REGISTRATION DOCUMENT 2016

Guerbet

Contrast for Life

Registration Document 2016

Including the Annual Financial Report

Unofficial translation of the French language "Document de Référence 2016" of Guerbet, for information purposes only.

This Registration Document was filed with the *Autorité des marchés financiers* or AMF (French Financial Markets Authority) on April 5, 2017, in compliance with Article 212-13 of its General Regulation. It can be used in connection with a financial transaction if it is accompanied by a securities note approved by the AMF. The original French language version of this document was prepared by the issuer and its signatories are responsible for its content.

In accordance with Article 28 of European Regulation 809/2004 of April 29, 2004, readers are invited to refer to previous Registration Documents regarding certain information:

1. the Management Report of the Board of Directors, the consolidated financial statements and the report of the Statutory Auditors on the consolidated financial statements for the fiscal year ended December 31, 2015, included in the Registration Document deposited with the AMF on April 21, 2016 under number D.16-0378;
2. the Management Report of the Board of Directors, the consolidated financial statements and the report of the Statutory Auditors on the consolidated financial statements for the fiscal year ended December 31, 2014, included in the Registration Document deposited with the AMF on April 10, 2015 under number D.15-0316.

Guerbet
Contrast for Life

A French Limited Company (*société anonyme*) governed by a Board of Directors
with a share capital of €12,501,148
Registered Office: 15, rue des Vanesses – 93420 Villepinte
Bobigny Trade and Companies Register No. 308 491 521

Interview with

Yves L'Épine, Chief Executive Officer

How do you view the acquisition of the Mallinckrodt group's Contrast Media and Delivery Systems (CMDS) business at the end of 2015?

This acquisition fostered an ambition to create a new world leader in medical imaging products and solutions. The integration of two entities of roughly the same size but with different histories, cultures and processes is an exciting but demanding challenge. Our first challenge was to successfully turn around the declining business that we bought, which posted a 20% revenue decline in the two years prior to the acquisition. Our second challenge was to revitalize all of our production activities, and the third was to produce the deliverables and reach the milestones in our strategic and operational integration projects, especially in terms of synergies. Today, one year after this major acquisition, I am proud of the progress that our employees have made; this integration is off to a very good start and the merits of the acquisition are clear to all.

What has been the outcome of this first year of integration?

Guerbet's performance is proof of the integration's success, as can be seen in both its sales and operational results, which were in line with objectives. Our efforts to turn around the sales decline were particularly successful, as consolidated sales were stable between 2016 and 2015 at constant exchange rates. This was especially true for countries with high growth potential (Asia), but also for mature countries (Europe). In the United States, Dotarem® grew strongly and reached its target ahead of schedule. Guerbet is seen as a company that is close to its customers and able to successfully create value through acquisitions.

> **"A company close to its customers and able to successfully create value through acquisitions."**
>
> **Yves L'Épine, Chief Executive Officer**

Is the integration process complete?

No, definitely not. More than 300 integration initiatives have been identified and grouped together into several streams. Some have already been completed, but most will continue in 2017. The most significant achievements lie in defining the new entity's strategy, prioritizing the product portfolio, selecting distributors, the convergence of industrial assets and the cultural diversity that we have created. The pride in belonging to Guerbet and the alignment with its new ambitions can be felt in every region and every department. We now have more foreign employees than French staff and more than 50 subsidiaries across all continents, and we generate more than 80% of our revenue abroad. We still have to meet significant challenges, such as extending the Enterprise Resource Planning (SAP), built on the core model developed by Guerbet at the end of 2015, to every region and department. The attention that we pay to motivating every employee, and especially our high-potential staff, is vital to our continued success. The Board of Directors therefore decided on a performance share award plan for our 2,600 employees following the resolution adopted by the Extraordinary General Meeting of May 27, 2016. Giving

2016, the year of integration

Yves L'Épine
Chief Executive Officer

every employee the opportunity to become a shareholder at this key moment in the Company's existence is a way of involving each of us in the success of us all. Guerbet sees the presence of a motivated employee shareholder base alongside the committed family shareholders as an asset.

What is your ambition for each of the Group's growth drivers (MRI, CT/Cath Lab, IRT and ISS) and what challenges must be met?

The Group now offers one of the world's most comprehensive and complete range of products for diagnostic imaging by X-ray and MRI and interventional imaging.

Guerbet is world number 2 in the MRI segment with continuous growth in Dotarem® sales. The European Medicines Agency's assessment of the risks/benefits of products containing gadolinium is ongoing. The development of P03277, Dotarem®'s successor, is moving forward. The Group must also respond to the arrival of generic products on several markets, which is making the environment more competitive for Dotarem®. The Group will continue to defend its industrial property rights relating to the Dotarem® production process and will take any legal action necessary to ensure that they are not infringed.

In the Interventional Radiology and Theranostics (IRT) segment, Lipiodol® is still a 'gold standard' in the transarterial chemoembolization of liver cancers and in the treatment of arterial aneurysms, and Patent Blue V is a recognized standard for the detection of sentinal nodes in breast cancers. Thanks to these two products, Guerbet has become a key player in the interventional radiology field. The development of outpatient medicine is boosting growth in this business segment. Guerbet is the world number 4 in the iodinated product market. As a result of its acquisition, Guerbet now operates in this segment in the two largest markets in the world: the United States and Japan.

Finally, the "Imaging Solutions and Services" (ISS) segment was reinforced in 2016 and is a priority for Guerbet. With its now robust range, Guerbet's goal is to become world number 3 and the Group has high ambitions for this segment, following the advent of new injectors and new digital solutions.

We are proud of the collective successes that we are building passionately every day. Our future successes depend on the same fundamentals: our ability to come together to meet our new objectives, while continuing to promote the Group's values. The future is full of challenges, and each challenge is a source of opportunities.

History

Guerbet is celebrating its 90 years of existence with all its 2,600 employees and its partners.

One year after doubling in size through a major acquisition in the United States, the Group has confirmed its ambition of permanently becoming one of the leading medical imaging players worldwide. The Group is backed by a comprehensive range of medical solutions and services, ranging from scanners to MRI and interventional radiology, continuous investment in innovation and production capacity, and a network of subsidiaries and partners giving it access to all the world's main markets.

A pioneer and a player in tomorrow's imaging solutions

Although Guerbet's story began in 1901, with the discovery by Marcel Guerbet of the world's first iodinated contrast agent, the laboratory was officially founded on November 15, 1926. It became the SA (public limited company) Laboratoires André Guerbet in 1965. Its workforce grew from 150 employees at that time to 1,000 people in 1990, 1,500 in 2015 and 2,600 currently, following the acquisition of Mallinckrodt's "Contrast media and delivery systems" business, which was completed a year ago. With this acquisition, Guerbet achieved critical mass in every segment and geographic region, with the ambition of joining the world top 3.

In the early 1960s its activity was mainly focused on France, but in the 1970s Guerbet began to significantly expand its international distribution network. Just 30 years ago, in 1986, Guerbet was floated on the stock exchange (Euronext Paris) to support its growth. Since 2005, an extensive modernization program has been under way, covering the Group's French industrial plants: €215 million have been earmarked for this program to sustain jobs and support the Group's global growth strategy.

Guerbet is now an international group that generates 83% of its sales outside France and relies on four growth drivers: contrast media for MRI, contrast media for X-ray imaging, Interventional Radiology and Theranostics, and Imaging Solutions and Services, including medical devices such as injectors.

An extraordinary industrial venture

Guerbet's 90th birthday celebrations were announced for the first time at the *Journées francophones de radiologie* (radiology convention) held from October 14 to 17 in Paris. A fresco was unveiled at this event, retracing the key dates in the Group's history, in the presence of the Chairman of the French Society of Radiology.

The slogan "90 years of passion" reflects the strong commitment of Guerbet's teams to diagnostic and interventional imaging, for improved patient prognosis and quality of life.

Guerbet's facilities worldwide have organized events involving their employees and their external stakeholders in these celebrations.

1901

DISCOVERY OF LIPIODOL® BY MARCEL GUERBET (1861-1938) LIPIODOL®, THE FIRST IODINATED CONTRAST AGENT.

The international scientific community contributes to the success of Lipiodol®, it is used as a therapeutic product (in a form of sugar-coated pills, capsules, slabs of chocolate...) and as a contrast agent for diagnostic purposes to make cavities like the lungs opaque.

1926

FOUNDATION OF LABORATOIRE ANDRÉ GUERBET

At the age of 25, André Guerbet becomes its general manager. He opens a chemical and pharmaceutical manufacturing site in Saint-Ouen.

The 1930s

1930

MARGUERITE BUISSON, THE COMPANY'S FIRST MEDICAL REPRESENTATIVE

Based in Marseille, Miss Buisson travels throughout the south of France with her samples and documentation. During the war, she safekeeps Guerbet products at her home to be able to meet the demand abroad.

The 1940s

1944

SAINT-OUEN UNDER BOMBING

The plant is bombing twice: the damage is minor and there are no victims. However, there is no gas, no electricity, no coal... There are labor disruptions due to the air raid warnings and products are manufactured at night due to the lack of electricity during the day. The scarcity of iodine disrupts Guerbet's industrial activity throughout the war.

The 1950s

1955

ORABILIX®, FOR THE GALLBLADDER AND BILE DUCTS

A study published in June 1959 in The *American Journal of Digestive Diseases* concludes that this product has "all the features of an ideal contrast agent".

In the words of Yves L'Épine, Chief Executive Officer of Guerbet:

Guerbet has already had a number of turning points and is now going through another key period in its history. This is a period that is both particularly **exciting** and **demanding** for our teams. We are in the process of successfully integrating our major acquisition in order to create a new **world leader in medical imaging** that is innovative and respectful of all of its partners. We are more than ever driven by a mission to offer **vital diagnostic and interventional imaging** solutions worldwide. Faced with the challenges of population aging, the spread of chronic diseases and the persisting intractability of certain cancers, medical imaging opens the way to exceptional solutions, promising great progress for patients"

The 1960s

1963
CONTRIX®, THE FIRST MALLINCKRODT LICENSE AT GUERBET
Guerbet will manufacture and distribute Mallinckrodt's Conray® in Franc, Switzerland and Belgium. The new, better tolerated contrast agent for renal angiography, replaces Vasurix®.

1968
MOVE TO AULNAY-SOUS-BOIS SITE
150 employees moved to this new site dedicated to chemical and pharmaceutical production.

The 1970s

1970
TELEBRIX®, FOR ANGIOGRAPHIES (VENOUS AND ARTERIAL) AND INTRAVENOUS UROGRAPHY

1972
THE FIRST INTERNATIONAL AFFILIATE IN BRAZIL
Guerbet kicks off its international expansion in a suburb in Rio with commercial affiliate. The pharmaceutical production site will be opened in 1991.

1977
LABORATOIRE ANDRÉ GUERBET BECOMES GUERBET S.A.

1978
AFFILIATE IN JAPAN
The company first expands into Asia with an affiliate in Japan to stock up on iodine.

1979/1981
LAUNCH OF HEXABRIX® AND CREATION OF THE LANESTER SITE
Hexabrix®, the first ionic, low osmolality contrast agent is launched in France in 1979 and, to meet the commercial demand, the Lanester site starts its production in 1981. In 1985, Hexabrix® is launched in the United States by Mallinckrodt, and in Japan with Eiken.

The 1980s

1980
LIPIODOL® IN INTERVENTIONAL RADIOLOGY
The first chemoembolizations are performed in Japan with Lipiodol® Ultra Fluid to treat patients suffering from hepatocellular carcinoma.

1982
THE FIRST AFFILIATE IN EUROPE
The first European subsidiary is created in Belgium.

1986
AFFILIATE IN PORTUGAL, AND GUERBET IS LISTED ON PARIS STOCK EXCHANGE TO SUPPORT ITS DEVELOPMENT

1987
AFFILIATE IN SWITZERLAND
ACQUISITION OF SIMAFEX, A FINE CHEMICALS SITE
This new industrial investment is primarily intended for the production of Dotarem® and now also Lipiodol®.

1988
AFFILIATE IN THE NETHERLANDS
OPENING OF THE HEADQUARTERS AT VILLEPINTE AND DISTRIBUTION OF OPTIRAY® LAUNCHED IN BELGIUM, FRANCE AND SWITZERLAND
Guerbet undertakes the development and then the pharmaceutical production of Optiray® on the Aulnay-sous-Bois site and markets it in France, Belgium and Switzerland.

1989
DOTAREM® IS LAUNCHED IN FRANCE
Dotarem®, launched by Guerbet, is the only macrocyclic and ionic contrast agent for MRI.

The 1990s

1992 AND 1994
AFFILIATE IN GERMANY, THEN IN THE UK AND TURKEY

1994/1995
LUMIREM® TO EXPLORE THE GASTROINTESTINAL TRACT AND ENDOREM® FOR THE LIVER AND XENETIX®, A NEW PRODUCT FOR X-RAYS

1996
AFFILIATES IN AUSTRIA AND SPAIN AND FIRST GUERBET BOOTH AT THE RSNA

1998/1999
SOUTH KOREA AND TAIWAN, TWO NEW AFFILIATES IN ASIA

The 2000s

2000 AND 2001
AFFILIATES IN ITALY AND HONG KONG, FOLLOWED BY A AFFILIATE IN MEXICO

2002
A SUBSIDIARY IN THE UNITED STATES
Guerbet starts an affiliate in the United States to commercialize Oxilan®.

2002-2005
OPTISTAR® ELITE, OPTIVANTAGE® AND ANGIOMAT ILLUMENA®
These three injectors by Mallinckrodt are marketed by Guerbet in France, Belgium and Switzerland.

2004
ACQUISITION OF MEDEX
A company specialized in the design, production and distribution of medical devices.

2006
GUERBET LAUNCHES SCANBAG® BY XENETIX®
An ecological softbag combined with an injector (Medex SBi®).

The 2010s

2013
REGISTRATION OF DOTAREM® IN THE US
First global market in medical imaging.

2014
LAUNCH OF FLOWSENS®
New generation injection solution for X-ray imaging.

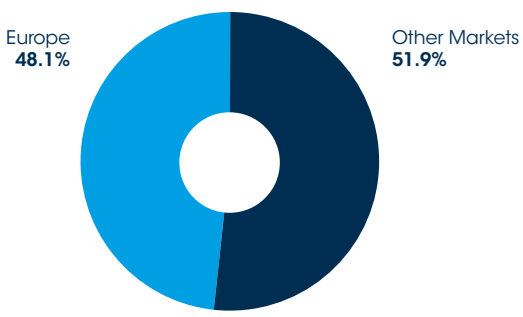
2015
ACQUISITION OF MALLINCKRODT'S "CONTRAST MEDIA AND DELIVERY SYSTEMS" BUSINESS
Guerbet takes on a new international dimension and increases its product portfolio. The workforce increases from 1,500 to more than 2,500 employees.

2016
BECOME A NEW GLOBAL LEADER IN MEDICAL IMAGING

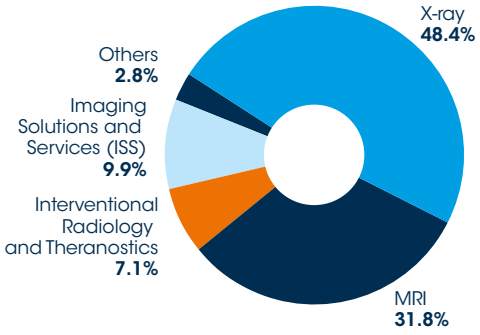
Key figures
(at December 31, 2016)

775.8	106.3	54.6	2.33	52.3
CONSOLIDATED NET REVENUE *(in € million)*	**EBITDA(1)** *(in € million)*	**OPERATING INCOME** *(in € million)*	**NET INCOME PER SHARE** *(in €)*	**GROSS INVESTMENTS** *(in € million)*

REVENUE BY GEOGRAPHIC REGION



REVENUE REVENUE BY PRODUCT RANGE



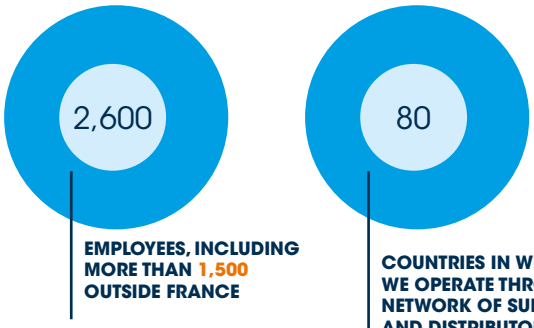
(1) EBITDA refers to operating income, with the net allowance for amortization, depreciation and provisions added back in.

Guerbet's **industrial platform**

- 3 API* sites
- 4 Fill & Finish sites
- 2 Imaging Solutions sites

** Active Pharmaceutical Ingredients.*

May 31, 2016



EMPLOYEES, INCLUDING MORE THAN 1,500 OUTSIDE FRANCE

COUNTRIES IN WHICH WE OPERATE THROUGH A NETWORK OF SUBSIDIARIES (1) AND DISTRIBUTORS

(1) *Sales subsidiaries.*

Guerbet's **sales presence**

May 31, 2016

1

The Guerbet group

1.1 History of the Company

Guerbet is a French pharmaceutical group that has been supporting healthcare professionals specialized in diagnostic and interventional medical imaging since 1926. We provide them with contrast media, delivery systems, medical devices and related solutions adapted to their needs.

Guerbet is listed in Euronext Segment B and the majority of its shares are owned by the Guerbet family. The Company originated with Marcel Guerbet's discovery of the first iodinated organic contrast medium, in 1901.

Since it was founded by André Guerbet, the Company has expanded significantly, thanks to regular innovations that have left their mark on medical imaging technologies and the contrast media associated with them. Guerbet now sells a comprehensive range of products suitable for X-ray and magnetic resonance imaging.

The Group's main products are:

- Contrast media for X-ray imaging: Xenetix®, Optiray®, Optiject®;
- Contrast media for magnetic resonance imaging: Dotarem®, Artirem®, Optimark®;
- Interventional Radiology and Theranostics (IRT) products: Lipiodol®, Patent Blue V;
- Imaging Solutions and Services: FlowSens®, Manyfill®, Secufill®, Linkfill®, OptiVantage®, OptiStar®, Elite, OptiOne®, Angiomat®, Illumena®.

Thanks to the products provided by the Guerbet group, images are used to guide radiologists when administering treatments, give insight into the functioning of organs, speed up diagnoses, assess the severity of an illness and enable early validation of the efficacy of treatments.

1.2 Mission and ambition

1.2.1 Our mission

Guerbet's staff are committed to providing healthcare professionals with the contrast media, medical devices and innovative solutions that are vital for diagnostic and interventional imaging, to improve patient prognosis and quality of life.

Driven by our passion for our work, every day we strive to combine performance, quality and sustainable development.

1.2.2 Our ambition

We aim to build a new world leader in medical imaging to improve diagnosis, prognosis and quality of life for patients.

1.3 Main consolidated data

1.3.1 Revenue

(in € thousands – IFRS)	2016	2015
Revenue	775,773	488,738 (1)

(1) Revenue includes the activity of the CMDS entities since their acquisition date, on November 27, 2015.

Breakdown of revenue by geographic region	2016	2015
Europe	48.1%	67.3%
Other markets	51.9%	32.7%

Breakdown of revenue by product range	2016	2015
X-ray	48.4%	43.1%
MRI	31.8%	42.3%
Interventional Radiology and Theranostics	7.1%	9.3%
Imaging Solutions and Services	9.9%	4.4%
Other	2.8%	0.9%

1.3.2 Main consolidated data

(in € thousands – IFRS)	2016	2015 restated
EBITDA [1]	106,276	88,337
Operating income	54,594	58,653
Net income	28,930	39,232
Net income per share (in €)	2.33	3.21
Dividend per share (in €) [2]	0.85	0.65
Cash flow	81,797	70,442
Shareholders' equity	314,800	282,439
Net financial debt	301,843	287,835
Gross investments	52,285	278,219
Net financial debt/EBITDA [3]	2.8	
Net financial debt/ *Pro forma* EBITDA [3] [4]		2.5

(1) EBITDA refers to operating income, with the net allowance for amortization, depreciation and provisions added back in.
(2) Amount that will be proposed to the General Meeting of Shareholders for the 2016 fiscal year.
(3) This ratio refers to the covenant agreed under the syndicated contract drawn up for the acquisition of Mallinckrodt's "contrast media and delivery systems" (CMDS) business. The maximum value of this ratio at December 31, 2015 was set at 3.5, and 3.7 at December 31, 2016.
(4) Unaudited data.

1.4 Overview of activities

1.4.1 Definitions

1.4.1.1 Medical imaging

Medical imaging techniques

X-RAY

An irradiating imaging technique to examine the anatomy of the human body and the functioning of organs.

MRI

A non-irradiating imaging technique to examine the anatomy and functioning of organs.

ULTRASOUND
(Echography)

A non irradiating first-line technique to examine the anatomy and functioning of organs.

NUCLEAR MEDICINE
(Scintigraphy)

An irradiating imaging technique to examine the functioning of organs.

Medical imaging is a medical specialty that aims to orientate or confirm a diagnosis and/or guide treatment. It explores the inside of the human body using four techniques: X-rays, magnetic resonance imaging (MRI), ultrasound and nuclear medicine. X-ray radiography, discovered in 1885, is its oldest form, whose development was revolutionized by the invention of CT (computerized tomography) scanners. In interventional radiology, image capture guides a medical or surgical procedure.

These methods and the associated products play a role at different stages of patient diagnosis and treatment:

- Diagnostic support;
- Assessing the severity of an illness;
- Intervention support;
- Treatment and therapeutic monitoring support;
- Advancement of knowledge by research teams.

By encompassing all of the techniques used in medicine for the diagnosis and treatment of a large number of illnesses, medical imaging has revolutionized medicine and provided immediate and reliable access to information that was previously "invisible" to clinical diagnostics, revealing new anatomical characteristics in terms of both the metabolism and the actual functioning of organs.

Medical imaging techniques no longer just provide a "snapshot" of the tissue or organ being examined, they give a visual representation based on specific physical or chemical characteristics. These explorations have been made possible by the innovative products adapted to imaging techniques and devices that are pushing back the boundaries of knowledge concerning the human body.

The technological and IT developments at the start of the 21st century have ushered in a new era for medical imaging.

Rapid scanning, high-definition images and the advent of big data are factors that are further improving early detection and therapeutic monitoring, helping to expand the use of contrast media.

1.4.1.2 Contrast media

Contrast media are drugs that are suited to the imaging techniques used, due to their nature and method of action.

- The medium of choice for X-ray imaging is iodine, due to its ability to absorb this radiation.
- Gadolinium is used in magnetic resonance imaging (MRI) for its paramagnetic properties. The injection of a gadolinium complex in response to a radiofrequency wave in a magnetic field speeds up the paramagnetic relaxation of the protons in water molecules, enhancing the contrast of the signal observed through MRI.
- The contrast media used for ultrasound scans consist of microbubbles of gas that interact with the ultrasound waves and boost the ultrasound signal.
- In nuclear medicine, the radioactive agent or tracer is the radiation source.

These products are used to reveal the invisible. They are useful for medical purposes as they increase the contrast so that an anatomical structure can be viewed separately from the surrounding tissues. These agents play a crucial role in assessing the functioning of organs (such as the kidneys) or tissues (as in the case of myocardial perfusions).

The diagnostic performance sought by radiologists and clinicians is therefore very closely linked to the suitability of the information received as a result of the contrast medium's enhancing properties, and its development over time after injection. This translates into high-quality static or dynamic images that provide data about the anatomy and functioning of organs, the structure of arterial and venous blood vessels, and perfusion parameters. Diagnostic accuracy is now a central factor in clinicians' decisions regarding treatment and surgery.

These rapid advances also have a direct impact on patients' quality of life. Because they result in earlier diagnoses and improved selection of treatment options suited to each patient's profile, these drugs now play a decisive role in the development of personalized medicine while meeting the economic imperative of reducing healthcare costs to the community.

1.4.1.3 Interventional Radiology and Theranostics

Interventional radiology covers any invasive medical procedure whose purpose is to diagnose and/or treat a disease. The process is guided and controlled using imaging (X-ray, ultrasound or MRI). It is used in innovative ways for many indications.

Theranostics is a combination of diagnosis and treatment in a single procedure. Radiology speeds up this new discipline by allowing the use of images to guide interventional procedures. These are minimally invasive and are often carried out instead of surgery, as they shorten hospitalization times and limit post-procedure complications. The best-known of these therapies are vascular dilation, embolization and tumor ablations using physical or chemical agents (such as thermal or radiofrequency agents or *in situ* chemoembolization or radioembolization respectively). Contrast media are used to guide procedures or trace the active substances used in them.

1.4.1.4 Medical devices

Injection devices are divided into two main categories: injectors, which are permanent devices connected to a power source that enable the completely safe programming, management and monitoring of injections, and the associated consumables. These are mostly single-use sterile devices that deliver the contrast agent from the source receptacles to the patient.

Both injectors and the associated consumables are vital to the daily work of radiology technicians and must be easy, intuitive, quick and safe to handle. There are also considerable economic challenges for imaging plates, and this is leading Guerbet to innovate by offering competitive solutions.

Iodinated contrast media injectors are now essential devices. Scanners now have such high computing power that they can produce images of the whole body in just a few seconds. These rapid scanning sequences therefore require a highly accurate injection rate that can only be provided by electromechanical devices. The use of injectors also protects radiology technicians from the ionizing radiation emitted during examinations using X-ray scanner imaging. Moreover, high injection rates very often generate significant viscous friction resulting in high injection pressures, requiring mechanical forces that only a machine can provide.

Consumable medical devices are used in combination with contrast media injectors. These devices come in different forms: single or multiple use, and devices dedicated to a specific injector or compatible with a series of injectors.

Guerbet now offers a complete range of consumable medical devices for the injection of opacifiers permitting safer practices and easier medical procedures. These sterile devices require rigorous approval in an environment restricted by the operating costs of imaging centers.

1.4.2 Guerbet's products

The range of contrast media sold by Guerbet covers X-ray (CT/Cath Lab range), Magnetic Resonance Imaging (MRI) and Interventional Radiology and Theranostics (IRT) techniques.

The main Group products are:

CT/Cath Lab	MRI	IRT	ISS (Imaging Solutions and Services)
Xenetix®	Dotarem®	Lipiodol®	FlowSens®
Telebrix®	Artirem®	Patent Blue V	Manyfill®
Hexabrix®	Optimark®		Secufill®
Optiray®			OptiVantage®
Conray®			Angiomat® Illumena®
MD®			OptiStar® Elite
			OptiOne®

1.4.2.1 CT/Cath Lab

Guerbet's CT/Cath Lab range includes:

- Xenetix®, a second-generation low-osmolar iodinated agent or non-ionic LOCM (Low Osmolar Contrast Medium). This was released for sale in 1995.

  Xenetix®, which was initially contained in vials, but has also been available in polypropylene bags since 2006 (ScanBag® by Xenetix®). This original and innovative packaging preserves the properties of Xenetix® while making it simpler to use, enhancing the safety of patients and medical staff and representing a major step forward in waste management. This packaging is one of Guerbet's solutions to sustainable development challenges.

  Xenetix®, available in three iodine concentrations: 250, 300 and 350 mg of iodine/ml. The 350 mg/ml concentration should preferably be used for cardiovascular disorders, and the 300 mg/ml concentration for the investigation of parenchymal conditions (*e.g.* diseases of the liver or kidneys).
- Hexabrix®, an ionic LOCM agent whose physicochemical properties prevent the risk of arterial thrombosis during interventional radiology procedures. This substance is used by radiologists, interventional cardiologists and vascular surgeons for cardiovascular examinations.

  As part of the streamlining of the CT/Cath Lab range, the decision has been made to stop selling Hexabrix® in order to focus on the sale of Optiray®.
- Optiray®, a non-ionic LOCM contrast medium. It is available in four concentrations: 240, 300, 320 and 350. It comes in vials and pre-filled syringes, a form of packaging that is especially appropriate for single patient injections. The product is used in CT examinations and its profile is especially suited to arterial investigations (Cath Lab).
- Telebrix®, which belongs to the HOCM (High Osmolar Contrast Medium) class that is gradually being replaced by LOCMs. This product is preferred in certain situations because of its drinkable format, Telebrix® Gastro®, which is especially useful for investigating digestive disorders, and particularly for colorectal cancer screening through virtual colonoscopies.
- Conray® and MD® (mainly MD Gastroview®), which belong to the HOCM class. They are sold in some regions of the world.

1.4.2.2 MRI

Dotarem®, a non-specific gadolinium-based contrast medium, is the European market leader by volume. Thanks to its physicochemical properties and its safety profile, it is the benchmark MRI agent. Dotarem® is used to investigate many diseases, particularly conditions affecting the central nervous system as well as abdominal, bone and joint and vascular disorders.

Dotarem® was released in 1989 and became the European market leader in 2008 when serious side effects were noted linked to the injection of certain MRI contrast media. Nephrogenic Systemic Fibrosis, or NSF, is a potentially fatal condition occurring in some patients suffering from acute kidney failure after the use of gadolinium-based contrast media.

The European health authorities have divided Dotarem® and its competitors into three categories of risk of occurrence of this condition (high, medium or low risk). They have issued recommendations on the precautions to be taken when using the three categories of agents and contraindicated high-risk agents for some groups of patients suffering from kidney failure.

As it has not in itself produced any cases of NSF, Dotarem® has been identified as a low-risk agent, and this recommendation has driven the product's strong growth. Dotarem® has now been administered to over 60 million patients in more than seventy countries in Europe, Asia, Africa, the Americas and the Middle East. Dotarem® received marketing authorization for the United States in early 2013 and was then released for sale in the American market the following July.

In 2016, the EMA (European Medicines Agency) launched a re-assessment of the risks/benefits of all gadolinium-based products (linear and macrocyclic media), which is still ongoing.

Guerbet has also been issued with patents in certain countries for pharmaceutical industrial processes connected with Dotarem®.

Artirem®, an MRI medium specifically used for bone and joint examinations, was first launched in 2002 in France and is now available in nine mostly European countries. This is the first medium indicated for such conditions that can be injected directly into the joints. Artirem® expands Guerbet's MRI range and sets it apart from the competition.

Optimark®, another MRI contrast medium, has also been sold by Guerbet since the acquisition of Mallinckrodt's "contrast media and delivery systems" (CMDS) business. The decision has been made to stop selling Optimark®. This sales stoppage plan has begun in Europe, and Guerbet has informed the European Medicines Agency (EMA) of its decision.

1.4.2.3 Interventional Radiology and Theranostics (IRT)

Lipiodol® Ultra-Fluid (ethyl esters of iodinated fatty acids of poppy seed oil) was initially developed for diagnostic radiology, including the diagnosis of liver lesions, lymphography and hysterosalpingography. It was then used in interventional radiology for classic transarterial chemoembolization (cTACE) in the treatment of hepatocellular carcinoma (HCC), where Lipiodol® Ultra-Fluid is used as a visualizer (contrast medium), drug carrier (medium for the antineoplastic agent) and embolic agent. cTACE was then established under guidelines by numerous Scientific Societies as the standard of care for the treatment of patients suffering from intermediate-stage HCC in Europe, Japan, China and the United States.

Guerbet recently initiated a global registration process. The indications of Lipiodol® Ultra-Fluid in the treatment of HCC are as follows:

- In September 2013, the Japanese Ministry of Health, Labor and Welfare approved a new indication for Lipiodol® Ultra-Fluid in the transarterial chemoembolization of HCC in combination with drugs and medical devices.
- In April 2014, Lipiodol® Ultra-Fluid obtained approval from the FDA (Food & Drug Administration) in the United States for selective hepatic intra-arterial use to view tumors in adults suffering from known HCC.
- On August 7, 2014, the French National Agency for Medicine and Health Product Safety (ANSM) approved the indication for "Visualization, location and vectorization during transarterial chemoembolization of intermediate-stage hepatocellular carcinoma in adults".
- Since 2015, indication extensions have been granted in the Netherlands, Mexico, Thailand, Vietnam, Argentina, Peru, Mongolia, South Korea, Austria, Hungary and the Czech Republic.

In endocrinology, Lipiodol®, now called Oriodol®, is used worldwide in softgel capsule format for the prevention and treatment of iodine deficiency in adults and children. This is why iodinated oil is included in the World Health Organization's list of essential drugs.

Patent Blue V is an injectable medium containing a dye. It is used for the imaging of the lymphatic system, and particularly for intraoperative sentinel lymph node mapping in breast cancer surgery.

This indication, which has already been authorized in several countries, including France, Germany, Switzerland, Belgium and the Netherlands, is important as it offers a response to the question of whether or not to perform aggressive surgery in the form of lymph node dissection.

Marketing authorization applications for this indication are in progress in several countries.

1.4.2.4 Imaging Solutions and Services (ISS)

Medical Devices	Trademarks	MRI	X-ray	IRT
Injectors	**Addix** Medium- and high-pressure single-syringe injector		x	x
	SBi Softbag CT injector compatible with ScanBag® by Xenetix®		x	
	FlowSens® CT injector compatible with ScanBag® by Xenetix® and other receptacles		x	
	OptiVantage® Dual-head CT injector		x	
	OptiOne® Single-head CT injector		x	
	OptiStar® Elite MRI injector	x		
	Angiomat® Illumena® Cath Lab injector (new Neo version)		x	x
Consumables for all types of injectors	**Linkfill®** Complete range of extension lines	x	x	
	Secufill® Patient-side connector with secure double check valve	x	x	
	Manyfill® Filling system for all types of syringe injectors (use on multiple patients)	x	x	
	Consumables	x	x	
Data Management	**OptiSync®** Patient data management software	x	x	

Following the acquisition of Mallinckrodt's "contrast media and delivery systems" (CMDS) business, Guerbet has a portfolio of syringe and softbag injectors.

Imaging Solutions and Services is the fourth-largest growth driver. FlowSens®, the dual softbag injector for scanner examinations, is recognized for its innovative design and has received various awards, including the Red Dot Award and the Frost & Sullivan Award.

Guerbet proved its product-design excellence with this product. FlowSens® has received awards for the following criteria: degree of innovation, functionality, durability, symbolic and emotional content, product periphery, self-explanatory quality and ecological compatibility.

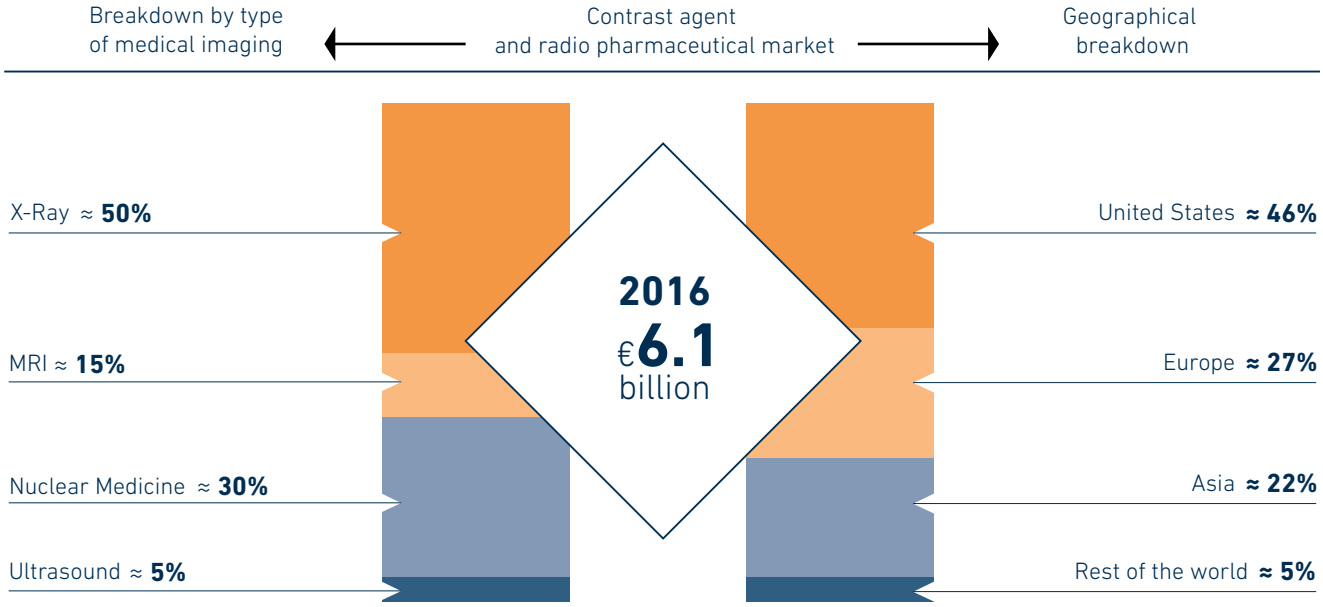
The FlowSens® solution, which consists of a softbag injector, consumables and a comprehensive range of associated services, is the only solution on the market to combine a syringe-free hydraulic injection technique with procedure safety at every stage of the injection process. FlowSens® is compatible with ScanBag® and all the X-ray contrast media available on the market.

OptiVantage® is an injector for CT scanners.

OptiStar® is an injector for MRI.

1.4.3 Market

The contrast medium and radiopharmaceutical market, including generics, is worth an estimated €6.1 billion and breaks down as follows, by type of imaging and geographic region:



Sources: medical imaging market, 2016 internal data.

The "Imaging Solutions and Services" (ISS) market is worth an estimated €1 billion and includes injectors, consumables, equipment maintenance and imaging software.

1.4.3.1 MRI and X-ray

The market's estimated volume growth worldwide is between 2% and 4% for X-ray, and 4% and 6% for MRI, depending on the continent or geographic region (internal data as a percentage CAGR).

Besides the volume growth, more than 36 million imaging examinations are conducted in Europe each year, of which 60% are carried out by CT scan and 16% through MRI. Cardiovascular diseases, cancers and central nervous system disorders alone account for 21.1 million X-ray and MRI examinations.

1.4.3.2 Interventional Radiology and Theranostics

This segment is growing strongly. It covers various types of procedures, such as invasive diagnostics (image-guided biopsies), the treatment of malign and benign tumors through embolization, the treatment of vascular stenoses and aneurysms, and imaging of the lymphatic system for intraoperative sentinel lymph node mapping in breast cancer surgery.

1.4.3.3 Medical devices for the injection of contrast media

The medical device market is driven by:

- the increase in the number of examinations involving injections;
- growth in CT and MRI equipment.

The following trends have been identified:

- the volume of contrast media injected is likely to remain stable or decline;
- the number of scanners is likely to increase;
- the amount of MRI equipment is likely to increase.

The services market is burgeoning due to the development of digital technologies.

1.4.4 Main competitors

Guerbet has a portfolio of solutions comprising MRI and X-ray contrast media, dedicated to Interventional Radiology and Theranostics products, and Medical Devices (injectors and associated devices).

