indirect expenses	7,914	6,804
Total	**39,252**	**42,431**

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

Note 23 – Investment grants

The following investment grants were recognised under income:

Account heading	Nature	2012	2011
Other revenue from ordinary activities	Innovation grant	1,499	2,423
Other revenue from ordinary activities	Job creation subsidies	199	125
Other revenue from ordinary activities	Misc. grants	60	13
Other operating income	Investment grants	-	74
Total		**1,758**	**2,635**

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.

At 31 December 2012, the following items were recognised in connection with this aid agreement:
In the balance sheet:

- €2.3 million in grants received prior to the signature of the agreement in December 2008 and recognised under "Other current financial liabilities";
- €1.8 million in repayable advances received from 2008 to 2011 and recognised under "Non-current financial liabilities".
- €1.4 million in grants receivable for research expenditures incurred by Guerbet from 1 July 2011 to 30 June 2012. These grants are recognised under "Other current financial assets".

In the income statement:

- €1.4 million recognised under "Other revenue from ordinary activities" for this grant receivable;

A €1.6 million repayable advance to be received in 2013 by Guerbet for research expenditures incurred from July 2011 to June 2012. This item was not recognised in the financial statements at 31 December 2012.

In 2011, Guerbet received and recognised financing of €2.5 million including €2.4 million in grants and €0.1 million in repayable advances for research expenditures incurred by Guerbet from July 2010 to June 2011.

The amount of contingent income that remains to be received for research expenditures incurred in the 2012 second half but not yet approved by Oseo at the end of the reporting period and not recognised in the income statement would amount to €503,000 in grants. To this, €325,000 in repayable advances should be added.

An amendment is in the process of being executed with Oseo that provides for a two-year extension of the term of the project and a modification of the terms for financial returns in the eventuality a product is put on the market on completion of the project.

Note 24 - Stock options and stock purchase options

Personnel of the company and its subsidiaries qualify for stock options. Within the framework of these plans at 31 December 2012, personnel were able to subscribe for 135,000 shares at a weighted average price of €62.59. The portion reserved for officers represented 16,000 shares at a weighted average price of €63.63.
If all stock options were exercised, the total number of shares would be 3,185,346 for a nominal amount of €12,741,384. These new shares would represent an increase in shareholders' equity of €8,468,030. On that basis, potential dilution of the share capital is 4.44%.
Fully diluted net earnings per share calculated to take into account the dilutive effect of stock options grants offered to personnel was €6.44 for fiscal 2012.

Stock option plan highlights

Grant date	Plan of 26/07/2005	Plan of 26/03/2009	Plan of 17/10/2011	Plan of 23/11/2011	Plan of 20/02/2012
Tax availability date	26/07/2007	26/03/2011	17/10/2015	23/11/2015	20/02/2016
Number of options granted:	106,950	6,000	132,710	12,000	1,700
o.w. Yves L'Epine	-	-	-	*12,000*	-
o.w. Bruno Bonnemain	*2,000*	-	*4,000*	-	-
Subscription or purchase price	€ 82.91	€ 112.26	€ 61.60	€ 64.30	€ 61.50
Plan expiration date	25/07/2012	25/03/2019	16/10/2021	22/11/2021	20/02/2022
Number of options exercised	16,023	-	-	-	-
Number of options cancelled	90,927	4,000	13,110	-	-
Number of options outstanding	-	2,000	119,600	12,000	1,700

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 2012 received the following compensation and benefits in-kind (in euros):

Short-term benefits	**2,531,987**
Fixed portion of total gross compensation (excluding benefits in-kind)[1]	2,070,189
Variable compensation[2]	418,102
Benefits in-kind	43,696
Post-unemployment benefits	**154,235**
o.w. supplementary funded pension schemes	103,219
of which provisions for retirement severance payments	51,016
Other long-term benefits	None
Severance benefits	None
Share-based payments[3]	170,948

[1]The fixed portion includes compensation of executive management as well as indemnities for corporate officers serving as Qualified Persons amounting to €29,150, attendance fees paid to Directors of €144,577 (net of contributions) and compensation paid to the Chairman of the Board of Directors of €37,925.

[2] The variable portion for each board member depends on the number of individual objectives met in the prior year. This amount 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 2012.

[3] This concerns expenses recognised in the period for stock option grants (see Note 14.2).

Note 26 – Off-balance sheet commitments

Commitments given:

	2012	2011
Guarantees and security and other commitments granted to third parties on behalf affiliated undertakings	9,893	13,009
Guarantees and security granted to third parties	6,194	3,180
Receivables assigned within the framework of securitisation programmes	18,569	21,294
Total	**34,656**	**37,483**

The fair value of cash instruments is -€2.24 million for interest rate hedges and virtually nil for foreign exchange hedges.

At 31 December 2012 there were 11 interest rate hedges for €100.42 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%	-48,667.25	2,142,857.14
20/06/2008	20/06/2013	Swap	Purchase	3 Month Euribor	5.12%	-12,510.66	500,000.00
15/06/2009	15/06/2014	Swap	Purchase	3 Month Euribor	2.49%	-91,541.38	4,500,000.00
09/12/2009	12/12/2016	Cap	Purchase	3 Month Euribor	2.53%	-81,488.78	5,714,285.71
17/12/2009	17/12/2014	Cap	Purchase	3 Month Euribor	2.30%	-24,165.17	4,000,000.00
28/09/2010	28/09/2013	Swap	Purchase	3 Month Euribor	1.20%	-13,032.51	2,500,000.00
29/03/2011	31/03/2018	Swap	Purchase	3 Month Euribor	2.77%	-1,044,418.86	16,125,000.00
30/06/2011	04/07/2016	Swap	Purchase	3 Month Euribor	2.29%	-153,145.80	3,750,000.00
04/11/2011	08/11/2016	Swap	Purchase	3 Month Euribor	1.43%	-194,166.78	8,000,000.00
10/11/2011	14/11/2016	Swap	Purchase	3 Month Euribor	1.45%	-196,817.69	8,000,000.00
09/07/2012	30/06/2017	Swap	Purchase	3 Month Euribor	0.72%	-380,042.75	45,187,500.00

With respect to the management of foreign exchange risk, 74 forward exchange hedging contracts were negotiated in 2012 including 3 still open at 31 December for €1.13 million. Total open positions are presented below in detail:

Inception date	Expiration date	Contract type	Position Guerbet	Currency	Spot price	Forward price	Notional amount (in currency)	Exchange value in €	Fair value (in €)
27/11/2012	09/01/2013	Swap	Purchase	USD	1.2980	1.2985	207,675.00	159,934.54	-2,545.61
29/11/2012	09/01/2013	Swap	Purchase	USD	1.2975	1.2979	794,325.00	612,007.86	-10,019.37
29/11/2012	05/02/2012	Swap	Purchase	USD	1.2975	1.2983	460,675.00	354,829.39	-5,781.56

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

	2012	2011
Consolidated net income attributable to the Group (in euros)	20,399,000	14,427,000
Weighted average number of shares outstanding in the period	3,050,046	3,050,046
Net earnings per share	**6.69**	**4.73**

	2012	2011
Consolidated net income attributable to the Group (in euros)	20,399,000	14,427,000
Annual savings of interest net of tax at the market rate and resulting from the exercise of stock options	101,863	170,703
Consolidated net income after dilution (in euros)	20,500,863	14,597,703
Total number of potential shares	3,185,346	3,260,983
Net diluted earnings per share	**6.44**	**4.48**

Note 28 – Post-closing events

None

Note 29 – 2012 Appropriation of income

On 5 March 2013, the Board of Directors ruled on the consolidated financial statements for the period ending 31 December 2012. 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 €2 per share, compared with €1.80 for 2011. The total amount of dividends to be distributed will consequently be €6,100,000.

