



FINANCIAL REPORT

FIRST HALF 2019



AT 30 JUNE 2019

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MANAGEMENT REPORT

Comments on activity in the first half of 2019

Revenue growth across all areas of activity

The Group reported €400.6 million in revenue in the first half, up 2.8% from the first half of 2018. This figure includes a favorable exchange effect of €4.1 million. Sales were €396.5 million, up 1.8% at constant exchange rates.

Diagnostic Imaging revenue grew 2.2% to €351.9 million at constant exchange rates. At current exchange rates, revenue totaled €354.6 million at 30 June.

- MRI activity increased 1.8% at constant exchange rates (to €135.9 million) despite Dotarem® generics and the withdrawal of Optimark®, now nearly completed;
- CT & Cath Lab revenue grew 2.5% at constant exchange rates (to €216 million)¹ due to buoyant sales of Optiray®.

Interventional Imaging, the Group's growth driver, reported 15.9% revenue growth (€33.8 million at constant exchange rates).

A half-year marked by significant expenditures for organic growth

IFRS 16 on the recognition of leases for consolidated financial statements came into force on 1 January 2019. The Guerbet Group decided to apply this standard on a simplified retrospective basis, which does not provide for restatement of the previous financial year. For comparison purposes, the 2019 figures are presented after application of IFRS 16 and before application of IFRS 16 to make them comparable with the 2018 figures.

	H1 2018 Reported	H1 2019 Reported (With IFRS 16)	H1 2019 Comparable (Without IFRS 16)
Revenue	389.6	400.6	400.6
EBITDA	59.6	61.6	57.1
<i>% of revenue</i>	<i>15.3%</i>	<i>15.4%</i>	<i>14.3%</i>
Operating Income	36.6	22.3	22.2
<i>% of revenue</i>	<i>9.4%</i>	<i>5.6%</i>	<i>5.5%</i>
Net income	22.4	19.0	19.2
<i>% of revenue</i>	<i>5.8%</i>	<i>4.8%</i>	<i>4.8%</i>
Net debt	308.7	358.1	339.9

EBITDA totals €61.6 million, up 3.3%. It includes additional charges related to the transition to direct distribution in Japan, the enhancement of resources required for the development of the Interventional Imaging activity, and the increase in

¹ This figure includes digital services solutions, technical services, and other Diagnostic Imaging services for €5 million.

costs associated with phase III of gadopiclenol. It also includes €4.5 million for the elimination of rents following the implementation of IFRS 16.

EBITDA also benefited from the increase in activity and strict cost control resulting from the implementation of the “Cost to Win” plan. This plan to reduce SG&A expenditures is expected to start delivering its full potential in 2021.

At 30 June 2019, operating income totaled €22.3 million. This includes an increase in amortization related to Accurate, among other things.

Net income was €19.0 million, compared with €22.4 million as of 30 June 2018.

A sound financial structure and refinancing of the Group's debt

Following the application of IFRS 16, the Group booked higher non-current assets by including the real estate rights of use assets for a net amount of €18 million, resulting in a rise in financial debt. As of 30 June 2019, shareholders' equity stood at €367.9 million, net debt including IFRS 16 amounted to €358.1 million, and cash totaled €75.9 million. With a cash flow of €62.3 million during the half-year period, the Group has the necessary resources for its development.

To recap, Guerbet signed a five-year €500 million credit agreement on 13 February 2019 to refinance its existing debt. As of the end of June, the net debt/EBITDA ratio was 3.14 without including the impact of IFRS 16.

Main risks and uncertainties for the six remaining months of the year

Readers can refer to the 2018 Registration Document filed with the French Financial Markets Authority (AMF) on 18 April 2019 under number D.19-0363. It can be viewed directly on the websites of the AMF and Guerbet (<http://www.guerbet.com>). Readers should also note that no major uncertainties or risks have appeared since this date concerning the remaining six months of the year.

Main related-party transactions recorded in the first months of the year

Readers can refer to note 25 to the consolidated financial statements and note 31 (describing the list of stakes held by the parent company) of the 2018 Registration Document filed with the French Financial Markets Authority (AMF) on 18 April 2019 under number D.19-0363, which can be viewed directly on the websites of the AMF and Guerbet (<http://www.guerbet.com>).