	Contrast media			
Company	MRI	X-ray	IRT	Imaging solutions
Guerbet	✓	✓	✓	✓
Bayer HealthCare	✓	✓		✓ Medrad
GE HealthCare	✓	✓		✓
Bracco	✓	✓		✓ Acist Swiss Medical Care Ezem
Nemoto				✓
Medtron				✓
Ulrich Medical				✓
BTG			✓	
Merit Medical			✓	
Sirtex			✓	
Terumo			✓	
Boston Scientific			✓	

The leading companies selling X-ray and MRI contrast media worldwide are Guerbet, Bayer HealthCare, General Electric Healthcare and Bracco.

Company	Nationality	MRI	X-ray
Guerbet	France	Dotarem® Artirem® Optimark®	Optiray® Xenetix® Hexabrix® Telebrix® Gastroview® Conray®
Bayer HealthCare	Germany	Gadovist® Magnevist® Primovist®	Ultravist® Radioselectan®
GE HealthCare	United States	Omniscan™	Visipaque® Omnipaque®
Bracco	Italy	Multihance® Prohance®	Iomeron® Iopamiron®

Generic versions of Dotarem® have also been registered in several European countries by Agfa HealthCare, Sanochemia, Bayer HealthCare and General Electric HealthCare, as well as in South Korea by DongKook Pharmaceutical and in China by Jiangsu Hengrui Medicine.

More recently, GE was given Marketing Authorization for a generic of Dotarem®.

1.5 Industrial and logistics activity

With the acquisition of Mallinckrodt's "contrast media and delivery solutions" (CMDS) business, Guerbet has greatly expanded the scope of its industrial and logistics activities. To facilitate the integration of these businesses, they were grouped together in 2016 in the same Technical Operations Department, combining Industrial Development, Production, Quality and the Supply Chain.

This Department therefore covers the whole of the supply chain within its new organizational structure, from raw materials to delivery to final customers, so as to optimize turnaround times and costs while guaranteeing the highest quality from one end of the chain to the other.

1.5.1 An integrated network of plants

Guerbet develops, industrializes and manufactures its products in its integrated network of specialized plants. The extension of this network following the acquisition of CMDS gives Guerbet new opportunities that will allow synergies due to the scale effect, and also more dependable procurement through the selective introduction of back-up arrangements, especially for the filling activity.

The active ingredients used as raw materials in contrast media are mainly produced in Europe in the Group's three specialized chemical plants:

- Lanester and Dublin, which are plants specialized in the production of active ingredients for CT with a common goal of reducing manufacturing costs through continuous process improvement, combined with an increase in volumes.

  Joint work has been carried out at these two plants on the optimum in-sourcing of production of a loversol (the active ingredient of Optiray®) intermediate, which is still produced at Mallinckrodt's St Louis plant in the United States. This in-sourcing will mainly take place at the Lanester plant between now and 2020.
- The Marans plant, which produces the active ingredients of Dotarem® and Lipiodol®. This plant's strategy was refocused in 2015 to concentrate on these two strategic active substances while phasing out the custom production of active substances for other producers in the sector. This refocusing improves the security of supply for Dotarem® in particular. This increased security is also the result of steps to strengthen the partnership with a long-standing subcontractor in 2015.

Active ingredient formulation and filling activities take place at the Group's four pharmaceutical plants, located on three continents, with the support of outside partners for some targeted production requirements:

- The Aulnay-sous-Bois plant (in France), Guerbet's long-standing filling site for CT media and Dotarem® in vials before the commissioning of the softbag CT line in 2014. This plant, which mainly serves the European and Asian markets, must handle the increase in volumes of both Dotarem® in vials and Xenetix® in softbags.
- The Rio de Janeiro plant (in Brazil), specialized in CT media and Dotarem® in vials for the Latin American market.
- The Raleigh plant in North Carolina (in the United States), the filling plant for CT media in vials and syringes for the North and South American markets. This plant also serves as the international filling platform for Optimark® and will expand to produce Dotarem®, for the North American market in particular.
- The Montreal plant (in Canada), whose specialty is filling vials and syringes with CT media for the European and Asian markets, while filling syringes with saline solutions for third parties, a contract inherited from the Mallinckrodt business and Medtronic.
- The Dotarem® in pre-filled syringes business and Lipiodol® filling are entrusted to a network of specialized external partners in Europe.

Injectors and the associated medical devices are produced mainly in the Cincinnati plant (in the United States), the birthplace of the Liebel Flarsheim brand, and the Guerbet plant in Lyon (France). These plants perform design and assembly, while the production of components and consumables is subcontracted to specialized partners.

1.5.2 A regionalized logistics platform

By doubling the volumes to be delivered to customers, the acquisition of CMDS also gives Guerbet, in every region and globally, sufficient critical mass to capture major transport and storage synergies once reorganization has been completed. The distribution strategy is currently being revised in every region, starting in Europe, where it was synchronized with the introduction of the new ERP system. Most of the distribution centers, except the Gonesse center, now work with specialized partners.

1.5.3 Development based on investment and continuous improvement

Guerbet is continuing with its program of industrial investments and the expansion of its network in order to ensure:

- the safety and compliance of operations by harmonizing the production and quality management systems;
- a high-quality service and reliable supplies by increasing capacity, making equipment more reliable and more effectively planning operations throughout the supply chain;
- the competitiveness of our industrial platform, and especially its environmental performance, by modernizing the plants and improving production processes.

This investment program will be reinforced, starting in 2017, by a global Operational Excellence program aimed at rolling out best practices from the Group and external benchmarks in all the plants, and strengthening the Group's continuous improvement culture.

1.6 Research and Development

1.6.1 Research and Innovation

1.6.1.1 Contrast media and Theranostics

Guerbet's research ambition is to offer radiology professionals and patients safe and innovative contrast media that cater for their needs.

The research teams' work is focused on two main medical imaging segments:

- MRI – Magnetic Resonance Imaging;
- Interventional Radiology and Theranostics (IRT).

New contrast media are discovered in accordance with a strict procedure:

- identification of a medical need;
- defining the biological target for which imaging is required;
- designing a contrast medium that can be used for imaging of that target;
- validating the new medium through experimental imaging.

The Research team therefore comprises experts in various scientific fields. These experts are organized in clusters, which investigate and then validate lines of research:

- chemical research;
- physicochemical formulation;
- mass spectrometry – bioanalysis;
- biology and pharmacology laboratory;
- imaging;
- optimization at the interface between Research and Development.

If a prototype meets the defined specifications, the teams define the pre-industrializable synthesis procedure and ensure the active ingredient's stability for the manufacture of batches on a larger scale.

Current projects are focused on oncology and neurological conditions.

Guerbet's Research and Innovation teams also conduct extensive research and optimization work on the contrast media already on sale, notably by studying the mechanisms of action.

This work has produced significant advances in:

- improving the arterial chemoembolization technique using Lipiodol®;
- knowledge of the mechanism behind nephrogenic systemic fibrosis. Research work on the physiopathological mechanisms of this serious side effect of certain categories of gadolinium complexes has prompted Guerbet to carry out extensive preclinical and clinical work to document the differentiated safety profile of Dotarem® and to allow for this concern when designing future molecules. This work is supplemented by mechanistic studies on the analysis of cerebral hyperintensities observed after repeated injections of linear gadolinium chelates.

1.6.1.2 Imaging Solutions and Services

Capitalizing on its expertise in the injection of contrast media, Guerbet has developed an Imaging Solutions and Services division to expand its range in the X-ray, MRI and Interventional Radiology fields.

Medical device development must follow a rigorous process in line with international standards. This consists particularly in identifying and characterizing a planned use, then defining acceptance criteria. Once the specifications have been defined, the Research and Development teams must design a prototype. This must then undergo rigorous testing, demonstrating compliance with the specifications' requirements. The prototype is approved with the confirmation of its usefulness by doctors.

The Imaging Solutions and Services division relies on the expertise of its teams of engineers to satisfy Guerbet's ambitions:

- software and healthcare IT development;
- electronics;
- precision mechanics and plastics processing;
- project management.

The Research and Development engineers are currently focusing on three strategic areas:

- connecting injectors to imaging equipment;
- developing solutions for the tracing of injected doses;
- ensuring the safety of medical procedures through innovative single-use devices.

1.6.2 Development

Guerbet is focusing its work on four key medical imaging segments: Magnetic Resonance Imaging (MRI), X-ray imaging and now mainly CT scans, Interventional Radiology and Theranostics (IRT) and Imaging Solutions and Services (ISS).

1.6.2.1 Organization

Guerbet's Development team is organized in three main areas:

- **Clinical development:** all of the activities involved in conducting clinical studies, from phase I to phase IV, from designing the protocol to writing the final research report, including publication of the results by scientific journals;
- **Regulatory affairs:** all of the activities involved in managing the portfolio of product registrations for every country;
- **Drug safety monitoring:** all of the activities involved in collecting data on side effects and writing periodic summary reports on the risk/benefit analysis to be submitted to the regulatory authorities.

This setup at the head office is supplemented by a Quality Assurance Department and regional structures in Europe, North America, Latin America and the Asia-Pacific region to allow faster response times in order to meet the local demands of patients, radiologists and the authorities.

1.6.2.2 Therapeutic areas

The four types of imaging are researched in the three main disease areas of oncology, cardiology and neurology.

- **In oncology,** the incidence of the most common forms of cancer (lung, breast, prostate, colorectal and liver) is constantly growing. Injections with contrast media are used in more than 14 million examinations each year in the five largest European countries. This increase is due to a combination of longer life expectancy and recognized risk factors, such as smoking, unhealthy eating, stress and environmental risks. This is resulting in a greater number of diagnostic examinations at increasingly early stages aimed at improving patient care, monitoring their treatment and ultimately their prognosis and their survival with an optimum quality of life. The trend in the treatment of breast cancer is a perfect example of the role played by the various types of medical imaging, as MRI plays a vital role in screening for, and/or monitoring, the disease.

  European data indicate that more than 40 million women aged over 50 should benefit from systematic radiographic screening. This procedure allows earlier diagnosis, radically changing the treatment strategy and allowing disease-free remission from the condition. Furthermore, sentinel lymph node mapping can be used in this same disease to limit surgical intervention to what is strictly necessary.

  For some types of cancer, such as hepatocellular carcinoma (HCC), interventional radiology is of great benefit as it enables the precise imaging and mapping of hepatic lesions, and even the administering of anti-cancer drugs within these tumor lesions through transarterial chemoembolization, usually as an outpatient procedure.
- **In cardiology,** the assessment of cardiovascular disorders by injecting contrast media is vital for investigating the consequences of serious diseases for patients who are symptomatic and/or present associated risk factors (such as obesity, diabetes, high cholesterol, stress, high blood pressure and smoking).

  More than 7 million examinations are carried out worldwide to analyze the condition of blood vessels (detecting significant narrowing of vessels due to arterial plaque) and the impact on the rate at which the blood is flowing in order to adequately supply essential tissues such as the heart (risk of a heart attack) or the brain (risk of stroke).

  Effective diagnosis allows patients to be categorized according to their risk profile and the presence or absence of clinical signs to determine the most appropriate treatment options (preventive monitoring, choice of one drug alone or several drugs in combination or a strategy of major or interventional surgery). In this specialty, for example, interventional radiology allows imaging of the narrowed part of blood vessels that needs medical attention, guiding of endovascular procedures and an immediate check on the effectiveness of the resulting dilation by injecting a contrast medium. This type of treatment, which is less invasive for the patient and less costly for the community in terms of hospitalization time and patient monitoring, has replaced surgery in many cases.
- **In neurology,** MRI has proven its worth through central nervous system (CNS) imaging, by making it possible, for the first time, to diagnose lesions that cannot be seen using an X-ray scanner. Injections of contrast media during CNS imaging allow the investigation of tumor diseases (primary brain tumors or brain metastases linked to a primary cancer), inflammatory diseases (such as multiple sclerosis), degenerative conditions (such as Alzheimer's disease), vascular disorders (such as strokes), and infectious diseases (such as brain abscesses).

  For most of these chronic disorders, the drugs available to stop their development are still inadequate. They are therefore a major public health issue due to aging of the population, longer life expectancies and the high cost of caring for these dependent patients. Interventional radiology can also be used to successfully treat a large number of cerebral arteriovenous malformations without surgery.

1.6.2.3 New Chemical Entities (NCEs)

New contrast media or new chemical entities (NCEs) are developed in several successive phases, in the same way as drugs:

- **Phase I** to study the clinical and biological tolerance in healthy volunteers and the pharmacokinetics (how the product is distributed, metabolized and eliminated within the organism) of increasing doses of the product, and thereby determine the maximum tolerated dose;
- **Phase II** to compare the diagnostic effectiveness on patients of several doses of the product with the effectiveness of a placebo and usually with a leading product on the market;
- **Phase III** to confirm, for a large cohort of patients, the diagnostic effectiveness and tolerance profile of the product compared with a leading product or technique.

Guerbet is continuing to develop NCE P03277, a gadolinium chelate-based molecule for use in MRI.

As preclinical studies have shown, this particularly effective product is suitable for high magnetic fields. Phase I was completed in 2014 and phase IIa was completed in June 2015. The development plan for phases IIb and III was discussed for the first time with the regulatory authorities in 2014. Phase IIb was in progress in 2016 in eight countries and 40 centers of imaging excellence.

Preparations are being made for research on specific populations, such as patients with renal failure or children aged from 2 to 17 years.

Guerbet is also working on interventional radiology programs in the oncology field.

1.6.2.4 Life Cycle Management (LCM)

The main objective of LCM activities is to manage the life cycle of products that are already on sale. Typical LCM activities include obtaining approval for new indications, the development of new formulations or presentations, securing new registrations in new geographic regions, and the clinical studies that take place in the final phase (phase IV).

For instance, Guerbet was granted approval for the use of Lipiodol® for the transarterial chemoembolization of HCC in combination with drugs and medical devices in Japan in September 2013. Guerbet was also granted approval for the use of Lipiodol® for selective hepatic intra-arterial injection in tumor imaging in adults suffering from HCC in the United Stated in April 2014, and approval for visualization, location and vectorization during the chemoembolization of tumors in adults suffering from intermediate-stage HCC in France in August 2014.

This approval has been granted in other European countries and Asia. An application has been submitted in China.

The Clinical Development and Regulatory Affairs Department is also continuing with major work on contrast media already on sale in the three main medical imaging segments in which the Group operates, *i.e.* MRI, X-ray and IRT.

- In the **MRI** segment, the aim of the research on Dotarem® is to confirm its diagnostic effectiveness compared with other products, to confirm its safety profile, and to document its pharmacokinetic profile for children under the age of 2 (at the FDA's request). An application to extend the indication was submitted to the FDA in 2016. Furthermore, in response to requests from the US and European authorities, Guerbet has provided all of the available preclinical and clinical data on Dotarem® regarding the potential risk of brain deposits with repeated use of gadolinium. Deposits have been reported with linear gadolinium chelates such as Optimark®, but far less so or not at all with macrocyclic gadolinium chelates like Dotarem®. In 2016, the EMA began interim proceedings (Article 31) that will lead to the re-assessment of the risk/benefit analysis for all gadolinium chelates.
- In the **CT/Cath Lab** segment, the research on Xenetix® is intended to document its diagnostic effectiveness when used for cardiac CT scans compared with other products. Following the acquisition of Mallinckrodt's CMDS products, Guerbet has added iodinated contrast media, including Optiray®, to its product portfolio and is in talks with the FDA on organizing observational studies of children.
- In the **IRT** segment, represented by Lipiodol®, activity is focused on continuing to develop recognition, by the regulatory authorities in Europe, Asia and Latin America, of the product's properties as an interventional radiology contrast medium for the treatment of patients suffering from an intermediate-stage inoperable hepatocellular carcinoma.

In the area of chemical and pharmaceutical development, LCM has worked on developing new processes, particularly with a view to improving our environmental footprint and industrial production costs.

1.6.3 Partnerships

To meet its Research and Development targets, Guerbet is building a strategy of partnership and collaboration agreements. Thanks to this outward-looking approach it is able to benefit from global scientific expertise. Medical imaging is a multi-disciplinary field requiring expertise in chemistry, physics, computing, image processing, electronics, biology and medicine.

Several collaborative research programs are being conducted. The largest of these is the Iseult project, financed by Bpifrance (a public investment bank formerly known as Oséo Innovation). The goal of this project, led in collaboration with the Neurospin center of the Atomic Energy Commission (CEA), is to make progress in MRI by using very high magnetic fields. The expected benefit of these new technologies is improved sensitivity in the detection of small brain lesions that cannot be detected using standard techniques.

The SpineInject project was completed in 2016 with a preclinical proof of concept for a radio-opaque bone cement. The future of the program is currently being analyzed.

Guerbet is also a partner in the HECAM project, a research project that aims to develop tools to screen for, diagnose and treat hepatocellular carcinoma (HCC). This project is being carried out as part of the Medicen Paris Region global competitiveness cluster, which brings together the leading biomedical innovators in the Paris region.

Some collaborative research partnerships involve two types of financial clauses:

- repayment of advances if product sales are successful;
- payment of a share of the profits based on the revenue and/or operating profit made from the products resulting from these projects.

1.6.4 Research and Development costs

The table below presents the Research and Development costs incurred by the Guerbet group over the last two years.

	2016*	2015
Research and Development costs (in € thousands)	53,377	37,934
Research and Development costs (as % of revenue)	6.9%	7.8%

* *Excluding research tax credits.*

Guerbet is stepping up its MRI, ISS and IRT investments, particularly with PO3277. As the R&D activities of the CMDS business bought from Mallinckrodt are less extensive, the relative share of costs has declined year-on-year.

1.6.5 Research and Development portfolio

GROWTH DRIVERS	DISCOVERY	EARLY DEVELOPMENT	LATE DEVELOPMENT	REGISTRATION	LAUNCH FIRST TWO YEARS
MRI			P03277 phase 2b	Dotarem® *(less than 2 years) United States*	Dotarem® *Canada, Poland, South Africa and Puerto Rico*
IRT	Interventional radiology program		Lipiodol® chemoembolization	Lipiodol® TACE(1) *Canada, Germany, Belgium, Ireland, Portugal, China, Taiwan and Singapore* Patent Blue V SLND(2) *Canada*	Lipiodol® TACE(1) *France, the Netherlands, the Czech Republic, Turkey, Peru, Hungary, Vietnam, Mexico and Thailand* Patent Blue V SLND(2) *Mexico*
Imaging Solutions and Services		OptiStar® upgrades OptiVantage® upgrades FlowSens® upgrades	Octopus connected injector	OptiOne® CT *Argentina, China, Indonesia, Peru, Russia, etc.* Dotaject	OptiOne® FlowSens® and consumables Illumena Néo

(1) TACE : Trans Arterial Chemo Embolization.
(2) SLND : Sentinel Lymph Node Detection.

1.6.6 Intellectual property

Intellectual property is vital in the drug industry, as it compensates for part of the time and cost involved in innovation, while allowing companies to reap the benefits of researchers' work. Patent terms are limited to twenty years from the date on which the application is filed. In practice, product development times are such that the exclusivity period is often considerably reduced. The expiry of a patent may lead to the emergence of very strong competition due to the arrival of generic products (see Generic risks in section 4.3 Risk factors).

In some cases, patents may be extended through an additional protection certificate, known as a "Patent Term Extension" in the United States.

Products may also be protected by other patents granted during the development process, such as formulation and manufacturing patents, and during product Life Cycle Management activities. Guerbet has a portfolio of patents covering active ingredients, new pharmaceutical formulations, formulation and manufacturing processes, injection systems and medical devices.

Guerbet also has a portfolio of trademarks and industrial models. Worldwide, Guerbet has 729 patents and patents pending, 940 trademarks registered or pending registration and around 30 industrial models that contribute to the Group's valuation and consolidate its position in the lucrative market for contrast media combined with medical devices.

Clinical data protection

Clinical data protection is a complement to protection by patent. This is a period of exclusivity during which a regulatory administrative authority will refuse:

- either submissions of marketing authorization applications;
- or the granting of marketing authorization for generics developed on the basis of the clinical data covered by this protection relating to an originator drug.

In the United States, Dotarem® is covered by clinical data protection until March 20, 2018.

1.7 The Group's governance structure at December 31, 2016

1.7.1 Executive Committee

from left to right, from top to bottom

Pierre Desche	SVP, Development, Medical and Regulatory Affairs
Jean-François Blanc	VP, Technical Operations
Yves L'Épine	Chief Executive Officer
Jean-Rémy Touze	SVP, Human Resources
Virginie Beck	VP, Strategic Projects and Corporate Secretary
Marie-Claire Taine	VP, Commercial Operations
Claire Corot	SVP, Research, Innovation and Licensing Business Development
Jean-François Le Martret	SVP, Chief Financial Officer
Bruno Bonnemain*	SVP, Scientific Advisor and Chief Operating Officer

** Absent from the photo.*

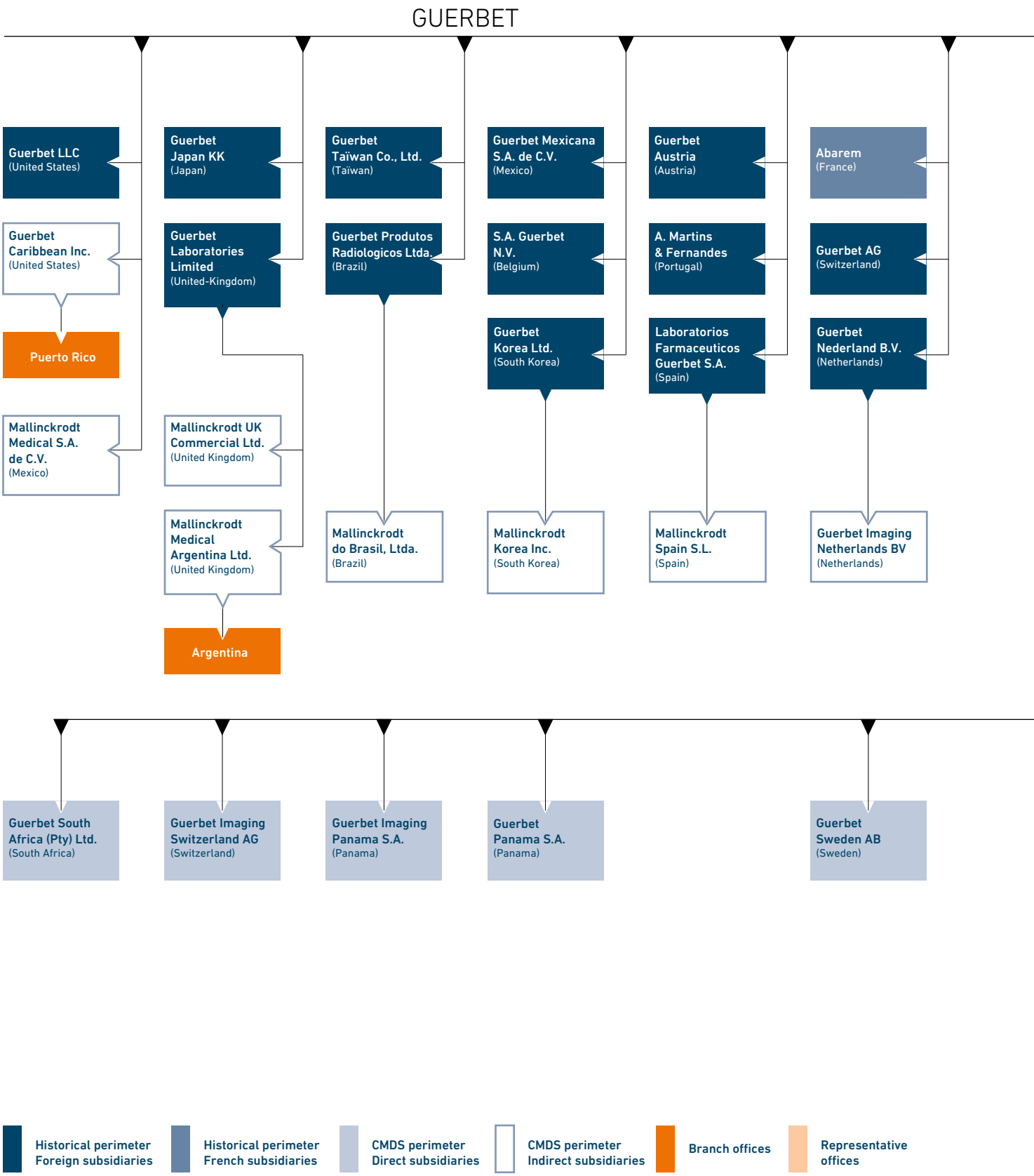
1.7.2 Board of Directors

from left to right

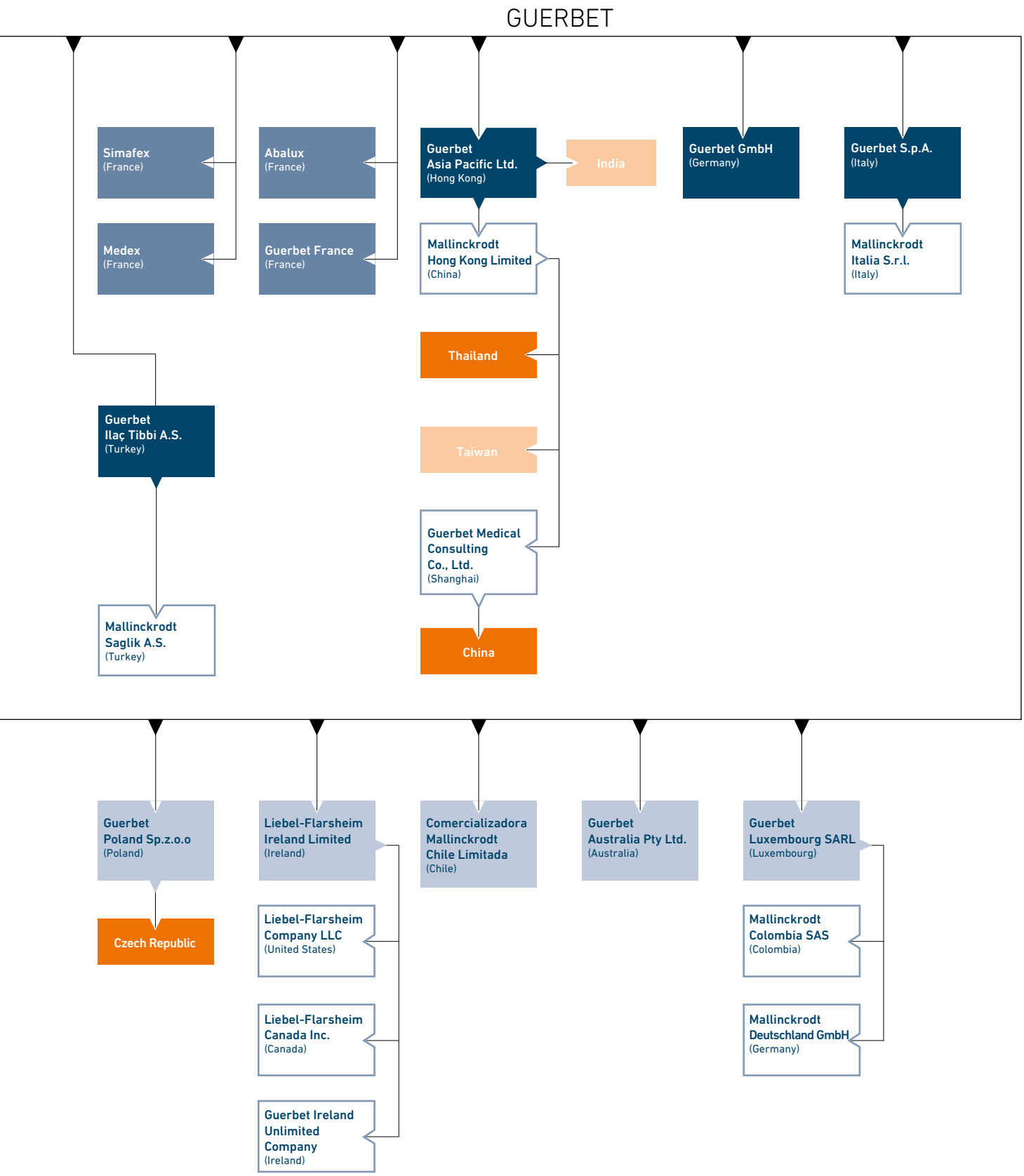
Mark Fouquet	Director Member of the Strategy and Innovation Committee Member of the Audit Committee
Yves L'Épine	Director and CEO
Marie-Claire Janailhac-Fritsch	Chairman of the Board of Directors Chairman of the Strategy and Innovation Committee Member of the Audit Committee Member of the Appointment Committee Member of the Ethics and Governance Committee
Didier Izabel	Director Chairman of the Audit Committee Member of the Strategy and Innovation Committee Member of the Appointment and Compensation Committee
Marion Barbier	Director Chairman of the Ethics and Governance Committee Member of the Appointment and Compensation Committee
Claire Jouault-Massiot	Director Chairman of the Appointment and Compensation Committee Member of the Strategy and Innovation Committee Member of the Ethics and Governance Committee
Nicolas Louvet	Director
Céline Lamort*	Director Member of the Audit Committee

* Absent from the photo.

1.7.3 A global presence



The shareholding percentages are presented in the table "List of consolidated companies" in Chapter 6, Note 30, page 113.


GUERBET
Simafex (France)
Abalux (France)
Guerbet Asia Pacific Ltd. (Hong Kong)
India
Guerbet GmbH (Germany)
Guerbet S.p.A. (Italy)
Medex (France)
Guerbet France (France)
Mallinckrodt Hong Kong Limited (China)
Mallinckrodt Italia S.r.l. (Italy)
Thailand
Guerbet Ilaç Tibbi A.S. (Turkey)
Taiwan
Guerbet Medical Consulting Co., Ltd. (Shanghai)
Mallinckrodt Saglik A.S. (Turkey)
China
Guerbet Poland Sp.z.o.o (Poland)
Liebel-Flarsheim Ireland Limited (Ireland)
Comercializadora Mallinckrodt Chile Limitada (Chile)
Guerbet Australia Pty Ltd. (Australia)
Guerbet Luxembourg SARL (Luxembourg)
Czech Republic
Liebel-Flarsheim Company LLC (United States)
Mallinckrodt Colombia SAS (Colombia)
Liebel-Flarsheim Canada Inc. (Canada)
Mallinckrodt Deutschland GmbH (Germany)
Guerbet Ireland Unlimited Company (Ireland)

1.7.4 Property owned

Country	Town/City	Address
Germany	Sulzbach	Otto Volger-Strasse 11-65843 – Sulzbach/Taunus
Belgium	Brussels	31, avenue Henri-Dunant – 1140 Bruxelles
Brazil	Rio de Janeiro	Rua André Rocha – 3000 – Jacarepagua – CEP 22710 – 568 – Rio de Janeiro
Canada	Pointe Claire	7500 Trans Canada Highway – Pointe Claire Québec H9R 5H8
United States	Cincinnati	2111 E Galbraith Road, Cincinnati – Ohio 45237
	Raleigh	8800 Durant Road, Raleigh, North Carolina 27616
France	Aulnay-sous-Bois	16/24, rue Jean-Chaptal et 1, rue Nicéphore Niepce – 93600 Aulnay-sous-Bois
	Marans	16, rue des Fours-à-Chaux – 17320 Marans
	Lanester	ZI de Kerpont – 705, rue Denis-Papin – 56600 Lanester
	Villepinte	15, rue des Vanesses – 93420 Villepinte
Ireland	Dublin	Damastown Mulhuddart – Dublin 15
Portugal	Lisbon	Rua Raul Mesnier – Ponsard 4B 1750 Lisboa

1.7.5 Distribution

In 2016, Guerbet distributed its products in almost eighty countries on all continents.

The Group sells its products *via* several channels:
- directly through its sales structure;
- through distributors;
- through license-holders.

Direct operations

The Group has direct operations in Europe, Asia, North America and Latin America through direct subsidiaries in more than 20 countries.

Distribution agreements

For markets in which Guerbet does not have direct operations or a licensing agreement, agreements have been signed with nearly seventy distributors. The main agreements cover Scandinavia, Eastern Europe, Greece, Africa and the Middle East and some countries in South America, Asia and Oceania. These distributors are now joined by a network of companies dedicated to providing after-sales services for injectors.

Guerbet is also continuing its growth strategy in two key Asian markets.

In September 2015, Guerbet signed an agreement with Kyuan on the promotion and distribution of Lipiodol® in China, where this product is already registered for its two standard indications, lymphography and the treatment of iodine deficiency. This agreement with Beijing Kyuan Pharmaceutical Co. Ltd, one of the leading drug distributors and importers in the Chinese market, boosts the distribution and sale of Lipiodol® Ultra-Fluid in the Chinese hospital market. This new contract gives Guerbet's flagship product in Interventional Radiology the benefit of Kyuan's extensive experience in pharmaceutical distribution in this hospital market.

By signing an agreement with Fuji Pharma in October, 2015, Guerbet accelerated sales of its range of contrast media for X-ray imaging, MRI and interventional radiology in Japan, including Dotarem®, sold in Japan under the brand name Magnescope®, Optiray® for X-ray imaging and Lipiodol® for interventional radiology.

In December 2016, Guerbet extended its distribution agreement to all contrast media and delivery systems with Methapharm for Canada.

Customer types

Guerbet's local customer structure in each of its national markets, excluding distributors and licensees, differs from one country to the next. There are two common factors in most countries, however:
- a large proportion of sales are made to hospitals, clinics, radiology centers and purchasing pools.
  In the vast majority of cases, such sales are based on negotiated contracts or calls for tenders;
- a second major category of customers consists of wholesale distributors that in turn supply pharmacies.

2 Corporate governance

2.1 The Board of Directors

2.1.1 Board members

Date of birth:
July 3, 1955
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Marie-Claire Janailhac-Fritsch
Chairman of the Board of Directors

◆ **Independent**

Career history:
Consultant in the cosmetics sector at Hellébore since 2003
Professional activity in the cosmetics industry since 1987; participation in the creation, development and sale of start-ups in this field
Positions held in the pharmaceutical industry at Euroga and Smith Kline from 1978 to 1987
Member of the *Institut Français des Administrateurs* (French Institute of Directors) since 2007

Education:
Marie-Claire Janailhac-Fritsch is a graduate of the *École des Hautes Études Commerciales de Paris* (HEC Paris)

◆ **Current terms of office and positions held within Guerbet:**
Chairman of the Board of Directors
◆ **Chairman of the Strategy and Innovation Committee**
◆ **Member of the Audit Committee**
◆ **Member of the Appointment Committee**
◆ **Member of the Ethics and Governance Committee**

Current terms of office held in French and foreign companies:
Chairman of Hellébore SAS
Director of Biophytis

First appointment to the Board: May 27, 2011
Date of most recent reappointment: not applicable
Expiry of term of office: 2017 General Meeting

2 Corporate governance
The Board of Directors

Date of birth:
October 14, 1958
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Marion Barbier
Non-Independent Director

- **Non-independent because she is a member of the Guerbet family**

Career history:
Partner in the law firm Bird & Bird since 2000
Lawyer at the law firm Jeantet & Associés from 1984 to 2000

Education:
Graduate of *Université Panthéon-Sorbonne* in international law and member of the Paris bar

- **Current terms of office and positions held within Guerbet:**
Director
- **Chairman of the Ethics and Governance Committee**
- **Member of the Appointment and Compensation Committee**

Current terms of office held in French and foreign companies:
N/A

First appointment to the Board: July 27, 2011
Date of most recent reappointment: not applicable
Expiry of term of office: 2017 General Meeting

Date of birth:
July 6, 1959
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Mark Fouquet
Non-Independent Director

- **Non-independent because he is a member of the Guerbet family**

Career history:
Corporate Secretary, assisting with and arranging industrial and financial partnerships at MGF Easybike since 2011
Financial engineering key account manager for Paris and Abidjan at Maréchal & Associés Finance, from 2010 to 2011
CEO and Partner, consultant in financial engineering and arranging financial deals at FG Partner SAS from 2007 to 2010
Consultant in financial engineering and arranging financial deals at Simpl-Fi from 2003 to 2007
Seller of French and European equities to institutional clients and IPO financing at KBC Securities France from 1999 to 2003

Education:
European Business School

- **Current terms of office and positions held within Guerbet:**
Director
- **Member of the Audit Committee**
- **Member of the Strategy and Innovation Committee**

Current terms of office held in French and foreign companies:
Chairman of the Supervisory Board of Terranere – Ixow
Director of Lucibel SA
CEO of SIMPL-FI
Chairman of Calenzane
Chairman of SAS Xelos

First appointment to the Board: May 23, 2014
Date of most recent reappointment: not applicable
Expiry of term of office: 2020 General Meeting

Date of birth:
December 6, 1955
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Didier Izabel
Independent Director

◆ **Independent**

Career history:
Senior Partner at Axys Finance (since 2009)
Managing Director at Group Banca Leonardo (2006-2009)
Partner at Toulouse & Associés (2003-2006)
Head of Mergers and Acquisitions at Compagnie Financière Edmond de Rothschild (1994-2003)
Head of the Financial Engineering Department at Banexi (BNP Group) (1989-1994)
Ministry for Industry: General Directorate for Industry, in charge of the Pharmaceutical Industry (1985-1989)
Provence-Alpes-Côte d'Azur Region DRIR (Regional Directorate for Industry and Research), in charge of the Industrial Environment (1982-1985)

Education:
École Polytechnique (1976)
École Nationale des Mines de Paris (1981)
Member of the *Corps des Mines*

◆ **Current terms of office and positions held within Guerbet:**
Director
◆ **Chairman of the Audit Committee**
◆ **Member of the Appointment and Compensation Committee**
◆ **Member of the Strategy and Innovation Committee**

Current terms of office held in French and foreign companies:
CEO of Axys Finance since March 2009
CEO of SARL Financière des Pins
CEO of SARL LMP 07

First appointment to the Board: May 23, 2014
Date of most recent reappointment: not applicable
Expiry of term of office: 2020 General Meeting

Date of birth:
August 27, 1961
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Claire Jouault-Massiot
Non-Independent Director

◆ **Non-independent because she is a member of the Guerbet family**

Career history:
Head of Operational Excellence and Lean Manufacturing at Sanofi R&D since 2016
Head of Clinical and Medical Quality at Sanofi R&D (2010-2015)
Quality assurance/good clinical practices and drug safety monitoring at Sanofi R&D (1992-2010)
Biotech research at Advanced Magnetics, Cambridge, the United States (1990-1991)
Clinical research, Glaxo Laboratories (1989-1990)
Hospital pharmacy intern within the *Assistance publique des hôpitaux de Paris* (Paris Public Hospital Authority) (1985-1989)

Education:
Advanced diploma in hospital pharmacy – Paris V
Master's degree in biological and medical sciences – Paris VI
State doctorate in pharmacy – *Université René-Descartes – Paris V*

◆ **Current terms of office and positions held within Guerbet:**
Director
◆ **Chairman of the Appointment and Compensation Committee**
◆ **Member of the Ethics and Governance Committee**
◆ **Member of the Strategy and Innovation Committee**

Current terms of office held in French and foreign companies:
Manager of non-commercial partnership RFDC

First appointment to the Board: May 24, 2013
Date of most recent reappointment: not applicable
Expiry of term of office: 2019 General Meeting

2 Corporate governance
The Board of Directors

Date of birth:
March 30, 1982
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Céline Lamort
Non-Independent Director

◆ **Non-independent because she is a member of the Guerbet family**

Career history:
Head of strategic projects at Barry Callebaut since 2016
Head of Operations in the Food and Crop Protection division of Royal DSM N.V. from 2013 to 2016
Head of Supply Chain in the Food and Crop Protection division of Royal DSM N.V. from 2011 to 2013
Head of Logistics at Royal DSM N.V. in 2011
Head of continuous improvement/operational excellence projects at Royal DSM N.V. from 2008 to 2011
Process Engineer at Royal DSM N.V. from 2006 to 2008

Education:
IFA/Science-Po Paris – Company Director Certificate
Unitech International Program
École Nationale Supérieure de Chimie de Paris (ENSCP)

◆ **Current terms of office and positions held within Guerbet:**
Director
◆ **Member of the Audit Committee**

Current terms of office held in French and foreign companies:
N/A

First appointment to the Board: May 29, 2015
Date of most recent reappointment: not applicable
Expiry of term of office: 2021 General Meeting

Date of birth:
October 24, 1959
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Yves L'Épine
CEO and Director

◆ **Non-independent because of his capacity as CEO**

Career history:
Vice-President Europe of the Abbott group's Established Products division from 2010 to 2011
Chairman and CEO of the French subsidiary of the Takeda group from 1999 to 2010
Management positions within the Sandoz group (then Novartis) in France and abroad from 1990 to 1999
Paris Hospitals intern from 1985 to 1989

Education:
MBA from the Insead business school in 1990
Doctorate in medicine and cardiology, René-Descartes Medical School – Paris V

◆ **Current terms of office and positions held within Guerbet:**
Director and CEO
◆ **Yves L'Épine was appointed CEO of Guerbet on October 17, 2011**
◆ **Chairman of Abarem – Subsidiary of Guerbet**
◆ **Chairman of Abalux – Subsidiary of Guerbet**

Current terms of office held in French and foreign companies:
Member of the Supervisory Board of CM CIC Investissement

First appointment to the Board: May 24, 2013
Date of most recent reappointment: not applicable
Expiry of term of office: 2019 General Meeting

Date of birth:
June 27, 1976
Professional address:
Guerbet
15, rue des Vanesses
93420 Villepinte

Nicolas Louvet Non-Independent Director	◆ **Non-independent because he is a member of the Guerbet family**
Career history: Head of the BU improvement plan at Yazaki Europe Limited since 2013 Head of component key accounts at Yazaki Europe Limited from 2012 to 2015 Head of Strategic Projects at Yazaki Europe Limited from 2007 to 2012 Project Manager at Valeo Éclairage et Signalisation from 2005 to 2007 Engineer, then R&D Project Manager at Valeo Éclairage et Signalisation from 2001 to 2005 **Education:** Graduate of the UTC *(Université de Technologie de Compiègne)*	◆ **Current terms of office and positions held within Guerbet:** Director **Current terms of office held in French and foreign companies:** N/A
First appointment to the Board: May 27, 2016 **Date of most recent reappointment:** not applicable **Expiry of term of office:** 2022 General Meeting	

None of these Directors has been convicted of fraud, or is subject to government proceedings or involved in bankruptcy, receivership or liquidation proceedings.