Note 30 – Auditors' fees

In thousands of euros	Deloitte & Associés				Horwath Audit France			
	Amount		%		Amount		%	
	2012	2011	2012	2011	2012	2011	2012	2011
Audit								
Work as statutory auditors, certification, auditing of corporate and consolidated financial statements:								
- Issuer	95	83	35%	32%	95	83	42%	36%
- Fully consolidated subsidiaries	173	156	64%	55%	111	109	49%	47%
Other procedures and services directly related to the mission of the statutory auditors:								
- Issuer		30		11%	19	36	9%	15%
- Fully consolidated subsidiaries	2	10	1%	2%		4		2%
Subtotal	**270**	**279**	**100%**	**100%**	**225**	**232**	**100%**	**100%**
Other procedures and services	13	9						
Total	**283**	**288**			**225**	**232**		

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%
340,598,978	Medex	France	100%[1]
	Guerbet GmbH	Germany	100%
	Guerbet Ges.m.b.H	Austria	100%
	SA Guerbet nv	Belgium	100%
	Laboratorios Farmaceuticos Guerbet SA	Spain	100%
	Guerbet Laboratories Ltd	United Kingdom	100%
	Guerbet Nederland BV	Netherlands	100%
	Guerbet SpA	Italy	100%
	Martins & Fernandes	Portugal	100%
	Guerbet AG	Switzerland	100%
	Guerbet AS	Turkey	100%
	Guerbet Produtos Radiologicos	Brazil	100%
	Guerbet Mexicana	Mexico	100%
	Guerbet LLC	USA	100%
	Guerbet Korea	South Korea	100%
	Guerbet Asia Pacific Ltd	Hong Kong	100%
	Guerbet Japan	Japan	100%
	Guerbet Taiwan Co Ltd	Taiwan	100%

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

2) 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 2012 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, 11 April 2013

The Statutory Auditors

French original signed by:

Horwath Audit France	**Deloitte & Associés**
Member of Crowe Horwath International	
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	2012			2011
		Cost	Depreciation, Amort. & Provisions	Net	Net
Patents, trademarks and similar rights		3	-	3	194
Other intangible assets		13,271	6,760	6,511	4,845
Intangible assets	**1**	**13,275**	**6,760**	**6,514**	**5,039**
Land		1,554	-	1,554	1,491
Buildings		64,368	35,231	29,137	29,419
Machinery and equipment		115,757	66,415	49,342	51,650
Other tangible assets		23,990	16,877	7,113	7,581
Construction in progress		50,938	-	50,938	41,974
Advances and instalments on fixed assets		559	-	559	86
Property, plant and equipment	**2**	**257,166**	**118,523**	**138,643**	**132,201**
Investments in associates	**3**	53,519	11,279	42,240	40,779
Advances to associates	**6**	6	-	6	1,153
Loans	**4/6**	90	-	90	98
Other financial assets	**6**	9,034	-	9,034	8,960
Financial assets		**62,649**	**11,279**	**51,370**	**50,990**
TOTAL NON-CURRENT ASSETS		**333,090**	**136,563**	**196,528**	**188,230**
Inventories	**5**	**74,976**	**4,090**	**70,887**	**71,532**
Advances and instalments on fixed assets		450	-	450	444
Trade receivables and related accounts	**6**	28,877	41	28,836	17,287
Other trade receivables	**6**	57,765	3,111	54,654	63,164
Total trade receivables		**87,092**	**3,152**	**83,940**	**80,895**
Marketable securities and cash and cash equivalents	**7**	7,782	-	7,782	4,683
TOTAL CURRENT ASSETS		**169,850**	**7,242**	**162,608**	**157,110**
Deferred expenses	**6**	748	-	748	1,233
Expenses carried forward to future financial years		-	-	-	-
Currency translation adjustments		761	-	761	3,440
TOTAL ASSETS		**504,450**	**143,805**	**360,645**	**350,012**

SHAREHOLDERS' EQUITY AND LIABILITIES (In thousands of euros)	Note	2012	2011
Share capital		12,200	12,200
Additional paid-in capital		5,461	5,558
Legal reserve		1,220	1,220
Regulatory reserves		-	-
Other reserves		52,015	52,015
Retained earnings		55,112	60,293
Profit of the period		**6,683**	**300**
Equity capital		**132,692**	**131,587**
Regulated provisions	**9**	35,039	30,089
TOTAL SHAREHOLDERS' EQUITY	**8**	**167,731**	**161,675**
Provisions for contingencies and expenses	**10**	**17,886**	**18,349**
Subordinated grants		2,064	2,064
Other equity		**2,064**	**2,064**
Convertible bond loans		-	-
Borrowings and debt with credit institutions excluding current bank lines		70,952	60,595
Current bank lines and credit balances		14,235	19,204
Other loans and borrowings		1,188	1,177
Total borrowings		**86,375**	**80,976**
Trade payables and equivalent		28,029	38,027
Tax and employee-related payables		23,248	20,615
Payables to fixed asset suppliers and equivalent		4,595	5,634
Other payables		24,016	14,923
Total payables & misc. liabilities		**79,888**	**79,200**
TOTAL LIABILITIES	**11**	**166,263**	**160,176**
Deferred revenue	**11**	3,050	3,392
Currency translation adjustments		3,652	4,356
TOTAL EQUITY AND LIABILITIES		**360,645**	**350,012**

- **Income statement**

In thousands of euros	Note	2012	2011
Sold production – France		120,224	106,205
Sold production – international		180,471	184,800
Sales	**13**	**300,695**	**291,005**
Other services and products		1,424	1,193
License fees and royalties		2,893	2,583
Capitalised production costs		2,670	1,525
Reversals of provisions, expense reclassifications		1,125	431
Other services and product		-	-
Operating grants	**14**	1,727	2,557
Other products	**15**	3,277	-
OPERATING INCOME		**313,811**	**299,294**
Purchase of goods, raw materials and other supplies		(118,968)	(114,504)
+ Opening inventory		(74,368)	(68,208)
- Closing inventory		74,976	74,368
Stock variation of the period		**(118,360)**	**(108,343)**
Non-stock purchases, other services and external charges		(79,212)	(88,622)
Taxes and similar payments		(10,254)	(9,063)
Staff costs	**16**	(67,673)	(64,579)
Allowances for depreciation		(13,726)	(13,112)
Provisions		(4,610)	(4,384)
OPERATING EXPENSES		**(293,834)**	**(288,102)**
OPERATING PROFIT		**19,977**	**11,191**
Reversals of provisions, expense reclassifications		3,898	2,140
Interest and similar income		620	3,732
Currency gains		4,812	2,956
FINANCIAL INCOME		**9,329**	**8,828**
Exceptional appropriations for amortisations and reserves		(857)	(7,697)
Interest and similar expenses		(2,325)	(2,528)
Currency losses		(6,990)	(4,051)
FINANCIAL EXPENSES		**(10,172)**	**(14,277)**
NET FINANCIAL EXPENSE	**17**	**(843)**	**(5,449)**
PRE-TAX INCOME BEFORE EXCEPTIONAL ITEMS		**19,134**	**5,743**