KEY FIGURES

In thousands of euros – IFRS	30-June-19	30-June-18
Revenue	400,566	389,567
EBITDA ¹	61,635	59,641
Current operating income	22,268	36,621
Net income	19,031	22,413
Net earnings per share	€1.51	€1.78
Shareholders' equity	367,882	346,396
Net financial debt	358,054	328,998
Net financial debt/EBITDA ²	3.14	2.63
Net financial debt/Shareholders' equity	0.97	0.95

¹ EBITDA refers to operating income plus amortization, depreciation, and provisions.

² Calculation of rolling EBITDA based on the last 12 months and on net financial debt, excluding debt and amortization and depreciation expenses (IFRS 16), in accordance with local practice.

GUERBET SHARE

	Month	Highest price in a trading session (in €)	Lowest price in a trading session (in €)	Number of shares traded	Trading volume (in millions of €)
2018	January	85.1	77.8	188,081	15.45
	February	81.8	62.2	261,723	18.69
	March	68.5	61.8	168,361	10.93
	April	68.0	50.0	516,989	28.27
	May	57.4	51.8	218,375	11.83
	June	58.4	55.0	160,645	9.16
	July	61.1	53.5	118,814	6.90
	August	59.3	54.5	97,611	5.65
	September	65.3	54.4	115,333	6.86
	October	65.5	50.7	119,085	6.89
	November	59.8	54.5	106,943	6.17
	December	59.7	51.1	79,579	4.36
2019	January	58.1	49.6	112,584	6.04
	February	56.3	50.1	73,794	3.84
	March	54.9	47.0	86,425	4.42
	April	57.2	52.4	59,606	3.28
	May	55.1	46.0	60,477	3.03
	June	49.8	46.2	73,756	3.5

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2019

In thousands of euros (€K)

On 25 September 2019, the Board of Directors approved the publication of the condensed consolidated half-year financial statements for GUERBET for the period from 1 January to 30 June 2019.

The condensed consolidated half-year financial statements at 30 June 2019 are to be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2018, as indicated in the Registration Document filed with the French Financial Markets Authority (AMF) on 18 April 2019, under number D.19-0363.

1. Summary statements

1.1 Consolidated balance sheet

ASSETS (net)	Notes	30/06/2019	30/06/2018	31/12/2018
(in € thousands)				
Intangible assets	1	188,142	168,715	182,373
Tangible assets	1	266,688	252,573	254,915
Other non-current financial assets		12,899	11,653	13,703
Deferred tax assets		27,071	23,892	23,270
Total non-current assets		494,800	456,832	474,261
Inventories	2	287,121	280,643	280,840
Trade receivables		144,671	148,823	145,926
Assets held for sale				
Other current financial assets		65,981	58,176	73,020
Cash and cash equivalents		75,853	89,611	106,761
Total current assets		573,626	577,253	606,548
TOTAL ASSETS		1,068,426	1,034,085	1,080,808

EQUITY & LIABILITIES (net)	Notes	30/06/2019	30/06/2018	31/12/2018
(in € thousands)				
Capital	3	12,584	12,571	12,581
Other reserves		374,366	346,301	347,030
Net income		19,031	22,413	46,819
Translation adjustment		(38,098)	(34,889)	(39,669)
Shareholders' equity		367,882	346,396	366,761
of which Group share		367,882	346,396	366,761
Non-current financial debt (*)	5	340,224	249,759	192,622
Other non-current financial liabilities		2,394	5,448	4,852
Deferred tax liabilities		32,881	18,438	31,904
Non-current provisions	4	36,531	36,102	35,127
Non-current liabilities		412,029	309,747	264,506
Trade and other payables		69,110	74,745	81,800
Current financial debt (*)	5	93,683	168,849	222,795
Other current liabilities		91,122	103,166	110,959
Tax liabilities payable		21,620	25,019	28,212
Other short-term provisions	4	12,979	6,162	5,774
Total current liabilities		288,515	377,942	449,541
TOTAL EQUITY & LIABILITIES		1,068,426	1,034,085	1,080,808

(*) Including impact of IFRS 16 (see note 2.2.1 – IFRS 16 Leases)