2.1.2 Conflicts of interest

The Board of Directors was not informed of any investigations of potential conflicts of interest in 2016.

2.2 Compensation of company officers

2.2.1 Compensation of executive company officers

General principles

The principles for determining the compensation of executive and non-executive company officers are proposed by the Compensation Committee and approved by the Board of Directors.

The principles for determining the compensation paid to the Chairman, the Chief Executive Officer and the Deputy CEO are established based on the Afep-Medef Code, which the Company has adopted. The compensation of executive company officers depends on their responsibilities, the results achieved and the work completed. It may also depend, particularly for the Chief Executive Officer and the Deputy CEO, on the type of duties entrusted to them or exceptional situations.

The compensation of executive company officers obeys the principle of Balance, to ensure a fair proportion between the various components. To make sure that the compensation is competitive, the principle of Comparability is also applied, so that the compensation awarded can be compared with the reference market. Finally, special attention is paid to the Consistency and Intelligibility of the rules for the compensation of company officers, which are necessary to understand the compensation paid to other company executives and employees.

Compensation in office

The Chairman of the Board of Directors receives a total compensation composed of a fixed sum, equal to three times the fixed share of the attendance fees awarded to Directors received in respect of her office as Chairman, and the attendance fees received in respect of her office as Director. In accordance with the Afep-Medef Code's recommendations, the Chairman does not receive variable compensation in cash or securities, or any other compensation based on the performance of the Company or Group.

The Chief Executive Officer and Deputy CEO receive a compensation composed of a fixed amount and a variable portion based on quantitative and qualitative criteria relating to the Company's commercial and industrial performance and the implementation of its strategy.

Since 2016, long-term compensation in the form of performance shares, subject to attendance and performance criteria, have been awarded in addition to this compensation. A percentage of the shares awarded must be retained until the end of the executive officers' terms of office.

Exceptional compensation may also be awarded in exceptional circumstances.

The Deputy CEO is the Guerbet group's Chief Pharmacist, and as such receives an annual bonus.

Welcome and termination compensation

Welcome compensation may be granted to a new Chief Executive Officer arriving from a company outside the Group. This is intended to compensate for the loss of the benefits that they previously enjoyed. This compensation, and its payment, are disclosed in the Company's annual report.

It make take several forms. It may be awarded particularly in the form of stock options or performance shares.

The Chairman, the Chief Executive Officer and the Deputy CEO doesn't have any commitments from the Company to pay compensation or benefits due to the termination of their office.

The tables below present the gross compensation of each of the executive company officers for fiscal year 2016. The executive company officers are Ms Marie-Claire Janailhac-Fritsch, in her capacity as Chairman of the Board of Directors, Mr Yves L'Épine, in his capacity as CEO, Ms Brigitte Gayet, in her capacity as Deputy CEO and Chief Pharmacist until May 31, 2016, and Mr Pierre André, in his capacity as Deputy CEO and Chief Pharmacist starting from June 1, 2016.

Summary table of the compensation awarded to Ms Marie-Claire Janailhac-Fritsch, Chairman of the Board of Directors

(in € gross)	2016	2015
Compensation due for the year	76,853	49,358
Value of stock options awarded during the year		
Value of performance shares awarded during the year		
Attendance fees due for her office as Director	44,622 (1)	37,050 (2)
TOTAL	**121,475**	**86,408**

(1) Estimated gross amount subject to a vote at the General Meeting of Shareholders of May 19, 2017, equal to a net amount of €37,000.
(2) Estimated gross amount approved at the General Meeting of Shareholders of May 27, 2016, equal to a net amount of €28,500.

Detailed table of the compensation awarded to Ms Marie-Claire Janailhac-Fritsch, Chairman of the Board of Directors

	Amounts due for the year		Amounts paid during the year	
(in € gross)	2016	2015	2016	2015
Fixed compensation, of which:				
as Chairman of the Board of Directors	76,853	49,358	76,853	49,358
Variable compensation				
Exceptional compensation				
Attendance fees	44,622 (1)	37,050 (2)	34,368 (3)	34,450
Benefits in kind				
TOTAL	**121,475**	**86,408**	**111,221**	**83,808**

(1) Estimated gross amount subject to a vote at the General Meeting of Shareholders of May 19, 2017, equal to a net amount of €37,000.
(2) Estimated gross amount approved at the General Meeting of Shareholders of May 27, 2016, equal to a net amount of €28,500.
(3) Actual gross amount, equal to a net amount of €28,500.

Summary table of the compensation awarded to Mr Yves L'Épine, Chief Executive Officer

(in € gross)	2016	2015
Compensation due for the year	755,236	863,136
Value of stock options awarded during the year		
Value of performance shares awarded during the year	458,573 (1)	
Attendance fees due for his office as Director	21,990 (2)	21,990
TOTAL	**1,235,799**	**885,126**

(1) Value of the performance shares on their awarding as determined in accordance with the application of IFRS 2.
(2) Estimated gross amount subject to a vote at the General Meeting of Shareholders of May 19, 2017.

Detailed table of the compensation awarded to Mr Yves L'Épine, Chief Executive Officer

	Amounts due for the year		Amounts paid during the year	
(in € gross)	**2016**	2015	**2016**	2015
Fixed compensation	445,000	396,000	445,000	396,000
Variable compensation	304,825	264,000	264,000	190,962
Exceptional compensation		198,000	198,000	
Long-term compensation (value of performance shares awarded during the year)	458,573 (1)			
Attendance fees	21,990 (2)	21,990	21,990	21,990
Benefits in kind	5,411	5,136	5,411	5,136
TOTAL	**1,235,799**	**885,126**	**934,401**	**614,088**

(1) Value of the performance shares on their awarding as determined in accordance with the application of IFRS 2.
(2) Estimated gross amount subject to a vote at the General Meeting of Shareholders of May 19, 2017.

Summary table of the compensation awarded to Ms Brigitte Gayet, Deputy CEO

(in € gross)	**2016**	2015
Compensation due during the year	88,605	188,856
Value of stock options awarded during the year		
Value of performance shares awarded during the year		
TOTAL	**88,605**	**188,856**

Detailed table of the compensation awarded to Ms Brigitte Gayet, Deputy CEO

	Amounts due for the year		Amounts paid during the year	
(in € gross)	**2016 (1)**	2015	**2016 (1)**	2015
Fixed compensation	70,005 (2)	140,010	70,005 (2)	140,010
Variable compensation	11,667 (2)	23,335	35,002 (2)	45,500
Exceptional compensation	125,750 (2)	11,500	125,750	11,500
Attendance fees				
Benefits in kind	1,183	2,344	1,183	2,344
TOTAL	**208,605**	**177,189**	**231,940**	**199,354**

(1) Contract end date: June 30, 2016.
(2) In proportion to length of presence.

Summary table of the compensation awarded to Mr Pierre André, Deputy CEO

(in € gross)	**2016**	2015
Compensation due during the year	212,744	
Value of stock options awarded during the year		
Value of performance shares awarded during the year	47,143 (1)	
TOTAL	**259,887**	

(1) Value of the performance shares on their awarding as determined in accordance with the application of IFRS 2.

Detailed table of the compensation awarded to Mr Pierre André, Deputy CEO

	Amounts due for the year		Amounts paid during the year	
(in € gross)	**2016**	2015	**2016**	2015
Fixed compensation	134,136 [1]		134,136	
Variable compensation	46,325			
Exceptional compensation	30,000		30,000	
Long-term compensation (value of performance shares awarded during the year) [2]	47,143			
Attendance fees				
Benefits in kind	2,283		2,283	
TOTAL	**259,887**		**166,419**	

(1) In proportion to length of presence. The contract start date was February 29, 2016. Mr Pierre André was appointed Deputy CEO on June 1, 2016.
(2) Value of the performance shares on their awarding as determined in accordance with the application of IFRS 2.

The table below presents other information closely related to the future compensation of the executive company officers:

	Employment contract		Supplementary pension plan		Compensation or benefits due or liable to be due following a termination or change of duties		Compensation due under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Ms Marie-Claire Janailhac-Fritsch		x		x		x		x
Mr Yves L'Épine		x	x			x		x
Ms Brigitte Gayet	x		x			x		x
Mr Pierre André	x		x			x		x

In 2016, three executive company officers, like other Guerbet executives, benefited from an individual supplementary pension plan paid into by Guerbet. The total funded pension amount paid into the individual pension plans came to €28,416 in 2016, which breaks down as follows: €12,164 for Mr Yves L'Épine, €10,170 for Mr Pierre André and €6,082 for Ms Brigitte Gayet.

8,850 performance shares were also awarded to the executive company officers in 2016.

Since 2015, Ms Marie-Claire Janailhac-Fritsch has a health insurance and a welfare insurance policy, taken out by Guerbet under the same conditions as for Guerbet employees. The contributions paid by Guerbet totaled €2,241.10 in 2016, of which €1,241.20 for the welfare insurance, and €999.90 for the mutual health insurance.

Pension commitments made to company officers

The estimated annuity that Mr Yves L'Épine would receive if he retired on January 1, 2017 would be €2,297.69.

This figure was assessed solely on the basis of employer contributions paid by Guerbet into the individual supplementary pension plan, on the assumption that the annuity would be paid in the form of an increased annuity, given that Mr Yves L'Épine can also choose to receive payment in the form of reversionary annuities, guaranteed annuities or annuities with a dependency guarantee.

The capital accumulated by Mr Pierre André is not sufficient for the payment of a minimum annuity of €480. Only a capital withdrawal of around €6,034 would be possible.

Article D. 225-104-1 – established by decree No. 2016-182 of February 23, 2016 – Article 1

The proposed pension scheme is a mandatory Group insurance policy for the executive category pursuant to Article 83 of the French General Tax Code, governed by the French Insurance Code and in particular Article L. 141-1 *et seq.* This policy is a retirement savings policy in accordance with Article 107 of Act No. 2010-1330 of November 9, 2010. The basis of the contributions is the annual gross compensation of policyholders for the insurance period in question, limited to Social Security bracket C. The contribution rate is exclusively employer-based. The policy takes effect on the first day of the month. The employer contributions of 4.5% are monthly. There are no tax charges associated with the policies.

2.2.2 Attendance fees

The attendance fees that will be subject to a vote at the General Meeting of Shareholders of May 19, 2017 are presented below.

Director	Fixed portion	Variable portion	Net total	Gross total
Ms Marie-Claire Janailhac-Fritsch	€20,000.00	€17,000	€37,000.00	€44,622.00
Ms Marion Barbier	€20,000.00	€5,500	€25,500.00	€25,500.00
Mr Jean-Jacques Bertrand	€8,333.33	€2,500	€10,833.33	€10,833.33
Mr Mark Fouquet	€20,000.00	€5,500	€25,500.00	€25,500.00
Mr Didier Izabel	€20,000.00	€17,000	€37,000.00	€37,000.00
Ms Claire Jouault-Massiot	€20,000.00	€6,000	€26,000.00	€26,000.00
Ms Céline Lamort	€20,000.00	€1,500	€21,500.00	€21,500.00
Mr Yves L'Épine	€20,000.00	-	€20,000.00	€21,990.00
Mr Christian Louvet	€8,333.33	€3,000	€11,333.33	€11,333.33
Mr Nicolas Louvet	€11,666.67	-	€11,666.67	€11,666.67
TOTAL	**€168,333.33**		**€226,333.33**	**€235,945.33**

2.2.3 Commitments made to company officers on assuming, changing or termination of their duties

Not applicable.

2.2.4 Stock option and performance share plans

2.2.4.1 Options awarded to executive company officers in 2016

Not applicable.

2.2.4.2 Options exercised by executive company officers in 2016

28,000 stock options were exercised in 2016 by Mr Yves L'Épine and 1,480 by Ms Brigitte Gayet.

2.2.4.3 Options not exercised by executive company officers at December 31, 2016

Mr Yves L'Épine held 16,600 stock options that had not been exercised at December 31, 2016.

2.2.4.4 Performance shares awarded to executive company officers in 2016

8,850 performance shares were awarded in 2016, subject to certain conditions being met.

Details of the performance shares awarded		
Date of General Meeting	May 27, 2016	May 27, 2016
Date of Board of Directors' meeting	September 27, 2016	November 8, 2016
Total number of performance shares awarded to company officers under each of the plans:		
Mr Yves L'Épine	25 (1)	8,000 (1)
Mr Pierre André	25 (1)	800 (1)
Share award date	September 28, 2016	December 1, 2016
Vesting period end date	September 28, 2018	November 30, 2018

(1) Subject to certain conditions being met.

2.3 Report by the Chairman of the Board of Directors on corporate governance, the internal control system and the principles governing the compensation of the company officers

In accordance with Article L. 225-37, paragraph 6 of the French Commercial Code, we are pleased to report to you on the composition of the Board, the preparation and organization of its work, the principles and rules defined by it for determining the compensation and benefits of any kind granted to the company officers, and the internal control and risk management procedures introduced by your Company. This report was approved by the Directors on March 28, 2017.

Guerbet has adopted the Corporate Governance Code published by Afep-Medef (French Association of Private Sector Companies/French Business Confederation). Any deviations from this Code relating in particular to the composition of the Board of Directors and the Committees are referred to in the summary table at the end of this report. This Code can be consulted on the website www.code-afep-medef.com.

2.3.1 Information about corporate governance

Guerbet is a French public limited company *(société anonyme)* with a Board of Directors and a separate Chairman of the Board and CEO.

The Board of Directors had eight members at December 31, 2016:

- Ms Marie-Claire Janailhac-Fritsch, Chairman of the Board
- Ms Marion Barbier
- Mr Mark Fouquet
- Mr Didier Izabel
- Ms Claire Jouault-Massiot
- Ms Céline Lamort
- Mr Yves L'Épine, CEO
- Mr Nicolas Louvet

Ms Marie-Claire Janailhac-Fritsch has chaired the Board since September 30, 2013.

Note that Doctor Michel Guerbet is honorary Company Chairman.

At December 31, 2016, the Board of Directors had two independent members, namely Ms Marie-Claire Janailhac-Fritsch and Mr Didier Izabel, representing a quarter of the total. The Afep-Medef Code recommendation, setting the minimum number of independent members at one-third, was therefore not followed. This is a temporary situation that will be remedied by the appointments made at the next General Meeting, on May 19, 2017.

The Independent Directors meet the conditions set by the Afep-Medef Code:

- they are not members of the Guerbet family or signatories to the Shareholder Agreement;
- they do not have any particular business ties or relations with the Company or one of its subsidiaries;
- they do not hold a management position within the Company;
- they do not own a significant number of Company shares;
- they do not have an employment contract with the Company or one of its subsidiaries.

Also note that:

- Mr Yves L'Épine is Guerbet's Chief Executive Officer. The position of CEO is separate from the position of Chairman of the Board of Directors.
- Mr Yves L'Épine is not a member of any Committees.
- Mr Pierre André is the Deputy CEO, given his position as Chief Pharmacist.

The General Meeting of Shareholders of May 27, 2016 appointed Mr Nicolas Louvet as a Company Director. His term of office will last for six years and will end after the General Meeting to be held in 2022 to approve the financial statements for the fiscal year ended December 31, 2021.

The members of the Board have been appointed for a six-year term, in accordance with law and with the articles of association. Note that the Afep-Medef Code's recommendation that directors' terms of office should last for four years has not been adopted. The Company strives to meet the criteria of the Afep-Medef Code whenever this is compatible with its organizational structure and way of operating. However, due to the Company's size, its capital-intensive nature and the Board's desire to adopt a long-term perspective while drawing on past experience, it has decided not to follow this recommendation.

Given that the 12-year term taken into consideration by the Afep-Medef Code corresponds to three successive terms of office (which run for four years under the code) and the term of office of Guerbet Directors is six years, the Board felt that the appropriate term for Independent Directors could be extended to 18 years.

A decision was made to extend these terms to take into account the specific length of development cycles in the pharmaceutical industry.

In 2016, the Board of Directors met six times with an average 99% attendance rate.

Since the start of 2017, the Board of Directors has met once to examine the annual financial statements for the fiscal year 2016.

The Board of Directors has Internal Regulations that clarify and supplement the procedures governing its operation and the operation of its Committees, as provided for by the articles of association and the law. They are available on the Guerbet group's website (under Investors – Corporate Governance section).

2.3.1.1 Organization of the work of the Board of Directors and the Committees

Assessment

The Internal Regulations provide that the Board of Directors must conduct a self-assessment of its operating procedures and verify that issues affecting the efficient operation of the Company are suitably examined and discussed.

In accordance with these provisions, the Board of Directors, at its meeting on December 16, 2016, conducted an assessment of the operation of the Board and its work during 2016. This assessment was conducted through a written questionnaire sent to the members of the Board by the Board's Corporate Secretary. This was a detailed questionnaire with closed-ended and open-ended questions so that each of the Board's members could clarify their replies.

This assessment was used to:

- assess the operation of the Board and its effectiveness;
- verify whether important issues are thoroughly prepared and discussed adequately;
- assess each member's actual contribution;
- verify whether the Board's current composition still corresponds to what is best for the Company;
- bring new impetus to the Board by identifying areas for change and progress.

The report was positive overall, as it showed that the Directors have a good perception of their Board's operation.

The following points emerged from discussions of this assessment of the Board's operation:

- the Chairman diligently organizes and oversees the Board's work;
- the schedule of meetings is drawn up for the year for the Board and its Committees;
- the Directors exercise a fully independent judgment, which enable them to participate completely independently in the Board's collective work and decisions;
- the procedure for managing and preventing conflicts of interest has been approved and applied;
- the Board's current composition must be reviewed to comply with the proportion of Independent Directors.

  Members of Guerbet's Board of Directors are chosen based on balance, expertise and ethical criteria. The Independent Directors on the Board have retained their capacity as Independent Directors as they have no ties of any kind to the Company, its subsidiaries or its Management that might compromise the independent exercise of their judgment;
- the Board's Committees have been particularly active and effective. A Strategy and Innovation Committee meeting looking at strategy was held over two days at the Lanester facility. During this Committee meeting, the Directors were able to visit the production plant and attended a presentation on the digital transformation of the medical imaging world;
- risk mapping is analyzed in detail at Audit Committee meetings;
- the shared strategic vision is a strong factor in achieving cohesion within the Board.

The Board's members also identified points for improvement for 2017:

- the appointment of Independent Directors;
- beginning the revision of the Group's Articles of Association;
- formalizing a strategic scorecard for more visual monitoring of the Company's performance and the implementation of its strategy;
- ensuring that preparatory documents are sent as early as possible before Board of Directors' meetings are held;
- updating the induction procedure for new Directors;
- resuming plant visits and customer visits for members of the Board.

The Board of Directors has four Committees: the Strategy and Innovation Committee, the Appointment and Compensation Committee, the Audit Committee and the Ethics and Governance Committee.

The Committees are forums for analysis and reflection. They issue opinions and proposals but do not make decisions. They report on their work at each meeting of the Board of Directors.

COMPOSITION OF THE COMMITTEES OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2016

AUDIT COMMITEE

Membres
Didier IZABEL (Chairman)
Mark FOUQUET
Marie-Claire JANAILHAC-FRITSCH
Céline LAMORT

STRATEGY AND INNOVATION COMMITEE

Membres
Marie-Claire JANAILHAC-FRITSCH (Chairman)
Mark FOUQUET
Didier IZABEL
Claire JOUAULT

APPOINTMENT AND COMPENSATION COMMITEE

Membres
Claire JOUAULT (Chairman)
Marion BARBIER
Didier IZABEL
Marie-Claire JANAILHAC-FRITSCH (excl. "compensation")

ETHICS AND GOVERNANCE COMMITEE

Membres
Marion BARBIER (Chairman)
Claire JOUAULT
Marie-Claire JANAILHAC-FRITSCH

Strategy and Innovation Committee

This Committee met five times in 2016. It is chaired by Ms Marie-Claire Janailhac-Fritsch, the Chairman of the Board of Directors.

The role of the Strategy and Innovation Committee is to prepare the work of the Board of Directors in areas of significant strategic interest.

The agendas notably included a review of:

- the strategic road map of the action plan for integration of CMDS (Mallinckrodt's medical imaging activities);
- projects under development (NCEs and LCMs);
- business development plans;
- industrial strategy;
- the markets for each Business Unit;
- the current and future transformation of medical imaging.

Appointment and Compensation Committee

The Committee met five times in 2016. It is chaired by Ms Claire Jouault.

The Board of Directors' Internal Regulations set the minimum number of Independent Directors on the Committee at one-third. The Afep-Medef Code's recommendation providing for a majority of Independent Directors on this Board was therefore not followed. This Committee composition rule was introduced due to the significant proportion of members representing the Shareholder Agreement on the Board.

The current proportion of Independent Directors on this Committee is half of its members, however.

The Appointment and Compensation Committee is chaired by Ms Claire Jouault. This deviates from the Afep-Medef Code's recommendation that this position should be entrusted to an Independent Director. The Board of Directors believes that the position of Chairman of the Appointment and Compensation Committee may be entrusted to Ms Claire Jouault, however, as Ms Claire Jouault holds no other positions within the Company.

The role of the Appointment and Compensation Committee is to put the Board of Directors in the best position to:

- select new Directors, propose to the Board the appointment of the CEO and, on the advice of the latter, propose the appointment of the Deputy CEOs;
- ensure the successful integration of new Directors;
- review the compensation policy applied within the Group;
- propose the executive company officers' compensation and benefits with a view to their adoption by the Board;
- look particularly at issues relating to succession planning for senior executives and people holding key positions within the Group.

The Committee specifically:

- reviewed the processes and tools for developing and selecting high-potential staff (Career Committees, wage policy, *etc.*);
- made recommendations regarding the terms for the implementation of performance share award plans;
- reviewed applications for Independent Director positions from applicants representing the Shareholder Agreement.

Audit Committee

The Committee met six times in 2016. It is chaired by Mr Didier Izabel.

The Board of Directors' Internal Regulations set the minimum number of Independent Directors on the Committee at one half. Note that the Afep-Medef Code's recommendation providing that at least two-thirds of the Committee's members should be Independent Directors was therefore not followed. This Committee composition rule was introduced due to the significant proportion of members representing the Shareholder Agreement on the Board.

In accordance with Article L. 823-19 of the French Commercial Code, the Audit Committee, under the sole, collective responsibility of the Board's members, oversees issues relating to (i) the preparation and examination of the parent company financial statements and, where applicable, the consolidated financial statements; (ii) the independence and objectiveness of the Statutory Auditors and (iii) the effectiveness of the internal control and risk management systems.

The Committee questions the CEO, the CFO and the Statutory Auditors.

Ethics and Governance Committee

The Committee met three times in 2016. It is chaired by Ms Marion Barbier.

The Ethics and Governance Committee prepares the work of the Board of Directors with regard to ethics and governance within the Group. As such, the Committee handles and monitors all issues relating to:

- compliance of the Company's values, actions and projects with social, legal and regulatory standards;
- management's integrity;
- defining and compliance with good governance rules;
- prevention of corruption and fraud;
- the Company's Articles of Association and the Board of Directors' Internal Regulations;
- qualification as Independent Director.

The Committee also ensures that the Board and the Board's Committees are operating effectively.

The agendas covered:

- review of the Board of Directors' Internal Regulations;
- revision of Guerbet's Articles of Association, including examining the possibility of appointing an Employee Director;
- disclosure of the agreements and benefits granted to healthcare professionals;
- monitoring the deployment of the Ethics Charter and the internal control system;
- implementation of the ABAC (Anti-Bribery and Anti-Corruption) compliance program.

2.3.1.2 Principles and rules for determining the compensation and benefits granted to company officers

The Appointment and Compensation Committee is tasked by the Board of Directors with reviewing compensation and preparing the Board's decisions on related issues.

The Board of Directors

1) Board members

At the General Meeting planned for May 19, 2017, the Shareholders will be asked to approve the award of Directors' attendance fees for a maximum total amount of €240,000, composed of a fixed portion and a variable portion calculated according to the participation of each member in Committee meetings.

The Chairmen of each of the Committees receive an additional variable portion.

To ensure fair treatment of all Directors, and due to their almost continual participation in the Board's decision-making meetings, the Board does not wish to adopt the Afep-Medef Code's recommendation that the variable portion of the attendance fees should make up the largest share.

2) The Chairman of the Board of Directors

The compensation awarded to the Chairman of the Board of Directors, Ms Marie-Claire Janailhac-Fritsch, for 2016, was set at a net amount of €60,000.

The Management

The Chief Executive Officer, Mr Yves L'Épine, receives compensation for his office. He does not have an employment contract but is granted the same benefits as Guerbet's senior executives. The Chief Executive Officer's compensation consists of a fixed portion and a variable portion. The variable compensation is based on quantitative and qualitative criteria relating to the Company's economic performance and strategy. He is also entitled to the reimbursement of expenses incurred in the performance of his duties, and in particular the reimbursement of representation and travel expenses.

Mr Yves L'Épine only receives the fixed portion of the attendance fees in his capacity as Director.

The successive Deputy CEOs, Ms Brigitte Gayet and Mr Pierre André, appointed to replace her on June 1, 2016, receive compensation for the performance of their office of Chief Pharmacist. Ms Brigitte Gayet had an employment contract for which she received compensation as Head of Industrial Quality. Mr Pierre André has an employment contract for which he receives compensation as Group Head of Quality, Technical Operations.

2.3.1.3 Information about changes to the Board of Directors

The Board of Directors underwent the following changes in 2016:

- Appointment of Mr Nicolas Louvet as Director by the General Meeting of May 27, 2016.
- End of the term of office as Director of Mr Jean-Jacques Bertrand following the General Meeting of May 27, 2016.
- End of the term of office as Director of Mr Christian Louvet following the General Meeting of May 27, 2016.

2.3.1.4 Participation in General Meetings

The terms and conditions for the participation of Shareholders in General Meetings and, in particular, the conditions for awarding double voting rights to holders of registered shares, are defined in Articles 19 and 20 of the articles of association.

2.3.1.5 Information of potential relevance in the event of a takeover bid

The information of potential relevance in the event of a takeover bid referred to in Article L. 225-100-3 of the French Commercial Code is presented in the management report by the Company's Board of Directors.

In accordance with Article L. 225-37, paragraph 7 of the French Commercial Code, the table below lists the Afep-Medef Code's provisions that have not been adopted and the reasons why.

Deviations from the recommendations for the composition of the Board of Directors and the Committees

Theme	Afep-Medef Code	Guerbet's situation/Comments
Proportion of Independent Directors on the Board	One-third Art. 8.3 of the Afep-Medef Code	Currently, 25% of the members of Guerbet's Board of Directors are independent. The Afep-Medef Code's recommendation has therefore not been followed. This is a temporary situation that will be remedied by the appointments proposed to the General Meeting of May 19, 2017.
Directors' terms of office	Limiting of the Directors' terms of office, as defined in the articles of association, to four years Art. 13 of the Afep-Medef Code	The members of the Board have been appointed for a six-year term, in accordance with the law and the articles of association. Note that the Afep-Medef Code's recommendation that Directors' terms of office should last for four years has not been adopted. The Company strives to meet the criteria of the Afep-Medef Code whenever this is compatible with its organizational structure and way of operating. However, due to the Company's size, its capital-intensive nature and the Board's desire to adopt a long-term perspective while drawing on past experience, it has decided not to follow this recommendation.
Independent Directors' terms of office	Limiting of Independent Directors' terms of office to 12 years Art. 8 of the Afep-Medef Code	The Board's Internal Regulations set Independent Directors' maximum terms of office at 18 years to take into account the specific length of development cycles in the pharmaceutical industry.
Composition of the Appointment and Compensation Committee	Position of Chairman of the Committee should be held by an independent member Art. 16 and 17 of the Afep-Medef Code	Note that the Afep-Medef Code's recommendation that the Chairman of the Appointment and Compensation Committee should be an Independent Director has not been adopted. The Board of Directors believes that the position of Chairman of the Appointment and Compensation Committee may be entrusted to Ms Claire Jouault as Ms Claire Jouault holds no other positions within the Company.
	The majority of the Board's members should be independent Art. 16 and 17 of the Afep-Medef Code	Note that the Board of Directors' Internal Regulations, setting the minimum number of independent members of the Appointment and Compensation Committee at one-third, deviate from the Afep-Medef Code's recommendation that at least half of the Committee members should be Independent Directors. This Committee composition rule was introduced due to the significant proportion of members representing the Shareholder Agreement on the Board. This is a temporary situation that will be remedied by the appointments proposed to the General Meeting of May 19, 2017.
Composition of the Audit Committee	Two-thirds of the Board's members should be independent Art. 15 of the Afep-Medef Code	Note that the Board of Directors' Internal Regulations, setting the minimum number of independent members of the Audit Committee at one half, deviate from the Afep-Medef Code's recommendation that at least two-thirds of the Committee members should be Independent Directors. This Committee composition rule was introduced due to the significant proportion of members representing the Shareholder Agreement on the Board.
Compensation of the Directors	The variable portion of Directors' compensation should make up the largest share Art. 20 of the Afep-Medef Code	To ensure fair treatment of all of the Directors, and due to their almost continual participation in the Board's decision-making meetings, an exception has been made to the Afep-Medef Code's recommendation that the variable portion of the attendance fees should make up the largest share.

2.3.2 Information about the internal control and risk management systems

The Group views the internal control and risk management systems as a set of policies intended to provide reasonable assurance that its operational targets are being met, its financial information is reliable and it is not in breach of any laws or regulations.

These functions rely on:

- the organization and operation of the Company's management bodies, as described above;
- a "quality" management system including audits, key performance indicators and risk assessments;
- procedures and an organizational structure for the preparation of financial and accounting information.

The Head of Internal Control is responsible for analyzing, enhancing and assessing the risk control measures taken within the Group. The Head of Internal Control reports to the CEO and has direct access to the Board of Directors. He coordinates his work with the operational and functional divisions, covering all of the Group's activities. Since his appointment, he has also coordinated the roll-out of the Ethics Charter and reinforced the initiatives taken to prevent the risk of fraud.

2.3.2.1 Guerbet's "Quality Management System" (QMS)

The Company has continued with its quality measures regarding the professional standards for its activities, and in particular the pharmaceutical standards, notably to meet the challenges posed by the increasingly stringent regulations applicable to Research and Development activities, and to the manufacture and sale of its products in Europe and on the African, American and Asian continents.

The Guerbet group is committed, through all of its subsidiaries, to a continuous improvement program designed to promote each person's responsibility for:

- the health and safety of the people who contribute to its activities;
- ensuring the safety of its industrial plants and their impact on the environment, particularly in terms of emissions, effluents and waste, so as to preserve the natural environment;
- compliance with the quality, safety and environmental laws and regulations applicable to the Group wherever it operates;
- maintaining relationships based on transparency and communication with stakeholders.

Each division, plant or subsidiary head is responsible for introducing and monitoring quality, safety and environmental programs in their field of activity, making sure that all employees are kept informed and actively contribute.

Guerbet's Quality Management System ensures:

- the formalization of activities within a documentation system defining methods and responsibilities;
- regular staff training;
- upstream and downstream traceability of all product batches;
- the performance of internal audits;
- the introduction of corrective and preventive actions to rectify any non-compliances detected and meet any activity improvement needs.

The Guerbet group's QMS is also:

- effectively implemented at every level of the organization;
- vital for the achievement of our quality objectives and Guerbet's growth and future;
- applied in accordance with all of the applicable quality regulations, codes and standards;
- regularly revised in order to:
  - assess the achievement of quality objectives,
  - analyze the key performance indicators with the aim of effective process monitoring in connection with Guerbet's Quality Management System,
  - identify opportunities for the continuous improvement of products, processes and the system itself.

This Quality Management System is regularly inspected by the French healthcare authorities (the ANSM), foreign healthcare authorities (the US FDA, Santé Canada, the ANVISA, the South Korean FDA, etc.), and by the Group's French and foreign customers and industrial and sales partners.

2.3.2.2 Internal control procedures relating to the preparation and processing of financial and accounting information

The internal control system relating to the processing of financial and accounting information aims to ensure the compliance of the Guerbet group's accounting and financial information with the laws and regulations. The internal control system is also intended to verify the application of the instructions and guidelines set by the General Management.

The Group's General Management and Financial and Management Control activities are centralized by the Guerbet parent company. Most of the Group's subsidiaries also have administrative and finance departments.

The Guerbet group has introduced a procedure for monitoring off-balance-sheet commitments, and particularly sureties and guarantees and market instruments, which are periodically reviewed by the Audit Committee and the Board of Directors.

The Group's Finance Department has established an accounting charter and procedures applicable by all of the Group's entities.

These procedures concern accounting standards and information reporting.

The Group's subsidiaries have also undertaken to apply the main general procedures (particularly the Group's financial policy) through charters agreed upon by them and the parent company.

The Group's consolidated financial statements are prepared by the parent company's teams. Consolidated financial statements restated to meet the standards laid down by the Group are produced for each consolidated subsidiary using the accounting data from the local information systems.

Finally, the Group organizes internal audits to check the degree of compliance with current policies and procedures.

2.3.2.3 Risk management

The risks to which the Company is exposed are identified, assessed and ranked. This ranking is examined by the Audit Committee.

Each process, project and business conducts a regular analysis of its risks, so that prevention and mitigation actions can be introduced.

The actions introduced are monitored in continuous improvement plans.

The Group's safety and environment policy focuses on two main goals:

- safeguarding everyone's health and safety in our plants;
- controlling the environmental footprint of our operations.

The Risk Manager, who is responsible for promoting and developing risk management skills, transmits his know-how and expertise while providing methodological support to operational management. He also optimizes the cost of risk by transferring it to insurance companies, where appropriate.

Marie-Claire Janailhac-Fritsch

Chairman of the Board of Directors

2.4 Statutory Auditors' report, produced in accordance with Article L. 225-235 of the French Commercial Code, on the report by the Chairman of the Board of the Directors

To the Shareholders,

In our capacity as Statutory Auditors of Guerbet and in accordance with the provisions of Article L. 225-235 of the French Commercial Code, we hereby present to you our report on the report produced by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval a report on the internal control and risk management procedures implemented by the Company that also provides the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- report on any observations regarding the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- certify that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. Note that our role is not to verify the accuracy of this other information.

We conducted our work in accordance with the professional standards applicable in France.

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

Professional standards require that we perform the due diligence necessary to assess the accuracy of the information regarding the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information provided in the Chairman's report. This due diligence consists mainly of:

- becoming acquainted with the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, and the existing documentation;
- becoming acquainted with the work involved in the preparation of this information, and the existing documentation;
- determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we have noted in the course of our analyses are properly disclosed in the Chairman's report.

Based on our analyses, we have no observations to make on the information regarding the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We hereby certify that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, April 4, 2017

The Statutory Auditors

HAF Audit & Conseil

Member of Crowe Horwath International

Marc de Prémare

Deloitte & Associés

Frédéric Souliard

3

Guerbet and its Shareholders

3.1 Guerbet shares

Guerbet shares are listed on Euronext Paris – Segment B under ISIN code FR0000032526.

Based on the closing price at December 30, 2016, Guerbet's market capitalization is €890 million.