In thousands of euros	Note	2012	2011
PRE-TAX INCOME BEFORE EXCEPTIONAL ITEMS		**19,134**	**5,743**
Exceptional income from management operations		1,423	28
Exceptional income from capital transactions		357	165
Reinstatements of amortisations and reserves		1,781	1,586
EXCEPTIONAL INCOME		**3,561**	**1,778**
Exceptional expenses on management operations		(4,584)	(339)
Exceptional expenses on capital transactions		(2,144)	(652)
Exceptional appropriations for amortisations and reserves		(6,731)	(7,750)
EXCEPTIONAL EXPENSES		**(13,459)**	**(8,741)**
EXCEPTIONAL PROFIT (LOSS)	**18**	**(9,899)**	**(6,963)**
Employee profit-sharing		(785)	(258)
Income tax	**19**	(1,768)	1,778
NET INCOME FOR THE PERIOD		**6,683**	**300**

- **Statement of cash flows**

In millions of euros	2012	2011
Gross cash flow	27.54	26.48
Change in inventories	(0.61)	(6.16)
Change in trade receivables and related accounts	(10.78)	(5.19)
Change in trade payables and related accounts	(10.44)	9.59
Increase (decrease) in other current assets and liabilities	20.98	2.27
Cash flow from operating activities (A)	**26.69**	**26.99**
Capital expenditures for operations	(23.79)	(31.77)
Disposal of operating assets	0.36	0.16
Increase (decrease) in financial assets	0.02	0.85
Cash flow from investing activities (B)	**(23.41)**	**(30.76)**
Capital increase	-	-
Merger loss (*mali de fusion*)	(0.10)	-
Decrease in retained earnings	-	-
Dividends paid	(5.48)	(5.48)
New long-term debt	13.29	1.71
Debt repayment	(2.92)	(6.30)
Cash flow from financing activities (C)	**4.79**	**(10.07)**
Net change in cash (A) + (B) + (C)	**8.07**	**(13.84)**
Opening cash and cash equivalents	**(14.52)**	**(0.68)**
Closing cash and cash equivalents	**(6.45)**	**(14.52)**

b) Notes to the annual financial statements of Guerbet

Figures presented in these notes are 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 the 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.

- **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:

- 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 its 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 revalued 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 French GAAP (*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

	2012	2011
Intangible assets at 1 January	**10,925**	**8,845**
Allowances	3,078	2,303
Decreases	728	223
Intangible assets at 31 December	**13,275**	**10,925**

In 2012, changes in cost correspond primarily to software.

1 – 2- Allowances for depreciation and amortisation

	2012	2011
Amortisation and provisions on intangible assets at 1 January	**5,886**	**5,142**
Allowances	1,099	843
Reversals	(225)	(99)
Amortisation and provisions on intangible assets at 31 December	**6,760**	**5,886**

Note 2 - Property, plant and equipment

	31/12/2011	2012 increase	2012 decrease	31/12/2012
Land	1,491	62	-	1,554
Buildings	63,494	3,419	2,545	64,368
Machinery and equipment	116,749	4,461	5,453	115,757
Other tangible assets	24,364	2,227	2,601	23,990
Construction in progress	41,974	10,292	1,328	50,938
Advances and instalments on fixed assets	86	473	-	559
Cost	**248,158**	**20,935**	**11,927**	**257,166**
Allowances for depreciation	(115,956)	(12,853)	10,286	(118,523)
Impairment	**-**	**-**	**-**	**-**
Net	**132,201**	**8,082**	**(1,641)**	**138,643**

	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**

Capital expenditures with a gross value of €20.9 million in 2012 and €32,7 million in 2011 concerned primarily projects to increase production capacity at the Aulnay and Lanester plants.

The decreased gross value of assets is primarily due to fixed assets scrapped and replaced for reasons of obsolescence.

Note 3 - Investments

	2012	2011
Cost	**53,519**	**52,917**
Provision for impairment	(11,279)	(12,138)
Net	**42,240**	**40,779**

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

In 2012, SCI Kalb, was merged by way of a contribution to Guerbet that held 100% of its shares.

Note 4 - Loans

	2012	2011
Loans to personnel	90	98

Note 5 - Inventory

	2012	2011
Raw materials, supplies		
Cost	23,652	23,323
Provisions	(292)	(312)
Net	**23,360**	**23,011**
Intermediate and finished goods		
Cost	46,206	41,683
Provisions	(2,407)	(1,066)
Net	**43,799**	**40,617**
Trade goods		
Cost	5,118	9,362
Provisions	(1,390)	(1,458)
Net	**3,728**	**7,904**
Total net	**70,887**	**71,532**

Note 6 – Receivables by maturity

	2012			2011
	Cost	**Less than 1 year**	**More than one year**	
Advances to associates	6	6	-	1,153
Loans	90	-	90	98
Other financial assets[1]	9,034	8,500	534	8,960
Doubtful and disputed trade receivables	50	50	-	35
Other trade receivables[2]	10,221	10,221	-	5,513
Bills awaiting collection	18,607	18,607	-	11,766
Employee and related receivables	88	88	-	72
Social security and related receivables	12	12	-	45
Income tax receivables[3]	4,229	4,229	-	5,481
VAT receivables	3,622	3,622	-	4,463
Other tax receivables	-	-	-	20
Miscellaneous tax receivables	-	-	-	-
Advances to Group companies and shareholders*	46,493	46,493	-	54,599
Miscellaneous receivables	3,321	3,321	-	1,553
Prepaid expenses	748	541	207	1,233
Total	**96,521**	**95,690**	**831**	**94,991**

[1]A programme for the securitization 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 are reduced by the amount of receivables assigned acquired by the programme of the assignee.
At 31 December 2012, receivables assigned totalled €10,998,000. The actual corresponding collection risks have not been transferred in their entirety to the assignee.
[3] This represents a research tax receivable to be allocated to advance payments of the 2013 corporate income tax.

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 2012, there were no changes in treasury shares. The market value of the Guerbet share was €96.32 at 31 December 2012 representing a total valuation for these shares of €492,000. At 31 December 2012, Guerbet no longer held any security comprised of SICAV money market funds:

		SICAV 1	SICAV 2	Total
2010 balance	Number	27	-	
	Value	3,479	-	**3,479**
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**
2012 purchases	Number	-	9	**-**
	Value	-	2,020	**2,020**
2012 disposals	Number	27	9	**-**
	Value	3,479	2,020	**5,499**
2012 balance	Number	-	-	**-**
	Value	-	-	**-**
31/12/2012	Value	-	-	**-**

Note 8 – Shareholders' equity

	2012	2011
Shareholders' equity at 1 January	**161,675**	**160,692**
Dividends distributed	(5,490)	(5,490)
Dividends allocated to retained earnings	9	9
Capital increase and additional paid-in capital	(96)	-
Decrease in retained earnings		
Profit of the period	6,683	300
Regulated provisions	4,950	6,164
Shareholders' equity at 31 December	**167,731**	**161,675**

Changes in the number of Guerbet shares over the period:

	2012
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 23.