1.2 Consolidated income statement

(in € thousands)	30/06/2019 (6 months)	30/06/2018 (6 months) (1)	31/12/2018 (12 months) (1)
Revenue	400,566	389,567	789,602
Royalties	0	0	(0)
Other operating income	2,161	1,155	6,136
Costs of goods sold and change in inventories	(79,376)	(76,548)	(189,642)
Staff-related costs	(123,119)	(118,456)	(235,072)
External expenses	(129,832)	(122,375)	(246,463)
Taxes and duties	(10,248)	(10,144)	(16,099)
Depreciation and amortization	(29,580)	(21,027)	(47,086)
Net allocations to provisions	(9,788)	(1,993)	6,354
Other operating income and expenses	1,484	(3,556)	2,188
Current operating income	22,268	36,621	69,917
of which equity interests	(674)	(831)	(1,859)
Income from cash and cash equivalents	10	2	12
Gross finance costs	(5,235)	(3,142)	(6,901)
Net finance costs	(5,226)	(3,140)	(6,888)
Currency gains/losses	7,874	(1,094)	3,121
Other financial income and expenses	(195)	(32)	287
Corporate income tax expense	(5,691)	(9,943)	(19,618)
Consolidated net income	19,031	22,413	46,819
of which Group share	19,031	22,413	46,819
Net earnings per share with €1 par value (in euros)	1.51	1.78	3.72
Diluted net earnings per share with €1 par value (in euros)	1.50	1.77	3.70

(1) Including a favorable impact of €10.4 million at 30/06/2018 and €15.6 million at 31/12/2018, before tax, booked in "Purchases consumed and change in inventories", associated with the change in accounting estimate of the value of inventories to align standard costs as presented in note 2 of this document.

1.3 Statement of net income and gains and losses recognized directly in equity

(in € thousands)	30/06/2019	30/06/2018	31/12/2018
Consolidated net income for the year	19,031	22,413	46,819
Income and expenses recognized directly in equity			
Actuarial gains and losses on IAS 19 liabilities	0	0	766
Actuarial gains and losses on IFRS 2 liabilities	209	1,425	(597)
Change in value of hedging instruments and net investment hedge: translation of borrowings into USD	(1,013)	(3,471)	(4,366)
Change in translation adjustments	1,571	(3,492)	(8,257)
Net income and gains and losses recognized directly in equity	19,798	16,875	34,365

1.4 Consolidated statement of cash flows

(in € thousands)	30/06/2019 (6 months)	30/06/2018 (6 months)	31/12/2018 (12 months)
Net income	19,031	22,413	46,819
Allowances and reversals on depreciation and provisions for fixed assets	31,237	24,274	42,410
Allowances and reversals of provisions for contingencies	8,531	(1,253)	(1,677)
Changes in fair value of hedging instruments	1,750	(38)	5
Costs of stock options and free shares	209	1,824	1,686
Income from sales of fixed assets and other adjustments	(94)	21	(3,836)
Cash flow after cost of net financial debt and taxes	60,664	47,241	85,406
Net finance costs	3,486	4,656	10,134
Tax expenses (including deferred taxes)	5,691	9,943	19,618
Cash flow before cost of net financial debt and taxes	69,841	61,840	115,158
Taxes paid	(7,875)	(11,717)	(42,796)
(Increase) / decrease in inventories	(5,503)	(15,108)	(5,026)
(Increase) / decrease in trade receivables	(842)	1,644	1,960
Increase / (decrease) in trade payables	(8,767)	(4,665)	4,475
(Increase) / decrease in other assets	(435)	(13,219)	(4,435)
Increase / (decrease) in other liabilities	(17,362)	(1,234)	7,587
Change in operating WCR	(22,305)	(32,581)	4,561
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	29,060	17,541	76,923
Investments	(29,051)	(16,996)	(43,702)
in intangible assets	(12,779)	(6,989)	(11,238)
in tangible assets	(16,309)	(9,952)	(32,719)
in financial assets	37	(55)	254
Disposals	310	(0)	808
in intangible assets	(485)	0	410
in tangible assets	795	(0)	397
in financial assets	0	0	(0)
Increase / (decrease) in fixed assets payable	(889)	(686)	(181)
Acquisition of Accurate, net of cash acquired	(4,000)	(24,223)	(24,223)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES (B)	(33,630)	(41,905)	(67,298)
Dividends paid	(10,686)	(10,700)	(10,703)
Capital increase	39	111	276
Loan issues	353,152	110,777	127,500
Loan repayments	(400,475)	(50,036)	(92,929)
Net financing interest paid (including finance lease agreements)	(3,367)	(5,130)	(12,060)
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	(61,337)	45,022	12,084
Impact of exchange rate fluctuations (D)	1,500	(1,872)	(2,161)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C) + (D)	(64,407)	18,787	19,548
STARTING CASH POSITION	85,556	66,007	66,007
ENDING CASH POSITION	21,149	84,794	85,556
NET CASH POSITION	30/06/2019	30/06/2018	31/12/2018
Bank overdraft facilities	54,704	4,816	21,205
Cash and cash equivalents	75,853	89,611	106,761
Total	21,149	84,794	85,556