Share price performance in 2016*

* *Based on daily closing prices.*

Share price data for 2016	Highest price in a trading session (in €)	Lowest price in a trading session (in €)	Number of shares traded	Turnover (in € million)
January	76.97	61.80	454,540	32.26
February	76.00	62.00	442,920	31.26
March	75.87	65.71	246,692	17.76
April	73.97	57.40	367,592	22.93
May	61.44	53.86	245,939	14.11
June	61.50	47.50	219,197	12.16
July	62.50	51.70	194,302	10.97
August	62.74	56.80	123,083	7.36
September	65.95	59.76	159,411	9.91
October	61.90	52.92	191,706	11.24
November	62.55	50.71	248,638	14.05
December	72.00	56.99	205,862	13.58

3.2 Dividend paid over three years

Fiscal year (in €)	Amount distributed	Gross dividend per share
2013	6,100,092.00	0.50
2014	6,104,092.00	0.50
2015	8,023,258.10	0.65

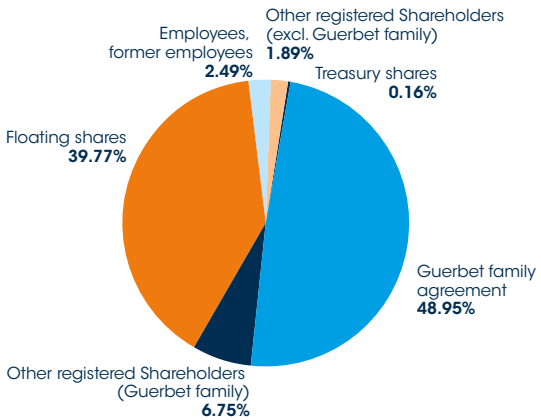
3.3 Share ownership structure

3.3.1 Position at December 31, 2016

At December 31, 2016, the share capital amounted to €12,501,148 divided into 12,501,148 fully paid-up shares with a par value of €1 each.

Of these 12,501,148 shares, none is pledged.

Taking into account registered shares, the share capital breaks down as follows:



3.3.2 Change in the breakdown of the share capital and voting rights over the last three years

The breakdown of the share capital presented below corresponds to the shares and voting rights for Ordinary General Meetings.

There is little difference compared with the breakdown of the share capital for Extraordinary General Meetings. This difference is due to divisions of ownership resulting from the gifting of shares within the Guerbet family whose beneficial owners and bare owners do not belong to the same category of Shareholders.

	December 31, 2016			December 31, 2015			December 31, 2014		
	Number of shares	% of the share capital	% of the voting rights [1]	Number of shares	% of the share capital	% of the voting rights [1]	Number of shares	% of the share capital	% of the voting rights [1]
Guerbet family agreement	6,119,133	48.95	61.51	6,572,039	53.24	66.29	6,693,782	54.83	66.83
Other registered Shareholders – Guerbet family	843,242	6.75	8.51	501,747	4.06	5.08	475,007	3.89	4.77
Employees, former employees and mutual fund (FCP)	311,091	2.49	2.66	327,325	2.65	3.18	344,463	2.82	3.44
Other registered Shareholders – excl. Guerbet family	235,712	1.89	2.24	107,307	0.87	1.07	301,309	2.47	3.02
Treasury shares [2]	20,428	0.16	-	20,428	0.17	-	20,428	0.17	-
Floating shares	4,971,542	39.77	25.07	4,814,628	39.01	24.38	4,373,195	35.82	21.94
TOTAL	**12,501,148**	**100**	**100**	**12,343,474**	**100**	**100**	**12,208,184**	**100**	**100**

(1) The breakdown of the voting rights is presented in terms of effective voting rights. The number of theoretical voting rights was 19,847,705 at December 31, 2016, 19,768,063 at December 31, 2015 and 19,948,067 at December 31, 2014, assuming that each treasury share grants entitlement to one voting right.

(2) These treasury shares are shares bought on the market for the stock option plan of July 26, 2005 that expired on July 25, 2012.

3.4 Threshold crossings

There were no threshold crossings during the period.

To the best of the Company's knowledge, four of the registered Shareholders crossed the thresholds set by law for the number of shares and/or voting rights held.

	Ordinary General Meeting		Extraordinary General Meeting	
Shareholder	Shares	Voting rights	Shares	Voting rights
Michel Guerbet	3.64%	6.13%	1.13%	1.90%
SC Guerbet Fron	5.66%	9.53%	5.66%	9.53%
Brigitte Lamort	4.46%	7.51%	2.60%	4.37%
Annie Guerbet	3.18%	5.36%	3.86%	6.50%

3.5 Transactions performed by executive officers and similar individuals

Transactions were carried out on the Company's shares in 2016 by two people referred to in Article L. 621-18-2 [1] of the French Monetary and Financial Code:

Type of transaction	Name – Position	Amount
Exercise of stock options	Yves L'Épine – CEO and Director	1,509,250
Exercise of stock options	Brigitte Gayet, Deputy CEO	79,580

(1) Within the Guerbet group this means the CEO, the Deputy CEO, the members of the Board of Directors and people with personal ties to them, as defined by Article R. 621-43-1 of the French Monetary and Financial Code.

3.6 Transactions performed by employees excluding company officers

3.6.1 Options awarded to employees excluding company officers in 2016

Not applicable.

3.6.2 Options exercised by employees excluding company officers in 2016

127,994 stock options were exercised in 2016.

3.6.3 Options not exercised by employees excluding company officers at December 31, 2016

149,476.

3.6.4 Performance shares awarded to employees excluding company officers in 2016

Two plans were set up, covering 65,000 and 61,000 shares respectively (see 3.9, page 48).

The stock option and performance share award plans are described in detail in the notes to the consolidated and parent company financial statements (see section "Financial statements and related notes").

3.7 Shareholder Agreement and collective share lock-in commitments

3.7.1 Shareholder Agreement

An agreement mainly binding family Shareholders was signed on November 16, 2002. This agreement was published by the *Conseil du marché financier* or CMF (French Financial Market Council) on December 13, 2002 under number 202C1653. It was updated in September 2013, particularly to take into account Guerbet's current form of governance (French public limited company with a Board of Directors). The updated version of the agreement was duly transmitted to the *Autorité des marchés financiers* or AMF (French Financial Markets Authority). Its purpose is principally "to act as market-makers for the group of Shareholders, who are mainly of family origin, to organize

trading of the Guerbet shares that each of the members owns and may own in the future and to ensure the cohesiveness and representativeness of the Group that they form within the framework of the current laws and regulations", and also to "involve the signatories to the agreement in the Company's development plans, coordinate sales of shares, actively participate in the selection of any new Guerbet partners and suggest the appointment of new members of Guerbet's Board of Directors".

3.7.2 Share lock-in commitments through a "Dutreil" agreement

Three collective share lock-in commitments within the scope of Article 787-B of the French General Tax Code [1] applicable in 2016:

Plan	2010	2013	2015
Agreement signature date	12/21/2010	1/31/2013	12/29/2015
Duration of the collective commitment	Two years	Two years	Five years and six months
Contractual duration of the agreement			
Renewal method	The collective lock-in commitment will end upon expiration of the term initially agreed, unless an extension or renewal has been expressly signed by all of the signatories, and the Company has been informed of this, at least once month before the expiration of the collective commitment	Tacitly extended for an unlimited duration	Providing that the shares held under the Agreement account for at least 20% of the financial rights and voting rights
Percentage of the share capital covered by the agreement on its signature date	At least 20%	At least 20%	At least 20%
Percentage of the voting rights covered by the agreement on its signature date	At least 20%	At least 20%	At least 20%

(1) Article 787-B of the French General Tax Code provides that "the shares of companies having industrial operations benefit from a 75% inheritance tax exemption if the shares are covered by a collective lock-in commitment".

3.7.3 Limiting the risk of undue control by the majority Shareholder

The Company has taken measures to limit the risk of undue control by the majority Shareholder by separating the positions of Chairman of the Board of Directors and Chief Executive Officer, and by ensuring that these positions are held by people from outside the Guerbet family.

3.7.4 Rules applicable to the appointment and replacement of members of the Board of Directors

Board members, whether they are individuals or legal entities, are appointed by the Ordinary General Meeting of Shareholders for a term of six (6) years, expiring after the Ordinary General Meeting of Shareholders called to approve the financial statements for the previous fiscal year and held in the year in which the term of office expires.

Each Board member must own at least 200 Company shares (as provided for in Article 4.1 of the Board of Directors' Internal Regulations). If, on the day of their appointment, a Board member does not own the requisite number of shares, or if, during their term of office, they cease to own them, they are automatically deemed to have resigned if they have not rectified the situation within three (3) months.

The number of Board members who have reached the age of 70 may not be greater than one-third of the current members of said Board. If this limit is exceeded, the oldest Board member is automatically deemed to have resigned after the Ordinary General Meeting called to approve the financial statements for the fiscal year in which the limit was exceeded.

Board members are reappointed, resign, are co-opted if a vacancy arises and are dismissed under the conditions provided for by law.

3.8 The Board of Directors' powers to issue and buy back shares

At the General Meeting of May 27, 2016, the Board of Directors was authorized, for an eighteen-month period, to set up a share buyback program involving up to 5% of the share capital, corresponding to 617,173 shares with a par value of €617,173.

3.9 Summary of granted authorizations that may potentially impact the share capital

Current authorizations granted to the Board of Directors by decision of the Annual General Meeting	Use in 2016
Authorization to buy back shares granted on May 27, 2016 for eighteen months	-
Authorization to award performance shares granted on May 27, 2016 for thirty-eight months	Award of 65,000 performance shares decided by the Board of Directors on September 27, 2016. Award of 61,000 performance shares decided by the Board of Directors on November 8, 2016.

3.10 Provisions in the articles of association relating to the share capital

3.10.1 Double voting rights (Article 19)

The voting rights attached to shares are proportional to the percentage of the share capital that they represent, except in cases where shares are disqualified for voting purposes as provided for by law. However, a double voting right shall be awarded to Shareholders for all fully paid up shares that they have held registered in their name for at least two years, on presentation of proof.

In the event of a capital increase through the capitalization of reserves, profits or issue premiums, this double voting right shall be granted upon issuance of the new free shares to Shareholders based on existing shares for which they already enjoy this right.

3.10.2 Annual General Meetings (Article 18)

Shareholders' Meetings are called under the conditions set by law. They are held at the registered office or in any other location indicated in the notice of meeting. Any Shareholder who can prove their capacity as such is entitled, regardless of the number of shares that they own, to attend Meetings and participate in the voting, in person or by proxy, or to vote by post, under the applicable legal and regulatory conditions. To exercise this right, however, either the shares must be held in a registered account, by the Shareholder or a registered intermediary, as referred to by Article L. 228-1 of the French Commercial Code, or a certificate of registration in the account of an authorized financial intermediary attesting to the unavailability of shares held in bearer form must be deposited, at the locations indicated in the notice of meeting, at least three days before the General Meeting.

Note that any Shareholder may also participate in General Meetings by videoconference call or using electronic telecommunication or remote transmission media, subject to the qualifications and conditions set by the current laws and regulations, if this is permitted by the Board of Directors when the General Meeting in question is called. Such a Shareholder shall be deemed to be present at this Meeting for the calculation of the quorum and the majority.

3.10.3 Identifiable bearer shares (Article 8)

The Company is entitled, at any time, to request information about the identity of holders of securities that immediately or ultimately grant a right to vote at its Shareholder Meetings and the quantity of securities that each of them holds and, where appropriate, any restrictions to which the securities may be subject, from the organization responsible for clearing the securities, under the conditions and according to the legal procedures in force.

3.10.4 Declaration of threshold crossings

The Company's articles of association do not provide for any additional disclosure obligations if the fraction of the share capital or the voting rights held by a Shareholder represents less than one-twentieth of the total, as referred to by Article L. 233-7, paragraph 1 of the French Commercial Code.

3.10.5 Actions necessary to change Shareholders' rights

The Group has not laid down any provisions that are stricter than those imposed by the law.

4 Management report

4.1 Analysis of the Group's activity and results

4.1.1 Presentation of revenue

Breakdown of revenue by product range	2016	2015
X-ray	48.4%	43.1%
MRI	31.8%	42.3%
Interventional Radiology and Theranostics	7.1%	9.3%
Injection Solutions and Services	9.9%	4.4%
Other	2.8%	0.9%

Breakdown of revenue by geographic region	2016	2015
Europe	48.1%	66.8%
Other markets	51.9%	33.2%

4.1.2 Revenue analysis

The revenue published by the Group for 2016 stands at €775.8 million, up 58.7% on the revenue in 2015. This growth figure includes a negative currency impact of €13.0 million. At constant exchange rates and on a like-for-like basis, the Group posted stable sales of €788.8 million, in line with the objective announced. The main challenge in 2016 was to successfully turn around the falling sales of activity bought at the end of 2015.

4.1.3 Results

IFRS (in € thousands)	2016	% of revenue	2015 restated (1)	% of revenue
+ Revenue	775,773	100.0	488,738	100.0
+ Other operating income (2)	831	0.1	1,551	0.3
- Purchases consumed and change in inventories	(184,576)	(23.8)	(103,452)	(21.2)
- External expenses	(251,461)	(32.4)	(155,909)	(31.9)
- Staff-related costs	(204,464)	(26.4)	(125,594)	(25.7)
+/- Other operating income and expenses	(2,546)	(0.3)	1,146	0.2
- Taxes and duties	(27,281)	(3.5)	(18,144)	(3.7)
EBITDA (3)	**106,276**	**13.7**	**88,336**	**18.1**
- Depreciation, amortization and provisions	(51,682)	(6.7)	(29,683)	(6.1)
OPERATING INCOME	**54,594**	**7.0**	**58,653**	**12.0**
+/- Other operating income and expenses				
- Net financial expenses	(6,548)	(0.8)	(1,114)	(0.2)
+/- Foreign exchange gains or losses and other financial income/expenses	(985)	(0.1)	3,384	0.7
+/- Tax expense	(18,131)	(2.3)	(21,691)	(4.4)
NET INCOME	**28,930**	**3.7**	**39,232**	**8.0**

(1) Reclassification of the research tax credit (application of IFRS 20) + impact of allocating the acquisition price paid for CMDS.
(2) Includes operating subsidies, capitalized production, sales of services and royalties.
(3) The EBITDA refers to operating income, with the net allowance for amortization, depreciation and provisions added back in.

4.1.4 Analysis of the results

2016 was dedicated to integration, the priorities being to reshape the sales structures and reposition the product/market offering to ensure that the revenue target was met.

The Group also met its target of partially recouping its integration costs (€29 million) from the first synergies arising from the acquisition. The positive change in the product mix, the continuous improvement of industrial processes and the reorganizing of the purchasing and logistics flows resulted in EBITDA of €106.3 million. At constant exchange rates, and excluding non-recurring items relating to integration, EBITDA amounts to €142.9 million, or 18.1% of sales.

After the allowance for amortization, depreciation and provisions, Operating Income comes to €54.6 million, including the €11.9 million negative impact of allocation of the acquisition price.

Net income after financial expenses totals €28.9 million.

4.1.5 Financial position

IFRS (in € thousands)	2016	2015 restated [1]
CASH FLOW	**81,797**	**70,442**
Change in working capital requirements, of which:	(38,241)	(16,762)
Change in inventories	*(44,979)*	*(19,462)*
Change in trade receivables	*(13,436)*	*(4,251)*
Change in trade payables	*14,346*	*15,046*
Change in other assets and liabilities	*5,828*	*(8,095)*
Investments	(52,285)	(278,219)
Dividends	(8,010)	(6,094)
Other [2]	2,726	3,597
FREE CASH FLOW [3]	**(14,013)**	**(227,036)**
NET DEBT [4]	**301,843**	**287,830**

(1) Reclassification of the research tax credit (application of IFRS 20) + impact of allocating the acquisition price paid for CMDS.
(2) Mainly consisting of tax, the impact of changes in exchange rates, sales of fixed assets and the capital increases presented in detail in the consolidated cash flow statement.
(3) The free cash flow is equal to the difference between the surplus operating cash flow and investment expenditure. It explains any increase or decrease in the net debt.
(4) The net debt is calculated by adding up the current and non-current financial debts and subtracting the cash and cash equivalents.

4.1.6 Analysis of the financial position

The Group's shareholders' equity stands at €314.8 million, compared with €283.8 million for 2015, and €282.4 million for 2015 restated. Guerbet has debt of €301.8 million, representing a net debt/EBITDA ratio of 2.8, keeping it within its covenant of 3.7 in 2016.

The Board of Directors will propose a dividend of €0.85 per share, up 30%, at the General Meeting of May 19, 2017.

4.1.7 Outlook

In 2017, the Group's main product (Dotarem®) will develop in a new environment due to i) the arrival of a new generic in Europe and ii) the recommendation by the European Medicines Agency's PRAC (Pharmacovigilance and Risk Assessment Committee) to suspend the marketing authorization of certain products belonging to the category of linear contrast agents (which includes Optimark®). A request for re-examination of this recommendation to the PRAC, and the final decision by the European Commission is not expected for several months.

The Group confirms the return to sales growth and is targeting slight growth at constant exchange rates. It will continue to integrate CMDS, with the realisation of new industrial and logistics synergies and reducing integration costs reduced by more than half. The 2017 EBITDA should grow faster than revenue. Guerbet should be able to further reduce its debt ratio in 2017.

4.2 Major events since the start of 2017

Not applicable.

4.3 Risk factors

The Company has conducted a review of the risks that could have a considerable negative effect on its activity, its financial position or its results (or its ability to meet its targets) and believes that there are no significant risks other than those described.

4.3.1 Risks related to Guerbet's business

4.3.1.1 Product quality and safety

Customer satisfaction and patients' health are our priorities. Risks may result in the Company being liable for the harm caused by its products (drugs or medical devices) and may have financial consequences (loss of revenue), legal consequences (lawsuits brought by patients or class actions in particular) or reputational consequences (damage to the Company's image in the eyes of customers).

The Group develops and provides its customers with products and medical devices whose effectiveness and safety have been proven by rigorous tests in accordance with current laws and good practices.

The Group constantly checks, examines and assesses the entire production and distribution chain. It has a drug and medical device safety monitoring system that enables it to watch out for, monitor and report to the health authorities any side effects arising when its products are used so that their effectiveness can be compared against any risk.

Guerbet's production and/or distribution facilities are regularly inspected by the health authorities.

The Aulnay-sous-Bois, Dublin, Marans, Montreal, Raleigh and Villepinte facilities were inspected in 2016.

Guerbet provides its customers with reliable, balanced and objective information about its products and makes sure that customers' questions and complaints are handled as quickly as possible.

The Guerbet group is introducing a risk management policy based on international standards such as the ICH Q9 guidelines, to identify and categorize risks so that risk reduction plans can be implemented.

A more specific 'Risk Register' approach was also rolled out at Aulnay-sous-Bois in 2016 and will be applied in all the other industrial facilities in 2017 to further optimize risk control and reduction.

4.3.1.2 Generic risks

The Group has to face competition from generic products, whose arrival on the market is creating a tougher competitive environment for Dotarem®. This may affect both the Group's market share (generic products sometimes sold as substitutes for Dotarem®) and selling prices.

In countries where drug prices are regulated, price reduction measures may be applied to originator products when generic products are launched.

In markets where the purchase of contrast media is based on competitive tenders, the arrival of new competitors may put downward pressure on prices. Since 2013, Guerbet has faced competition in South Korea from a generic version of Dotarem®, which had an immediate impact in the form of a regulatory reduction in the selling price. Several Dotarem® generics received Marketing Authorizations in European countries including Germany, Belgium and the UK in 2014 and 2015 and, more recently, in Sweden and Austria in 2017, where this authorization was obtained by GE HealthCare. In China, Jiangsu Hengrui Medicine also registered a Dotarem® generic.

Dotarem® generics were sold particularly in Germany and Austria in 2015 and 2016.

The Intellectual Property Department and the Legal Division are organized so as to actively monitor this issue and strictly ensure that there are no infringements of the Group's portfolio of Dotarem® patents and trademarks.

4.3.1.3 Risks related to product prices and reimbursements

Generally speaking, the Group is exposed to uncertainties regarding product price setting, which is directly related to the strong pressure on the prices of all healthcare products. This drive by governments, healthcare establishments and insurers is motivated by the desire to exercise greater control over increases in healthcare spending.

In countries where prices are regulated, this trend can be seen, for example, in the introduction of control mechanisms designed to encourage the substituting of originator products for generic products, regulatory reductions in drug prices, more frequent purchasing based on competitive tendering, and the pooling of purchases by healthcare establishments.

The Group is doing everything in its power to bring down its costs (and particularly its production costs through the development of new, more efficient processes) and enhance the value of its products through constant innovation (LCM) to demonstrate very precisely their added value and their benefit for patients.

4.3.1.4 Risk of dependence on patents and industrial licenses

The Schering patents, regarding the active ingredient and the formulation and use of this active ingredient, have all expired.

4.3.2 Industrial and environmental risks

4.3.2.1 Production and Supply Chain

The Group's sales of certain products may be affected by production and distribution problems. This situation may reduce its revenue and affect its profitability.

To bring this risk under control, the Group dynamically applies and adjusts a number of measures according to the timeframe and product:

- a policy of maintaining a reserve inventory at various levels of the production chain (raw materials, active ingredients and semi-finished and finished products) that is adjusted by product family and takes life cycles and performance histories into account. This policy is combined with efforts to optimize the number of products and presentations in order to limit the financial implications of reserve inventories;
- a policy of diversifying suppliers of raw materials and critical components;
- a policy of having back-up production lines and plants that may involve external partnerships, as with Dotarem®;
- a substitute sales policy made more feasible by the expansion of the product range following the acquisition of CMDS;
- a better integration of scheduling processes such as S&OP between sales and industrial operations;
- more generally, a policy of continuous improvement of our production plants, and the production plants of our partners, to ensure the reliability of our operations.

4.3.2.2 Environment and safety

The production of active chemical ingredients for contrast media entails various safety and environmental risks. These risks, and especially the risks of fire and environmental pollution, are due to the dangers inherent to the use of certain raw materials, solvents and reagents, the use of industrial processes to transform them into active ingredients, and the treatment of production waste.

Guerbet's production activity is carried out at nine different plants. The three active ingredient production plants are classified as Seveso high threshold and are therefore subject to the European Union's Seveso directive. If these operating risks materialized, they could harm people and property, pollute the environment, lead to plant shutdowns and, in some cases, make the Group liable for civil and/or criminal penalties and the payment of damages.

To control these risks, the Group applies a Health, Safety and Environment policy and defines HSE objectives for all of its industrial plants. Considerable human and material resources have been deployed to achieve the objectives of this policy. At each plant the Plant Director, who is responsible for implementing the hygiene, safety and environment policy, appoints a Hygiene, Safety and Environment Manager. The administrative authorities define the environmental performance targets to be met. The Group introduces measures to ensure that the targets are reached. If the production plants do not comply they may be served formal notice to take remedial action.

Risk analyses and audits are performed to define the resources required to continuously improve operating safety management. These resources are documented in regularly monitored action plans and Hygiene, Safety and Environment training programs are provided for all relevant staff.

The work, safety and environmental conditions at Guerbet's production and distribution facilities are regularly inspected by the authorities. The Lanester, Marans, Dublin, Aulnay-sous-Bois, Rio de Janeiro, Montreal (plant and warehouse), Raleigh and Cincinnati facilities were inspected in 2016.

4.3.2.3 Risks related to changes in the regulations

As a designer, manufacturer and distributor of drugs and medical devices, Guerbet is subject to numerous regulatory requirements in all its markets.

For the production of its products' active substances, the Group is subject to the following European regulations:

- Seveso (identification of industrial plants that use hazardous substances and therefore present risks of major accidents);
- REACH (Registration, Evaluation and Authorization of CHemical substances);
- IED (industrial emissions directive).

These regulations result in regular inspections by the DREALs (Regional Directorates for the Environment, Town Planning and Housing) in France and the EPA (Environmental Protection Agency) in Ireland.

Guerbet manufactures and inspects its products in accordance with the conditions defined and approved by the health authorities in their Marketing Authorizations (MAs), and their production is subject to good manufacturing practices for drugs for human use. Any changes in these French or foreign regulations may significantly affect the Group's activity. It cannot guarantee that such changes, particularly in the main markets where it operates, will not have a negative effect on its activity and its operating results.

Compliance with the regulations is a part of Guerbet's Quality, Safety and Environment policy, which is applicable to all of its entities. Its regulatory monitoring systems allow it to change its practices and anticipate changes so that it remains in compliance with the regulations.

4.3.3 Market risks

The Group's Administrative and Finance Department provides centralized management of liquidity, foreign exchange and interest rate risks and the associated counterparty risks.

The Chief Financial Officer is regularly informed of changes in the markets and the Group's exposure to liquidity, foreign exchange and interest rate risks by reports, which also provide a detailed description of hedging operations and their valuation.

4.3.3.1 Liquidity risk

In July 2015, the Group arranged a USD 430 million five-year amortizing syndicated loan. This syndicated loan, a large share of which was used to finance the acquisition of Mallinckrodt's "contrast media and delivery systems" (CMDS) business, should enable the Group to meet its financial commitments over the coming years.

The Group's cash management is centralized. In other words, the subsidiaries' cash surpluses and borrowing requirements are centralized, where permitted by local laws, and are invested or financed by the parent company, Guerbet.

The Group has performed a specific review of its liquidity risk and believes that it is able to meet its upcoming repayment commitments over the next 12 months.

4.3.3.2 Exchange rate risk

Operating exchange rate risk

The Group's entities, *i.e.* its subsidiaries and the parent company, are exposed to a transaction risk whenever they make a purchase or sale in a currency other than their operating currency.

In order to reduce the exposure of its operating income to exchange rate fluctuations, Guerbet sets up hedges using traditional hedging instruments (forward purchase and sale contracts and forex swaps), based on its exposure to exchange rate risk, which it regularly assesses.

Financial exchange rate risk

The centralization of the cash surpluses and borrowing requirements of non-euro-zone foreign subsidiaries generates exposure to a financial risk (risk related to changes in the value of financial debts or receivables denominated in currencies other than the currency of the borrowing or lending entity).

The Group finances its non-euro-zone subsidiaries in their own currencies and covers itself against the resulting exchange rate risk.

➔ The Group's sensitivity to exchange rate risk and its hedges related to the fiscal year may be consulted in the notes to the consolidated financial statements (see 6.1, Consolidated financial statements and notes).

4.3.3.3 Interest rate risk

The degree of interest rate risk depends on the breakdown of the Group's debts and investments between fixed rate and variable rate.

The variable rate portion of the Group's debt exposes it to interest rate hikes.

The interest rate risk management policy consists of minimizing the cost of borrowing while protecting the Group against adverse changes in interest rates. The risk is hedged by using traditional hedging instruments (interest rate swaps and caps and floors).

➔ The Group's sensitivity to interest rate risk and its hedges related to the fiscal year may be consulted in the notes to the consolidated financial statements (see 6.1, Consolidated financial statements and notes).

4.3.3.4 Bank counterparty risk

Bank counterparty risk concerns financing, investment and hedging transactions (exchange rates and interest rates) carried out through banks.

All of the Group's transactions are conducted with high-quality bank counterparties.

4.3.3.5 Customer counterparty risk

Guerbet is exposed to the risk of default by its customers, who are mainly wholesalers, distributors, pharmacies, hospitals and clinics.

The Group closely monitors its trade receivables. A Credit Management policy has also been established within the Group to improve customer risk monitoring and management.

➔ The age of the Group's trade receivables and its provisions for doubtful debts are presented in the notes to the consolidated financial statements (see 6.1, Consolidated financial statements and notes).

4.3.4 Other risks

4.3.4.1 Legal risks

Guerbet is involved in various lawsuits and disputes in the normal course of its business. To the best of the Group's knowledge, there are no exceptional events or disputes that could substantially affect its business or earnings. The following dispute should be noted, however:

- By a ruling dated July 27, 2013, the Commercial Court of Lyon rejected all of Mr J.-P. Lacroix's claims and ordered the immediate transfer of the 1,800 shares that were still in his possession. As this decision was binding, Guerbet thus became the sole Shareholder of Medex. Mr Lacroix appealed against this ruling, which was upheld by the Lyon Court of Appeal in an order dated July 29, 2015. Mr Lacroix has challenged this decision.

4.3.4.2 Counterfeiting risk

A procedure has been established describing the measures to be taken in the event of suspected counterfeiting so as to inform the relevant authorities as quickly as possible and initiate the appropriate measures (seizure, recall or search for the potential source).

4.3.4.3 Risks related to international operations

The globalization of the Group's activity exposes it to safety, security and geopolitical risks.

4.3.4.4 Risks related to information systems

A malfunction in the information systems may significantly disrupt key activities, such as production, sales and financial operations, and internal data exchanges and access, interrupting activity and causing critical data to be lost or damaged. The Group may also be a victim of malicious acts (theft or corruption of data). Such incidents could result in financial losses for the Group.

The IT risks have been mapped and a Business Recovery Plan is implemented each year to check the Company's ability to rebuild its infrastructure and restart all of the critical applications that support the Group's activities should an IT center experience a major crisis.

Since October 2015, a new ERP system has been put in place at several Group entities. The deployment of this system, coordinated by a Steering Committee, is continuing in the various geographic regions where the Group operates.

4.3.4.5 Risks related to Group acquisitions

Guerbet's integration of Mallinckrodt's "contrast media and delivery systems" (CMDS) business is ongoing. Guerbet is not expecting major difficulties and/or delays in the integration of the activities acquired given the positive results achieved by the various dedicated teams in this first year of integration.

4.3.5 Insurance and risk cover

Guerbet has an insurance program whose aim is to protect the Group's assets against any significant risks that may affect them. This program is applied at two levels. Centrally, the Group negotiates international insurance programs to cover the main risks to which it is exposed according to the policies available. Locally, the subsidiaries take out insurance policies to comply with local regulatory obligations and purchase cover complementary to the international programs for their specific risk exposures.

The insurance policies are bought on the traditional insurance market from leading insurance companies and the Group does not have a captive insurer. The choice of program is reviewed once a year.

The main policies taken out by Guerbet cover:

- property damage and operating losses. The Group's total cover is sufficient to insure it against the Maximum Foreseeable Loss (MFL) assessed in terms of property damage and operating losses following an interruption of activity, and taking into account the prevention and protection measures in place. This assessment is liable to change. The current program incorporates preventive provisions that include the introduction of yearly specialized inspections of the main plants. These inspections serve to review maintenance systems and to check fire detection and protection systems, the back-up plans implemented to cope with major events, and the training of rapid response teams;
- civil liability: liability for products, clinical trials, environmental damage and general corporate civil liability. This program takes into account the specific risks relating to our products and activities across the Group's scope, in accordance with local regulations and practices;
- civil liability of company officers: protects all of the Group's legal entities and their executive officers;
- national and international transport of property and goods.

Other insurance policies are taken out as required, including building insurance and contractor's all-risk insurance for our biggest construction projects.

4.4 Other legal information

4.4.1 Guerbet's results for the last five fiscal years

(in €)	2016	2015	2014	2013	2012
CAPITAL AT YEAR-END					
Share capital	12,501,148	12,343,474	12,208,184	12,200,184	12,200,184
Number of existing ordinary shares	12,501,148	12,343,474	12,208,184	3,050,046	3,050,046
Number of existing preferred (non-voting) shares	-	-	-	-	-
Maximum number of future shares to be created:					
■ By bond conversion	-	-	-	-	-
■ By exercising subscription rights	166,076	324,350	487,520	129,670	135,300
Revenue excluding taxes and including the supply of services and other products	371,463,674	334,021,519	299,838,564	299,807,469	308,289,068
Income before tax, employee profit-sharing, depreciation and amortization net of reversals, and provisions	41,833,925	36,942,408	38,245,184	39,281,322	28,355,887
Income tax	(4,102,679)	5,656,704	1,613,840	2,809,395	1,767,779
Employee profit-share due for the year	1,089,354	1,291,122	388,622	450,614	785,164
Income after tax, employee profit-sharing, depreciation and amortization and provisions	15,142,017	(746,575)	13,645,016	15,322,737	6,682,783
INCOME DISTRIBUTED	10,625,976 (1)	8,023,258	6,104,092	6,100,092	6,100,092
Income after tax and employee profit-sharing but before depreciation and amortization and provisions (2)	3.59	2.43	2.97	11.81	8.46
Income after tax, employee profit-sharing, depreciation and amortization and provisions (2)	1.21	(0.06)	1.12	5.02	2.19
Diluted net income	1.20	(0.06)	1.08	4.84	2.13
NET DIVIDEND PER SHARE	0.85	0.65	0.50 (3)	2.00	2.00
Workforce at December 31 (permanent and temporary employees)	949	883	817	827	877
Total wages	53,712,515	47,769,357	44,189,290	46,096,362	46,607,820
Total social security charges	24,487,942	22,313,262	21,350,698	20,603,779	21,064,783

(1) This amount will be subject to the approval of Shareholders at the General Meeting of May 19, 2017 approving the 2016 financial statements.
(2) Per share, the number of shares having been multiplied by four by the share split on January 23, 2014.
(3) The dividend actually paid in 2014 in respect of 2013 was €0.50 per share given the share split on January 23, 2014.

4.4.2 Information regarding the breakdown of Guerbet's trade payables and trade receivables by due date

4.4.2.1 Breakdown of trade payables by due date

The French Law for the Modernization of the Economy introduced a limit on payment times of sixty days from the date of issue of the invoice (or forty-five days end of the month) effective on January 1, 2009.

At December 31, 2016, the trade payables on the balance sheet of Guerbet's parent company statements broke down as follows:

(in € thousands)	Issued more than 120 days ago	Issued between 61 and 120 days ago	Issued between 0 and 60 days ago	Not due	Invoices not yet received	Total
Suppliers of Goods and Services in France	59	157	1,775	10,047	11,882	23,921
Suppliers of Goods and Services outside France	208	351	1,259	10,377	11,881	24,077
SUPPLIERS OF GOODS AND SERVICES	**267**	**508**	**3,034**	**20,424**	**23,763**	**47,996**
Suppliers of Fixed Assets in France	133	23	1,152	5,978	-	7,286
Suppliers of Fixed Assets outside France	-	-	9	11	-	20
Payments outstanding on equity securities	72	-	-	-	-	72
SUPPLIERS OF FIXED ASSETS	**205**	**23**	**1,161**	**5,989**	**-**	**7,378**
TOTAL	**472**	**531**	**4,195**	**26,414**	**23,763**	**55,376**

At December 31, 2015, the trade payables on the balance sheet of Guerbet's parent company statements broke down as follows:

(in € thousands)	Issued more than 120 days ago	Issued between 61 and 120 days ago	Issued between 0 and 60 days ago	Not due	Invoices not yet received	Total
Suppliers of Goods and Services in France	124	71	4,774	14,183	-	19,137
Suppliers of Goods and Services outside France	225	10	371	2,892	-	3,498
SUPPLIERS OF GOODS AND SERVICES	**349**	**81**	**5,145**	**17,075**	**18,930**	**41,580**
Suppliers of Fixed Assets in France	-	85	441	1,574	-	2,100
Suppliers of Fixed Assets outside France	-	-	1	-	-	1
Payments outstanding on equity securities	72	-	-	-	-	72
SUPPLIERS OF FIXED ASSETS	**72**	**85**	**442**	**1574**	**-**	**2,173**
TOTAL	**421**	**166**	**5,587**	**18,649**	**18,930**	**43,753**

4.4.2.2 Breakdown of trade receivables by invoice issue date

At December 31, 2016, the trade receivables on the balance sheet of Guerbet's parent company statements broke down as follows:

(in € thousands)	Issued more than 120 days ago	Issued between 61 and 120 days ago	Issued between 0 and 60 days ago	Invoices to be issued	Total
Customers in France	92	0	7	-	99
Customers outside France	2,063	2,515	7,411	806	12,795
TOTAL	**2,155**	**2,515**	**7,418**	**806**	**12,894**

At December 31, 2015, the trade receivables on the balance sheet of Guerbet's parent company statements broke down as follows:

(in € thousands)	Issued more than 120 days ago	Issued between 61 and 120 days ago	Issued between 0 and 60 days ago	Invoices to be issued	Total
Customers in France	372	258	(15)	-	615
Customers outside France	1,072	1,347	6,084	1,741	10,244
TOTAL	**1,444**	**1,605**	**6,069**	**1,741**	**10,859**

4.4.3 Information concerning the acquisition of participating and controlling interests (Article L. 223-6 of the French Commercial Code)

Not applicable.

4.4.4 Information concerning regulated agreements (Article L. 223-38 of the French Commercial Code)

1. Entered into during the fiscal year ended December 31, 2016

   Not applicable.

2. Entered into previously but whose effects continued to run during the fiscal year ended.

- Mutual health insurance taken out by Guerbet for Ms Marie-Claire Janailhac-Fritsch.
  This health insurance is the same as the cover given to Guerbet employees, taken out under the same conditions (benefits offered and financial conditions).
  The contributions paid by Guerbet in 2016 amounted to €999.87.
- Welfare insurance (invalidity, illness and death) taken out by Guerbet for Ms Marie-Claire Janailhac-Fritsch.
  This welfare insurance is the same as the cover given to Guerbet employees, taken out under the same conditions (benefits offered and financial conditions).
  The contributions paid by Guerbet in 2016 amounted to €1,241.20.

4.4.5 Other information from the management report contained in other sections of the Registration Document

Apart from the information already presented in this chapter, the Guerbet group discloses other information that must be included in the management report in accordance with the French Commercial Code. The table below indicates the section that readers should refer to, for each type of information.

Type of information	Relevant section of the Registration Document
List of the offices and positions held in any company by each of the company officers during the year	Corporate governance – pages 27 to 30
Shareholdings acquired during the year	The Guerbet group – pages 24 to 25
Compensation of company officers: ■ Information concerning compensation ■ Information concerning pension commitments	Corporate governance – pages 31 to 35
Employee shareholdings	Guerbet and its Shareholders – pages 44 and 45
Total dividends paid for the last three fiscal years	Guerbet and its Shareholders – page 44
Total non-deductible expenses as referred to by Art. 39-4 of the French General Tax Code	Financial statements and related notes – page 128
Employee, environmental and social information	Corporate social responsibility – pages 59 to 72

5

Corporate social responsibility

This chapter is an integral part of the management report, in accordance with Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code relating to companies' employee, environmental and social transparency obligations. The information provided for by the decree of April 24, 2012 is published here as part of a continuous improvement program, based on internal reporting.

This chapter has been verified by an independent third-party organization whose report, comprising a certificate of the information's availability and an opinion as to its fairness, is presented on page 74.

The Group's CSR (Corporate Social Responsibility) policy is focused on four areas: people, the environment, ethics and products and services.

It is in keeping with the Group's values: ACHIEVE, COOPERATE, CARE and INNOVATE.

Guerbet sees products and services as a focus of its CSR policy, reflecting its commitment to providing healthcare professionals with the contrast media, medical devices and innovative solutions that are vital for diagnostic and interventional imaging. This focus helps to improve patient prognosis and quality of life.

Information regarding products and services can be found in the following sections of the Document:

- innovative and effective services so that healthcare professionals can do their work in optimum conditions for themselves and their patients (see 1.4 Overview of activities);
- contribution to progress in the diagnosis of major diseases (see chapter 1.6 Research and Development);
- product and service quality (see 4.3.1.1 Product risk/quality and safety factors).

The reporting scope for corporate social responsibility is the Group.

Given the change in scope at the end of 2015, the 2016 data are not comparable with the data for previous years.

5.1 Employee information

Guerbet applies a corporate social responsibility policy based on the fundamental principles of Balance, Fairness and Ethics, structured around the following five main themes: Diversity, Prevention, Recognition, Commitment and Responsibility.

5.1.1 Employment, forward-looking management of jobs and skills, training and HR development

Guerbet asserts its rights while maintaining a constant, completely transparent concern for respect for people, organizations, laws and its environment in its operations. It strives to guarantee its employees' rights while ensuring their daily commitment to their duties. Guerbet has adopted a sustainable development approach and tries to maintain a balance between the interests of all the stakeholders in its economic, ecological and operational development, both inside and outside the Group.