Note 9 – Regulated provisions

	31/12/2010	2011 allowances	2011 reversals	31/12/2011	2012 allowances	2012 reversals	31/12/2012
Investment provisions	159	-	-	159	-	-	159
Special accelerated depreciation	23,766	7,750	1,586	29,930	6,731	1,781	34,880
Total	**23,925**	**7,750**	**1,586**	**30,089**	**6,731**	**1,781**	**35,039**

Note 10 – Provisions for contingencies and expenses

	31/12/10	Allowances 2011	2011 reversals (used/ reclassified)	2011 reversals (unused prov.)	31/12/11	Allowances 2012	2012 reversals used/ reclassified)	2012 reversals (unused prov.)	31/12/12
Retirement severance benefits (1)	10,669	3,184	-	-	13,853	1,908	-	-	15,761
Interest rate hedges	-	-	-	-	-	-	-	-	
Foreign exchange risk	1,876	3,439	1,876	-	3,439	761	3,439	-	761
Trade receivables	-	-	-	-	-	-	-	-	-
Purchase commitments for active ingredients	-	-	-	-	-	-	-	-	-
Other	714	447	75	29	1,057	1,036	378	351	1,364
Total	**13,259**	**7,070**	**1,951**	**29**	**18,349**	**3,705**	**3,817**	**351**	**17,886**

(1) Retirement severance benefits:

Provisions for retirement severance benefits did not include any amount set aside for corporate officers at 31 December 2012. 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 are 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 2012 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

	2012				2011
	Gross	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Cost
Non-current debt (>1 year at inception)	14,271	14,271	-	-	19,243
Current debt (<1 year at inception)	70,916	29,628	23,864	17,424	60,556
Miscellaneous loans and borrowings	1,188	481	707	-	1,177
Trade payables and equivalent	28,029	28,029	-	-	38,027
Personnel and similar expenses	15,694	14,909	-	785	13,317
Social security charges and equivalent	7,267	7,267	-	-	6,806
Income tax payables	36	36	-	-	145
Government tax payables VAT payables	-	-	-	-	-
Other tax payables	251	251	-	-	347
Payables to fixed asset suppliers and equivalent	4,595	4,595	-	-	5,634
Payables to group companies and shareholders	21,837	21,837	-	-	13,666
Other payables	2,179	2,179	-	-	1,258
Deferred revenue	3,050	698	-	2,352	3,392
Total	**169,313**	**124,181**	**24,571**	**20,561**	**163,568**

Note 12 – Accrued income and expenses

	2012	2011
Accrued income		
Advances to associates	6	7
Trade receivables and related accounts	30	-
Other receivables	3,203	1,546
Banks, financial institutions	23	-
Total	**3,262**	**1,553**
Accrued expenses		
Borrowings and loans	64	71
Trade payables and equivalent	10,547	10,737
Payables to fixed asset suppliers	-	-
Tax and employee-related payables	17,660	15,080
Other payables	1,834	1,198
Accrued interest on overdrafts	101	67
Total	**30,206**	**27,153**

Note 13 – Sales by region

	2012	2011
France (including overseas department and territories)	123,445	108,958
Europe excluding France	104,316	105,492
Europe including France	**227,761**	**214,450**
Asia	27,271	26,031
Latin America	24,188	26,083
North America	7,115	9,798
Other countries	14,360	14,643
Total	**300,695**	**291,005**

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.

At 31 December 2012, the following items were recognised in connection with this aid agreement:
In the balance sheet:

- €2.3 million in grants received prior to the signature of the agreement in December 2008 and recognised under "Other current financial liabilities";
- €1.8 million in repayable advances received from 2008 to 2011 and recognised under "Non-current financial liabilities".
- €1.4 million in grants receivable for research expenditures incurred by Guerbet from 1 July 2011 to 30 June 2012. These grants are recognised under "Other current financial assets".

In the income statement:

- €1.4 million recognised under "Other revenue from ordinary activities" for this grant receivable.

A €1.6 million repayable advance to be received in 2013 by Guerbet for research expenditures incurred from July 2011 to June 2012. This item was not recognised in the financial statements at 31 December 2012.

In 2011, Guerbet received and recognised financing of €2.5 million including €2.4 million in grants and €0.1 million in repayable advances for research expenditures incurred by Guerbet from July 2010 to June 2011.

The amount of contingent income that remains to be received for research expenditures incurred in the 2012 second half but not yet approved by Oseo at the end of the reporting period and not recognised in the income statement would amount to €503,000 in grants. To this, €325,000 in repayable advances should be added.

An amendment is in the process of being executed with Oseo that provides for a two-year extension of the term of the project and a modification of the terms for financial returns in the eventuality a product is put on the market on completion of the project.

Note 15 – Other income

An insurance payment of €3.3 million was paid for material damage and business interruption losses for the claim of November 2011 involving our Lanester site.

Note 16 – Staff costs

	2012	2011
Salaries and wages	(46,608)	(44,422)
Social security charges	(21,065)	(20,157)
Total	**(67,673)**	**(64,579)**

Note 17 – Net financial income/(expense)

	2012	2011
Dividends	-	3,010
Interest income/(expense)	(879)	(1,306)
Currency gains/(losses)	(454)	(3,329)
Net provisions on investments	362	(3,994)
Cancellation of debt	-	-
Other	128	170
Total	**(843)**	**(5,449)**

Note 18 – Exceptional profit (loss)

	2012	2011
Waiver of Medex debt[1]	(4,553)	-
Net charges on regulated provisions	(4,950)	(6,164)
Net gains from the retirement of assets	(1,787)	(469)
Indemnity received for breach of contract	1,195	-
Other	196	(330)
Total	**(9,899)**	**(6,963)**

Note 19 – 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-sharing provisions. 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 French tax group for fiscal 2012 was €14.34 million. The tax charge of the French tax group totalled €1.74 million after the application of tax credits including a research tax credit of €3.37 million. Because the tax charge owed by the French tax group is lower than the amount of tax credits, tax receivable of €4.23 million for research tax credits is recorded under "Other trade receivables".

[1]This waiver is accompanied by a financial recovery clause.

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

	2012	2011
Group tax income / (expense)	(1,738)	364
Tax charge from consolidated subsidiaries	288	1,662
Tax savings passed back to consolidated subsidiaries	(323)	(122)
Other tax charges	5	(126)
Tax income /(expense) of the company heading the tax group	**(1,768)**	**1,778**

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

	2012	2011
Income tax on current income[1]	(5,093)	(608)
Income tax on exceptional profit (loss)	3,326	2,386
Other tax charges	-	-
Tax income /(expense) of the company heading the tax group	**(1,768)**	**1,778**

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

For 2012, disallowed deductions incurred by Guerbet concerned €191,000 for the depreciation of private vehicles.

Note 20 – 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.

	2012	2011
Net deferred tax resulting from timing differences (tax assets)	8,287	7,587
Deferred tax on shareholders' equity items (tax liabilities)	13,484	11,510

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 statute.

Note 21 – 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.

	2012	2011
Pre-tax income	8,450	(1,478)
Net allowances or reversals of regulated provisions and special tax depreciation charges	(4,950)	(6,164)
Adjusted pre-tax income	13,400	4,686

[1] Including a research tax credit of €3.05 million

Note 22 – 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.