1.5 Statement of changes in shareholders' equity

(in € thousands)	Capital	Consolidated reserves	Result	Change in translation adjustments	Total
At 31/12/2017	12,563	314,771	46,219	(31,412)	342,141
Appropriation of 2017 net income		46,219	(46,219)		0
Stock options					
Dividend payments		(10,671)			(10,671)
2018 consolidated net income			46,819		46,819
Actuarial gains and losses		169			169
Net investment hedge		(4,366)			(4,366)
Translation adjustments				(8,257)	(8,257)
Capital increase	18	258			276
IAS 8 impact		0			0
Other changes		651			651
At 31/12/2018	12,581	347,030	46,819	(39,669)	366,761
Appropriation of 2018 net income		46,819	(46,819)		0
Stock options					
Dividend payments		(10,680)			(10,680)
2019 consolidated net income			19,031		19,031
Actuarial gains and losses		209			209
Net investment hedge		(9,042)			(9,042)
Translation adjustments		(6)		1,571	1,565
Capital increase	3	36			39
IAS 8 impact					0
Other changes					0
At 30/06/2019	12,584	374,366	19,031	(38,098)	367,883

2. Accounting rules and methods

2.1 General principles

The accounting principles applied in preparing the condensed consolidated financial statements at 30 June 2019 are the same as those used in the consolidated financial statements at 31 December 2018 (which can be viewed on the Group's website: www.guerbet.com), with the exception of accounting principles relating to:

- **leases** due to the coming into force of **IFRS 16 Leases**;
- **corporate income taxes** due to the coming into force of **IFRIC 23 Uncertainty over Income Tax Treatments**.

These new accounting principles are detailed in note 2.2 below.

The condensed consolidated half-year financial statements at 30 June 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting*, which allows a selection of appended notes to be presented. The condensed consolidated financial statements must be read in conjunction with the annual consolidated financial statements for the 2018 financial year.

2.2 Updates to accounting principles beginning 1 January 2019

2.2.1 Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16 *Leases*, which aligns the recognition on the balance sheet of operating leases with that of finance leases. The application of IFRS 16 on 1 January 2019 thus requires a change in presentation:

- on the **balance sheet**: recognition of all leases (recognition of a right-of-use asset and a liability for future rents)
- on the **income statement**: rent expenses previously recognized in operating income are now recognized partly in depreciation and partly in financial expenses.

Half of the Guerbet Group's leases are operating leases, and half are finance leases.

Leases with a term of one year or less and those of low value are exempted and follow the treatment of operating leases under IAS 17. In addition, as a practical expedient, the standard proposes not incorporating leases expiring in 2019. These leases were therefore excluded.

The assets leased by the Guerbet Group are mainly passenger vehicles, offices, industrial equipment, and computer hardware.

The Guerbet Group opted for the application of IFRS 16 as of 1 January 2019 without restatement of comparative periods according to the simplified retrospective method.

The impacts of IFRS 16 as of 30 June 2019 are presented below:

Right-of-use assets:

(in € thousands)	At 01/01/2019	New assets	Allocations	Revaluation of existing rights of use	At 30/06/2019
Book value of rights of use – Real estate assets	20,695	1,929		-187	22,437
Depreciation of rights of use – Real estate assets			-4,448		-4,448
Impairment of rights of use – Real estate assets					0
TOTAL NET RIGHT-OF-USE ASSETS	20,695	1,929	-4,448	-187	17,990

Lease liability:

(in € thousands)	At 01/01/2019				At 30/06/2019			
	< 1 year	Between 1 & 5 years	> 5 years	Total	< 1 year	Between 1 & 5 years	> 5 years	Total
Residual term of lease liabilities	8,139	12,023	533	20,695	8,566	9,293	322	18,181

Expenses related to leases:

(in € thousands)	30/06/2019
Interest charges on lease liabilities	235
Expense recognized on short-term lease assets (> 2 months and < 12 months), low-value lease assets (< 5 KEUR), or leases expiring in 2019	2,779

2.2.2 Income taxes (IAS 12 and IFRIC 23)

Published in June 2017 by the IASB, IFRIC 23 *Uncertainty over Income Tax Treatments* is mandatory beginning 1 January 2019.