5.1.1.1 Employment

At December 31, 2016, the Guerbet group had 2,679 employees worldwide.

With the acquisition of CMDS, the workforce outside France increased threefold.

Breakdown of workforce by region

	Workforce	%
France	1,177	43.9%
Other European countries	388	14.5%
North America	758	28.3%
Latin America	221	8.3%
Asia-Pacific	135	5.0%
TOTAL	**2,679**	**100%**

At December 31, 2016, the Group had 1,177 employees, of which 1,086 are permanent and 91 are temporary.

Breakdown by company in France

	Total workforce	Permanent	Temporary
Guerbet	949	867	82
Simafex	107	103	4
Guerbet France	77	75	2
Medex	44	41	3
TOTAL	**1,177**	**1,086**	**91**

Breakdown by geographic region in France

	Total workforce
Paris region	811
Lanester (Morbihan)	215
Marans (Charente-Maritime)	107
Lyon (Rhône)	44
TOTAL	**1,177**

5.1.1.2 An ambitious job and skills management policy to support the Company's development

Guerbet has a Human Resources (HR) management policy that ensures responsible development.

The induction of new employees to support the Group's global expansion

In 2016, the Guerbet group hired a total of 332 people on open-ended contracts, of which 116 people in France and 216 people in its international subsidiaries. Guerbet prefers to hire employees on open-ended contracts, in line with its long-term vision of its needs.

In 2016, three collective induction days were organized for new hires (managers and non-management employees), in France and abroad, to give them a better understanding of the Company's environment, operation, products and activities. These events are organized at the Company's head office in Villepinte by the Human Resources Department. They are a way for new employees to meet people from the departments based in the head office and to increase their knowledge of the Group's culture and values. Many themes are explored, such as Guerbet's values and objectives, its organizational structure, its activities, pharmaceutical responsibilities and the quality policy, Human Resources, the HSE (Hygiene, Safety and Environment) policy and internal communication.

An HR policy to help create a new Guerbet team

The Group developed a new HR policy in 2016, as part of the integration of CMDS, aimed at:

1. **Retaining and motivating employees following the integration of CMDS, through a communication plan and an HR development approach that fosters diversity within the teams and employee development.**

All of the employees were given extensive information about their position within the organization, the Group's strategy and the integration plan, from the very start of the induction process. All of the Executive Committee's members visited the Group's entities in the first few weeks in order to roll out the communication plan.

A communication plan was defined to inform all the employees, and involve them moving the integration plan forward and meeting the strategic objectives.

A new policy was introduced for identifying and monitoring high-potential employees.

2016 saw the launch of Career Development Committees to assess employees' potential and define the related development plans.

An internal mobility promotion policy was defined and implemented, encouraging all of the new teams to consider career development moves within Guerbet's new international scope. In practical terms, this policy enabled internal mobility for 144 people, including 11 cases of international mobility, in 2016.

A new appraisal policy was also defined in 2016, for all employees, to improve HR Management.

Within the France scope, the turnover was 5.99% of permanent employees, of which less than 1.3% due to dismissal, in other words 14 dismissals over the year out of a total of 1,086 permanent employees.

There were 81 dismissals Group-wide over the year.

2. **Developing a new international Guerbet management team.**

A few weeks after integration, the Group's key managers were invited to the first Global Leadership Convention organized by Guerbet.

The starting point for the integration plan covering the new entities recently acquired by Guerbet was determined at this meeting. A new matrix organization was put in place.

The launching of all the integration projects made it possible to quickly create an international network of managers actively working together. Rapid progress was made in strategic initiatives thanks to dedicated task forces and seminars by function and geographic region.

5.1.1.3 Training to support the Company's expansion and its employees' expertise

The Guerbet group applies a training policy in France and abroad. It is continuing with its management training program for all managers. Regular training sessions are organized for the sales network, to consolidate their knowledge of our products and their environment, particularly in the drug safety monitoring field. E-learning training courses are provided on the Group's products.

A program was defined to support the Group's extensive globalization, whereby the managers of the international teams were trained in the principles of international labor law, in France and the United States.

A foreign language training program was provided for Group employees, consisting of online courses and total immersion language study trips.

The deployment of international collaboration improvement programs is under way. Practical action plans will be defined based on a management survey of the Group's entities.

To support the ongoing implementation of SAP worldwide, Guerbet introduced an extensive training plan from which 196 employees benefited[1].

29,002 hours of training were provided in the Group's French entities. At the end of December 2016, 92% of the permanent employees in France had completed at least one training course, *i.e.* 43% of permanent employees Group-wide.

1,032 people (Guerbet employees, interns and outside providers) benefited from 4,383 awareness-raising sessions and training courses (internal and external training, e-learning courses, appropriation of procedures, and so on)[2] worldwide.

(1) The training was given to employees in the Europe and Asia regions.
(2) Staff training cannot be separated from awareness raising because of the way in which information is reported by the international subsidiaries.

5.1.2 Compensation policy

The Group's compensation policy supports the Company's strategy and growth. Guerbet's goal is to attract, motivate and retain employees, particularly by offering them a pay package that is competitive and in line with market practices.

Our compensation policy is designed to be motivating, transparent and fair. It is based on the principles of internal fairness, external competitiveness and recognition of individual and collective achievements. The policy is also intended to foster adoption of the Company's values and of conduct that will help Guerbet to succeed.

The pay packages of Guerbet employees comprise the following components:

- fixed compensation consisting of their base salary. This is determined based on the employee's job grade and the development of their skills. These skills are assessed each year during the annual appraisal and development interview;
- individual variable compensation (bonus) as a reward for achieving targets set in accordance with the corporate strategy;
- collective variable compensation to give employees a stake in the corporate results through incentive and profit-sharing schemes.

The Group aims to give its employees a stake in the Company's growth and development, particularly by granting stock options. Several plans are currently active, including the plan issued on October 17, 2011, which benefits a large percentage of the Group's employees.

At December 31, 2016, 1.97% of the share capital was held by employees.

In France, several schemes have also been introduced to allow employees to build up savings over the long and medium term through a Pension Saving Plan and a Group Saving Plan.

As part of the integration of the CMDS business, the Board of Directors decided to introduce performance share award plans. Shares were therefore pre-awarded to 2,600 Group employees, who will become Shareholders in 2018 as a result. This plan is subject to presence and Group performance conditions. Performance is based on three criteria including "CSR and economic and industrial performance".

Occasional, individual distributions of performance shares have also been defined for the Company's key high-performers.

In France[1], the average gross salary of the permanent workforce had increased by 1.68% at December 31, 2016.

5.1.3 Labor relations and work organization

Organization of labor relations

The following objectives are pursued:

- promoting understanding between all of the Company's constituent parts and adopting a comprehensive approach to labor relations, in order to achieve an overall improvement in relations between social partners[2] and the Management, managers and their teams, and the various sectors;
- preventing conflict by encouraging free expression and being receptive, dealing early with any signs of dispute, giving consideration to working conditions and gathering proposals for improvements.

Review of collective agreements

The Group's corporate social responsibility policy is reflected in the signing of agreements, in France[3], to promote diversity, improve working-time arrangements and working conditions, and foster job creation and employee savings.

In 2016, 44 agreements were in place covering the Group's companies in France. They concern the Generation Contract, gender equality, the employment of disabled workers, forward-looking job and skills management, work organization, annual wage negotiations, employee savings and social welfare. 12 agreements were signed over the year.

The Guerbet group complies with the local laws on staff representation.

Organization of working hours

The Guerbet group complies with the local laws on working hours.

Collective working-time arrangements have been introduced in the production sectors, such as shift work, continuous work, semi-continuous work and on-call duty, in order to meet operating needs:

- the chemical plants in Lanester, Marans and Dublin operate continuously;
- the pharmaceutical plants in Rio de Janeiro, Raleigh and Aulnay-sous-Bois operate in shifts so that the workshops are open longer each day;
- the Raleigh plant also has a weekend shift;
- part of the Aulnay-sous-Bois plant is open non-stop 24 hours a day, from 6 a.m. on Monday to 2.15 p.m. on Saturday.

5.1.4 Health, safety and working conditions

5.1.4.1 Occupational health measures

In 2016, Guerbet continued with its occupational health policy by taking preventive action, improving working conditions and conducting appropriate medical monitoring, to preserve the physical and mental integrity of its employees.

A dedicated organizational structure

Each plant has an organizational structure dedicated to HSE[4] that reports to the local Management Committee. This structure supports and coordinates all of the measures to safeguard occupational health. There are also local health and safety bodies, such as the Safety Committee at the Montreal site, the Internal Accident Prevention

(1) Information on compensation increases are not consolidated for the international scope.
(2) Trade unions, Works Councils and Health, Safety and Working Conditions Committees.
(3) There are no international agreements, but collective bargaining is mandatory in France.
(4) HSE: Hygiene, Safety and Environment.

Committee in Rio, and the CHSCTs (Health, Safety and Working Condition Committees) in France, depending on the country and its laws. These all have the same occupational health objective and define measures and a framework conducive to the health of employees. At the French plants, these arrangements are reinforced by discussions with trade unions and CHSCTs. Several company-wide agreements take this setup into account at the French plants (Guerbet and Simafex Continuous Work, Semi-Continuous Work and Generation Contract agreements and Simafex Physical Strain Prevention agreement).

Medical support is provided at our industrial plants by industrial nurses and/or doctors to monitor employees.

The Group's policy is coordinated centrally by the HSE team in Villepinte. 2016 saw the development of two key practices at most of the industrial plants:

1) Field safety inspections. These inspections are organized and scheduled by the Management to facilitate the observation and discussion of risks and help improve employee safety.
2) Improvement suggestion systems that enable employees to report problems and improvements in working conditions and safety.

A "Major Risk" action plan has been defined for all of the industrial plants. This is used by each plant to re-assess all of the risks based on a common analysis methodology and to schedule the implementation of protection measures.

Many information and awareness-raising initiatives were carried out in 2016 to safeguard occupational health. At regular team meetings, part of the time is always devoted to employee safety. Specific risk awareness-raising campaigns have also been implemented.

More broadly, the Group strives to promote practices conducive to occupational health. Examples include the Internal Occupational Accident Prevention Week (SIPAT) in Brazil, the "Get Healthy Get Happy" program in Dublin consisting of awareness-raising sessions on the risks of occupational diseases, nutrition and exercise recommendations and safety workshops, especially regarding fire safety.

Physical strain

A consultancy firm was commissioned to measure the exposure of employees at the French plants to the 10 physical strain factors listed by the labor regulations. Only two factors (night work and successive shift work) were found to be relevant. Guerbet is continuing to develop measures to limit exposure to physical strain factors where these risks are identified.

Psychosocial risks

Psychosocial risks are taken into account in the action plan associated with the Company's development strategy. For instance, a change management plan is introduced for all major projects that have an impact on jobs and skills. Guerbet embarked on a Psychosocial Risk Prevention program in 2016 given the extent of the changes arising from the integration process. A simple and practical action plan has therefore been rolled out in the French plants, encompassing manager training and the creation and training of an internal liaison group, followed by the co-development of this group.

To promote the health and safety of independent executives working a fixed number of days, a specific section on workload, the length of working days, the organization and implementation of their right to rest, and the balance between work and personal and family life, is systematically included in their annual appraisal interviews.

The Cincinnati, Raleigh and Dublin plants also offer their employees an employee assistance program designed to help staff with personal problems and/or work-related problems that may have an impact on their health, well-being and professional life. In Cincinnati, employees can call a dedicated number to ask for advice on any situation.

Social welfare

Guerbet ensures that all of its employees receive social welfare benefits. In France, Guerbet offers a specific contract, in addition to the industry-wide contract, that covers most healthcare costs.

In 2016, the Group also launched a program outside France to harmonize social welfare in every country, starting with the US entities, as part of the integration process.

Guerbet strives to improve workstation ergonomics

Through appropriate medical monitoring, Guerbet is able to anticipate employees' unfitness for work and offer solutions in the form of adapted workstations or working-time arrangements. Where appropriate, Guerbet looks for personalized job reclassification solutions, with the help of its disability committees, to try to keep employees in the workplace.

A few examples of the policy adopted to improve workstation ergonomics, by involving the employees affected, are presented below:

- Since 2014, the Lanester plant has been giving ergonomics training to production and/or administrative staff. The theoretical and practical content of these training sessions is customized based on personal check-ups by a physiotherapist.

  Employees have also been taught about the importance of warming up before beginning work.

  To keep disabled persons in their job, special seats were installed on two trucks, with the help of HandiEM;
- At the Cincinnati plant, warm-up sessions are held every morning, including for administrative staff;
- At the Gonesse plant, constant-level lift tables have been introduced for easier handling of cartons, and training in safe movements and postures and warm-up sessions have been organized.

5.1.4.2 HSE policy

The Group's HSE policy reflects Guerbet's commitment to:

- safeguarding the health and safety of all the people who contribute to its activities;
- ensuring the safety of its industrial plants;
- compliance with the applicable laws and regulations;
- maintaining relationships based on transparency and communication with stakeholders.

The HSE policy is applied to the industrial plants through an HSE management system. The components of this management system are as follows:

- *Performance objectives and indicators.* Safety is a priority for the Guerbet group. In 2016, improving safety was a key annual objective for all Group employees. The reduction in the number of accidents was therefore a criterion for the calculation of compensation for employees receiving variable compensation, in the form of an annual bonus, and incentive payments for Guerbet SA employees in France.
- *Performance reviews of these HSE management systems and continuous improvement action plans.* Key action plans for safety

improvements have also been deployed at all the plants within the industrial scope, with quarterly monitoring by the Industrial Director.

- *Risk assessment measures to prevent events that have an impact on people, property and the environment* (including by identifying major accident scenarios).
- *Regulatory monitoring and compliance measures.*
- *Execution and monitoring of training plans according to identified needs.* The Group's industrial plants have teams trained to take fast and effective action if an occupational accident occurs. A special effort has been made to improve the French plants' results. The safety culture training courses designed and given to staff at the Lanester plant in 2015 were therefore transposed to the Aulnay-sous-Bois and Marans plants in 2016.
- *Systematic analysis of Near-Miss Incidents* occurring internally and externally, with the introduction of the necessary preventive and corrective actions.
- *Sharing of feedback between sites.* Safety Incidents are shared between sites. Meetings of the industrial plants' HSE teams are organized to make it easier to share feedback.
- *Change management.*
- *Audits of the safety management systems and reviewing of workstation safety in the field directly with the relevant staff.* In 2016, regular Field Safety Inspections were therefore initiated at most of the industrial plants.

2016 safety results

There were 29 lost-time accidents Group-wide over the year, one of which led to the death of an employee at the Lanester plant. Following this accident, a common approach to the prevention of major safety risks was adopted by all of the Group's industrial plants and sales subsidiaries that includes a definition of the Group's major risk prevention standards, a review of the risks at each plant and the implementation of an action plan with defined priorities.

In 2016, the occupational accident frequency rate[1] was 6.7 for the Group as a whole (including the fatal accident at the Lanester plant). The frequency rate for the Group's former scope was 12.9 in 2015.

The Group has also set up monitoring of occupational accidents without lost time at all the French and other industrial plants.

The occupational accident severity rate[2] was 0.20 for the Group as a whole. The severity rate for the Group's former scope was 0.27 in 2015.

Occupational diseases

One employee was recognized as suffering from an occupational disease in 2016 in France.

No occupational diseases were reported for the rest of the scope.

Absenteeism

Since 2013, regular reporting of internal absenteeism figures has reinforced the appropriation and sharing of issues regarding what preventive action may be taken.

The measures taken by Guerbet to safeguard the health and safety of employees help to limit absenteeism.

In 2016, the rate of absenteeism[3] for all of the Group's facilities in France was 3.87%.

5.1.5 Diversity and equal opportunities and treatment

The Guerbet group applies a diversity and non-discrimination policy through its Human Resources policy. Recruitment and compensation decisions are made based on objective criteria and individual merit, regardless of gender, age, family situation, sexual orientation, disability or national or ethnic origin.

Guerbet has made major diversity commitments by signing the following agreements in France:

- "Generation contract" agreements to promote the employment of young people and older workers;
- agreement to promote the employment of disabled workers;
- agreements on gender equality in the workplace.

In 2016, Guerbet established an international network of Human Resources Managers, known as Human Resources Business Partners, located at every industrial plant, and in every region (six HRBPs) for the sales entities and shared service centers, in other words in the United States, Latin America, Asia-Pacific, Southern Europe and Northern Europe. The HR community works to promote diversity daily in all of its activities, regardless of the cultural echo or the direction taken by local laws. The recently introduced Talent Management HR process and the recruitment process both help to guarantee diversity. This policy is reflected in many structures (in the UK, the Czech Republic and the US) and in the diversity of the Group's teams in terms of nationality and ethnic origin.

5.1.5.1 Measures taken to promote the employment and integration of young people and older workers

The "generation contract" agreements signed within Group companies contain commitments to promote young people's access to long-term job opportunities, the employment of older workers and the transfer of skills. Quantified targets have been set for recruitment on open-ended contracts and the rate of employment of both young people and older workers. Measures have also been taken to promote the integration of young people, access to training and the improvement of working conditions for all employees, as well as measures for older workers at the end of their working lives.

(1) Number of lost-time accidents over a 12-month period per million theoretical hours worked. The theoretical hours worked have been calculated based on the Group's workforce at the end of December and the annual legal working time in France.

(2) Number of days lost following an occupational accident over a 12-month period per 1,000 theoretical hours worked. The days lost may relate to accidents that occurred in the current year or during previous years. The theoretical hours worked have been calculated based on the Group's workforce at the end of December and the annual legal working time in France.

(3) Number of hours' absence due to an occupational disease or accident as a percentage of the number of hours worked, over 12 months, expressed as a percentage. For the international subsidiaries, hours worked = (full-time equivalent workforce x working days x locally applicable monthly working hours) – paid holidays – public holidays.

The average age of permanent and temporary employees is 42 years and 10 months. The breakdown by age is as follows:

	2016*	%
Aged under 30	278	10.5
Aged 30 to 50	1,507	56.5
Aged over 50	888	33.2

* *The age of six employees was not provided.*

Guerbet contributes to the training of young people by regularly receiving interns of all levels and in all fields in all of the Company's business areas and in all its plants. The Cincinnati plant, for example, is a partner in the local university's work-study program and has received students in its R&D department.

Guerbet supports young graduates from modest social backgrounds through mentoring by executives as they look for work, in partnership with the association NQT[1] (see paragraph in section 5.3.2 entitled "Combating discrimination and equal opportunities").

Guerbet participates in job forums designed to assist young people in their search for their first job.

5.1.5.2 Measures taken to promote the employment and integration of disabled workers

The Group has committed itself to a policy for the employment of disabled workers.

3.81% of Guerbet's employees in France are disabled workers. The Company helps them to remain employed and cooperates with the sheltered employment sector.

The employment and disability policy is coordinated in France by a Disability correspondent and by disability committees on each site. This policy is reflected in practical initiatives:

- organization of awareness-raising campaigns for the last five years on the topic of disability (*"Être actif et en situation de handicap"* – Being active and disabled), in partnership with Handi-EM[2]. In 2016, Guerbet's employment and disability campaign included the screening of video accounts by employees and a traveling photo exhibition, "RIO 2016", produced by Benjamin Loyseau, presenting Paralympic athletes in their private and professional lives. These initiatives are meant to change perceptions of disability and show people that being different is not disability, but can in fact create synergies;
- decision to contract out the collection of all of the head office's waste to a sheltered employment sector company[3]. This decision was made as part of the optimization of waste treatment and recovery in 2016;
- retention in employment of relevant employees;
- cooperation with an *Établissement de services d'aide par le travail* or ESAT (an organization to help disabled people through work) that provides the Company with packaging services. Other services (gardening, road maintenance, mail service, etc.) are subcontracted to similar organizations;
- subcontracting of packaging operations to a company in the sheltered employment sector[3].

5.1.5.3 Measures taken to promote gender equality in the workplace

At December 31, 2016, 43.5% of the Guerbet group's employees were women, on both open-ended and fixed-term contracts. Note that 45.5% of the international subsidiaries' employees are women, compared with 41% for the French entities. These proportions are similar to 2015.

A large number of women hold management positions within the Company, including seats on the Executive Committee, and provide strategic expertise in Research and Development.

The agreements and action plans signed in all of the Group's companies in France[4] are based on a goal shared by the management and social partners[5] of zero discrimination within the Company. They refer to results particularly in terms of recruitment, qualifications, training and compensation. They define provisions aimed at maintaining gender equality in the workplace with regard to recruitment, compensation, training and career development.

5.1.3.4 Promotion of and compliance with the fundamental conventions of the International Labor Organization (ILO)

The Guerbet group undertakes to comply with all the provisions of these conventions in all of its entities, namely:

- the recognition of free association and collective bargaining rights;
- the elimination of discrimination in respect of employment and occupation;
- the elimination of forced or compulsory labor;
- the effective abolition of child labor.

(1) The NQT association, created in Seine-Saint-Denis under the name "Nos Quartiers ont des Talents", provides effective support individually tailored to the requirements of young graduates looking for work, while aligning itself with the social policy of its sponsor companies and the commitment of its public partners.
(2) Non-profit joint association created in May 2010 with the support of the LEEM (French Association of Drug Companies) and its corporate partners to implement the industry-wide agreement on promoting the recruitment of disabled workers and their retention in employment.
(3) A company that mostly employs disabled workers.
(4) There are no international agreements, but collective bargaining is mandatory in France.
(5) Trade unions and Works Councils.

5.2 Environmental information

5.2.1 General policy

Guerbet has embarked on a continuous improvement program, aimed at combining efficiency with sustainable development while meeting high environmental protection standards, among others.

The Group's HSE policy, which is supported by the General Management, also reflects Guerbet's commitment to controlling its effluent emissions and waste, and optimizing its use of natural resources, in order to preserve the environment surrounding its industrial and administrative facilities.

The quantitative environmental indicators presented in this report only include the data for the industrial facilities, and not the administrative facilities, whose impact is immaterial.

Initiatives to promote responsible consumption are also carried out at these facilities and in the sales subsidiaries, however.

5.2.2 Safety of the industrial plants

The production of active chemical ingredients for contrast media entails safety and environmental risks. These risks are inherent to the hazards involved in the manufacture, transport, use and disposal of the raw materials, solvents, reactants, synthetic intermediates and other products used.

The Lanester, Marans and Dublin plants (classified as Seveso high threshold) are subject to special requirements. They regularly conduct and revise hazard studies, resulting in the introduction and maintenance of risk control measures to limit the probability and potential impact of accidents on their surroundings, during both normal and non-optimal operations. They regularly organize full-scale emergency management drills, in cooperation with the local authorities, to continuously improve the ability of staff to respond appropriately in crisis situations.

For the Marans and Lanester plants, the PPRTs[1], which became a compulsory requirement at the end of 2012, control urban development within defined perimeters around these sites. Internal measures and investments to reduce the likelihood and consequences of accidents have been added to regulatory requirements for greater protection of local inhabitants. For example, Guerbet has signed a funding agreement to support the installation of containment facilities for individuals or companies located close to the Lanester site.

The Dublin plant updated its hazard study in 2016.

Internal procedures and staff training help to allow for regulatory changes and maintain skills for managing specific risks such as the transport of hazardous materials and the handling of chemical products, and ensure that abnormal situations can be managed so as to mitigate their impact.

Industrial and environmental risks

The industrial and environmental risks are presented in Chapter 4, section 4.3.2 "Industrial and environmental risks".

Information specific to drug safety monitoring is provided in Chapter 4, section 4.3.1.1, page 52 "Product quality and safety" and 4.3.2.3 "Risks related to changes in the regulations", on page 53.

Environmental risk guarantees

The risks entailed in accident situations (pollution, fires, etc.) are managed locally, with the corporate structure providing assistance if necessary. They are covered by accident prevention and management procedures, as well as procedures for handling specific complaints. Guerbet allocates provisions for environmental financial guarantees to meet the requirements of the French Environmental Code for the Lanester and Marans plants, and Irish environmental laws for the Dublin plant. These guarantees are set aside for any action that needs to be taken if an accident occurs, before or after closure, and for rehabilitation after closure.

At December 31, 2016, these guarantees totaled €6.6 million.

Guerbet was not involved in any environmental disputes resulting in the payment of compensation in fiscal year 2016.

5.2.3 Pollution and waste management

The Group's HSE policy outlines its commitment to controlling its environmental footprint, particularly in terms of reducing effluent emissions and waste generation, so as to protect the natural environment.

The active ingredient production plants in Dublin, Lanester and Marans are the largest contributors of effluent emissions and waste generation.

Effluent management

Effluent treatment process optimization programs are in place at the chemical production sites:

- in Dublin, a purification station optimization program has been set up;
- in Lanester, there is an effluent and energy master plan aimed at optimizing the environmental system's operation. The plant prioritizes the internal treatment of effluents, using biological treatment for non-hazardous waste and incineration for hazardous

(1) PPRT: Plans de prévention des risques technologiques (Technological Risk Prevention Plans).

waste. This ensures the recovery of energy from effluents with a high calorific value. An iodine recovery plant also enables recycling;
- in Marans, measures are being taken to better measure and control the effluent treatment system's operating parameters and studies have been launched to optimize the system and make it more reliable.

The discharge standards applicable to industrial plants, and particularly the Seveso plants in Lanester, Marans and Dublin, require numerous measurements of atmospheric emission parameters (volatile organic compounds, NOx[1], dust, etc.), liquid discharges and soil monitoring. All these results are used for operational management of the plants, with alert thresholds that allow any anomalies to be detected and resolved. The results of this monitoring are reported to the local authorities for the Seveso plants, in periodic reports or specific studies such as the solvent management plan or annual environmental review.

Waste management

In 2016, the total waste generated by the Group's industrial sites and treated externally was 8,163 metric tons.

Of these 8,163 metric tons[2], 76% was hazardous waste and 24% was non-hazardous waste.

The quantities of hazardous waste from the Marans, Lanester and Aulnay plants treated externally is down by nearly 9% compared with 2015.

At the Lanester plant, new waste sorting systems have been introduced for plastics (strips, drums and containers) and cardboard intended for recycling. The plant recycles nearly 70% of its hazardous waste treated externally.

More generally, all the plants are committed to optimizing waste treatment, by increasing the share of waste recycled, internally or externally.

The pharmaceutical plant in Aulnay-sous-Bois has introduced the sorting and recycling of cardboard and polyethylene sheets in addition to the existing sorting systems (wood, metal and paper waste). The plant prioritizes the incineration of Non-hazardous Industrial Wastes rather than the burial and reuse of empty cans. Waste collection has been optimized, reducing the number of collections. The plant's staff have been made aware of these new sorting systems. The Aulnay-sous-Bois plant recycles 83% of its waste treated externally.

New recycling systems have been set up in Dublin. The plant recycles 49% of the waste treated externally and employees have been made more aware of waste-related issues through:
- a visit to the local public incinerator;
- talks by waste treatment experts who led information sessions at the site.

Existing sorting and recycling arrangements were also improved at the head office in 2016. Head-office employees are now invited to sort plastic bottles, drinks cans, glass, capsules and cups in addition to sorting paper, printer cartridges and batteries. When these new sorting systems were introduced, employees were taught about the 3R rule: Reduce, Reuse and Recycle. This information is included in the HSE induction of new arrivals.

In the United States, the Cincinnati and Saint Louis facilities have a recycling program.

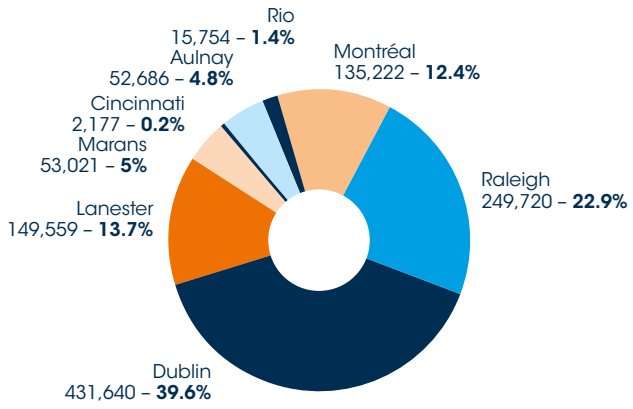
Combating food waste is not a material theme for Guerbet.

5.2.4 Sustainable use of resources

Water

In 2016, the industrial plants consumed 1,089,779 m³ of water.

Breakdown of the industrial plants' water consumption *(in m³)*



Relative water consumption has fallen by more than 15% compared with 2011[3] (Guerbet's former scope). The Aulnay-sous-Bois and Rio de Janeiro plants contributed to this drop, and the Lanester plant even more so. Lanester in fact reduced its consumption by more than 8% compared with 2015 thanks to water recycling measures. The Rio de Janeiro plant also set up a water recycling system.

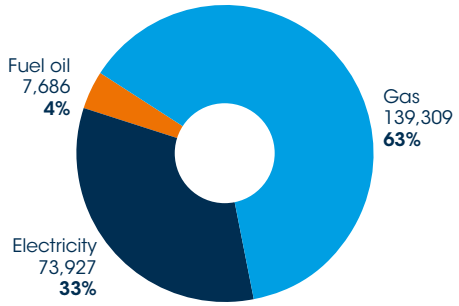
The Dublin plant received funding from the Irish "Water Community of Practice" to conduct a detailed water study. This study, which began in October 2016, will identify the areas for improvement in water consumption metering and control. The plant also conducts a monthly assessment of water resources and investigates any deviations from the trend.

(1) NOx: Nitrogen oxide.
(2) For the Lanester plant, the figure for non-hazardous waste treated externally was extrapolated from the figure for 2015 given the plant's production volume.
(3) 2011 is the reference year for the greenhouse gas reduction target.

Energy

The total energy consumed by the industrial plants (electricity, gas and fuel oil) stood at 102,760 MWh[1] in 2016.

Breakdown of the industrial plants' energy consumption *(in MWh and as a %)*



Relative consumption fell by more than 8.5% compared with 2011[2] thanks to the carbon emission reduction program and the action taken at the industrial plants within Guerbet's former scope.

At Lanester, this decrease is mainly attributable to the optimization of incinerator operation and more generally to the energy efficiency results achieved. The EELAN program[3], headed by the plant's maintenance manager, was continued, with several measures contributing to more ecologically-friendly and economical production, such as the purchase of a reactor using a new, less energy-intensive technology.

Following the energy audit performed in 2015 at the Aulnay-sous-Bois plant, several steps were taken, including replacing neon bulbs with LED lighting and insulating the air conditioning system's ducts to prevent heat losses.

At head office, new arrivals are made aware of the environmental aspects and eco-responsible conduct associated with their activity, namely the use of lighting, heating and air conditioning, paper consumption, waste generation, including plastic cups, travel and the use of information technologies.

Messages about good environmental practices are broadcast on the communication screens at the Medex, Aulnay-sous-Bois and Lanester plants.

At the Cincinnati plant, outdoor halogen lights have been replaced by LED lights. The plant has also reduced its gas consumption.

At the Dublin plant, an energy consumption control program was introduced in 2016. This includes training and daily monitoring of consumption trends. Various initiatives have resulted directly from this program:

- changes to the heating, ventilation and air-conditioning systems;
- replacing of the lighting in the canteen with LED lighting;
- study to optimize the air compressor;
- initiation of projects to improve yields, optimize the cooling tower and improve heating efficiency.

The plant is also working to optimize its gas consumption.

Other initiatives to reduce energy consumption were carried out within the Group's sales subsidiaries. Examples include replacing halogen lighting with LED lighting at our Austrian site.

Other measures

Process innovation

A few years ago the Group embarked on process innovation through the use of solvents resulting from regeneration, the recycling of iodine in processes, and the substitution of solvents for solvents that are less harmful to the environment.

The Dublin plant recycles iodinated products by reprocessing them internally.

At Lanester, the iodine recovery plant for internal recycling in our products continued its ramp-up, and larger quantities were recovered in 2016 than in 2015. This is an example of our sustainable development and circular economy efforts as this recycling combines competitiveness with a reduced environmental impact (preservation of global iodine resources and circular economy through internal recycling and reuse) and social development through the internalization of new skills and the recruitment of ad hoc employees.

Again at the Lanester plant, palladium on charcoal slurry is recycled in partnership with an outside service provider and the precious metal palladium is recovered.

Xenetix® was initially contained in vials, but a new presentation in polypropylene bags has been available since 2006 (ScanBag® by Xenetix®). This original packaging preserves Xenetix®'s properties while making it simpler to use, enhancing the safety of patients and medical staff and representing a large stride forward in waste management. This packaging is one of Guerbet's solutions to the challenge of sustainable development and was the subject of a Life-Cycle Analysis that demonstrated its positive impact on the environment compared with the vial format.

Protection of biodiversity

The program undertaken since the implementation of the REACH regulation within the European Union resulted in the registration of all of the relevant substances with the ECHA[4] by the REACH deadline of May 31, 2013. This European regulation applies to manufacturers importing and using chemical substances within the European Union and is intended to reinforce companies' intrinsic knowledge of the hazard that they represent for health and the environment.

In 2013, the Lanester and Marans plants conducted receiving environment acceptability studies to gain better knowledge of the environments into which their effluents are discharged and their sensitivity, and to demonstrate that the environmental impact is being adequately controlled with regard to ecotoxicity and bioaccumulation. The conclusions of these studies have been used at both plants to make changes to effluent treatment systems and define certain discharge thresholds.

In 2016, the working group created in 2015 to prepare for the 2018 REACH deadline was maintained with a view to registering substances produced or imported in amounts of 1 to 100 metric tons per year. The steps that Guerbet is taking to improve active ingredient manufacturing processes reduce the number of substances to be registered under REACH.

Land use is not a material theme for Guerbet.

Noise pollution

The industrial plants take the necessary measures to meet the regulatory requirements defining noise pollution limits.

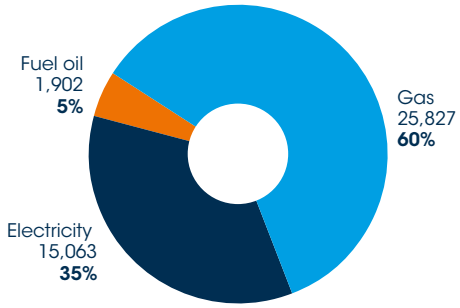
(1) The fuel oil consumption of handling machines is not included as it is negligible.
(2) 2011 is the reference year for the greenhouse gas reduction target. This is why 2011 is used as the comparison year for water and energy.
(3) EELAN: Économie d'Énergie LANester (Lanester Energy Savings).
(4) European Chemical Agency.

5.2.5 Combating global warming

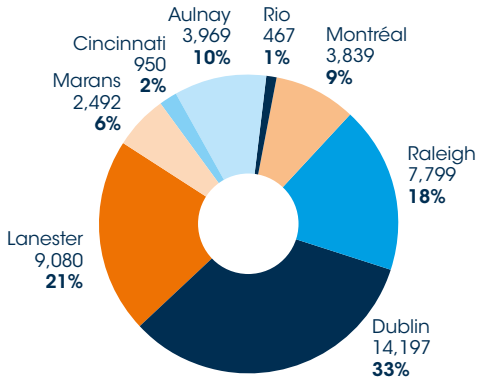
The Group monitors its GHG[1] emissions in order to reduce them.

In 2016, GHG emissions from energy consumption for all of the Group's industrial plants, including the new facilities, amounted to 42,792 metric tons of CO_2 equivalent.

Industrial plants' contributions to GHG emissions by type of energy *(tCO_2eq)*



Breakdown of GHG emissions by industrial plant and by type of energy *(tCO_2eq)*



The Group began to analyze its GHG emissions in 2010, using a carbon footprint measurement tool (CarbonEM) provided by the LEEM (French Association of Drug Companies).

Analysis of the Group's greenhouse gas (GHG) emissions based on the data for 2011 revealed that the Group's[2] GHG emissions are mainly generated by the energy consumed by the industrial plants (around 70% of total GHG emissions). The target of reducing these GHG emissions by 20% per unit produced for the industrial plant energy scope, over the 2011-2016 period, was not met.

GHG emissions per unit produced for the industrial plant scope have fallen by 7.7% since 2011[3]. This change stems mostly from the energy-saving measures introduced at the Lanester and Aulnay plants, presented in this chapter in "5.2.4 Sustainable use of resources".

Guerbet has initiated a carbon analysis covering the whole of the new scope, with the help of an outside firm. This study, which is based on a number of assumptions, will continue in 2017 and lead to the identification of areas for improvement. Guerbet is first working to identify the significant sources of GHG emissions for scopes 1, 2 and 3. At this stage, scope 3 seems to exceed scopes 1 and 2. The main sources of emissions in scope 3 have yet to be determined and will be published next year.

The Dublin plant has a GHG permit, which sets an annual limit on the quantity of carbon that it is allowed to emit. Diesel, acetylene and gas use are monitored and converted into CO_2 emissions, then reported to the local EPA (Environmental Protection Agency). The data are audited and the limit set is revised each year.

Business travel

The Group's travel policy includes measures to reduce the carbon impact of business travel by promoting the use of alternatives to travel:

- Many Group plants and subsidiaries use videoconferencing to limit travel.
- Priority is given to rail travel, rather than travel by air, if destinations can be reached by train in less than four hours.
- Travelers are given information about the carbon impact of the different types of transport usable.

Commuting

- Staff are encouraged to use public transport whenever possible.
- Parking spaces at the head office in Villepinte have been fitted out with recharging stations for hybrid and electric vehicles. This is meant to encourage employees to opt for hybrid or electric cars when buying a vehicle.
- For Guerbet plants in France, compensation per kilometer for commuting by bike was included in the Mandatory Annual Negotiations in 2016.

(1) GHG: Greenhouse Gases.
(2) Scope before the acquisition of CMDS: the Group's four industrial plants, the distribution center in Gonesse and the head office in Villepinte.
(3) Guerbet industrial plant scope before the acquisition of CMDS, in other words: Aulnay-sous-Bois, Lanester, Marans and Rio de Janeiro.

5.3 Social information

5.3.1 Territorial, economic and social impact

The Guerbet company, founded in 1926 by André Guerbet, celebrated its 90th birthday on November 15, 2016. Guerbet marked this event with a birthday campaign, covering every plant and subsidiary, on the theme "90 years of Passion", looking back at the key milestones in its development for the benefit of patient health and innovation in medical imaging and theranostics. Many plants and subsidiaries used this anniversary as an opportunity for charitable activities (see section on Charitable activities, partnership and sponsorship below).

As a responsible economic player in the regions where it operates, Guerbet is keen to modernize its industrial infrastructure and develop more environmentally-friendly solutions. The vast majority of jobs created are local or regional. For instance, Guerbet employs more than 600 people in the northern suburbs of Paris, in Seine-Saint-Denis and Val-d'Oise, where the Group's head office, the Aulnay-sous-Bois pharmaceutical plant and the logistics hub in Gonesse are located. In France, in addition to creating jobs, Guerbet works with the national and regional authorities to promote the economic development of the regions where it operates. This cooperation may take the form of one-off initiatives, but it entails active participation in the local industrial and scientific ecosystems first and foremost.