	2012	2011
Financial assets		
Investments in associates	53,411	52,809
Advances to associates	6	1,153
Trade receivables	**5,873**	**951**
Receivables		
Other receivables	1,353	1,536
Current account receivables	46,494	54,600
Provisions for contingencies and expenses	**-**	**-**
Payables		
Miscellaneous loans and borrowings	-	-
Trade payables	-	262
Payables to fixed asset suppliers	72	72
Other payables	499	-
Current account payables	21,837	13,666
Deferred revenue	134	704
Operating revenue		
Sale of goods	146,175	149,331
Sale of services	1,185	942
Other products	2,856	2,423
Operating expenses		
Purchase of goods and supplies	(27,374)	(24,418)
Non-stock purchases, other services	(6,107)	(6,897)
Taxes other than on income	-	-
Financial income		
Dividends	-	3,010
Interest and similar income	446	533
Reversals of provisions, expense reclassifications	458	264
Currency gains	-	-
Financial expenses		
Allowances for amortisations and reserves	(96)	(4,258)
Interest and similar expenses	(118)	(145)
Cancellation of debt	-	-
Currency losses	-	-
Exceptional expenses		
Exceptional appropriations for amortisation and reserves	-	-
Cancellation of debt	(4,553)	-

Debt waiver agreements granted to affiliated undertakings and implemented in 2012:

A debt waiver was granted to Medex for €4,553,000 with a financial recovery clause.

Note 23 – Stock options and stock purchase options

Grant date	Plan of 26/07/2005	Plan of 26/03/2009	Plan of 17/10/2011	Plan of 23/11/2011	Plan of 20/02/2012
Tax availability date	26/07/2007	26/03/2011	17/10/2015	23/11/2015	20/02/2016
Number of options granted:	106,950	6,000	132,710	12,000	1,700
o.w. Yves L'Epine	-	-	-	*12,000*	-
o.w. Bruno Bonnemain	*2,000*	-	*4,000*	-	-
Subscription or purchase price	€ 82.91	€ 112.26	€ 61.60	€ 64.30	€ 61.50
Plan expiration date	25/07/2012	25/03/2019	16/10/2021	22/11/2021	20/02/2022
Number of options exercised	16,023	-	-	-	-
Number of options cancelled	90,927	4,000	13,110	-	-
Number of options outstanding	-	2,000	119,600	12,000	1,700

Note 24 – Financial instruments subject to potential market risks

The fair value of treasury instruments is -€2.24 million for interest rate hedges and -€0.018 million for foreign exchange hedges.

At 31 December 2012 there were 11 interest rate hedges for €100.42 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	3.7754%	-48,667.25	2,142,857.14
20/06/2008	20/06/2013	Swap	Purchase	3 Month Euribor	5.1250%	-12,510.66	500,000.00
15/06/2009	15/06/2014	Swap	Purchase	3 Month Euribor	2.4920%	-91,541.38	4,500,000.00
09/12/2009	12/12/2016	Cap	Purchase	3 Month Euribor	2.5300%	-81,488.78	5,714,285.71
17/12/2009	17/12/2014	Cap	Purchase	3 Month Euribor	2.3000%	-24,165.17	4,000,000.00
28/09/2010	28/09/2013	Swap	Purchase	3 Month Euribor	1.2025%	-13,032.51	2,500,000.00
29/03/2011	31/03/2018	Swap	Purchase	3 Month Euribor	2.7750%	-1,044,418.86	16,125,000.00
30/06/2011	04/07/2016	Swap	Purchase	3 Month Euribor	2.2950%	-153,145.80	3,750,000.00
04/11/2011	08/11/2016	Swap	Purchase	3 Month Euribor	1.4350%	-194,166.78	8,000,000.00
10/11/2011	14/11/2016	Swap	Purchase	3 Month Euribor	1.4525%	-196,817.69	8,000,000.00
09/07/2012	30/06/2017	Swap	Purchase	3 Month Euribor	0.7250%	-380,042.75	45,187,500.00

With respect to the management of foreign exchange risk, 74 forward exchange hedging contracts were negotiated in 2012 including 3 still open at 31 December for €1.13 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
27/11/2012	09/01/2013	USD Swap purchase	1.2980	1.2985	159,934.54	207,675.00	-2,545.61
29/11/2012	09/01/2013	USD Swap purchase	1.2975	1.2979	612,007.86	794,325.00	-10,019.37
29/11/2012	05/02/2013	USD Swap purchase	1.2975	1.2983	354,829.39	460,675.00	-5,781.56

Note 25 – Compensation to officers

	2012	2011
Compensation granted to officers	651	560

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

Note 26 – Average number of personnel during the year

	2012	2011
Office and plant workers	203	209
Technicians, supervisors, sales representatives	432	418
Management	253	246
Total	**888**	**873**

Note 27 – Off-balance sheet commitments

	2012	2011
Guarantees and security and other commitments granted to third parties on behalf of associates	9,893	13,009
Guarantees and security granted to third parties	3,384	3,141
Receivables assigned within the framework of securitisation programmes	10,998	12,417
Property and equipment capital lease commitments:	508	650
- *less than 1 year*	*130*	*141*
- *between 1 and 5 years*	*379*	*509*
- *greater than five years*	-	-
Guaranteed debt	-	-
Total	**24,783**	**29,217**

	Capital lease payments in 2012	Capital lease payments in 2011
On property leases	-	-
On equipment leases	141	-
Total	**141**	**-**

Capital lease commitments relative to these items are as follows:

	2012	2011
Value of property and equipment	588	588
Depreciation allowance if acquired by the company	72	6
Residual value of the property at the end of the contract	-	-

For 2012, the breakdown of property held under capital leases by nature is as follows:

	Initial recognition	Allowances for depreciation in the period	Accumulated depreciation	Net
Land	-	-	-	-
Buildings	-	-	-	-
Machinery and equipment	588	72	78	510
Total	**588**	**72**	**78**	**510**

Note 28 – 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 88,665 hours. Guerbet financed 554 training hours in fiscal 2012.

2. Development expenditures of €34,555,000 not capitalised were expensed in 2012.

3. Auditors' fees incurred by Guerbet for fiscal 2012 are presented in Note 30 of the consolidated financial statements.

Note 29 – 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	Dividends	Income for the last financial year
A – INVESTMENTS WHOSE GROSS VALUE EXCEEDS 1% OF GUERBET 'S CAPITAL										
SUBSIDIARIES										
Simafex (France)	1,280	18,923	100.00	1,224	1,224	2,625		21,622		1,256
Medex (France)	180	-1,928	60.00	3,000		4,192	2,500	7,059		129
Guerbet Produtos Radiologicos (Brazil)	11,191	12,901	100.00	11,197	11,197			37,965		-1,512
SA Guerbet N.V. (Belgium)	541	10,244	99.56	379	379			25,345		1,250
Martins & Fernandes (Portugal)	410	56	99.73	1,224	501	229		3,012		35
Guerbet A.G. (Switzerland)	414	5,675	99.60	304	304			20,028		1,248
Guerbet G.M.B.H. (Germany)	511	13,888	100.00	19,962	19,962			61,390		2,799
Guerbet A.S. (Turkey)	1,682	-269	99.99	2,009	1,417			4,330		13
Laboratorios Farmaceuticos Guerbet (Spain)										
Guerbet Austria G.M.B.H. (Austria)	781	621	100.00	790	790	3,824		8,827		454
Guerbet Korea LTD (South Korea)	73	1,388	100.00	146	146			3,600		181
Guerbet Taiwan (Taiwan)	5,962	-4,353	100.00	8,202	4,875		4,366	12,867		-49
Guerbet SPA (Italy)	183	57	100.00	191	191	20	196	2,992		223
Guerbet LLC (USA)	500	4,520	100.00	500	500	2,023	2,398	13,285		336
Guerbet Mexicana (Mexico)	1,212	-947	100.00	1,624	428	2,286	91	6,876		174
Guerbet Japan KK (Japan)	512	-361	100.00	600	111	4,204	304	5,293		-38
	1,497	-4,099	100.00	1,951	-	21,955		16,565		-391
ASSOCIATES										
	-	-	-	-	-	-		-	-	-
B – INVESTMENTS WHOSE GROSS VALUE DOES NOT EXCEED 1% OF GUERBET 'S CAPITAL										
SUBSIDIARIES										
Abarem (France)	1		100.00	1	1					
Abalux (France)	1		100.00	1	1					
Guerbet France (France)	1		100.00	1	1					
Guerbet Nederland B.V. (Netherlands)	91	1,869	100.00	92	92	144		9,385		274
Guerbet Laboratories LTD (United Kingdom)	12	498	100.00	13	13		38	5,889		218
Guerbet Asie Pacifique (Hong Kong)	N.S.	4,824	100.00	N.S.	N.S.	3,356		24,103		370
ASSOCIATES										
Investments in French companies	N.C.	N.C.		108	108					N.S.