The Guerbet Group opted for the application of IFRIC 23 as of 1 January 2019 without restatement of comparative periods according to the retrospective method.

IFRIC 23 clarifies the application of the provisions of IAS 12 *Income Taxes* regarding the recognition and measurement of assets and liabilities related to tax risks where there is uncertainty about the treatment of income tax.

IFRIC 23 does not affect the tax uncertainty assessment procedures applied by the Guerbet Group so far. However, income tax risks, previously classified as provisions, are now presented separately under other non-current liabilities.

3. Highlights of the first half of 2019

In order to contribute to the Group's development as part of its GEAR 2023 strategic plan, Guerbet SA signed a **new five-year €500 million bank financing agreement** on 13 February 2019. It replaces the agreement put in place in 2015 for the acquisition of the CMDS Group. The 2015 loan was repaid in full when the new loan funds were released. The new loan includes a clause providing for a maximum value of the "Net financial debt/EBITDA" ratio, fixed at 4.0.

In April 2019, the Guerbet Group obtained the **CE marking for its microcatheters**. This marking is an authorization to place the microcatheter products on the market within the European Economic Area. It was issued by the notified body MedCert.

Lastly, as part of the **partnership between Guerbet and IBM Watson Health** signed in June 2018 and the co-development of a liver cancer diagnosis tool (Liver Care Advisor project), costs totaling €5.9 million were capitalized as of 30 June 2019.

4. Seasonality

There is no significant seasonal aspect to the activity.

5. Dividend payment

In the 1st half of 2019, a dividend of €0.85 per share was paid to shareholders.

6. Management of financial risk

In accordance with its risk hedging policy, the Guerbet Group hedges its currency and interest rate risks on its borrowed funds. On 27 March 2019, the Group repaid the entire loan denominated in US dollars and negotiated a new variable-rate syndicated credit facility denominated in euros for €500 million over 5 years. As a result, the Group is no longer exposed to currency risk on this loan but remains exposed to interest rate risk.

6.1 Currency risk

6.1.1 Currency risk exposure and hedging at 30 June 2019

The table below summarizes the Group's main currency risks:

In millions of €	USD	JPY	HKD	BRL	CLP	CHF	KRW
Accounting risk ⁽¹⁾	64.32	47.92	26.5	9.07	6.65	6.48	6.11
Positions before hedging	64.32	47.92	26.5	9.07	6.65	6.48	6.11
Hedges outstanding							
Net foreign exchange position	64.32	47.92	26.5	9.07	6.65	6.48	6.11

(1) Accounting risk includes all assets and liabilities in non-EUR currencies.

The net foreign exchange position in US dollars (USD) increased from -53 million euro-equivalent at 30 June 2018 to +64 million euro-equivalent at 30 June 2019 following the repayment of the credit facility denominated in USD in March 2019.

The yen position (JPY) increased by 21 million euro-equivalent since 30 June 2018, following an increase in financing granted by Guerbet to its Japanese subsidiary to support the development of its business activity.

The Hong Kong dollar (HKD) position increased by 12 million euro-equivalent following an increase in Guerbet's trade receivables with Guerbet Asia Pacific for the intra-Group sale of contrast media.

6.1.2 Analysis of sensitivity of the financial result to accounting currency risk at 30 June 2019

The sensitivity analysis is carried out on the non-hedged net balance (accounting risk after deducting hedges outstanding) for the main currencies.

The table below summarizes the impact on the financial result of a 10% variation in these currencies against the euro:

(in € thousands)	2019	2018
USD	6,432	5,370
JPY	4,792	2,107
HKD	2,650	1,455
BRL	907	0
CLP	665	239
CHF	648	714
KRW	611	26

6.2 Interest rate risk

6.2.1 Currency risk exposure and hedging at 30 June 2019

Variable-rate debt represents 98% of debt.