Guerbet is a member of Medicen Paris Region, the Paris healthcare competitiveness cluster, alongside other industrial companies, start-ups, university hospitals and academic laboratories. Within this cluster Guerbet has launched the HECAM(1) project aimed at building an industrial network to meet hepatocellular carcinoma screening, diagnosis and treatment needs.

Guerbet has been a member of G5 Santé since 2012. G5 Santé is a think tank made up of eight major French healthcare companies that have decided to make France the base for their international expansion. The G5 Santé companies have strong national roots, including a head office, production units and Research and Development facilities in France, and generate employment and investment.

The G5 Santé's 20 proposals for 2017-2022, which Guerbet helped to draft, are presented in a white paper. These proposals support G5 Santé's ambition of "Making France a major country for the healthcare industries; reforming, investing and innovating for the benefit of patients" and confirming the strategic value of the healthcare industries. Four key themes for the G5 Santé were explored during this day, with round table discussions involving manufacturers and administrative representatives. The themes were export, innovation, production and healthcare system reforms. The G5 Santé companies, as world leaders in their field, account for much industrial and innovation activity in France.

Guerbet is a member of the LEEM and as such regularly participates in meetings of committees such as the HandiEM committee, the CSR committee, and CSR breakfasts. Guerbet is an active member of the LEEM, taking part in working groups such as the CSR working group.

Local initiatives have also been set up. The Dublin facility is a member of the IBEC (Business and Employer Association) and regularly takes part in PharmaChem working groups covering issues including health, safety, industrial security and the environment.

5.3.2 Relations with stakeholders

Guerbet supports various organizations and associations with a stake in the Group's expansion and activity. The fields covered include assistance with occupational integration, general education and organizations with a link to Guerbet's areas of activity.

Regulatory authorities

Guerbet attaches particular importance to the quality of its communication with the public authorities and undertakes to work in a transparent and responsible way.

Relations with the Group entities' local communities

In 2016, the facility continued to receive groups of school children and students to learn about chemistry and jobs in industry. A partnership has been developed with the *Université de Bretagne Sud* to receive students studying subjects directly linked to our activities, such as chemistry and industrial risks. Some of the site's executives teach students within the relevant departments.

In Marans, CSSs(2) replaced CLICs(3) in 2013. These committees, composed of five groups (government authorities, local authorities, the operator, local inhabitants or environmental associations and the operator's employees), provide a framework for discussions and information sharing with a view to preventing environmental risks, monitoring the activity of safety-classified plants and promoting public information. The Technological Risk Prevention Plan for the facility was approved in 2016.

As indicated in the QSE policy, the Guerbet group is committed, through all of its subsidiaries, to a continuous improvement program whose aims include maintaining relationships based on transparency and communication with stakeholders.

Combating discrimination and promoting equal opportunities

Employees' efforts in favor of diversity were stepped up in 2016 through our partnership with the association NQT. Guerbet employees give up a few hours of their time to mentor young graduates from priority districts or underprivileged social backgrounds in the Paris region. The mentors' role is to help young people define their career plan and improve their job search tools, help them adapt to corporate culture, boost their confidence, help them prepare for job interviews and give them access to their professional network.

(1) HECAM: HEpatoCellular CArcinoma Multitechnological.
(2) CSSs: Commissions de Suivi de Sites (Plant Monitoring Committees).
(3) CLICs: Comités Locaux d'Information et de Concertation (Local Information and Consultation Committees).

In 2016, an internal Guerbet coordinator was appointed to coordinate the partnership with NQT. Partnerships have therefore been set up at two new facilities (Simafex and Medex) and new mentors have been recruited. Events have also been organized, namely workshops for learning about different jobs, lunches for exchanges of good practices between mentors, and a speed coaching workshop at the head office to help young graduates in their search for jobs, marking a first for NQT in the Paris region.

Guerbet had 29 active mentors at the end of December 2016. 59 people have been mentored since the start of the partnership with NQT, including mentorships in progress, and 35 of them have found jobs or undertaken training.

Guerbet's HR Department sponsors the initiative and is one of NQT's Directors.

There have been other practical demonstrations of Guerbet employees' commitment, particularly when Guerbet celebrated its 90th birthday:

- 16 employees from Cincinnati walked up to 10 kilometers for the "March for Babies" to raise funds for an organization that helps mothers carry their babies to term and safeguard their babies' health. The plant also organized internal fundraising; half of the donations were from employees and the other half from the Group.

  Volunteers from the Cincinnati plant collected food for the local food bank for families in need during Thanksgiving.
- The Montreal plant has a Charity Committee that receives donations to combat discrimination (to help young people at risk, and for people suffering from drug addictions, a women's refuge, a food bank, academic support, adult literacy, Christmas presents and help finding lost children).
- Employees in Raleigh collected 90 toys that were given to 90 underprivileged children over Christmas to mark Guerbet's birthday.
- 31 employees at Guerbet's Paris facilities took part in a Special Olympics relay race to raise money for the disabled.

Initiatives were also organized by the Group's international sales subsidiaries.

- The UK entity bought and promoted calendars by the "Oliver Fisher Special Care Baby trust charity", which supports parents of sick and premature babies; by an organization helping sufferers of a degenerative skin disease and an anti-poverty organization.
- The Czech subsidiary began cooperation with the organization "People in Need".
- The South Korean subsidiary planted trees and donated to a foundation combating pediatric cancer.

Promotion of ecology and health

The 90th anniversary of Guerbet's creation was taken as an opportunity for some plants and subsidiaries to organize internal initiatives promoting the environment and health.

In Saint Louis, employee volunteers dedicated several hours of their time to planting the first series of 90 trees in an urban reforestation zone. This operation symbolizes the Group's roots and growth, from medical imaging in its infancy to its most recent uses, and the Group's respect for its ecosystem and its plans for the future.

At the Rio de Janeiro site, employees planted 90 vegetables that will be served up in the company restaurant in order to promote healthy, natural food.

5.3.3 Subcontracting and suppliers

Guerbet's choice of partners and suppliers has a major impact on the quality and durability of our products and solutions. The Group therefore attaches particular importance to choosing the right suppliers and to the quality of its relations with them. It selects suppliers through open and fair competition, ensuring the effectiveness of the process, which is based on the following rules:

- free access to calls for tenders;
- equal treatment of applicants;
- transparent, traceable procedures;
- consideration of the total cost.

Good practices when dealing with partners and suppliers are included in Guerbet's Ethics Charter.

The Purchasing policy also has a socially responsible aspect in the form of purchasing practices based on integrity and honesty. The Guerbet group undertakes to only work with suppliers that comply with international standards and social and environmental laws and regulations. Suppliers must therefore not use forced labor, child labor or illegal workers under any circumstances and must also ensure safe and healthy working conditions. Guerbet is committed to treating suppliers respectfully in all circumstances.

The Group's financial policy also brings an ethical aspect to operations, including the dos and don'ts of relations with partners and suppliers.

The Guerbet group also signed the Responsible Supplier Relations Charter in July 2013. This Charter was published by the *Médiation du crédit* credit mediation agency and the CDAF[1] in 2010. It requires that signatories set up an improvement program with regard to their suppliers and particularly small- and medium-sized enterprises (SMEs). The Charter's commitments cover the ethical, economic and environmental aspects of relations between signatory companies and their suppliers.

Guerbet's attitude as a supplier was acknowledged for the fourth year running through the award of an A+ green rating by the CAHPP[2] at the start of 2016, in the Pharmaceutical and Medical Device purchasing segments. This green rating is a "positive" label designed to incentivize rather than penalize the suppliers listed by this purchasing pool. The A+ rating[3] is awarded for action taken in six areas: Management's commitment, purchasing policy, products/ecodesign, mitigation of impact in customer plants, waste management, ordering and distribution. For Guerbet, this rating system is a valuable addition to the tools that it uses to assess its socially responsible practices.

Guerbet's CSR measures have also been recognized by the HELPEVIA purchasing pool, which gave Guerbet a B ranking, out of rankings ranging from A to E, with A being the highest.

(1) Compagnie des Dirigeants et Acheteurs de France (French Association of Purchasing Managers).
(2) CAHPP: Centrale d'achats de l'hospitalisation privée et publique (Private and Public Hospital Purchasing Pool).
(3) A+ rating on a scale of four possible ratings: no label, A, A+ and A++.

5.3.4 Business ethics

Fairness of Ethics Charter practices

Guerbet's commitment to strict ethical requirements has been enshrined in the Group's Ethics Charter, launched in 2015 and extended in 2016 to Guerbet's new entities. 1,065 employees of the new Guerbet facilities were trained through an e-learning course and their knowledge tested by completing a quiz.

This charter has eight chapters; one for each of Guerbet's stakeholders (patients and our customers, the Company, our competitors, suppliers, the public authorities, our employees, our Shareholders and the environment).

Prevention of corruption

As stated in the Group's Ethics Charter, the Guerbet group's financial policy brings an ethical aspect to its operations, particularly by imposing an absolute ban on bribery. The Group is committed to abstaining from any acts of active or passive bribery and to preventing conflicts of interest.

To manage this risk, Guerbet has an Internal Control Department that reports directly to the General Management and an Ethics and Governance Committee(1).

In 2016, Guerbet's General Managers and all of its employees were given an "anti-corruption" presentation.

(1) The Ethics and Governance Committee covers the whole Group scope.

5.4 Report by one of the Statutory Auditors, designated as an independent third-party organization, on the consolidated employee, environmental and social information contained in the management report

To the Shareholders,

In our capacity as one of Guerbet's Statutory Auditors, designated as an independent third-party organization and accredited by the COFRAC (French Accreditation Board) under number 3-1048[1], we hereby present our report on the consolidated employee, environmental and social information for the fiscal year ended December 31, 2016 (hereinafter the "CSR Information"), presented in the management report in accordance with Article L. 225-102-1 of the French Commercial Code.

Corporate responsibility

The Board of Directors is responsible for producing a management report containing the CSR Information provided for by Article R. 225-105-1 of the French Commercial Code, in accordance with the standards adopted by the Company (hereinafter the "Standards"), a summary of which can be found in the management report and is available at the Company's head office on request.

Independence and quality control

Our independence is defined by the regulations, the profession's Code of Ethics and Article L. 822-11 of the French Commercial Code. We have also introduced a quality control system that consists of documented policies and procedures intended to ensure compliance with ethical rules, professional standards and the applicable laws and regulations.

Responsibility of the Statutory Auditor

It is our responsibility, based on our analyses:

- to certify that the requisite CSR Information is present in the management report or, if information is omitted, that an explanation has been given in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of presence of CSR Information);
- to express a conclusion of moderate assurance that the CSR Information, taken as a whole, is presented, in all its significant aspects, fairly and in accordance with the Standards (substantiated opinion on the fairness of the CSR Information).

Our analyses were performed by a team of five people over a period of around seven weeks between February and March 2017. We were assisted in our audit by CSR experts.

We performed the procedures described below in accordance with the professional standards applicable in France, and with the order of May 13, 2013 determining the procedures for assurance engagements by independent third-party organizations and, for the substantiated opinion on fairness, in line with international standard ISAE 3000[2].

1. Certification of presence of CSR Information

Nature and scope of the analyses

Through meetings with the relevant Department heads, we learned about the sustainable development guidelines established according to the social and environmental consequences of the Company's activity and its social commitments and, where appropriate, the resulting initiatives or programs.

We compared the CSR Information presented in the management report against the list provided for by Article R. 225-105-1 of the French Commercial Code.

Where certain consolidated information was missing, we checked that explanations were given in accordance with Article R. 225-105, paragraph 3, of the French Commercial Code.

We checked that the CSR Information covered the consolidated scope, namely the Company and its subsidiaries as defined by Article L. 233-1, and the companies that it controls as defined by Article L. 233-3 of the French Commercial Code, including the limitations stated in the methodological notes contained in the footnotes to the CSR section of the management report.

Conclusion

Based on these verifications, and given the limitations referred to above, we hereby certify that the requisite CSR Information is present in the management report.

(1) Whose scope is available on the website www.cofrac.fr.
(2) ISAE 3000 – Assurance Engagements other than audits or reviews of historical financial information.

2. Substantiated opinion of the fairness of the CSR Information

Nature and scope of the analyses

We conducted around ten or so interviews with the people responsible for preparing CSR Information within the Departments in charge of the information gathering processes and, where appropriate, with internal control and risk management procedure managers, in order to:

- assess the appropriateness of the Standards in terms of their relevance, comprehensiveness, reliability, neutrality and understandability, taking into account good practices in the sector where appropriate;
- check for the existence of an information gathering, compilation, processing and monitoring process aimed at ensuring the comprehensiveness and consistency of the CSR Information and learn about the internal control and risk management procedures relating to the preparation of CSR Information.

We determined the nature and scope of our tests and checks according to the nature and importance of the CSR Information in view of the Company's characteristics, the social and environmental issues at stake in its activities, its sustainable development policies and good practices within the sector.

We considered the most important CSR information to be[3]:

- We consulted the documentary sources available from the consolidating entity and conducted interviews to corroborate the qualitative information (organization, policies and initiatives). We performed analytical procedures on the quantitative information and used spot checks to check the calculations and consolidation of the data and we checked their consistency and correlation with the other information contained in the management report;
- Using a representative sample of entities that we selected[4] according to their activity, their contribution to the consolidated indicators, the location of their operations and a risk analysis, we conducted interviews to verify the correct application of the procedures and performed detailed tests through sampling consisting of checking the calculations carried out and matching the data with the supporting documents. The sample thus selected represents an average of 19% of the workforce and between 25% and 99% of the quantitative environmental information presented.

For the other consolidated CSR information, we assessed its consistency with our knowledge of the Company.

Finally, we assessed the relevance of the explanations given, where appropriate, for the complete or partial absence of certain information.

We believe that the sampling methods and the sample sizes that we used in accordance with our professional judgment are sufficient for us to express a conclusion of moderate assurance; a higher level of assurance would have required a more extensive audit. Due to the use of sampling techniques and the other limitations inherent in any information and internal control system, the risk that a material misstatement in the CSR Information has not been detected cannot be completely ruled out.

Conclusion

Based on our analyses, we did not identify any material misstatements liable to call into doubt the fact that the CSR Information, taken as a whole, is presented fairly and in accordance with the Standards.

Neuilly-sur-Seine, April 4, 2017

One of the Statutory Auditors

Deloitte & Associés

Frédéric Souliard
Partner, Audit

Julien Rivals
Partner, Sustainability Services

(3) **Quantitative information:**
Employee information: workforce (temporary and permanent employees) at December 31; number of new employees hired on open-ended contracts and number of employees dismissed; number of theoretical hours worked; occupational accident frequency rate; occupational accident severity rate; number of hours' training given over the year; percentage of women in the workforce at December 31.
Environmental information: hazardous waste treated externally; water consumption in m^3; energy consumption; electricity consumption; gas consumption; fuel oil consumption; absolute GHG emissions generated from electricity, gas and fuel oil consumption and total energy consumption.
Qualitative information:
Environmental information: measures taken to estimate the scope 3 GHG emissions.
Social information: industrial hygiene management system – risk assessment; deployment of the ethics charter; management of industrial risks: Responsible Supplier Relations Charter.

(4) *Head office of Guerbet France in Villepinte; industrial plants in Aulnay (France), Dublin (Ireland – CMDS), Marans (France) remotely and for fuel oil only and the industrial plant in Lanester (France) for hazardous waste.*

6

Financial statements and related notes

6.1 Consolidated financial statements and notes

6.1.1 Consolidated financial statements

6.1.1.1 Consolidated balance sheet

Assets (net)

(in € thousands)	Note	2016	2015 restated (1)
Intangible fixed assets	1 and 5	106,069	91,945
Tangible fixed assets	1 and 6	269,407	278,038
Non-current financial assets	1 and 7	4,739	2,989
Deferred taxes	1 and 8	26,425	19,314
TOTAL NON-CURRENT ASSETS		**406,640**	**392,286**
Inventories	1 and 9	261,891	216,663
Trade receivables	1, 10, and 1.1	168,443	159,435
Assets held for sale		0	0
Other current financial assets	1 and 1.1	94,632	79,726
Cash and cash equivalents	1 and 1.2	96,547	54,388
TOTAL CURRENT ASSETS		**621,513**	**510,212**
TOTAL ASSETS		**1,028,153**	**902,498**

(1) Pursuant to IFRS 3R, the 2015 financial statements have been restated to take into account the impacts of the final allocation of the CMDS acquisition price and the change in the method of presentation of the research tax credit (CIR) (see note 1.II).

Liabilities (net)

(in € thousands)	Note	2016	2015 restated (1)
Share capital		12,501	12,343
Other reserves		277,093	246,596
Consolidated income		28,930	39,232
Translation adjustment		(3,724)	(15,732)
SHAREHOLDERS' EQUITY	1 and 11	**314,800**	**282,439**
of which Group share		314,800	282,439
Non-current financial debt	1 and 2.1	331,419	301,228
Other non-current financial liabilities	1 and 2.0		0
Deferred taxes	1 and 8	23,382	21,470
Provisions	1 and 12	33,194	30,451
TOTAL NON-CURRENT LIABILITIES		**387,995**	**353,149**
Trade payables		122,783	82,176
Current financial debt	1 and 2.1	66,971	40,995
Other financial liabilities	1 and 2.6	93,321	108,123
Current taxes payable		34,429	28,085
Provisions	1 and 12	7,854	7,532
TOTAL CURRENT LIABILITIES		**325,358**	**266,911**
TOTAL LIABILITIES		**1,028,153**	**902,498**

(1) Pursuant to IFRS 3R, the 2015 financial statements have been restated to take into account the impacts of the final allocation of the CMDS acquisition price and the change in the method of presentation of the research tax credit (CIR) (see note 1.II).

6.1.1.2 Consolidated income statement

(in € thousands)	Note	2016	2015 restated
REVENUE	4	**775,773**	**488,738**
Royalties		37	32
Other operating revenue	13	794	1,519
Purchases consumed and change in inventories		(184,576)	(103,452)
Staff-related costs	14	(204,464)	(125,594)
External charges	15	(251,461)	(155,909)
Taxes and duties	16	(27,281)	(18,144)
Depreciation and amortization	17	(49,213)	(28,339)
Net allocations to provisions		(2,469)	(1,344)
Other operating income and expenses	18	(2,546)	1,146
OPERATING INCOME		**54,594**	**58,653**
Income from cash and cash equivalents		30	135
Gross finance costs	19	(6,578)	(1,249)
NET FINANCE COSTS		**(6,548)**	**(1,114)**
Currency gains/losses		(1,202)	2,677
Other financial income and expenses		217	707
Income taxes	20	(18,131)	(21,691)
CONSOLIDATED NET INCOME		**28,930**	**39,232**
of which Group share		28,930	39,232
Net earnings per share of par value €1 (in €)		2.33	3.21
Diluted net earnings per share of par value €1 (in €)	26	2.29	3.13

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

(in € thousands)	2016	2015 restated
NET INCOME FOR THE YEAR	**28,930**	**39,232**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		
Actuarial gains and losses for IAS 19 obligations	(1,445)	(523)
Impact of IFRIC 21: Taxes and duties		352
Net investment hedge: translation of borrowing into US dollars	(2,659)	2,622
Change in translation adjustment	12,008	(14,783)
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**36,834**	**26,900**

6.1.1.4 Consolidated statement of cash flows

(in € thousands)	Note	2016	2015 restated
NET INCOME		**28,930**	**39,232**
Allowances and reversals of depreciation and provisions for fixed assets		49,213	28,878
Allowances and reversals of provisions for liabilities and charges	12.1	2,929	965
Changes in fair value of hedging instruments		(1,520)	(395)
Stock option costs		833	409
Income from sale of fixed assets and other adjustments		1,412	1,353
CASH FLOW AFTER NET FINANCE COSTS AND TAXES		**81,797**	**70,442**
Gross finance costs		6,548	1,114
Tax expenses (including deferred taxes)	20	18,131	21,691
CASH FLOW BEFORE NET FINANCE COSTS AND TAXES		**106,476**	**93,247**
Taxes paid		(29,548)	(10,836)
(Increase) decrease in inventory	*9*	*(44,979)*	*(19,462)*
(Increase) decrease in trade receivables		*(13,436)*	*(4,251)*
Increase (decrease) in trade payables		*14,346*	*15,046*
(Increase) decrease in other assets		*16,813*	*(22,552)*
Increase (decrease) in other liabilities		*(10,986)*	*14,458*
CHANGE IN WORKING CAPITAL REQUIREMENTS		**(38,241)**	**(16,762)**
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**38,687**	**65,649**
Investments		(52,285)	(32,897)
■ Intangible fixed assets	*5*	*(16,152)*	*(12,487)*
■ Tangible fixed assets	*6*	*(33,630)*	*(20,858)*
■ Financial fixed assets		*(2,503)*	*448*
Sales of fixed assets		1,771	370
Increase (decrease) in amounts payable on fixed assets		5,124	(2,967)
Acquisition of CMDS net of cash on the takeover date	1.2.II	2,620	(245,322)
NET CASH FLOWS FROM INVESTING ACTIVITIES (B)		**(42,770)**	**(280,816)**
Dividends paid		(8,010)	(6,094)
Capital increases		2,447	2,085
New long-term borrowing		199,083	276,190
Loan repayments		(140,432)	(21,913)
Buyback and resale of treasury shares		0	0
Net financing interest paid (including finance lease agreements)		(6,863)	(588)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		**46,225**	**249,680**
Effect of exchange rate changes (D)		2,188	(9,359)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C) + (D)	2.5	**44,328**	**25,154**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**31,360**	**6,206**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	1.2 and 2.1	**75,688**	**31,360**

6.1.1.5 Statement of changes in Shareholders' equity

(in € thousands)	Share capital	Consolidated reserves	Result	Change in translation adjustment	Total
AT 12/31/2014	**12,208**	**221,718**	**26,127**	**(949)**	**259,104**
Appropriation of 2014 earnings		26,127	(26,127)		0
Stock options		409			409
Dividend distribution		(6,094)			(6,094)
Consolidated 2015 income			39,232		39,232
Actuarial gains and losses		(523)			(523)
Translation adjustment				(17,791)	(17,791)
Capital increase	135	1,951			2,086
Other changes		3,008		3,008	6,016
AT 12/31/2015 RESTATED	**12,343**	**246,596**	**39,232**	**(15,732)**	**282,439**
Appropriation of 2015 earnings		39,232	(39,232)		0
Stock options		16			16
Dividend distribution		(8,010)			(8,010)
Consolidated 2016 income			28,930		28,930
Actuarial gains and losses		(1,445)			(1,445)
Translation adjustment				12,008	12,008
Capital increase	158	2,289			2,447
Other changes		(1,585)			(1,585)
AT 12/31/2016	**12,501**	**277,093**	**28,930**	**(3,724)**	**314,800**

6.1.2 Notes to the consolidated financial statements

The figures presented in these notes are expressed in thousands of euros, unless otherwise indicated.

On November 27, 2015, Guerbet completed the acquisition of CMDS. Given the late date of this acquisition and the provisional nature of the price, it was not possible to perform accounting treatment of the acquisition before the end of fiscal year 2015. This work was performed during fiscal year 2016 and, as provided for by IFRS 3-R, once this work was completed, the consolidated financial statements for 2015 were restated to reflect this acquisition. The details of these restatements appear in section II) Scope of consolidation.

I) Accounting methods and rules

a) Basis of presentation and statement of compliance

The main accounting methods applied when preparing the consolidated financial statements are described below. Unless otherwise indicated, these methods were applied consistently to all of the periods presented.

In accordance with Regulation 1606/2002 enacted on July 19, 2002 by the European Parliament and the European Council, the consolidated financial statements of Guerbet have been established since January 1, 2005 in accordance with IFRS (International Financial Reporting Standards), as approved by the European Union on the date the financial statements were prepared. The IFRS as adopted by the European Union differ in some respects from the IFRS published by the IASB. However, the Group has ensured that the financial information for the periods presented would not have been materially different if it had applied the IFRS as published by the IASB.

International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and the following interpretations: SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee).

All the texts adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/finance/accounting/ias/index_en.htm.

Main options adopted for the transition to IFRS

1) The office property at Villepinte was reassessed at its fair value at January 1, 2004, based on an estimate from an independent appraiser. The reassessment was made for €8 million, including €6.5 million allocated to buildings and €1.5 million allocated to land.

2) Intangible assets with an indefinite useful life are not amortized, in accordance with the IAS 38 standard. The amortization previously applied in statements using French standards was maintained at its cumulative value at January 1, 2004.

3) The translation adjustments as of January 1, 2004 were carried over to "Other reserves".

For the other items related to 2005, we invite readers to refer to our Registration Document submitted to the *Autorité des marchés financiers* (French Financial Markets Authority) under number D.06-0221, which can be viewed on the AMF website.

Changes in standards and interpretations applicable to 2016 consolidated financial statements

Standards, amendments, and interpretations that must be applied starting in 2016

- **Amendments to IAS 1 "Presentation of Financial Statements – Disclosure Initiative"**

  Effective for annual periods beginning on or after January 1, 2016.

  The amendments are intended to clarify the provisions related to two points:

  – application of the materiality concept, specifying that it applies to financial statements, including the notes to those financial statements, and that the inclusion of immaterial information may make them less understandable;

  – application of professional judgment, by marginally altering certain language considered prescriptive and thus leaving no room for judgment. There was no significant impact during the application of this amendment.

- **Amendment to IAS 19: Employee benefits**

  Effective for annual periods beginning on or after February 1, 2015.

  If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. However, if the amount of the contributions is dependent on the number of years of service, an entity is required to recognize such contributions as a reduction in the service cost using the same attribution method required for the gross benefit (*i.e.* either using the plan's contribution formula or on a straight-line basis). There was no significant impact during the application of this amendment.

- **Amendments to IAS 16 and IAS 38**

  Effective for annual periods beginning on or after January 1, 2016.

  These two standards explain that the expected pattern of consumption of an asset's future economic benefits is the principle for the basis of depreciation. These amendments specify that it is not appropriate to use revenue-based methods to calculate a tangible asset's depreciation because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Revenue also is generally presumed to be an inappropriate basis for measuring the consumption of the future economic benefits embodied in an intangible asset. In certain limited circumstances, though, this presumption can be rebutted. There was no significant impact during the application of these amendments.

The following do not need to be applied in the Group or have no significant impact on the consolidated financial statements for the fiscal year:

- **Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations**

  Effective prospectively for annual periods beginning on or after January 1, 2016.

  The IFRS 11 concerns the accounting treatment for interests in joint ventures and joint operations.

  The published amendments specify how to account for acquisitions of interests in a joint operation in which the activity constitutes a business, as defined in IFRS 3: Business combinations.

  For such acquisitions, an entity is required to apply the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The entity must also disclose the information required for business combinations in the notes to its financial statements. This applies at the time of the initial acquisition of an interest and during subsequent acquisitions.

- **Limited amendments to IFRS 10: Exemption from consolidation applicable to investment entities**

  Effective for annual periods beginning on or after January 1, 2016.

  The amendments to IFRS 10: Consolidated Financial Statements are intended to clarify the rules for exemption from consolidation applicable to investment entities. If an investment entity has a subsidiary whose main purpose is to provide services related to investment activities, that subsidiary must be consolidated unless it is itself an investment entity; in that case, the subsidiary will be measured at fair value through profit or loss.

Standards, amendments, and interpretations adopted by the European Union, permitting early adoption in the fiscal year and not early adopted by the Group

- IFRS 15: Revenue from contracts with customers (effective for annual periods beginning on or after January 1, 2018). This standard states how and when to recognize revenue. It proposes a five-step method that applies to all customer contracts. Although the Group is only just starting to determine the impact, it does not expect it to be significant at this stage.
- IFRS 9: Financial instruments (effective for annual periods beginning on or after January 1, 2018). This standard, published on July 24, 2014 to replace standard IAS 39 (Financial instruments: recognition and measurement), presents the rules applicable to the recognition and derecognition, classification, impairment and measurement of financial instruments, and to hedge accounting. It introduces a unique approach to the measurement of financial assets' value that reflects the economic model according to which they are managed and their contractual cash flows. Although the Group is only just starting to determine the impact, it does not expect it to be significant at this stage.

b) Estimates and judgments

To establish financial statements in accordance with IFRS standards, the Group makes estimates and assumptions that impact the book value of items in the assets and liabilities, income and expenses, and the information given in certain related notes.

Management evaluates these estimates and assessments continually based on past experience and on various other factors judged to be reasonable, which constitute the basis for these assessments.

The main significant estimates made by the Group Management concern the valuation of intangible fixed assets, impairment of inventory, provisions, legal disputes with third parties, and deferred taxes.

c) Consolidation method

Subsidiaries are consolidated according to the control exercised by the parent company.

Guerbet consolidates as follows:

- through the full consolidation method, for companies in which the parent company exercises exclusive control, directly or indirectly;
- through the equity method, for companies in which the Group exercises significant influence directly or indirectly, without providing management.

All inter-company transactions are eliminated.

d) Business combinations

Business combinations are recognized using the acquisition method. The assets and liabilities acquired and the contingent liabilities assumed are recognized at their fair value on the acquisition date.

The residual difference between the acquisition cost and the purchaser's share of the net assets measured at their fair value is recognized as Goodwill.

If this difference is positive, it is recognized as an asset, in the Goodwill category. If it is negative, it is immediately recognized as income.

e) Translation methods

1. Accounting for currency transactions in statements of consolidated companies

Transactions denominated in foreign currencies are converted by subsidiaries into their working currencies at the rate applying on the day of the transaction.

Monetary balance sheet items are restated on the balance sheet at their closing exchange value at the end of the year. Gains or losses resulting from this valuation are recognized in the income statement in "Other financial income and expenses".

Income from currency option trading is recognized at the option's strike date to the extent that the options hedge commercial operations after the end of the year. The premium paid is recognized as an asset on the balance sheet until the option expires.

2. Currency translation of statements of foreign subsidiaries outside the euro zone

Shareholders' equity is converted at historic rates. Other items on the balance sheet are converted at the official year-end exchange rates, and items on the income statement at the average exchange rate for the year. The gain or loss resulting from the use of these different rates is carried over into shareholders' equity, under "Translation adjustments".

f) Intangible fixed assets

Intangible fixed assets are recorded at acquisition cost.

Trademarks recognized in the assets of the balance sheet relate only to acquired brands that are supported by promotional spending.

Intangible fixed assets are amortized over their useful lifespan expected by the Group. This period is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading.

As a general rule:

- no amortization is applied to brands;
- acquired patents are amortized on a straight-line basis for periods not exceeding their duration of protection;
- amortization of computer software is applied over a 3- to 10-year duration using the straight-line method.

g) Research and Development costs

Research costs are recorded as expenses in the period in which they were incurred.

Development costs are only recognized as intangible fixed assets if the Group can demonstrate all of the following criteria:

- there is the technical and financial capacity and intent to take the development project through to completion;
- there is a probability that the future economic benefits attributable to the development expenses will revert to the Group;
- the cost of the asset can be reliably assessed.

Because of the risks and uncertainties linked to regulatory authorizations, the Group considers that costs incurred before obtaining Marketing Authorization (MA) do not meet the above criteria. Development costs are therefore recorded as expenses in the year in which they are incurred. Furthermore, costs incurred after obtaining MA are sales costs that cannot be capitalized.

Research tax credits are recognized as a deduction from "Other operating income and expenses" on the income statement.

h) Tangible fixed assets

Tangible fixed assets are recorded at their historic purchase or production cost. Exceptionally, using the option available under IFRS 1 in the initial IFRS version adopted, the Villepinte plant was recognized at its fair value as of January 1, 2004.

Costs that are directly attributable and necessary to the start-up of investments, starting with engineering drafts (summary and detailed), through to costs for validation and qualification of facilities, are fixed costs.

Borrowing costs are included in the value of fixed assets for strategic investment projects that extend over several months of production and that began after January 1, 2009.

Equipment subsidies received are not deducted from the value of the fixed assets but are presented at their amortized value as deferred income.

Amortizations are calculated on a straight-line basis according to the useful lifespan of assets on the basis of their purchase or production cost, possibly reappraised, less any residual value, where applicable. Amortization periods are calculated according to the useful lives that are generally established within the following limits:

- Buildings: 20 to 50 years;
- Improvements and fittings: 10 to 20 years;
- Technical facilities, equipment and tooling: 5 to 10 years;
- Other tangible fixed assets: 5 to 10 years.

i) Impairment of fixed assets

Goodwill and intangible fixed assets with an indefinite useful life are subject to an impairment test at least once each year or more frequently if there is evidence of impairment. The annual tests are conducted in the fourth quarter.

Other fixed assets are also subject to an impairment test whenever events or changes in circumstances indicate that book value may not be recoverable.

The impairment test consists in comparing the net book value of the asset to its recoverable value, which is the higher of either its fair value minus the cost of sale, or its value in use.

The value in use is obtained by adding the discounted cash flow expected from using the asset (or group of assets) and its ultimate disposal. The discount rate is the pre-tax rate that reflects current assessments of the time value of money and the risks specific to the asset. It is the rate of return that investors would require if they had to choose an investment whose amount, maturity, and risks were equivalent to those of the asset in question.

Fair value minus disposal costs corresponds to the amount that could be obtained from the sale of the asset (or group of assets), in an arm's-length transaction, minus the costs directly linked to the sale.

When tests undertaken show an impairment loss, a provision is established so that the net book value of those assets does not exceed their recoverable value.

Tangible fixed assets are subject to an impairment test as soon as there is an indication of an impairment loss. For this test, fixed assets are grouped together in cash generating units (CGUs). CGUs are homogeneous groups of assets whose continuous use generates cash inflows that are largely independent of the cash inflows generated by other asset groups. The value in use of these units is determined using the discounted cash flow method. When the recoverable value is lower than the net book value of the asset (or group of assets), an impairment loss equal to the difference is recognized in income, and allocated first to Goodwill. Impairment losses that are recognized for Goodwill are non-reversible.

j) Lease agreements

Finance lease

Goods acquired by finance lease are considered to be fixed assets when lease agreements have the effect of transferring to the Group the quasi-totality of the risks and benefits inherent to having ownership of those goods. The criteria for valuing these agreements are notably based on:

- the relationship between the lease duration of the assets and their lifespan;
- the total of future payments in relation to the fair value of the financed asset;
- whether or not there is a transfer of property at the end of the lease agreement;
- whether or not there is a favorable purchasing option;
- the specific nature of the asset leased.

Goods that are leased are therefore recognized as fixed assets, and a financial debt of an equivalent amount is recognized. Each payment made is broken down between an interest expense and the repayment of the financial debt.

Assets held using finance lease agreements are amortized over their useful lives, or, if shorter, the duration of the corresponding lease agreement.

Basic lease

Lease agreements that do not have the characteristics of a finance lease agreement are recognized as operating lease agreements, and only the payments are recognized as income.

k) Financial assets

Financial assets are recognized and valued by the Group in accordance with IAS 39, starting from the date of the transition to IFRS (IFRS option 1). Financial assets, except for cash and derivatives, are categorized according to one of the following four categories:

- assets held for trading;
- loans and receivables;
- assets held until maturity;
- assets available for sale.

The Group determines the classification of financial assets at the time of initial recognition, according to the reason for which they were purchased.

Assets held for trading

These are financial assets bought in order to be resold in the very near term, held in order to make a short-term profit, or voluntarily placed in this category. These assets are measured at fair value, and all changes are recognized in the income statement.

Loans and receivables

Loans and receivables are valued using the historical cost method (amortized cost – effective interest rate). Their value on the balance sheet comprises capital remaining due plus accrued interest. They are subject to impairment tests, conducted as soon as signs appear that their fair value is less than their value on the balance sheet. At a minimum, these tests shall take place at each accounting close. When the recoverable value is lower than the book value, an impairment loss is recognized on the income statement.

Assets held until maturity

Assets held until maturity are financial assets that the Group has the intention and capability of holding until maturity. These assets are recognized at amortized cost using the effective interest rate method. They are subject to impairment tests if there is an indication of loss of value. An impairment lost is recognized if the book value is higher than the estimated recoverable value.

Assets available for sale

Assets available for sale are non-derivative financial assets that are not included in the categories mentioned above. Unrealized gains or losses recognized are booked in shareholders' equity until their sale, with the exception of impairment losses, which are recognized in income as soon as they are determined. Exchange losses and gains for assets denominated in foreign currencies are recognized in income for monetary assets and in shareholders' equity for non-monetary assets. Fair value, for listed securities, corresponds to market price, and for non-listed securities, to a reference to recent transactions, or a technical assessment based on reliable and objective indicators with estimates used by other market players. However, when it is impossible to reasonably estimate the fair value of a security, it is measured at its historical cost. These assets are then subject to impairment tests to assess their recoverability. This category primarily comprises non consolidated equity investments and marketable securities that do not meet other definitions of financial assets. They are classified in other assets, current or non-current, and cash.

l) Inventories

Inventories of raw materials and other supplies are measured, like finished products and products in progress, at the standard price. At the end of the period, differences between the standard costs and the actual manufacturing costs are analyzed for possible capitalization. Inventory can also be impaired according to turnover rates. Inventories of products in progress and finished products are measured at cost including direct and indirect production costs, but excluding administrative, financial and sales costs. An impairment provision is created according to inventory turnover rates, use-by dates, and any quality problems.

m) Trade receivables

Trade receivables are assessed at nominal value. They are written down, where applicable, according to the risk of non-recovery, evaluated on a case-by-case basis, except in the case of a specific economic context.

Debt securitization consists in selling trade receivables to an entity funding the acquisition of these receivables by selling securities on capital markets. If guarantees granted to that entity mean that real risk cannot be considered as having been transferred to the transferee, the receivables are kept as assets and a loan is recognized in liabilities for the financing amount provided by the entity.

n) Non-current assets held for sale

A non-current asset, or group of assets and liabilities, is held for sale when its accounting value will be primarily recovered through sale and not through continuous use. For this to be the case, the sale must be highly probable. For the sale to be highly probable, a sales plan for the asset (or for the group to be sold) must have been initiated by an appropriate level of management, and an active program to find a buyer and finalize the plan must have been initiated.

o) Cash and cash equivalents

This item comprises liquid assets in bank current accounts. Investment securities and deposits that can be liquidated or sold, whose duration is less than three months, are classed as cash equivalents if they are easily convertible into cash and are exposed to a limited risk of a change in value. Investment securities are recognized at fair value in the income statement.

p) Provisions

Provisions correspond to liabilities meeting the following criteria:

- the amount or the maturity date is not set precisely;
- the economic impact is negative for the Group. This means that this liability is analyzed like an obligation of the Group to a third party, which will probably or certainly lead to an outflow of resources to said third party, with no compensation at least equivalent expected in return.

q) Commitment to employees

The Group participates in defined contribution and defined benefit plans, according to the laws and customs of the countries where the Group operates. Measurement of defined-benefit pension plan obligations is in compliance with the revised IAS 19 standard. The costs of benefits are estimated using the projected unit credit method. This consists of basing the calculation on the compensation that will be paid to employees, taking into account age structure, staff turnover rate, and survival rate using official tables by age group. The amounts obtained are adjusted according to inflation and promotion scenarios, and are updated to take into account the date on which these benefits will actually be paid. When actuarial assumptions are reviewed, any resulting actuarial gains and losses are carried over into shareholders' equity. These valuations are made once a year, for all pension plans.

r) Derivative financial instruments

The Group trades in derivative financial instruments in order to manage and reduce its exposure to risks of fluctuation of interest rates and exchange rates. These instruments are traded with leading financial institutions.