	Subsidiaries		Investments in associates	
General information relating to subsidiaries or associates	**French**	**Other countries**	**French**	**Other countries**
Book value of shares:				
- Cost:	4,227	49,184	108	-
- Net:	1,227	40,906	108	-
Loans and advances granted	6,817	38,041	-	-
Guarantees and sureties granted	2,500	7,393	-	-
Dividends received	-	-	-	-

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 2012.

4) 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 accordance with our appointment as auditors at your annual general meeting, we hereby report to you for the year ended 31 December 2012 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. These 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 annual 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 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 2012 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 our unqualified 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 report contains the appropriate disclosures relating to acquisitions of equity and controlling interests and the identity of holders of capital and voting rights.

Paris and Neuilly-sur-Seine, 11 April 2013

The Statutory Auditors

French original signed by:

Horwath Audit France	**Deloitte & Associés**
Member of Crowe Horwath International	
Marc de Prémare	Jean-Marie Le Guiner

5) 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 2012

To the shareholders

As statutory auditors of your Company, we hereby present our report on related party 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.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code (*Code de Commerce*) concerning the implementation, during the year ended, of the agreements and commitments already approved by the General Meeting of the Shareholders.

We performed procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*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

Pursuant to Article R.225-40 of the French Commercial Code, the following transactions, previously authorised by the Board of Directors of your Company, have been brought to our attention.

- Agreement concluded with Guerbet LLC

  Nature and purpose: intra-group agreement concluded between Guerbet and Guerbet LLC for Guerbet LLC to recharge Guerbet for a portion of its marketing expenses.
  Terms and conditions: recharging of these expenses applied retroactively as from 1 January 2012 increased by a margin of 5%.
  Amount: for fiscal 2012, amounts recharged totalled €1,140,386.30.

- Agreement concluded with Medex

  Nature and purpose: agreement for the waiver of commercial debt in favour of Medex to permit the reconstitution of its equity capital. This waiver is accompanied by a financial recovery clause.
  Amount: the debt waiver amounted to €4,553,000.

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, 11 April 2013

The Statutory Auditors

French original signed by:

Horwath Audit France	**Deloitte & Associés**
Member of Crowe Horwath International	
Marc de Prémare	Jean-Marie Le Guiner

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 24 MAY 2013

1) Agenda

Ordinary resolutions

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 2012 financial period.
   Approval of the parent company and consolidated financial statements of the 2012 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. Appointment of Mrs. Claire Jouault to the Board of Directors.

7. Appointment of Mr.Yves L'Epine to the Board of Directors.

8. Replacement of a Joint-Deputy Auditor of the Company

Extraordinary resolutions:

9 Partial business transfer (*apport partiel d'actif*)

10. Stock split of the Company' shares

Ordinary resolution

11. Powers for formalities.

2) Resolutions submitted to shareholders

Ordinary resolutions

RESOLUTION ONE (*Approval of the parent company and consolidated financial statements for the fiscal year ended 31 December 2012 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 2012 fiscal year as presented.

On this basis, they approve the operations reflected in the financial statements or summarised in these reports and grant a discharge to the Board of Directors 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 2012 period was €6.682.782.72, approve the following appropriation of earnings and the distribution of dividends proposed by the Board of Directors:

	In euros
Net income	6.682.782,72
Retained earnings	55.112.064,69
Total appropriation	**61.794.847,41**
Legal reserve	-
Distributable profit	**61,794,847.41**
Initial dividend (minimum payout under the Article of Associations)	732,011.04
Additional dividend	5,368,080.96
Total net dividend	**6,100,092.00**
Balance allocated to retained earnings	**55,694,755.41**

The shareholders set in consequence the dividend for this period at €2.00 per share. This dividend will be payable on 7 June 2013 in favour of the 3,050,046 shares comprising the capital stock at 31 December 2012.

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]
2009	€ 6,843,962.25	€ 2.25	€ 0.90
2010	€ 5,490,082.80	€ 1.80	€ 0.72
2011	€ 5,490,082.80	€ 1.80	€ 0.72

[1] Before tax 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 (*Setting attendance fees*)

The shareholders set a maximum amount for attendance fees of €166,200 for the fiscal year ending 31 December 2012.

RESOLUTION FIVE *(Authorisation to be granted to the Board of Directors for trading in own shares)*

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 of 22 December 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 blocks 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 €200 per share and the minimum purchase price is €20. 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 €30,500,400 on the basis of 152,502 shares.

Subject to exercise of the authorisation that may be granted by the shareholders, in connection with the tenth resolution, the maximum number of shares that may be acquired by the Company will be 610,008 shares with a maximum purchase price of €50 and a minimum price of €5.

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 25 May 2012.

RESOLUTION SIX (*Appointment of Claire Jouault as Director*)

The shareholders appoint as of today Mrs. Marie-Claire Claire Jouault, a French national born 27 August 1961 in Paris, residing at 13, rue du Trosy – 92140 Clamart, to the Board of Directors of the Company for a period of six years that shall expire at the end of the Ordinary General Meeting of the shareholders to be held in 2019 to rule on the accounts for the fiscal year ending 31 December 2018.

RESOLUTION SEVEN (*Appointment of Yves L'Epine as Director*)

The shareholders appoint as of today Mr. Yves L'Epine, of French nationality and born 24 October 1959 in Paris, residing at 112, avenue du Belloy – 78110 Le Vésinet, to the Board of Directors of the Company for a period of six years that shall expire at the end of the Ordinary General Meeting of the shareholders to be held in 2019 to rule on the accounts for the fiscal year ending 31 December 2018.

RESOLUTION EIGHT (*Replacement of a Joint-Deputy Auditor of the Company*)

The shareholders, duly noting the decision of Mr. Becouze to retire from his activity as an auditor decide to appoint for the remainder of this term, as Joined-Deputy Auditor, the firm Becouze, A French public limited company (*Société Anonyme*) with capital of €291,500, having its registered office at 1, rue de Buffon – 49100 Angers and registered in the Angers Trade and Company Register (R.C.S.) under No. 323 470 427.