The €500 million refinancing set up in February 2019 includes a €225 million variable-rate line repayable in 5 years for which the payments for years 3, 4, and 5 were the subject of a swap to hedge the interest rate risk exposure.

Below is the breakdown of the debt due within one year and in more than one year:

(in € thousands)	Less than 1 year ⁽¹⁾	1 year or more	Total
Fixed-rate financial liabilities	(0)	(7,779)	(7,779)
Variable-rate financial liabilities	(89,181)	(336,947)	(426,128)
Fixed-rate financial assets	3,500		3,500
Variable-rate financial assets	72,353		72,353
Net position before management ⁽²⁾			
– fixed rate	3,500	(7,779)	(4,279)
– variable rate	(16,828)	(336,947)	(353,775)
Off-balance-sheet ⁽³⁾	(0)	(225,000)	(225,000)

Net position after management			
– fixed rate	3,500	(232,779)	(229,279)
– variable rate	(16,828)	(111,947)	(128,775)
<p>(1) All maturities of variable-rate financial assets and liabilities and maturities in less than one year of fixed-rate financial assets and liabilities. (2) Sum of difference of (assets – liabilities) at fixed rates and (assets – liabilities) at variable rates. (3) Interest rate swaps and cross-currency swaps (receiving variable rates and paying fixed rates).</p>			

6.2.2 Analysis of sensitivity of the financial result to interest rate risk at 30 June 2019

Sensitivity is calculated on the unhedged gross debt balance.

99% of this debt is denominated in EUR. As a result, the sensitivity calculated in this note relates only to EUR debt.

On a 3-month EURIBOR basis, a rise/fall of 100 basis points would lead to an increase/decrease in the cost of EUR debt of approximately €2.8 million.

Gross debt in €K	3M EURIBOR + 100bp	3M EURIBOR – 100bp
429,405	432,196	423,608

7. Additional information

The geographical information is presented below according to risk and profitability analysis in two subsets, corresponding to the Group's internal organization and Guerbet's various growth models in these markets:

- the main European markets where the Guerbet Group has been able to build sustainable customer relationships and has a strong position thanks to the presence of its own networks of pharmaceutical sales representatives,
- other markets.

Europe includes the European countries where the Group is present via its own networks of pharmaceutical sales representatives, namely: Austria, Belgium, France, Germany, Great Britain, Italy, the Netherlands, Portugal, Spain, Switzerland and Turkey.

The non-allocated portion of the operating result corresponds to head-office administrative costs, Research and Development costs, and indirect industrial costs not attributable to the products, components that can only be allocated on an arbitrary basis to the various sectors.

The Group's support functions and research and development costs are centralized in France.

30 June 2019 in €M	European companies in their markets	Other	Total
Revenue:			
- European markets	176.1		176.1
- Other markets	12.0	212.5	224.5
Total revenue	188.1	212.5	400.6
Operating income	10.2	12.0	22.2

30 June 2018 in €M	European companies in their markets	Other	Total
Revenue:			
- European markets	173.3		173.3
- Other markets	27.1	189.2	216.3
Total revenue	200.4	189.2	389.6
Operating income	15.7	20.9	36.6

Breakdown of revenue by product range:

	30 June 2019	30 June 2018
X-rays	46.2%	45.0%
MRI	33.4%	33.5%
IRT	8.7%	7.5%
MD	8.9%	10.0%
Other	2.8%	4.0%
Total	100.0%	100.0%

8. Descriptive notes (in thousands of euros)

Note 1 – Tangible and intangible assets

The change of EUR 11,773 under tangible assets is mainly due to the application of the new IFRS 16 *Leases*.

The change of EUR 5,770 K in intangible assets is due to investments in information systems.

Note 2 – Inventories

(in € thousands)	30/06/2019	31/12/2018 (*)
Raw materials and spare parts	65,782	70,335
Intermediate and finished products, work in progress, and goods	245,517	234,165
Gross value	311,299	304,500
Provisions	(24,178)	(23,660)
Net values	287,121	280,840

(*) Concerns only 31/12/2018: As part of the integration of the CMDS activity, the plan to align the calculation of manufacturing costs for the entire Group was finalized in autumn 2017 for implementation on 1 January 2018. This resulted in a valuation of inventories according to a more precise analytical breakdown and an expansion of the scope of costs included in the valuation of inventories.