The implementation of hedge accounting requires, according to IAS 39, showing and documenting the effectiveness of the hedging relationship during its implementation and throughout its life.

The effectiveness of the hedge in accounting terms is verified by the relationship between changes in the value of the derivative and of the underlying hedge. This ratio must remain in a range between 80% and 125%. Derivatives are recognized on the balance sheet at their market value, known as fair value, on the closing date. This is determined both by financial institutions and by an independent company.

Changes in the fair value of these derivatives are recognized according to the following principles:

- for documented future cash flow hedges, changes in fair value are recognized in shareholders' equity for the effective portion. The ineffective portion is recognized in income;
- for documented fair value hedge instruments, and non-documented instruments, changes in fair value are recognized in the income statement, in "Exchange gains and losses" for currency derivatives, and in "Gross finance costs" for interest rate derivatives.

s) Financial debt

Borrowings are initially recognized at fair value. They are then measured at their amortized cost using the effective interest rate method that consists in recording in the income statement, over the lifetime of the borrowing, any difference between the income from the borrowing net of transaction costs and the redemption value. Borrowings are considered to be current liabilities, except if the Group has an unconditional right to defer repayment of the liability for more than 12 months after closing.

t) Revenue

Revenue is recognized when there is a transfer to the purchaser of the benefits and risks related to ownership of the goods. It is presented net of payment discounts granted.

u) Public subsidies

Investment subsidies are not recorded as a reduction of the purchasing cost of fixed assets but instead under deferred income. Their amount is recognized in other operating income at the same rate as amortizations of subsidized fixed assets. Innovation and employment grants received are recorded under "Other operating income" in the period in which they become definitively earned.

v) Share-based payments

Share-based payments relate to option plans granted to employees. The Group applies IFRS 2 for share options granted after November 7, 2002. The binomial model is used to measure the fair value of the options granted. The fair value of the options is recognized in staff costs extending over the time the options are unavailable, with a reverse entry under shareholders' equity.

w) Income tax

Income tax expense corresponds to the tax due for each consolidated fiscal entity, adjusted for deferred taxes. The latter are calculated on all the temporary differences between the tax base and the consolidated base of assets and liabilities, in accordance with a balance-sheet-based approach, with variable deferrals applied and based on reliable repayment scheduling. The tax rate and fiscal rules used are those set out in the tax legislation in force and which will be applicable when the transactions in question are completed. Deferred taxes on tax losses will be recognized if they are recoverable in the near future. Deferred taxes, whether assets or liabilities, are offset against one another at the level of each fiscal entity and are carried over in their net amount to liabilities or assets. In France, Guerbet, Guerbet France, Medex, and Simafex are consolidated for tax purposes in accordance with Article 223-A of the French General Tax Code.

x) Earnings per share

Earnings per share are calculated by dividing net income by the average number of shares in circulation during the year. Diluted net earnings per share are calculated based on all the shares that could potentially be created and any savings, net of taxes, that would result from converting these instruments giving deferred access to the share capital. At the end of the year, the potential shares were made up entirely of share options.

y) Cash flow

Cash flow after net finance costs and taxes is calculated by adding:

- net income;
- income and expenses recognized directly in shareholders' equity;
- calculated expenses (depreciation allowances, provisions, etc.), minus calculated expense reversals;
- income from the sale of fixed assets and non-current financial assets, and

By subtracting:

- the portion of investment subsidies recognized on the income statement.

II) Scope of consolidation

All of the companies are fully consolidated, with ownership interests of 100% (see list of companies in note 30).

In 2015, with the exception of the CMDS entities, all of the companies included in the scope had the same length of their fiscal year, 12 months, and closed their statements on December 31. With regard to CMDS, most of whose entities closed at the end of September, a closing was organized at the end of December under the same conditions as a fiscal year-end. Procedures are in progress to align all these entities with the fiscal year calendar.

In 2016, the financial period of all entities is 12 months ending on December 31, with the exception of two entities of the CMDS scope, which will be aligned starting in 2017.

Acquisition of CMDS

In accordance with the agreement signed on July 27, 2015 with Mallinckrodt plc, Guerbet acquired exclusive control of this group's CMDS activities on November 27, 2015.

The original disbursement was €288 million. This amount was reduced to €280 million as part of the final price setting procedure for the components relating to cash, working capital requirements, and debt. This claim is currently under arbitration.

The acquisition costs (€11.6 million) have been recognized in expenses.

The fair values of the acquired assets and liabilities summarized below were estimated at November 27, 2015:

Tangible fixed assets:	92,364
Intangible fixed assets:	25,458
Other non-current assets – net:	2,620
Working capital requirements:	131,281
Deferred tax position:	4,757
Cash:	34,839
Other non-current liabilities:	(9,151)
Current taxes:	(16,458)
Total acquired assets and liabilities:	266,640
Price paid:	280,029
i.e. Goodwill:	14,389

As the acquisition was carried out on November 27, the consolidated income for the fiscal year includes €772,000 attributable to the activity of the CMDS entities, and the revenue for the fiscal year includes €28,334,000 contributed by said entities for the month of December 2015.

If this acquisition had been effective on January 1, 2015, the Group's consolidated revenue would have been €789.3 million and its EBITDA €113.2 million, as shown in the table below. The Group's Management believes that these *pro forma* figures give an approximate idea of the Group's return on investment and cannot be regarded as earnings guidance for future periods.

(in € million)	Revenue	EBITDA [1]	Finance costs
Restated consolidated Guerbet figures	**488.7**	**88.3**	**1.2**
CMDS business, first 11 months of 2015 [2]	**317.2**	**16.4**	
Eliminations:			
■ CMDS sales to Guerbet until November 2015	(16.6)		
■ Elimination of Mallinckrodt management fees		12.5	
Additional financial expenses for 11 months			
■ 11 months of CMDS financial expenses			2.9
■ Additional financial expenses arising from borrowing as of January 1, 2015			3.9
RESTATED *PRO FORMA* CONSOLIDATED GUERBET FIGURES	**789.3**	**117.2**	**8.0**
PUBLISHED *PRO FORMA* CONSOLIDATED GUERBET FIGURES	**789.3**	**113.2**	**8.0**

(1) EBITDA corresponds to current operating income plus depreciation, amortization and provisions.
(2) Unaudited data.

To determine this *pro forma* information as if CMDS had been acquired as of January 1, 2015, the existing transactions between Guerbet and CMDS before the acquisition date were eliminated from the CMDS activities in 2015, as were the management fees charged by Mallinckrodt. The gross finance costs were recalculated as if the borrowing had been entered into on January 1, 2015 under the conditions prevailing at that date.

Due to the length of the proceedings relating to Colombia's competition regulations, the acquisition of Mallinckrodt Colombia could not be carried out until May 27, 2016. This resulted in the recognition of additional Goodwill of €1,706,000. The other impacts on the consolidated balance sheet were not significant.

Note 1 Restatement of published 2015 financial statements

As indicated above, the published 2015 financial statements have been restated. The table below details the transition from the published financial statements to the restated financial statements.

Assets (net)		12/31/2015 restated	Change	12/31/2015 published
Intangible fixed assets	(a)	91,945	(24,232)	116,177
Tangible fixed assets	(b)	278,038	33,506	244,532
Non-current financial assets	(d)	2,989	0	2,989
Deferred taxes	(c)	19,314	(12,681)	31,995
TOTAL NON-CURRENT ASSETS		**392,286**	**(3,407)**	**395,693**
Inventories		216,663	0	216,663
Customers	(d)	159,435	(949)	160,384
Assets held for sale			0	
Other financial assets	(d)	79,726	8,023	71,703
Cash and cash equivalents		54,388	9	54,379
TOTAL CURRENT ASSETS		**510,212**	**7,083**	**503,129**
TOTAL ASSETS		**902,498**	**3,676**	**898,822**

6 Financial statements and related notes

Consolidated financial statements and notes

Liabilities (net)		12/31/2015 restated	Change	12/31/2015 published
Share capital		12,343	0	12,343
Other reserves		246,596	0	246,596
Consolidated income		39,232	(691)	39,923
Translation adjustment		(15,732)	(721)	(15,011)
SHAREHOLDERS' EQUITY		**282,439**	**(1,412)**	**283,851**
Of which Group share		282,439	(1,412)	283,851
Non-current financial debt		301,228	0	301,228
Other non-current financial liabilities			0	
Deferred taxes	(c)	21,470	4,496	16,974
Provisions		30,451	0	30,451
TOTAL NON-CURRENT LIABILITIES		**353,149**	**4,496**	**348,653**
Trade payables	(d)	82,176	3,334	78,842
Current financial debt		40,995	0	40,995
Other financial liabilities	(d)	108,123	(941)	109,064
Current taxes	(e)	28,085	(1,800)	29,885
Provisions		7,532	0	7,532
TOTAL CURRENT LIABILITIES		**266,910**	**592**	**266,318**
TOTAL LIABILITIES		**902,498**	**3,676**	**898,822**

		12/31/2015 restated	Change	12/31/2015 published
REVENUE		**488,738**	**0**	**488,738**
Royalties		32	0	32
Other operating revenue		1,519	0	1,519
Purchases consumed and change in inventories		(103,452)	0	(103,452)
Staff-related costs		(125,594)	0	(125,594)
External charges		(155,909)	0	(155,909)
Taxes and duties		(18,144)	0	(18,144)
Depreciation and amortization	(f)	(28,339)	(1,541)	(26,798)
Net allocations to provisions		(1,344)	0	(1,344)
Other operating income and expenses	(e)	1,146	4,106	(2,960)
OPERATING INCOME		**58,653**	**2,565**	**56,088**
of which equity interests		(1,600)	0	(1,600)
Income from cash and cash equivalents		135	0	135
Gross finance costs		(1,249)	0	(1,249)
NET FINANCE COSTS		**(1,114)**	**0**	**(1,114)**
Currency gains/losses		2,677	0	2,677
Other financial income and expenses		707	0	707
Income taxes	(e)	(21,691)	(3,256)	(18,435)
CONSOLIDATED NET INCOME		**39,232**	**(691)**	**39,923**

(a) Intangible assets

In CMDS's contributions at November 27, 2015, the contributed intangible values (€26.2 million) have been canceled out. They have been replaced by the intangible values identified in the acquisition as pertaining to the trademark and the Optiray® technology for €2.5 million and €13.5 million respectively, the delivery system technology for €2.5 million, and the customer file for €5.4 million. These intangible fixed assets are amortized over 10 years, with the exception of the trademark. The initial Goodwill of €36.9 million has been reduced to €14.4 million and is included in this line of the balance sheet.

(b) Tangible fixed assets

At November 27, 2015, the fair value of the two American plants (Raleigh and Cincinnati) and the Irish plant (Dublin) was established by a renowned real estate appraisal firm, which led to an increase in their net value of €20.9 million and €13.3 million respectively. The useful lives of the assets were maintained at their original level.

(c) Deferred taxes

The deferred tax position of CMDS as a whole was adjusted to take account of the effects generated by the recognition of intangible fixed assets and the revaluation of tangible fixed assets. The possibility of using tax losses was assessed. It was triggered only in the amount of the deferred tax liabilities created for LF LLC.

(d) Trade receivables – Other financial assets – Trade payables – Other financial liabilities

The changes result from the various adjustments following the adjustment of the acquisition price, which entailed a €959,000 adjustment for trade receivables and the recognition of an €8 million receivable from Mallinckrodt.

(e) Current taxes and tax expense

Due to the various revaluations and the consequences of the price adjustment, tax expense was revised downward to €280,000. In addition, the research tax credit was reclassified as explained in note g) on the accounting principles for €3,536,000.

(f) Depreciation and amortization

As a result of the aforementioned revaluations, depreciation and amortization increased by €158,000 for intangible fixed assets and €1,383,000 for tangible fixed assets.

6 Financial statements and related notes

Consolidated financial statements and notes

III) Notes to the statements

Note 1 Financial assets

2016	Available-for-sale financial assets	Loans and receivables	Financial assets at fair value through profit or loss	Total balance
Non-current tax obligations		19		19
Other non-current financial assets	205	4,515		4,720
Trade and other receivables		168,443		168,443
Other current financial assets		94,632		94,632
Cash and cash equivalents			96,547	96,547
TOTAL	**205**	**267,609**	**96,547**	**364,361**

2015 restated	Available-for-sale financial assets	Loans and receivables	Financial assets at fair value through profit or loss	Total balance
Non-current tax obligations		43		43
Other non-current financial assets	201	2,745		2,946
Trade and other receivables		159,435		159,435
Other current financial assets		79,726		79,726
Cash and cash equivalents			54,388	54,388
TOTAL	**201**	**241,949**	**54,388**	**296,538**

Change in impairment of financial assets

	12/31/2015 restated	Allowances	Reversals	Translation adjustment	12/31/2016
Trade and other receivables	3,738	2,482	(2,210)	(24)	3,985
Other current financial assets	1,548		(1,696)	177	29
TOTAL	**5,286**	**2,482**	**(3,906)**	**153**	**4,014**

	12/31/2014	CMDS	Allowances	Reversals	Translation adjustment	12/31/2015 restated
Trade and other receivables	1,147	2,811	1,408	(1,425)	(203)	3,738
Other current financial assets	2,525		649	(1,626)	-	1,548
TOTAL	**3,672**	**2,811**	**2,057**	**(3,051)**	**(203)**	**5,286**

1.1 Loans and receivables at amortized cost

	2016			2015 restated		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-current tax obligations	19		19	43		43
Other non-current financial assets	4,686	(171)	4,515	3,115	(169)	2,946
Trade and other receivables	172,428	(3,985)	168,443	163,173	(3,738)	159,435
Other current financial assets	94,661	(29)	94,632	81,274	(1,548)	79,726
TOTAL	**271,794**	**(4,185)**	**267,609**	**247,605**	**(5,455)**	**242,150**

Other current financial assets at amortized cost	2016	2015 restated
Advance payments made to suppliers	3,611	1,572
State and local authorities	44,475	37,107
Trade payables	21,259	3,521
Staff and social security	1,033	975
Receivable royalties	0	8
Receivable subsidies	(29)	325
Other current assets	13,900	27,403
Prepaid expenses	10,383	8,815
TOTAL	**94,632**	**79,726**

Aged trade receivables as of December 31, 2016	Gross value	Impairment	Net value
Non-mature debt	142,360	(640)	141,720
Receivables less than 3 months past due	20,596	(364)	20,232
Receivables less than 6 months past due	3,367	(89)	3,279
Receivables less than 1 year past due	2,864	(1,293)	1,572
Receivables less than 2 years past due	1,860	(759)	1,100
Receivables more than 2 years past due	1,382	(840)	542
TOTAL	**172,429**	**(3,985)**	**168,443**

Outstanding trade receivables at December 31, 2016 are reduced by sales of receivables without recourse in Italy in December 2016 for €2,226,000.

Aged trade receivables as of December 31, 2015, restated	Gross value	Impairment	Net value
Non-mature debt	126,191	(350)	125,841
Receivables less than 3 months past due	25,599	(411)	25,188
Receivables less than 6 months past due	6,263	(96)	6,166
Receivables less than 1 year past due	2,415	(735)	1,680
Receivables less than 2 years past due	1,535	(1,110)	425
Receivables more than 2 years past due	1,170	(1,036)	135
TOTAL	**163,173**	**(3,738)**	**159,435**

Outstanding trade receivables at December 31, 2015 are reduced by sales of receivables without recourse in Italy in December 2015 for €3,656,000.

1.2 Financial assets at fair value through profit or loss

	2016	2015 restated
Financial assets at fair value through profit or loss except derivatives, of which	**96,547**	**54,388**
Investment securities		-
Cash and cash equivalents	96,547	54,388
TOTAL	**96,547**	**54,388**

Note 2 Financial liabilities

2.0 Details of financial liabilities with distinction of the non-current portion of said liabilities

	2016			2015 restated
	Current	Non-current	Total	Total
Financial debt (note 2.1)	66,971	331,419	398,390	342,223
Trade payables	122,783	0	122,783	82,176
Other financial liabilities (note 2.6), of which	93,321	0	93,321	108,123
Derivatives (see notes 3.4, 3.5 and 26)	0	0	0	0
TOTAL	**283,075**	**331,419**	**614,494**	**532,522**

2.1 Details of financial debts with distinction of the non-current part of said debts

	2016	2015 restated
NON-CURRENT DEBTS, OF WHICH	**331,419**	**301,228**
Special investment reserve (frozen current accounts)	1,047	762
Finance leases	1,819	1,226
Medium-term loans		
Other borrowing	328,553	299,240
CURRENT DEBTS, OF WHICH	**66,971**	**40,995**
Finance leases	1,156	1,076
Medium-term loans (maturing in less than 1 year)		
Other borrowing and current investment reserve	44,956	16,891
Banking facilities	20,859	23,028
TOTAL FINANCIAL DEBT	**398,390**	**342,223**

The interest paid on this debt is mostly variable-rate interest:

	2016	2015
Portion of debt at variable rate (before hedging)	98%	95%
Portion of debt at fixed rate	2%	5%

2.2 Details of financial debts by currency

	2016			2015 restated		
Currency	Closing price	Amount	%	Closing price	Amount	%
US dollar	1.0453	184,429	46%	1.0887	272,757	80%
Euro		202,400	51%		53,564	16%
Won	1,264.25	4,747	1%	1,280.78	6,910	2%
Yen	122.04	6,484	2%	131.07	6,867	2%
Miscellaneous		330			2,125	1%
TOTAL	**-**	**398,390**	**100%**	**-**	**342,223**	**100%**

2.3 Details of financial debts by maturity

These financial debts have the following maturity dates:

	2016	2015 restated
Maturity in less than 6 months	61,607	35,754
Maturity in 6 months to 1 year	5,364	5,241
Maturity in 1 year to 5 years	326,322	293,762
Maturity in more than 5 years	5,097	7,466
TOTAL	**398,390**	**342,223**

2.4 Finance leases

Of these financial debts, finance lease maturities are as follows:

	2016	2015 restated
Maturity in less than 1 year	1,156	1,076
Maturity in 1 year to 5 years	1,819	1,226
Maturity in more than 5 years	-	-
TOTAL	**2,975**	**2,302**

2.5 Change in financial indebtedness

Net financial debt changed as follows during the year:

	2016	2015 restated
Cash and cash equivalents	96,547	54,388
Bank loans and bank credit balances	(20,859)	(23,028)
NET CASH	**75,688**	**31,360**
Gross financial debt other than bank credit	(377,531)	(319,195)
NET FINANCIAL DEBT	**(301,843)**	**(287,835)**

The loan taken out with the bank syndicate led by BNP Paribas includes a covenant providing that the consolidated net debt must not exceed an EBITDA multiple varying, depending on the year, between 3.5 (based on the *pro forma* statements) in 2015; 3.7 in 2016; 3 in 2017 and 2.75 after January 1, 2018. This covenant was complied with at December 31, 2016, with a ratio of 2.8.

2.6 Other current financial liabilities

	2016	2015 restated
Social liabilities	47,525	44,763
Debt on fixed assets	8,149	3,012
Subsidies	4,688	5,569
Trade payables	19,470	25,347
Royalties	623	483
Commissions	3	1,224
Miscellaneous debt	12,863	27,725
TOTAL	**93,321**	**108,123**

Note 3 Management of financial risk

In accordance with its risk hedging policy, Guerbet hedges the main accounting risks of the balance sheet and centralizes management of exchange rate risk.

3.1 Exchange rate risk hedging positions taken by Guerbet in 2016

Guerbet implements forward foreign exchange contracts, notably in the US dollar, Japanese yen and British pound. At December 31, 2016, eight contracts were in effect with an equivalent value of €110.31 million.

3.2 Analysis of exposure to exchange rate risk at December 31, 2016

The table below summarizes the Group's main risks:

(in € million)	USD	BRL	TRY	RUB	HKD	CLP	MXN
Accounting risk (1)	(230.48)	9.08	1.72	12.14	3.61	4.72	(10.93)
Positions before hedging	(230.48)	9.08	1.72	12.14	3.61	4.72	(10.93)
Hedges outstanding	101.45						
Net foreign exchange position	(129.03)	9.08	1.72	12.14	3.61	4.72	(10.93)

(1) Accounting risk includes all asset and liability items in currencies outside the euro zone.

In addition, hedges outstanding include a €142.06 million portion of the loan taken out for the acquisition of CMDS classed as the net investment hedge.

3.3 Analysis of sensitivity of the financial result to exchange rate accounting risk at December 31, 2016

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)	2016	2015 restated
USD	12,903	26,667
JPY	6	663
GBP		528
RUB	1,214	
MXN	1,093	

3.4 Interest rate risk

At December 31, 2016, a significant share of the debt was fixed-rate.

The breakdown of debt between fixed and variable rates is determined by the Group's Management and periodically reviewed according to foreseeable changes in interest rates.

3.5 Interest rate hedging positions taken by Guerbet in 2016

During fiscal year 2016, interest rate hedging contracts were taken out for an equivalent value of €269.34 million. At December 31, 2016, the Group's gross debt was €398.4 million. The hedge ratio for gross variable-rate debt was 68%. The average weighted hedge ratio shows a fixed rate of 0.48%.

3.6 Analysis of exposure to interest rate risk at December 31, 2016

	Less than 1 year [1]	More than 1 year	Total
Fixed-rate financial liabilities	(260)	(6,332)	(6,592)
Variable-rate financial liabilities	(66,711)	(325,087)	(391,798)
Fixed-rate financial assets	3,500		3,500
Variable-rate financial assets	93,047		93,047
Net position before management [2]			
■ fixed-rate	3,240	(6,332)	(3,092)
■ variable-rate	26,336	(325,087)	(298,751)
Off-balance-sheet [3]	(34,775)	(234,566)	(269,341)
Net position after management			
■ fixed-rate	(31,535)	(240,898)	(272,433)
■ variable-rate	61,111	(90,521)	(29,410)

(1) All maturities for variable-rate financial liabilities and assets, and maturities of less than one year for fixed-rate financial assets and liabilities.
(2) Sum of (asset – liability) differences at fixed rates and (asset – liability) differences at variable rates.
(3) Rate swaps (receiving variable rates and paying fixed rates).

3.7 Analysis of the financial result's sensitivity to interest rate risk after hedging at December 31, 2016

At December 31, 2016, the Group's net debt was €301.84 million. The hedge ratio for net variable-rate debt was 90%.

Variation in interest rates of	1%
Sensitivity to interest rate risk	€294,100

3.8 Liquidity risk

In July 2015, the Group took out a five-year syndicated loan of US$430 million. This syndicated loan, a significant portion of which was used to finance the acquisition of Mallinckrodt's Contrast Media and Delivery Systems (CMDS) business, should enable the Group to meet its financial commitments over the coming years.

Note 4 Sector information

All of the Group's business is carried out in a single area of activity, namely research, development, production and sale of contrast media for medical imaging and for Interventional Radiology and Theranostics, and delivery systems.

The Group presents sector-specific information by geographic region that corresponds to the internal reporting data used by the Group for management purposes.

Based on a risk and profitability analysis, two geographic regions have been identified, corresponding to the Group's internal organization and Guerbet's different 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 its own networks of pharmaceutical sales representatives;
- other markets.

For reference purposes, additional information on revenue by product range (X-Ray, MRI, IRT, MD and other) is provided.

4.1 Geographic information

Sector information is provided by the geographic location of companies with additional information on the revenue share per market. The "European companies" are the European countries where the Group is present *via* its own networks of pharmaceutical sales representatives, namely Germany, Austria, Belgium, Spain, France, the United Kingdom, the Netherlands, Italy, Portugal, Switzerland, Poland, Turkey, the Czech Republic and Sweden.

The non-allocated portion of operating income 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.

2016	European companies in their markets	Other	Non-allocated	Total
Revenue				
European markets	372,845			372,845
Other markets		402,929		402,929
TOTAL	**372,845**	**402,929**		**775,773**
Amortization and depreciation			(49,213)	(49,213)
Other expenses without cash equivalents			(2,469)	(2,469)
OPERATING INCOME				**54,594**
NET INCOME				**28,930**
Sector assets	633,743	394,409		1,028,153
■ of which fixed assets	280,973	99,242		380,215
Sector liabilities other than borrowing	212,641	102,322		314,963
Financial debts				398,390
Sector investments				
■ intangible	16,097	55		16,152
■ tangible	31,904	1,725		33,630

	Guerbet			
2015 restated	European companies in their markets	Other	Non-allocated	Total
Revenue				
European markets	308,371	18,205		326,576
Other markets		162,162		162,162
TOTAL	**308,371**	**180,367**		**488,738**
Amortization and depreciation			(28,339)	(28,339)
Other expenses without cash equivalents			(1,344)	(1,344)
OPERATING INCOME				**58,653**
NET INCOME				**39,231**
Sector assets	580,344	322,300		902,644
■ of which fixed assets	275,582	97,390		372,972
Sector liabilities other than borrowing	195,610	82,227		277,837
Financial debts				342,223
Sector investments				
■ intangible	12,430	57		12,487
■ tangible	18,555	2,302		20,858

4.2 Breakdown of revenue by product range

(as % before rebates)	2016	2015
X-ray products	48.4%	43.1%
MRI	31.8%	42.3%
IRT	7.2%	9.3%
ISS	9.9%	4.4%
Other	2.8%	0.9%
TOTAL	**100.0%**	**100.0%**

Note 5 Intangible fixed assets

5.1 Gross values

	12/31/2015 restated	Increase	Decrease	Acquisition of CMDS COLOMBIA	Translation adjustment and other changes	12/31/2016
Trademarks	11,041	-	-		210	11,252
Patents and technologies	28,617	31	-		803	29,452
Marketing Authorizations (MA)	6,566	-	-		486	7,052
Sales relationships	5,347	-	-		270	5,617
Goodwill	24,600	-	-	1731	1,030	27,361
Software	41,751	2,149	(102)		4,994	48,792
Intangibles in progress	2,512	13,972	(1,117)		(2,965)	12,402
GROSS VALUES	**120,434**	**16,152**	**(1,219)**	**1731**	**4,829**	**141,928**

	12/31/2014	Increase	Decrease	Acquisition of CMDS	Translation adjustment and other changes	12/31/2015 restated
Trademarks	8,516			2,499	26	11,041
Patents and technologies	13,102			16,067	(552)	28,617
Marketing Authorizations (MA)	5,926				640	6,566
Sales relationships	153			5,379	(185)	5,347
Goodwill	10,466			14,383	(255)	24,600
Software	18,717	21,566	(416)	2,066	(182)	41,751
Intangibles in progress	11,599		(9,087)			2,512
GROSS VALUES	**68,479**	**21,566**	**(9,503)**	**40,401**	**(508)**	**120,434**

5.2 Amortization and depreciation by category of fixed asset

	12/31/2015 restated	Allowances	Reversals	Translation adjustment and other changes	12/31/2016
Patents and technologies	11,486	1,538		105	13,129
Marketing Authorizations (MA)	1,266			94	1,360
Sales relationships	62			32	608
Goodwill					
Software	15,675	5,023	(102)	167	20,763
TOTAL	**28,489**	**7,075**	**(102)**	**398**	**35,860**

	12/31/2014	Allowances	Reversals	Acquisition of CMDS	Translation adjustment and other changes	12/31/2015 restated
Patents and technologies	11,357	131			(2)	11,486
Marketing Authorizations (MA)	1,143				123	1,266
Sales relationships	19	44			(1)	62
Goodwill						
Software	12,455	2,861	(56)	554	(139)	15,675
TOTAL	**24,974**	**3,036**	**(56)**	**554**	**(19)**	**28,489**

5.3 Additional information on main intangible fixed assets

As indicated in the note on the scope of consolidation for the CMDS acquisition, CMDS's contributions were identified during the fiscal year, making it possible to recognize the trademark and the Optiray® technology for €2.5 million and €13.5 million respectively, the delivery system technology for €2.5 million, and the customer file for €5.4 million. These intangible fixed assets are amortized over 10 years.

Goodwill related to the acquisition of CMDS was recognized for an amount of €14.4 million.

The brands acquired consist mainly of the Baryum range worldwide in 1992, for €7,476,000, and Magnescope for Japan in 2006, for 151 million yen in present value terms (€1,233,000 after currency translation at the 2016 closing rate).

Patents related to the Baryum range were acquired by the Group in 1992 for €7,476,000. In June 2004, the patents filed by Medex were revalued at €5,623,000 when that company was acquired. They were written down by €1,245,000 in 2013.

In 2005, the Group acquired Marketing Authorizations in Japan for Imagenil, Magnescope, and Hexabrix®, for a total amount of 861 million yen (or €7,052,000 after currency translation at the 2016 closing rate). The book value of the Marketing Authorizations (MA) for Imagenil and Hexabrix® was completely written down at December 31, 2010. The net book value of €5,300,000 represents the MA value of Magnescope in Japan.

Intangible business assets (classified as Goodwill) were acquired from former Group distributors upon the establishment of sales subsidiaries in various countries. These intangible business assets were amortized over 20 years until December 31, 2003, the date of the transition to IFRS. Since the useful lives of all these assets are currently considered indefinite, no amortization has been applied since January 1, 2004.

Software is amortized over its useful life, which is often approximately three years.

Estimates of recoverable values of cash generating units including Goodwill or intangible fixed assets with indefinite useful lives, with significant value

The cash generating units (CGUs) are as follows:

Cash generating unit	Goodwill and intangible fixed assets	Net book value
Japan	Brands (Magnescope)	1,233
	Market Authorizations	5,692
Germany	Patents	1,745
	Brands (Baryum)	7,476
	Goodwill	990
Korea	Goodwill	4,730
Italy	Goodwill	3,796

At December 31, 2016, the impairment tests were based on discounted cash flows determined on the basis of the best known estimates at December 31, 2016. A discount rate of 8.0% was applied to all assets.

Main assumptions adopted:

Change in revenue	Japan	Germany	Korea	Italy
2017	(17.3%)	(16.6%)	11.1%	9.5%
2018	5.5%	5.5%	5.5%	5.5%
2019	5.5%	5.5%	5.5%	5.5%

Change in working capital requirements	Japan	Germany	Korea	Italy
2017	551	1,629	(826)	(708)
2018	(145)	(451)	(453)	271
2019	(153)	(475)	(478)	(26)

For each of these CGUs, the value of discounted cash flows exceeds net book value. In terms of sensitivity, an interest-rate differential of one percentage point would not have caused any impairment to be recognized.

Note 6 Tangible fixed assets

6.1 Analysis of items by category

	12/31/2015 restated	Increase	Decrease	Acquisition of CMDS COLOMBIA	Translation adjustment and other changes	12/31/2016
Land	18,394				409	18,803
■ of which finance lease	2					2
Buildings	149,709	183	(1,246)		9,547	158,193
■ of which finance lease	2,501					2,501
Technical facilities, equipment and tooling	295,322	3,460	(7,976)		17,068	307,874
■ of which finance lease	7,996		(560)			7,436
Other tangible fixed assets	90,674	5,839	(3,922)	25	4,186	96,803
■ of which finance lease	5,844	1,236	(861)		39	6,258
Fixed assets under construction	20,432	24,171	(154)		(21,458)	22,991
Advance payments	161	15			(146)	30
GROSS VALUES	**574,692**	**33,668**	**(13,299)**	**25**	**9,607**	**604,694**
Depreciation	(296,115)	(42,138)	11,172		(7,525)	(334,606)
Impairments	(539)				(142)	(681)
NET VALUES	**278,038**	**(8,470)**	**(2,126)**	**25**	**1,939**	**269,407**

	12/31/2014	Increase	Decrease	Acquisition of CMDS	Translation adjustment and other changes	12/31/2015 restated
Land	6,179			12,537	(322)	18,394
■ of which finance lease	2					2
Buildings	127,917	4,202	(3)	21,722	(4,130)	149,709
■ of which finance lease	2,501					2,501
Technical facilities, equipment and tooling	207,530	11,640	(242)	80,282	(3,888)	295,322
■ of which finance lease	7,996					7,996
Other tangible fixed assets	60,405	4,905	(2,329)	29,081	(1,388)	90,674
■ of which finance lease	5,456	704	(316)			5,844
Fixed assets under construction	15,030	335	(1,360)	7,439	(1,012)	20,432
Advance payments	373		(213)		1	161
GROSS VALUES	**417,434**	**21,082**	**(4,147)**	**151,062**	**(10,738)**	**574,692**
Depreciation	(221,272)	(25,303)	2,101	(58,698)	7,057	(296,115)
Impairments	-	(539)				(539)
NET VALUES	**196,162**	**(4,760)**	**(2,046)**	**92,364**	**(3,682)**	**278,038**

6.2 Breakdown of net tangible fixed assets by currency area

	2016		2015 restated	
Currencies	Closing price	Amount	Closing price	Amount
Euro		213,580		218,065
US dollar	1.04	42,208	1.10	45,803
Real	3.42	8,296	4.27	6,868
Other currencies		5,323		7,302
TOTAL		**269,407**		**278,038**

6.3 Reappraisals

The Villepinte office complex was reappraised to its fair value on January 1, 2004 using the option allowed by IFRS 1 upon initial adoption of the IFRS. This reappraisal was based on the estimation of an independent appraiser. The value of the buildings was estimated at €11.3 million by applying the following two approaches:

- capitalization of potential revenue that could potentially be generated by rental;
- comparison with the market, referring to transactions recently conducted for premises of the same type situated nearby.

Given the net book value of these buildings on January 1, 2004, namely €3.3 million, they were reappraised at €8 million, of which €6.5 million was assigned to the buildings and €1.5 million to the land.

A second estimation by an independent appraiser was performed in 2008. The value of the buildings was estimated at €12.6 million, which confirmed there was no loss in value to be recognized.

Note 7 Non-current financial assets

	2016			2015 restated
	Gross	Provisions	Net	Net
Guarantees and deposits	2,657	-169	2,488	2,543
Research tax credit	0		0	0
Loans to staff	49		49	201
Other non-current financial assets	2,204	-2	2,202	245
TOTAL	**4,910**	**-171**	**4,739**	**2,989**

Note 8 Deferred tax assets and liabilities

	2015 restated	Changes in income	Changes in share-holders' equity	Translation adjustment and other	2016
Deferred tax assets	19,314				26,425
Deferred tax liabilities	(21,470)				(23,382)
TOTAL	**(2,156)**	**1,540**	**2,047**	**1,613**	**3,043**
Of which deferred taxes resulting from:					
Capitalization of tax losses	8,917	(9,285)	6,039	545	6,216
Temporary timing differences	12,858	2,809	2,530	636	18,833
Restatement of regulated provisions	(21,207)	(1,125)	(6,690)	(0)	(29,021)
Reassessment of tangible fixed assets	(15,945)	2,550	(2,746)	(566)	(16,707)
Differences in valuation of intangible fixed assets	(24,545)	929	(172)	(970)	(24,757)
Restatement of margins on inventories	23,881	4,688	3,784	1,497	33,850
Restatement of provisions on subsidiary risk	(1,024)	624	87	(2)	(315)
Finance leases	(159)	0	11	0	(148)
Restatement of injectors	36	234	0	16	286
Restatement of financial instruments	0	0	0	0	0
Restatement of borrowing costs				0	0
Other	15,031	113	(797)	459	14,806

	2014	Acquisition of CMDS	Changes in income	Changes in share-holders' equity	Translation adjustment and other	2015 restated
Deferred tax assets	9,851					19,314
Deferred tax liabilities	(14,105)					(21,470)
TOTAL	**(4,254)**	**5,554**	**(1,075)**	**(1,132)**	**(1,249)**	**(2,156)**
Of which deferred taxes resulting from:						
Capitalization of tax losses	5,800	2,217	566		334	8,917
Temporary timing differences	13,476	13,885	3,018	456	(17,977)	12,858
Restatement of regulated provisions	(18,855)		(2,270)		(82)	(21,207)
Reassessment of tangible fixed assets	(2,802)	5,788	518		(19,447)	(15,945)
Differences in valuation of intangible fixed assets	(7,175)	(17,551)	356		(175)	(24,545)
Restatement of margins on inventories	4,751	(779)	(321)		20,230	23,881
Restatement of provisions on subsidiary risk	(1,368)	221	(197)		320	(1,024)
Finance leases	(128)		(31)		(0)	(159)
Restatement of injectors	66	117	33		(180)	36
Restatement of financial instruments				(1,376)	1,376	0
Restatement of borrowing costs			(945)		945	
Other	1,981	1,657	(1,801)	(212)	13,406	15,031

Note 9 Inventories

	2016	2015 published
Raw materials and spare parts	76,308	65,498
Intermediate and finished products, work in progress and goods	209,233	172,706
GROSS VALUE	**285,542**	**238,204**
Provisions	(23,650)	(21,541)
NET VALUE	**261,891**	**216,663**

Note 10 Trade receivables

	2016	2015 restated
GROSS VALUE	**172,429**	**163,173**
Provisions	(3,985)	(3,738)
NET VALUE	**168,443**	**159,435**

Receivables sold under securitization contracts are kept as assets on the balance sheet if the risks and benefits are not fully transferred. For more information about maturities and transfers of receivables, see note 1.1.

Note 11 Shareholders' equity

11.1 Change in number of shares of the parent company

At December 31, 2015, the capital of the parent company was made up of 12,343,474 shares of par value €1.

The changes in Guerbet shares are as follows:

	2016
Number of shares at the beginning of the year	**12,343,474**
Creation of shares through exercise of stock options	157,674
NUMBER OF SHARES AT THE END OF THE YEAR	**12,501,148**

The Group held 20,428 treasury shares at December 31, 2016, unchanged from 2015.

11.2 Details of shareholders' equity

	2016	2015 restated
Guerbet share capital	12,501	12,343
Issue, merger and conversion premiums for Guerbet convertible bonds	9,918	7,629
Guerbet legal reserves	1,221	1,221
Consolidated reserves	189,455	165,425
Treasury shares	(170)	(170)
Guerbet retained earnings	76,669	72,491
Consolidated income	28,930	39,232
Translation adjustment	3,724	15,732
TOTAL	**314,800**	**282,439**

Note 12 Provisions

12.1 Changes

	2015 restated	Allocation	Reversals (provision used)	Reversals (provision not used)	Translation adjustments and reclassifications	Changes in actuarial assumptions	2016
Non-current	**30,451**	**1,242**	**(114)**	**(524)**	**(12)**	**2,152**	**33,194**
Of which deferred staff benefits (note 12.2)	30,451	1,242	(114)	(524)	(12)	2,152	33,194
Current							
Obligation to conduct a pediatric study	-						-
Tax disputes [1]	987	252	(385)	(191)	141		804
Commercial disputes	471	104	(144)		(30)		401
Foreseeable losses on purchasing commitment	-						-
Miscellaneous risks	6,074	3,334	(1,306)	(67)	(1,387)		6,649
Total current provisions	**7,532**	**3,690**	**(1,835)**	**(258)**	**(1,277)**	**-**	**7,854**
TOTAL PROVISIONS	**37,983**	**4,932**	**(1,949)**	**(782)**	**(1,288)**	**2,152**	**41,048**

(1) Tax disputes relate notably to fiscal disputes in Brazil, for an amount of €1.0 million at December 31, 2015 and €0.8 million at December 31, 2016.