Extraordinary resolutions

RESOLUTION NINE (*Partial business transfer*)

The shareholders, subject to the quorum and voting majority requirements for extraordinary shareholders' meetings, after having reviewed:

- the Board of Directors' report;
- the reports of Mr. Raymond Dijols, Cabinet GVA, CS 81691, residing at 105, avenue Raymond Poincarré, 75116 Paris Cedex 16, the transfer auditor (*Commissaire à la Scission*) appointed by decision of the President of the Commercial Court of Commerce of Bobigny dated 6 February 2013,
- the proposal for the partial business transfer (*projet d'apport partiel d'actif*) and the appendices thereto executed on 4 April 2013 with Guerbet France, a simplified joint stock company (*Société par Actions Simplifié*), with a capital of €1,000, having its registered office at 15, rue des Vanesses – 93420 Villepinte, and registered in Bobigny under No. 789 526 555, whereby Guerbet transmits to Guerbet France, by way of a partial business transfer in accordance with legal provisions governing spin-offs effective 30 June 2013, its entire division and stand-alone business of "promotion and marketing" consisting in the promotion and marketing in metropolitan France and its overseas departments and territories DOM-TOM (i) of X-ray and MRI contrast agents and (ii) medical devices injectors, consumables and (iii) related services,

approve all the provisions of this project and notably:

- the contributions made by Guerbet to Guerbet France of the assets attached to the business contributed valued at €2,878,298.95 in exchange for assumption by Guerbet France, as the beneficiary, of the liabilities attached to this same business to €2,877,298.95, or a net contribution of assets of €1,000;
- Evaluation performed of these contributions, as well as the deferred effect of this partial business contribution as of 30 June 2013;
- the consideration for this net contribution, namely the allotment to Guerbet of 100 shares with a nominal value of €10 per share, fully paid up, with a record date corresponding to the effective date of the contribution, to be created by Guerbet France as a capital increase for €1,000.

The shareholders duly note that the aforementioned contribution is subject to the condition precedent of its approval by the sole partner of Guerbet France, called to rule on this same day on this transaction and that will take effect on 30 June 2013.

Finally, the shareholders duly note that a new accounting statement will be produced by Guerbet and Guerbet France on the effective date of the contribution for the purpose of adjusting its value in relation to the assets and liabilities originating from the accounts of Guerbet at 31 December 2012, and that this adjustment may, as applicable, result in the contribution of additional cash consideration by Guerbet or contribution premium.

The shareholders Grant all powers to the Chief Executive Officer to complete this contribution, directly or through an agent appointed by him, and in consequence:

- to repeat, if required and in all forms, the partial business transfer made by the transferee Company, to draw up all additional, confirmatory or amending documents that may be necessary, fulfil all formalities that may be useful for the transmission of the items contributed by Guerbet to Guerbet France;
- to fulfil all formalities, make all representations to finance administrations, all as well as any service of process or notification to any party and notably sign the "statement of regularity and conformity";
- For the purpose of the above, to sign all documents and instruments, establish an address for service, substitute and delegate within the limit of these powers, and do all that is necessary;
- to formally record completion of the partial business transfer;
- to ensure that all formalities resulting from the partial business transfer have been properly completed by the transferee Company of the contributions;
- to set the final value of the assets contributed and the liabilities transmitted as shown in the accounts of Guerbet at 30 June 2013.

RESOLUTION TEN (*Stock split of the Company' shares*)

The shareholders, subject to the quorum and voting majority requirements for extraordinary shareholders' meetings, after having reviewed the Board of Directors' report, authorise the Board of Directors to carry out a stock split within a period of 12 months as from July 1, 2013. If this authorisation were to be exercised:

- The par value of the share will be divided by four (4) in order to reduce the par value of each share of the Company from four (4) euros to (1) one euro.
- The share capital would remain set at €12,200,184, divided into 12,200,184 fully paid-up shares with a par value of one (1) euro. The 12,200,184 new shares would be granted to Shareholders of the Company on the basis of four (4) new shares for one (1) share held.
- Article 6 of the articles of association of the Company would read as follows: "The share capital is set at €12,200,184, divided into 12,200,184 shares with a par value of one (1) euro each."
- The stock split and corresponding grant of new shares to shareholders would have no effect on the double voting rights provided for under the Company's articles of association. The new shares will retain the same rights as the prior shares they replace, namely shares caring double voting rights on the grant date will retain those rights and the starting date for determining the two-year period required for obtaining this double voting rights will remain unchanged.

Henceforth, the shareholders Grant all powers to the Board of Directors, that they may in turn delegate within the limits provided for by law, to make all adjustments rendered necessary by the stock split, and notably with respect to stock option and stock purchase plans existing on the date of the stock split, amend in consequence the articles of association of the Company and undertake all measures, formalities and representations pursuant to this decision.

Ordinary resolution

RESOLUTION ELEVEN

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

3) Report of the Board of Directors on the proposed resolutions

- **Fifth draft resolution: authorisation granted to the Board of Directors for trading in own shares of the Company**

The authorisation that the Ordinary General Meeting may grant to the Board of Directors to purchase and sell shares of the Company in accordance with Article L.225-209 of the French commercial code, would permit, if required:

- 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 maximum number of shares that may be acquired would be 5% of the share capital of the Company corresponding 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 maximum number of treasury shares must at all times be limited to 10% of the share capital.

The maximum purchase price shall be €200 per share and the minimum purchase price €20. In consequence, the total amount that may be set aside for the purchase of the company's own shares may not exceed €30,500,400 on the basis of 152,502 shares.

Subject to exercise of the authorisation that may be granted by the shareholders, in connection with the tenth resolution, the maximum number of shares that may be acquired by the Company will be 610,008 shares with a maximum purchase price of €50 and a minimum price of €5.

This authorisation is granted for eighteen months from the date of the General Meeting. It supersedes and will replace the authorisation previously granted under resolution five of the General Meeting of 25 May 2012.

Board of Directors

- **Ninth draft resolution: partial business transfer**

To the shareholders,

We have called this extraordinary shareholders' meeting to submit for your approval, as required by law and the Company's articles of association, the partial business transfer (*apport partiel d'actif*) of the entire and stand-alone division of the "promotion and marketing" activity of Guerbet in favour of Guerbet France.

We will provide you with full details and additional information concerning the items and documents provided for under applicable regulation and that will remain available to you in accordance with the statutory deadlines.

You may thereafter consult the report of the transfer auditor (*commissaire à la scission*).

Proposed partial business transfer (*apport partiel d'actif*) of the entire stand-alone business of the "promotion and marketing" activity of Guerbet in favour of Guerbet France

We propose that you rule on the partial business transfer of the entire stand-alone business of the "promotion and marketing" activity of Guerbet in favour of its wholly-owned subsidiary, Guerbet France, a simplified joint stock company (*Société par Actions Simplifiée*), with a capital of €1,000, having its registered office at 15, rue des Vanesses – 93420 Villepinte, and register in Bobigny under No. 789 526 555.

The proposed contribution submitted to you was adopted by your Board of Directors on 4 April 2013 and the draft agreement to that effect was signed on that same day.

Purpose of the partial business transfer

The partial business transfer thus proposed relates to a plan for the internal reorganisation of the Guerbet Group.

To address the new challenges, notably in order to permit its commercial forces to both effectively reach customers and adapt to changing regulatory requirements, the promotional and marketing activities of Guerbet must evolve in consequence.

The objective of this reorganisation is thus to group these activities within a stand-alone entity which involves the contribution by Guerbet of its "promotion and marketing" division in favour of its wholly-owned subsidiary, Guerbet France.