Pursuant to IAS 8, this change amounts to a change in estimate and was therefore treated according to the prospective method (IAS 8.36), thus affecting only current and future periods. The effect on the income statement had been spread out evenly over the inventory turnover period, which averaged 9 months. The 9-month period was calculated by comparing the valuation of all inventories (raw materials, chemical and pharmaceutical work in progress, finished products) with the corresponding standard manufacturing cost.

This change in estimate had led to a revaluation of inventories of €15.6 million at 1 January 2018, with an effect of +€10.4 million (before tax) on current operating income for the first half of 2018, taking into account the spreading over the inventory turnover period.

Note 3 – Capital

At 31 December 2018, the share capital of the parent company was comprised of 12,581,261 shares with a par value of €1. The number of Guerbet shares outstanding increased over the period from 2,500 to 12,583,761 as of the end of June 2019.

The Group holds 14,929 treasury shares.

Note 4 – Provisions

(in € thousands)	31/12/2018	Allocations	Reversals (provision used)	Reversals (provision not used)	Translation adjustments and reclassifications	30/06/2019
Long-term	35,127	1,449	0	(103)	57	36,531
Of which deferred employee benefits	35,127	1,449	0	(103)	57	36,531
Current	5,774	8,144	(260)	(1,963)	20	11,716
Tax disputes	242	0	0	(12)	1	230
Commercial disputes	2,427	7,751(*)	0	(173)	9	10,014
Miscellaneous risks	3,106	393	(260)	(1,778)	10	1,472
Total Provisions	40,901	9,594	(260)	(2,066)	77	48,247

(*) Concern supplier disputes measured according to management's best estimate.

Note 5 – Borrowings

(in € thousands)	30/06/2019	31/12/2018
Non-current debts, of which	340,224	192,622
Special investment reserve (frozen current accounts)	848	1,031
Debts on lease obligations	8,832	3,117
Other borrowings	330,544	188,474
Current debts, of which	93,683	222,795
Debts on lease obligations	9,353	1,489
Other borrowings and current profit-sharing reserve	29,626	200,101
Bank overdraft facilities	54,704	21,205
Total financial debt	433,907	415,417

The change in short-term and long-term borrowings stems from the Group's €500 million in new bank financing. It replaces the 2015 loan in USD, which was repaid in full when the new loan funds were released.

Note 6 – Other contingent assets and liabilities

In December 2008, the request for aid for the French-German "Iseult" research project, filed with Oséo, was approved by the European Commission. The aid agreement provides for funding half of the expenses incurred, including 39% in the form of repayable advances and 61% in the form of a grant. BPI's coverage of Guerbet's costs is scheduled to end on 30 June 2019. An amendment to the contract is currently being drafted with BPI France in order to review the conditions for reaching the last Milestones and the payment of the associated aid, but also in order to modify the terms on financial returns in the event that a product resulting from the project is released on the market.

Note 7 – Staff-related costs**7.1 – Stock options**

Main characteristics for valuing the share-based payment benefit:

7.1.1 – Characteristics of share-based payments for plans in effect as of 30 June 2019

Grant date	Number granted	Share price on the grant date	Volatility	Risk-free rate	Strike price	Lock-in period
17 October 2011	530,840	€16.58	35%	2.77%	€15.40	4 years
23 November 2011	48,000	€16.80	35%	2.77%	€16.07	4 years
20 February 2012	6,800	€15.37	35%	2.77%	€15.37	4 years

7.1.2 – Breakdown of the benefit by financial year for plans in progress

Grant date	26 March 2009	17 October 2011	23 November 2011	20 February 2012	Total
2015		468	47	7	522
2016				1	1
Total	0	1,648	153	24	1,825

7.1.3 – Impact on balance sheet

The benefit above is recognized for each financial year according to the number of options that remain to be exercised in exchange for shareholders' equity.

7.2 – Free shares

Under Group employee free share allocation plan 3, 50,000 performance shares, including 47,550 new shares, were granted on 1 July 2019, also subject to the presence of the employees at the end of the three-year vesting period.

The implementation of this plan had no impact on the financial statements at 30 June 2019.

Under Group employee free share allocation plan 2, 8,947 shares were distributed on 1 March 2019 and 29 June 2019.

The main assumptions applied for the plans in progress at 30 June 2019 are as follows:

	<i>Plan 2</i>	<i>Plan 2</i>
<i>Grant date</i>	01/07/2017	01/03/2018
<i>Vesting period end date</i>	01/07/2019	01/03/2020
<i>Vesting period</i>	2 years	2 years
<i>Price on grant date</i>	78.38	64.50
<i>Rate of anticipated dividends</i>	1.40%	1.30%
<i>Risk-free rate</i>	N/A	N/A
<i>Volatility</i>	N/A	N/A
<i>Employee turnover rate</i>	0%	2.06%
<i>Probability of achieving the performance conditions</i>	92%	100%

As of 30 June 2019, a €0.2 million expense was recognized for plan 2, excluding social security and tax expenses, in accordance with IFRS 2 *Share-Based Payment*.

Note 8 – Income tax

At 30 June 2019, the tax expense was calculated according to the projected effective tax rate over the full financial year. The Group's effective tax rate was 23.02% at 30 June 2019, compared with 30.73% at 30 June 2018.

Note 9 – Related-party disclosures

9.1 – Relationships with non-consolidated companies

All significant Group subsidiaries are wholly owned and fully consolidated. Transactions between these companies are eliminated.

9.2 – Compensation and benefits granted by the Group to the main directors and board members

The main directors make up the Executive Committee. They received the following benefits and remuneration in thousands of euros:

Short-term benefits	
Total gross pay	2,270
of which in-kind benefits	17
and variable portion ¹	1,106
Post-employment benefits	
of which funded supplemental pension contributions	62
of which provisions for retirement benefits (on the balance sheet)	777
Share-based payments ²	
Stock options	0
Free shares	92

Non-Executive Committee members of the Board of Directors received €52.7 K in remuneration. In addition, during the 1st half of 2019, the members of the Board of Directors received €281,748 in attendance fees for the financial year.

Note 10 – Post-closing events

The Guerbet Group was not aware of any significant events that occurred after 30 June 2019 and could call into question the presentation of these half-year financial statements.

¹ For each one, the variable portion depends on achieving a number of individual objectives over the course of the previous year. It is adjusted according to the performance of the company or the Group, during that same year, and is calculated on the basis of the salary for December 2018.

² This is the expense recorded for the first half of 2019 (excluding social security expenses) for stock options and free shares that were granted to them (see note 7).

Report by the statutory auditors on the half-year financial information

Period from 1 January to 30 June 2019

This is a free translation into English of the statutory auditors' review report issued in French 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 of GUERBET S.A.,

Under the terms of the assignment entrusted to us by your general meeting, and in accordance with Article L. 451-1-2 III of the French monetary and financial code, we performed the following tasks:

- a limited review of Guerbet's condensed consolidated half-year financial statements for the period from 1 January to 30 June 2019, as attached to this report;
- verification of the information provided in the half-year report.

These condensed consolidated half-year financial statements were prepared under the responsibility of your Board of Directors. It is our responsibility to express an opinion on these statements on the basis of our limited review.

1. Opinion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review primarily consists in talking with members of the management team in charge of accounting and financial matters and in implementing analytical procedures. Such a review is less comprehensive than the investigations required for a full audit under French professional standards. As such, the assurance obtained through a limited review that the financial statements are overall free of any material anomalies represents moderate assurance, which is not as certain as the assurance obtained through an audit.

On the basis of our limited review, we did not discover any material misstatements likely to call into question the compliance of the summary consolidated half-year financial statements with IAS 34 – an IFRS standard as adopted in the European Union relating to interim financial reporting.

Without qualifying the opinion expressed above, we wish to draw your attention to note 2.2.1, which details the impact of the first-time application of IFRS 16 "Leases" on the condensed consolidated half-year financial statements.

2. Specific verification

We also verified the information provided in the half-year activity report commenting on the condensed consolidated half-year financial statements that were the subject of our limited review.

We have no matters to report as to their fair presentation and consistency with the condensed consolidated half-year financial statements.

Levallois-Perret and Paris La Défense, 26 September 2019

The Statutory Auditors

Crowe HAF

Marc de Prémare

Deloitte & Associés

Jean-François Viat

Statement from the person responsible for the half-year financial report

I hereby certify, to the best of my knowledge, that the condensed consolidated financial statements for the past half-year period have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and earnings of the Group and that the attached half-year activity report presents a fair view of any significant events occurring over the first six months of the year, their impacts on the financial statements, the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.

Villepinte, 26 September 2019

Yves L'Epine

Chief Executive Officer