For this contribution, the "promotion and marketing" activity will be given the status as a stand-alone legal entity that is necessary for its activity while enabling it to benefit from the constant backing of the Guerbet Group through a reciprocal collaboration.

It is specified that the bodies representing Guerbet personnel were informed in advance and consulted on the subject of the proposed partial business transfer and rendered a favourable decision on 8 January 2013

Assets and liabilities to be contributed

The complete and stand-alone division of the activity to be transferred to Guerbet consists in the promotion and marketing in metropolitan France and French overseas departments and territories of:

- X-ray and MRI contrast products;
- Medical devices, injectors and related consumables.

The contribution will concern mainly the injectors, the contract relating to these injectors and the personnel attached to this sector of activity. The customer base relating to this activity will not however be transferred but Guerbet France will act, in time, as a commission agent on behalf of Guerbet.

It is specified that Guerbet France will be responsible only for those liabilities it assumes within the framework of the partial business transfer and shall not be jointly and severally liable for other liabilities of Guerbet, and that Guerbet shall not be jointly and severally liable with Guerbet France for the debts transmitted to the latter within the framework of the proposed partial business transfer.

Application of legal provisions governing spin-offs

In accordance with Article L. 236-22 of the French commercial code, we inform you that the contribution will be subject to French legal provisions governing spin-offs. To this purpose, you will be presented the report of Mr. Raymond Dijols, the Transfer Auditor (*Commissaire à la Scission*) appointed by decision of the President of the Commercial Court of Commerce of Bobigny dated 6 February 2013.

Delayed effect of the partial business transfer

We inform you that the partial business transfer is subject to the following conditions precedent:

- Approval by the extraordinary general meeting of Guerbet of the partial business transfer;
- approval by the sole partner of Guerbet France, of the partial business transfer and the capital increase resulting from the issuance of 100 new shares of €10 per share, granted to Guerbet as consideration for its contribution;

It is however specified that the partial business transfer will have a delayed effect from a legal, accounting and tax standpoint defective 30 June 2013.

As a result, the two conditions precedent must accordingly be fulfilled no later than 30 June 2013.

Valuation method

In accordance with accounting regulation 2004-01 of the French accounting standards authority (*Autorité des Normes Comptables*) of 4 May 2004, as Guerbet and Guerbet France are jointly controlled entities, the assets and liabilities will be transferred according to their net carrying value.

Accounts used to establish the terms of the transaction

The accounts relating to items transferred by Guerbet are, on a provisional basis, the accounts relating to the "promotion and marketing" activity drawn up on the basis of the annual financial statements of that company for the fiscal year ended 31 December 2012.

These annual financial statements were adopted by your Board of Directors on 5 March 2013 and submitted for approval to your annual ordinary general meeting.

The net carrying value of the business division contributed as shown in these financial statements is €1,000.

It is specified that a settlement of accounts will be established between Guerbet and Guerbet France on the effective date of the contribution, i.e. 30 June 2013, in order to retain the net carrying value of the contribution in the accounts of Guerbet on that date.

Any difference arising from variations in assets or liabilities between the amount of net assets of the contribution on the date of the contribution agreement and the amount of net assets of the contribution on its effective date, will be adjusted by a contribution of an additional cash amount in the event of insufficient assets, which Guerbet undertakes to assure, or by constitution of a contribution premium in the event of surplus assets.

Partial business transfer by Guerbet to Guerbet France

Under the terms of the draft agreement for the partial business transfer dated 4 April 2013:

- the assets contributed are valued at €2,878,298.95;
- the liabilities assumed amount to €2,877,298.95.

In consequence, the net assets contributed by Guerbet to Guerbet France represent a value of €1,000.

Consideration for the partial business transfer

The consideration in payment for the contribution is determined on the basis of the actual value of the business division contributed by Guerbet and the actual value of the beneficiary company, Guerbet France, according to the evaluation methods attached to the draft agreement for the partial business transfer.

Based on the method applied, the actual value of the business contributed is €1000 and the actual value of Guerbet France is €1000 or a value of €10 per share.

The number of shares of Guerbet France to be issued in consideration for the contribution will consequently be 100 shares.

In consequence and as consideration in payment for this net contribution, Guerbet France will increase its capital by €1,000 through the creation of 100 shares with a par value of €10 per share fully paid up, all allotted to Guerbet.

These new shares will carry rights with a date of record on the effective date of the contribution, i.e. 30 June 2013 and, on this condition, be fully fungible with existing shares, and carry the same rights and incur the same expenses.

They will be tradable as from the effective date of the contribution, i.e. 30 June 2013.

From a tax perspective, the transaction will be governed by the preferential tax regime provided for by Articles 210 A and 210 B of the French General Tax Code (*Code Général des Impôts*) with respect to corporate income tax and the special provisions covered by Articles 816 and 817 of said Code and Articles 301 E and 301 F of Appendix II of said Code with respect to registration rights.

These draft resolutions are presented to you for the purpose of implementing this partial business transfer.

We accordingly hope that you approve this proposal and hereby request that you grant in consequence your Chief Executive Officer all powers to make all decisions concerning the procedures for executing this transaction and fulfilling all legal formalities relating thereto.

Board of Directors

- **Tenth draft resolution: stock split of the Company' shares**

Your Board of Directors has noted that the liquidity of the Company's share is not sufficient and could be significantly improved by a stock split.

For that reason we propose to proceed with a stock split by dividing the par value of the Guerbet share by four (4) through the creation of 12,200,184 new shares with a par value of one (1) euro that will be granted to shareholders holding 3,050,046 existing shares with a par value of €4, by means of an exchange, on the basis of four new shares for one share held.

It will be proposed to the Extraordinary General Meeting to authorise the Board of Directors to proceed with this stock split within a period of twelve months as from 1 July 2013.

Furthermore, it will be proposed that the Board of Directors be delegated authority, that may be in turn delegated within the limits provided for by law, to make all adjustments rendered necessary by the stock split, notably with respect to stock options and stock purchase options existing on the date of the stock split, modify in consequence the Company's articles of association and undertake all actions and formalities and make all representations resulting from this decision.

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.

Villepinte, 16 April 2013

Yves L'Epine

Chief Executive Officer

2) The Statutory Auditors

a) Statutory auditors

	First appointment	Last reappointment	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 15 rue de la Baume, 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 reappointment	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 and 2012, the amount of share capital has remained unchanged since 19 January 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 the transformation of a joint venture company (*Société en Participation*) originally created in 1901 into a limited partnership (*Société en Commandite Simple*) and subsequently into a joint-stock company (*Société Anonyme*) on 1 January 1965. 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 registered in the Companies Register (*Registre du Commerce et des Sociétés*) of Bobigny under No. 308 491 521 with the APE activity code 2120 Z – Manufacture of Pharmaceutical Preparations.

- **Financial year**

Each fiscal year lasts for one year, commencing on 1 January and ending on 31 December of each year.

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 Généraux 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) 2013 shareholders calendar

Event	Date
Publication of 2012 annual sales	8 February 2013
Presentation of 2012 consolidated financial statements	6 March 2013
Publication of 2013 first-quarter sales	23 April 2013
Annual General Meeting for FY 2012	24 May 2013
Presentation of semi-annual consolidated financial statements of 30 June 2013	26 July 2013
Publication of 2013 third-quarter sales	23 October 2013

Financial information and investor relations contact for Guerbet Group:

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

www.guerbet.com

Guerbet

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