	2014	Allocation	Reversals (provision used)	Reversals (provision not used)	Acquisition of CMDS	Translation adjustments and reclassifications	Changes in actuarial assumptions	2015 restated
Non-current	**23,467**	**1,909**	**(314)**	**(28)**	**4,255**	**12**	**1,150**	**30,451**
Of which deferred staff benefits (note 12.2)	23,467	1,909	(314)	(28)	4,255	12	1,150	30,451
Current								
Obligation to conduct a pediatric study	-							-
Tax disputes [1]	802	414	(90)			(139)		987
Commercial disputes	489	150		(400)		232		471
Foreseeable losses on purchasing commitment	1		(1)					-
Miscellaneous risks	2,127	3,026	(1,332)	(1,191)	3,599	(155)		6,074
Total current provisions	**3,418**	**3,590**	**(1,422)**	**(1,592)**	**3,599**	**(62)**	**-**	**7,532**
TOTAL PROVISIONS	**26,885**	**5,499**	**(1,736)**	**(1,620)**	**7,854**	**(51)**	**1,150**	**37,983**

(1) Tax disputes relate notably to fiscal disputes in Brazil, for an amount of €0.8 million at December 31, 2014 and €1.0 million at December 31, 2015.

12.2 Deferred staff benefits

a) Description

Group employees enjoy post-employment benefits in the form of:

- retirement benefits or end-of-career benefits (France, Italy, Austria, Korea, Japan, Turkey and Ireland);
- supplementary defined-benefit retirement schemes (Germany) or early retirement benefits for persons aged 58 to 60 (Belgium).

Provisions have been made for these commitments.

The Group has no scheme to cover the medical expenses of its former employees.

Commitments for supplemental retirement benefits to be paid to German workers are covered by financial assets corresponding to funds invested with third parties (the scheme's assets). All of these investments are made with insurance companies, judged to be risk-free. These assets are assessed each year, frequently enough so that the amounts recognized do not differ significantly from the assets and liabilities at close. They were valued at €6,518,000 at December 31, 2016, of which €1,281,000 connected with Mallinckrodt Deutschland GmbH in Hennef, acquired in November 2015. Premiums paid for defined-contribution retirement schemes are spread over the year.

b) Assessment and recognition

The Group's obligations are calculated using the assumptions in effect in the countries in question.

Actuarial gains and losses are recognized directly in shareholders' equity as authorized by IAS 19.

c) Actuarial assumptions applied for France and Germany representing 94% of provisions and 100% of the scheme's assets

	France		Germany	
	2016	2015	**2016**	2015
Discount rate (Guerbet history)	C	C	2.20%	2.20%
Average expected return of scheme assets	N/A	N/A	2.31%	2.31%
Wage growth (including inflation)	2.50%	2.50%	2.75%	2.75%
Average revision rate applied to annuities	N/A	N/A	1.75%	1.75%
Mortality assumptions	T	T	T	T
Staff turnover rate	S	S	S	S
Retirement age	E	E	65	65
Social security charge rate	50.21%	50.21%	V	V

C = Bloomberg rate curve (discount rate for first-tier companies).
E = Estimated retirement age based on an average start-of- career age by category of employees, and annuities required by regulations.
S = Rate tables established from statistics and according to analysis axes such as status, sex and age of employee, according to their relevance.
T = The tables used are adjusted tables TH 00-02 and TF 00-02 for mainland France, and Dr. Klaus Heubeck's table (RT 2005 G) for Germany.
V = Variable according to remuneration.
The following information is not provided in detail (N/A):

- *Average expected returns from scheme assets for French companies, since French schemes do not have assets.*
- *The average revision rate for annuities since French schemes correspond to retirement benefits and not annuities.*
- *The average rate of growth in medical expenses, because none of the schemes cover medical expenses.*

Liabilities on the balance sheet	**2016**	2015 restated
Present value of funded liabilities	12,881	11,808
Present value of unfunded liabilities	26,831	24,754
SUBTOTAL: PRESENT VALUE OF LIABILITIES	**39,712**	**36,564**
Fair value of scheme assets	(6,518)	(6,113)
BALANCE OF LIABILITIES	**33,194**	**30,451**
AMOUNTS ACCOUNTED FOR ON BALANCE SHEET		
Provisions for deferred staff benefits	33,194	30,451
Non-current financial assets (accounting)	-	-
NET BALANCE OF BALANCE SHEET: NET LIABILITIES (ASSETS)	**33,194**	**30,451**

Expenses on the income statement	2016	2015 published
Cost of services for the year	2,511	1,979
Finance costs	515	459
Expected return from scheme assets	(60)	(29)
Employer contributions to funding assets	(360)	(178)
Benefits paid	(1,404)	(465)
NET TOTAL OF SCHEME COSTS	**1,202**	**1,766**

Change in liabilities over the year	2016	2015 restated
LIABILITIES AT START OF PERIOD	**30,451**	**23,467**
Liabilities arising from the acquisition of CMDS on November 27, 2015		4,255
Cost of services for the year	2,511	1,979
Finance costs	515	459
Expected return from scheme assets	(60)	(29)
Employer payments to funding assets	(360)	(178)
Benefits paid	(1,404)	(465)
Actuarial gains and losses	2,214	873
Translation adjustments	4	32
Other	(677)	60
LIABILITIES AT END OF PERIOD	**33,194**	**30,451**

Change in coverage assets	2016	2015 published
MARKET VALUE OF FUNDS INVESTED AS OF JANUARY 1	**6,113**	**4,727**
MARKET VALUE OF FUNDS INVESTED BY CMDS AT NOVEMBER 27, 2015		**1,278**
Expected return on funds	60	32
Actuarial gains and losses	(15)	12
Employer contributions	(360)	178
Benefits paid		(114)
MARKET VALUE OF FUNDS INVESTED AT DECEMBER 31	**6,518**	**6,113**

Note 13 Other operating revenue

	2016	2015 published
Sales of services	659	1,144
Operating subsidy	135	375
TOTAL	**794**	**1,519**

Note 14 Staff costs

14.1 Details of staff costs

	2016	2015 restated
Salaries and wages	(157,997)	(87,961)
Social security charges	(43,691)	(35,501)
Employee profit sharing	(1,377)	(1,600)
Amortization of share-based payment	(1,400)	(532)
TOTAL	**(204,464)**	**(125,594)**

14.2 Main characteristics and parameters for valuing the share-based payment benefit granted by the Group

The binomial options pricing model is used to assess the fair value of share options granted. It allows valuing options that can be used at any point over their lifespan. The value of the option thus defined is reduced by the cost of carry, generated by the rule against selling the shares if options are exercised less than four years after the beginning of the plan. This implied cost is estimated by the price of a risk-free strategy that would allow the employee to have the security at the time of exercising the option. This strategy consists in purchasing the security in the cash market by borrowing the necessary funds, offset by forward selling of the security. The cost of this strategy is a financial cost corresponding to the borrowing cost minus the dividends.

14.2.1 Characteristics of share-based payments for plans in effect on 12/31/2016

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

14.2.2 Breakdown of benefit by fiscal year for plans in progress in 2016

Grant date	March 26, 2009	October 17, 2011	November 23, 2011	February 20, 2012	Total
2013		590	53	8	651
2014		590	53	8	651
2015		468	47	7	522
2016				1	1
TOTAL	**0**	**1,648**	**153**	**24**	**1,825**

14.2.3 Impact on balance sheet

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

14.3 Performance share allocation plan

During the fiscal year ended December 31, 2016, acting in accordance with the authorization granted by the Company's Extraordinary General Meeting of May 27, 2016, the Board of Directors adopted a performance share allocation plan on September 27, 2016 intended for all employees and officers of the Company and its French and foreign subsidiaries. On November 8, 2016, the Board of Directors, also pursuant to this decision, approved a second performance share allocation plan for certain employees and officers of the Company and its French and foreign subsidiaries. The total commitment (€6,518,000) of these plans was valued using the Monte Carlo model with the Black & Scholes formula.

Pursuant to these plans, an expense of €833,000 was recognized with an offsetting increase in shareholders' equity.

14.4 Average number of staff during the year

Given that CMDS was acquired on November 27, 2015, the Group's average number of staff has only been calculated for the historical scope in 2015, as CMDS's contribution over one month is considered to be immaterial.

	2016	2015
Europe	1,501	1,257
America	950	201
Asia	128	67
TOTAL	**2,579**	**1,525**

14.5 Geographic breakdown of workforce, snapshot at December 31

	2016	2015
Europe	1,565	1,456
America	979	928
Asia	135	137
TOTAL	**2,679**	**2,521**

Note 15 External charges

	2016	2015 restated
Studies and services provided	(17,489)	(19,249)
Non-stocked supplies and materials	(31,504)	(15,326)
Rentals and rental expenses	(12,773)	(7,824)
Maintenance and repairs	(24,946)	(9,826)
Insurance	(3,396)	(1,808)
Studies and research	(8,023)	(9,266)
Outside staff	(7,234)	(4,026)
Commissions and fees	(46,023)	(31,153)
Advertising and public relations	(10,686)	(9,136)
Transport	(11,160)	(7,500)
Travel and entertainment	(13,374)	(9,680)
Postage and telecommunications fees	(3,992)	(2,065)
Miscellaneous	(60,861)	(29,050)
TOTAL	**(251,461)**	**(155,909)**

Note 16 Taxes and duties

	2016	2015 restated
Payroll tax	(12,276)	(2,136)
Regional Economic Contribution (France: *contribution économique territoriale*)	(4,687)	(4,085)
Inami Tax (Belgium)	(1,763)	(1,805)
Other taxes and duties	(8,555)	(10,118)
TOTAL	**(27,281)**	**(18,144)**

Note 17 Depreciation and amortization

	2016	2015 restated
On intangible fixed assets	(7,075)	(3,036)
On tangible fixed assets	(42,138)	(25,303)
TOTAL	**(49,213)**	**(28,339)**

Note 18 Other operating income and expenses

	2016	2015 restated
Royalties paid	(2,346)	(269)
Research tax credit [1]	4,343	3,536
Income from sale of fixed assets	(1,412)	(1,353)
Investment subsidies	72	98
Miscellaneous other income and expenses	(3,203)	(865)
TOTAL	**(6,889)**	**(2,389)**

(1) The research tax credit previously presented as a deduction from the tax expense is now recognized in "Other income and expenses". This reclassification is consistent with IAS 20 and local practices. The same reclassification was applied to the financial statements published in 2015 for comparability purposes.

Note 19 Gross finance costs

	2016	2015 restated
Finance leases	(33)	(355)
Interest on borrowing and bank credit	(6,839)	(811)
Interest swaps	294	(83)
TOTAL	**(6,578)**	**(1,249)**

Note 20 Income tax

20.1 Details of tax expenses

	2016	2015 restated
Current taxes	(21,686)	(21,527)
Deferred taxes	3,555	(164)
TOTAL	**(18,131)**	**(21,691)**

20.2 Analysis of tax expenses

	2016	2015
Theoretical tax charge at the prevailing rate for the consolidating company (34.43%)	(16,193)	(21,794)
Impact of differences in tax rates	5,045	1,633
Impact of expenses that are definitively non-deductible or non-taxable	(2,172)	(2,595)
Impact of tax credits	373	499
Impact of deferred taxes on unrecognized losses and miscellaneous	(5,184)	565
TOTAL	**(18,131)**	**(21,692)**
Effective tax rate	38.5%	35.6%

Note 21 Research and Development costs

The amounts below are booked as expenses:

	2016	2015 restated
Direct costs	52,036	35,576
Indirect costs	1,341	2,358
OVERALL RESEARCH AND DEVELOPMENT EFFORT	**53,377**	**37,934**

The definition of the Research and Development scope and the method for allocating indirect costs include costs of supplies and consumables, external costs, staff costs and depreciation.

Note 22 Public subsidies

The following subsidies were recognized in the income statement:

Accounting category	Type	2016	2015 published
Other operating revenue	Innovation aid	0	246
Other operating revenue	Employment aids	61	54
Other operating revenue	Miscellaneous aids	195	73
TOTAL		**256**	**373**

The various aids mainly consist of two subsidies:

- €164,000 in aid for the establishment of an incineration process energy recovery investment by EDF;
- €21,000 in aid for definition of the environmental master plan by the water agency of Brittany – Pays de la Loire.

No innovation aid was received in 2016. The 2015 innovation aid amounting to €246,000 corresponds to the closing of the Gallimed project.

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. An amendment signed with BPI France extends the duration of the project by two years and modifies the conditions of financial return if a product resulting from the project is marketed.

At December 31, 2016, this aid agreement included the following items:

On the balance sheet:

- €2.3 million in subsidies paid in advance upon signature of the contract in December 2008, and recognized in "Other current financial liabilities";
- €5.1 million in repayable advances received from 2008 to 2014 and recognized in "Non-current financial debts".

There was no impact recognized in the 2015 income statement.

June 2015 saw the approval of the request for aid for the collaborative Research and Development project named "Hecam", filed with BPI France. At December 31, 2016, under this consortium agreement, €1.03 million was recognized: €0.65 million in "Non-current financial debts" and €0.38 million in "Other current financial liabilities".

Note 23 Information on stock option operations

The staff of the Company and its subsidiaries benefit from stock options. At December 31, 2016, staff could subscribe to 166,076 shares at a weighted average price of €15.47. The portion for company officers represents 16,600 shares at a weighted average price of €16.08. If all of the stock options are exercised, the total number of shares would be 12,667,224 for a nominal amount of €12,667,224. These new shares would represent an increase in shareholders' equity of €2,568,762. The potential dilution of shareholders' equity is 1.31%. Diluted net earnings per share, calculated to take into account the dilutive effect of the stock option plan offered to staff, are €2.29 for the 2016 fiscal year.

Summary statement of stock option plans

Grant date	10/17/2011	11/23/2011	02/20/2012
Date of tax availability	10/17/2015	11/23/2015	02/20/2016
Date of the Board of Directors' meeting when it was decided to grant options	10/17/2015	11/23/2015	02/20/2016
Number of options granted:	530,840	48,000	6,800
■ of which Yves L'Épine	-	48,000	-
■ of which Brigitte Gayet	1,480	-	-
Subscription or purchase price	€15.40	€16.08	€15.38
Plan expiry date	10/16/2021	11/22/2021	02/20/2022
Number of options exercised	261,364	31,400	-
Number of options canceled	124,800	-	2,000
Number of options remaining	144,676	16,600	4,800

Note 24 Related party disclosures

24.1 Relationships with non-consolidated companies

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

24.2 Compensation and benefits granted by the Group to top executives

The top executives are people with the authority and responsibility for planning, managing, and controlling operations, directly or indirectly, including Directors (executives or not). Those who were present on December 31, 2016 received compensation and the following benefits:

Short-term benefits	**2,636**
Fixed share of total gross compensation (not including benefits in kind)	1,878
Variable share of compensation	721
Benefits in kind	37
Post-employment benefit plans	**1,004**
Including funded supplemental pension contributions	99
Including provisions for retirement benefits	905
Other long-term benefits	**N/A**
Termination benefits	**N/A**
PAYMENT IN SHARES	**N/A**

Note 25 Off-balance-sheet commitments

Commitments given

	2016	2015 restated
Sureties, deposits, and other commitments given to third parties on behalf of related companies	20,428	18,237
Sureties and deposits given to third parties and other commitments	12,388	46,794
TOTAL	**32,817**	**65,031**

Note 26 Earnings per share and diluted earnings per share

	2016	2015 restated
Consolidated net income, Group share (in €)	28,930	39,232
Weighted average number of shares in the fiscal year	12,442,957	12,218,671
NET EARNINGS PER SHARE	**2.33**	**3.21**

	2016	2015 restated
Consolidated net income, Group share (in €)	28,930	39,232
Annual savings in financial costs net of taxes, valued at market rates and resulting from the exercise of stock options	29	54
Consolidated net income after dilution (in €)	28,959	39,286
Current and future number of shares	12,667,224	12,543,021
DILUTED NET EARNINGS PER SHARE	**2.29**	**3.13**

Note 27 Post-closing events

No significant events occurred after December 31, 2016.

Note 28 Appropriation of 2016 earnings

The Board of Directors approved the consolidated financial statements at December 31, 2016 during its March 29, 2017 meeting. These accounts will not be considered final until approved by the Annual General Meeting. The Board of Directors will propose distribution of a net dividend of €0.85 per share. The total amount of dividends to be paid will be €10,626,000.

Note 29 Fees paid to Statutory Auditors

	Deloitte & Associés				Crowe Horwath-HAF Audit & Conseil			
	Statutory Auditor (Deloitte & Associés)		Network		Statutory Auditor		Network	
2016	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of individual and consolidated financial statements								
■ Issuer	157	22%	N/A		177	33%	N/A	
■ Fully consolidated subsidiaries	35	5%	501	69%			335	62%
SUBTOTAL	**192**	**22%**	**501**	**69%**	**177**	**33%**	**335**	**62%**
Services other than certification of the financial statements								
■ Issuer	22	3%						
■ Fully consolidated subsidiaries			11	1%			32	6%
SUBTOTAL	**22**		**11**		**0**		**32**	
TOTAL	**214**	**29%**	**512**	**71%**	**177**	**33%**	**367**	**67%**

	Deloitte & Associés		Crowe Horwath-HAF Audit & Conseil	
2015	Amount	%	Amount	%
Certification and limited half-year review of individual and consolidated financial statements				
■ Issuer	187	38%	192	45%
■ Fully consolidated subsidiaries	277	56%	229	54%
SUBTOTAL	**464**	**38%**	**421**	**54%**
Services other than certification of the financial statements				
■ Issuer	26	5%		
■ Fully consolidated subsidiaries	5		2	0%
SUBTOTAL	**31**		**2**	
TOTAL	**495**	**100%**	**423**	**100%**

Note 30 List of consolidated companies

Business registration number (Siren)	Company	Head office	2016 % held % controlled	2015 % held % controlled
308,491,521	Guerbet SA	France	Parent company	Parent company
308,412,434	Simafex SAS	France	100%	100%
340,598,978	Medex SAS	France	100%	100%
789,526,555	Guerbet France	France	100%	100%
809,030,042	Guerbet Imaging France	France	taken over by Guerbet France	100%
	Guerbet GmbH	Germany	100%	100%
	Mallinckrodt Deutschland GmbH	Germany	100%	100%
	Guerbet Holding Germany GmbH	Germany	taken over by Mallinckrodt Deutschland GmbH	100%
	Mallinckrodt Medical Argentina	Argentina	100%	100%
	Guerbet Ges.m.b.H	Austria	100%	100%
	Mallinckrodt Colombia SAS	Colombia	100%	100%
	Guerbet Czech Republic s.r.o.	Czech Republic	100%	100%
	SA Guerbet nv	Belgium	100%	100%
	Laboratorios Farmaceuticos Guerbet SA	Spain	100%	100%
	Mallinckrodt Spain, S.L.	Spain	100%	100%
	Guerbet Laboratories Ltd	United Kingdom	100%	100%
	Mallinckrodt UK Commercial Ltd	United Kingdom	100%	100%
	Mallinckrodt Medical Argentina Ltd	United Kingdom	100%	100%
	Guerbet Nederland BV	Netherlands	100%	100%
	Guerbet Imaging Nederland BV	Netherlands	100%	100%
	Guerbet Ireland Ltd. Co	Ireland	100%	100%
	Liebel-Flarsheim Ireland Limited	Ireland	100%	100%
	Guerbet SpA	Italy	100%	100%
	Mallinckrodt Italia SPA	Italy	100%	100%
	Guerbet Luxembourg SARL	Luxembourg	100%	100%
	Guerbet Poland sp. z.o.o.	Poland	100%	100%
	Martins & Fernandes	Portugal	100%	100%
	Guerbet South Africa Pty Ltd	South Africa	100%	100%
	Guerbet Sweden AB	Sweden	100%	100%
	Guerbet AG	Switzerland	100%	100%
	Guerbet Imaging Switzerland AG	Switzerland	100%	100%
	Guerbet Ilac Tibbi AS	Turkey	100%	100%
	Guerbet Imaging Saglik A.S.	Turkey	100%	100%
	Guerbet Produtos Radiologicos	Brazil	100%	100%
	Mallinckrodt do Brasil Ltda	Brazil	100%	100%
	Liebel Flarsheim Canada Inc.	Canada	100%	100%
	Comercializadora Mallinckrodt Chile Limitada	Chile	100%	100%
	Guerbet Mexicana	Mexico	100%	100%
	Mallinckrodt Medical S.A. de C.V.	Mexico	100%	100%
	Guerbet Panama S.A.	Panama	100%	100%
	Guerbet Imaging Panama S.A.	Panama	100%	100%
	Guerbet Caribbean, Inc.	Puerto Rico	100%	100%
	Mallinckrodt Caribbean	USA	100%	100%
	Guerbet LLC	USA	100%	100%
	Liebel Flarsheim Company LLC	USA	100%	100%
	Guerbet Australia Pty Ltd.	Australia	100%	100%
	Guerbet Medical Consulting (Shanghai)	China	100%	100%
	Guerbet Korea	Korea	100%	100%
	Mallinckrodt Korea Inc.	Korea	100%	100%
	Mallinckrodt Hong Kong Limited, Thailand Branch	Thailand	100%	100%
	Guerbet Hong Kong Ltd	Hong Kong	100%	100%
	Mallinckrodt Hong Kong Ltd	Hong Kong	100%	100%
	Guerbet Japan	Japan	100%	100%
	Guerbet Taiwan Co. Ltd	Taiwan	100%	100%

6.2 Statutory Auditors' report on consolidated financial statements

To the Shareholders,

Under the terms of the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2016, concerning:

- the audit of the consolidated financial statements of Guerbet, which are attached to this report;
- the justification of our assessments;
- the specific verification provided for by the law.

The consolidated financial statements were approved by the Board of Directors. It is our responsibility to express an opinion on these statements on the basis of our audit.

I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with professional standards applicable in France. These standards require that we carry out the necessary procedures in order to obtain reasonable assurance that the consolidated financial statements contain no significant anomalies. An audit involves examining, through spot checks or other selection methods, the evidence that supports the amounts and disclosures in the consolidated financial statements. It also consists of assessing the accounting principles used, the significant estimates adopted, and the overall presentation of the statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

We hereby certify that the consolidated financial statements, in accordance with the IFRS standards as adopted in the European Union, give a true and fair view of the assets, liabilities, financial position and the results of all persons and entities included in the consolidation.

Without calling into question the above opinion, we call your attention to:

- note "1.II) Scope of consolidation – Restatement of the published 2015 accounts" to the consolidated accounts, which presents the impact on the published accounts for the 2015 financial year of the definitive allocation of the final acquisition price of the CMDS activity, in accordance with revised IFRS3;
- note 18 "Other operating income and expenses" to the consolidated accounts, which describes the change in accounting method relating to the presentation of the research tax credit on the income statement.

II. Justification of assessments

In accordance with the provisions of Article L. 823-9 of the French Commercial Code concerning the justification of our assessments, we hereby draw your attention to the following information:

- Note 1.II) "Scope of consolidation – Acquisition of CMDS and Restatement of the 2015 published financial statements" to the consolidated financial statements explains the impact of the definitive allocation of the acquisition price for the Mallinckrodt group's CMDS activity, which was determined in accordance with revised IFRS 3.

  Our work notably included checking the correct accounting treatment of the definitive allocation of the acquisition price for this activity in accordance with the procedures described in note I. d) "Business combinations", the restatement of 2015 comparative information, and the appropriateness of the information presented in this regard in note II) "Scope of consolidation," where the restated 2015 financial statements are presented.
- As mentioned in the first part of this report, note 18 "Other operating income and expenses" to the consolidated financial statements explains the change in accounting method relating to the presentation of the research tax credit on the income statement and the restatement of the comparative information relating to fiscal year 2015, in accordance with IAS 8.

  As part of our assessment of the accounting principles followed by your Company, we ensured that this change in method relating to the presentation of the income statement was justified.
- Upon each accounting close, the Company performs an impairment test on its assets with an indefinite life, and also checks for any signs of impairment of long-term assets, according to the procedures explained in note I. i) to the consolidated financial statements entitled "Impairment of fixed assets". We have examined the procedures for implementing this impairment test as well as the cash flow projections and assumptions used for the tests, and we have verified that note 5 to the consolidated financial statements provides appropriate information.
- The Company recognizes deferred taxes on losses according to the procedures presented in note I. w) to the consolidated financial statements entitled "Income tax". Our work has consisted in evaluating the data and assumptions on which these estimates are based, in verifying the calculations made by the Company, and in reviewing the procedure for Management approval of these estimates. On this basis, we proceeded to assess the reasonableness of these estimates, and we have verified that note 8 to the consolidated financial statements provides appropriate information.

The assessments thus made are part of our audit approach for the consolidated financial statements taken as a whole, and thereby contributed to forming our opinion expressed in the first part of this report.

III. Specific verification

We have also, in accordance with professional standards applicable in France, performed specific verification of the Group-related information given in the management report, as required by law. We have no remarks to make concerning its fairness and its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, April 4, 2017

The Statutory Auditors

HAF Audit & Conseil	**Deloitte & Associés**
Member of Crowe Horwath International	
Marc de Prémare	Frédéric Souliard

6.3 Annual financial statements and notes

6.3.1 Annual statements

6.3.1.1 Balance sheet

Assets

(in € thousands)	Note	2016 Gross amounts	2016 Depreciation & Provisions	2016 Net amounts	2015 Net amounts
Patents, trademarks, and similar rights		3		3	3
Other intangible fixed assets		49,544	15,673	33,871	23,165
TOTAL INTANGIBLE FIXED ASSETS	1	**49,547**	**15,673**	**33,874**	**23,168**
Land		1,554		1,554	1,554
Buildings		94,447	50,274	44,173	46,333
Technical facilities				0	0
Industrial tooling and equipment		164,867	94,689	70,178	75,468
Other tangible fixed assets		17,217	13,284	3,933	4,093
Fixed assets under construction		14,192		14,192	7,965
Advance payments		15		15	15
TOTAL TANGIBLE FIXED ASSETS	2	**292,292**	**158,247**	**134,045**	**135,428**
Controlled entities	3	342,494	7,060	335,434	317,493
Receivables from controlled entities	6	0		0	0
Loans	4/6	49		49	53
Other financial fixed assets	6	578	168	410	404
TOTAL FINANCIAL FIXED ASSETS		**343,121**	**7,228**	**335,893**	**317,950**
TOTAL FIXED ASSETS		**684,960**	**181,148**	**503,812**	**476,546**
Inventories	5	103,144	4,820	98,324	85,590
Advance payments		535		535	318
Trade receivables	6	12,894	81	12,813	10,899
Other operating receivables	6	194,357	0	194,357	90,931
TOTAL OPERATING RECEIVABLES		**207,786**	**81**	**207,705**	**102,148**
Investment securities and cash	7	7,544		7,544	5,987
TOTAL CURRENT ASSETS		**318,474**	**4,901**	**313,573**	**193,725**
Prepaid expenses	6	1,648		1,648	1,592
Expenses to be spread over several years				0	0
Translation adjustment		3,562		3,562	4,424
TOTAL ASSETS		**1,008,644**	**186,049**	**822,595**	**676,287**

Equity and Liabilities

(in € thousands)	Note	2016	2015
Share capital		12,501	12,343
Issue premiums		9,918	7,628
Legal reserve		1,221	1,221
Other reserves		52,015	52,015
Retained earnings		63,732	72,488
Fiscal year income		**15,142**	**(747)**
Net position		**154,529**	**144,948**
Regulated provisions	9	73,713	56,000
TOTAL SHAREHOLDERS' EQUITY	8	**228,242**	**200,948**
Provisions for liabilities and charges	10	**24,697**	**23,691**
Contingent advances	14	5,747	5,766
Other equity		**5,747**	**5,766**
Loans and borrowing from credit institutions other than current banking facilities		363,783	304,110
Current banking facilities and credit balances		20,005	17,193
Miscellaneous other financial debt and borrowing		1,133	844
TOTAL FINANCIAL DEBT		**384,921**	**322,147**
Trade payables		47,997	42,016
Tax and employment-related liabilities		26,077	25,971
Debt on fixed assets and related accounts		7,379	2,173
Other debt		89,417	41,028
Total operating debt and miscellaneous		**170,870**	**111,188**
TOTAL DEBT	11	**555,791**	**433,335**
Deferred income	11	3,297	3,319
Translation adjustment		4,821	9,228
TOTAL EQUITY AND LIABILITIES		**822,595**	**676,287**

6.3.1.2 Income statement

(in € thousands)	Note	2016	2015
Products sold in France		105,093	122,843
Products sold in countries other than France		242,807	201,557
REVENUE FROM PRODUCTS	**13**	**347,900**	**324,400**
Various products and services		23,535	9,585
Rights and royalties		29	37
Capitalized production		986	2,729
Reversals of provisions and expense transfers		3,094	2,735
Operating subsidies	14	243	373
TOTAL OPERATING INCOME		**375,787**	**339,859**
Purchases of merchandise, raw materials, and other supplies held in inventory		(128,151)	(122,476)
+ Beginning inventories		(91,546)	(73,349)
- Ending inventories		103,144	91,546
CONSUMED DURING THE YEAR		**(116,553)**	**(104,279)**
Purchases not held in inventory, other services and external expenses		(125,683)	(114,213)
Taxes and similar payments		(8,083)	(11,822)
Staff-related costs	15	(78,200)	(70,083)
Amortization and depreciation		(17,790)	(16,788)
Provisions		(3,797)	(7,517)
TOTAL OPERATING EXPENSES		**(350,106)**	**(324,702)**
OPERATING RESULT		**25,681**	**15,157**
Reversals of provisions and expense transfers		12,452	7,266
Interest and similar income		12,803	4,024
Foreign exchange gains		9,422	5,609
TOTAL FINANCIAL INCOME		**34,677**	**16,899**
Depreciation and provisions		(5,951)	(5,538)
Interest and similar expenses		(6,340)	(1,566)
Foreign exchange losses		(11,267)	(6,503)
TOTAL FINANCE COSTS		**(23,558)**	**(13,607)**
FINANCIAL RESULT	**16**	**11,119**	**3,292**
CURRENT RESULT BEFORE TAXES		**36,800**	**18,449**
Non-recurring income from non-capital transactions		23	11
Non-recurring income from capital transactions		1,245	5,155
Reversals of depreciation and provisions		5,100	4,646
TOTAL NON-RECURRING INCOME		**6,368**	**9,812**
Expenses on non-capital transactions		(24)	(22)
Expenses on capital transactions		(8,203)	(6,492)
Depreciation, amortization and provisions		(22,813)	(15,546)
TOTAL NON-RECURRING EXPENSES		**(31,040)**	**(22,060)**
NON-RECURRING RESULT	**17**	**(24,672)**	**(12,248)**
Employee profit sharing		(1,089)	(1,291)
Income tax	18	4,103	(5,657)
FISCAL YEAR RESULT		**15,142**	**(747)**

6.3.1.3 Statement of cash flows

(in € thousands)	2016	2015
Gross cash flow	55.95	31.61
(Increase) decrease in inventory	(11.60)	(18.20)
(Increase) decrease in trade receivables	(1.90)	19.37
Increase (decrease) in trade payables	5.03	13.78
Increase (decrease) in other short-term assets and liabilities	(58.27)	(24.67)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(10.79)**	**21.89**
Investments related to operations	(29.66)	(23.43)
Sales of fixed assets for operations	1.25	5.16
Decrease (increase) in financial fixed assets	(16.41)	(269.64)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(44.83)**	**(287.92)**
Share capital increase	2.45	2.09
Merger losses	-	-
Decrease in retained earnings	-	-
Dividends paid	(8.01)	(6.10)
New long-term borrowing	68.31	286.68
Loan repayment	(8.37)	(31.02)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**54.38**	**251.64**
NET CHANGE IN CASH SITUATION (A) + (B) + (C)	**(1.25)**	**(14.38)**
Net cash and cash equivalents at beginning of year	**(11.21)**	**3.17**
Net cash and cash equivalents at end of year	**(12.46)**	**(11.21)**

6.3.2 Notes to the annual financial statements

The figures presented in these notes are in thousands of euros.

Introduction

The balance sheet is drawn up before appropriation of earnings. Therefore, the dividends proposed at the Shareholders' Meeting do not appear as debts.

Significant events

a) Recapitalization of the Turkish, Italian and English subsidiaries related to the CMDS acquisition

The historical Turkish, Italian and English subsidiaries were recapitalized in 2016 for an overall amount of €16,366,669.

b) Reconstitution of the equity capital of the MEDEX subsidiary

In accordance with the decisions of the sole shareholder, Guerbet SA, on November 30, 2016, the Medex subsidiary carried out a capital increase of €5,651,400 by clearing the shareholder's current account, increasing the capital from €180,000 to €5,831,400, followed by a capital reduction due to the overall losses of €5,651,400, implemented by canceling 141,285 shares and reducing the capital to €180,000.

Accounting methods and rules

The statements have been prepared in accordance with the accounting principles set out by recommendation ANC 2016-07 of the Board of the French accounting standards authority *(Autorité des normes comptables)*.

a) Estimates and judgments

When preparing its financial statements, the Company must make estimates and assumptions that affect the book value of items in assets and liabilities, income and expenses, and the information provided in certain appended notes.

Management evaluates these estimates and assessments continually based on past experience and on various other factors judged to be reasonable, which constitute the basis for these assessments.

Actual future results may differ significantly from these estimates according to different conditions or assumptions.

The main significant estimates made by Guerbet's Management relate primarily to valuation of equity interests.

b) Intangible fixed assets

Patents and Marketing Authorizations (MA)

Patents are recognized at their acquisition cost. Expenses related to patents and Marketing Authorizations are recognized as expenses. Patents are amortized on a straight-line basis over their useful lives.

Trademarks

Trademarks acquired are recognized at their acquisition cost. In accordance with recommendation ANC 2016-07, expenses for depositing and renewing trademarks are recognized as expenses for the year in which they are incurred. No amortization is applied to trademarks.

Research and Development costs

Research costs are recognized as expenses during the year in which they are incurred.

Development costs are only recognized as intangible fixed assets if all of the following criteria can be demonstrated:

- there is the technical and financial capacity and intent to take the development project through to completion;
- there is a probability that the future economic benefits attributable to the development expenses will revert to the Company;
- the cost of the asset can be reliably assessed.

As these criteria are currently not all met, development costs are recognized in the expenses of the year in which they are incurred.

Other intangible fixed assets

Other intangible fixed assets mainly include software. This software is amortized over three years. With the possibility of amortization over 12 months offered by fiscal legislation for software, accelerated amortization was recognized. This represents the share of additional amortization compared to accounting amortization.

However, the SAP integrated management software must be distinguished from other software. The Company has decided to capitalize the internal staff costs directly associated with the project. The software will be amortized over a 10-year period. Amortization over 12 months is also possible.

c) Tangible fixed assets

They are recognized at their acquisition cost. Depreciation is calculated over their useful lifespan using the straight-line method, which on average corresponds to the following durations:

- Buildings: 10 to 20 years;
- Improvements, fittings: 10 years;
- Technical facilities, equipment and tooling: 5 to 10 years;
- Other tangible fixed assets: 3 to 15 years.

For all acquisitions up to and until December 31, 1997, and starting again from January 1, 2002, all of the possibilities provided for by fiscal legislation in terms of declining balance and exceptional depreciation are used. The declining balance method is considered to be accelerated compared to straight-line depreciation. Tangible fixed assets may be subject to depreciation depending on how they are used by Guerbet.

d) Financial fixed assets

Equity securities are accounted for at their acquisition cost and may be written down according to the share of the net situation of subsidiaries under IFRS after restatement of their intangible assets.

The acquisition costs of equity securities are recognized directly in the income statement.

Other financial fixed assets are listed on the balance sheet at their acquisition cost or at their inventory value if that is lower.

e) Inventories and work in progress

Inventories of raw materials and other supplies are measured using the weighted average cost method. Provisions are also made for inventory that has a low turnover rate. Inventories of products in progress and finished products are measured at cost including direct and indirect production costs, and excluding administrative, financial and sales costs. An impairment provision is created according to inventory turnover rates, use-by dates, and any quality problems.

f) Trade receivables

Trade receivables are assessed at nominal value. They are written down, where applicable, according to the risk of non-recovery.

g) Investment securities

Investment securities are valued at their acquisition cost. When the inventory value of these securities, determined on the basis of their likely sale value, *i.e.* their liquidation value at the end of the year, is lower than their acquisition cost, a provision for impairment is created in the amount of the difference.

h) Borrowing

Borrowing costs are recognized directly in the income statement. The Company has not opted to spread out the costs.

i) Financial instruments

Premiums paid in relation to interest rate options are recognized in the assets section of the balance sheet upon acquisition of the option and carried over to the income statement *prorata temporis* over the life of the contract. Provisions are made for any expenses for interest rate fluctuations. To manage its exposure to interest-rate and exchange-rate risk due to its industrial and commercial activity, Guerbet uses financial instruments that are listed on organized markets. Guerbet's policy is to never trade on markets for speculative purposes.

j) Conversion of items in foreign currency

Guerbet centralizes management of foreign exchange risk for its French subsidiaries. Debts and receivables listed in currencies outside of the euro zone are converted at the rates prevailing at December 31. Unrealized foreign exchange gains or losses arising from this are booked on the balance sheet as translation adjustments. Guerbet hedges its foreign exchange risks with forward exchange contracts or forex options. Any provisions for foreign exchange loss take these hedges into account. Income from currency option trading is recognized at the maturity of the option to the extent that the options hedge commercial operations after the end of the year. The premium paid is recognized as an asset on the balance sheet until the option expires.

k) Regulated provisions

According to statutory requirements, regulated provisions include provisions for accelerated depreciation.

Accelerated depreciation and amortization are calculated according to the methods detailed in b) and in c) for intangible and tangible fixed assets.

l) Provisions for liabilities and charges

Provisions for liabilities and charges recognized correspond to liabilities meeting the following criteria:

- the amount or the maturity date is not set precisely;
- the economic impact is negative for the Company. This means that this liability is analyzed like an obligation of the Company to a third party, where it is probable or certain that it will lead to an outflow of resources to the benefit of said third party, with no compensation at least equivalent expected in return.

m) Pension benefit obligations

Pension benefit obligations are recognized in provisions for liabilities. For defined-benefit pension schemes, the cost of benefits is estimated using the projected unit credit method. This consists in basing the calculation on the benefits that will be paid to employees at the likely time of their retirement, taking into account the age structure, the staff turnover rate, and the survival rate determined using official tables by age group. The amounts obtained are revalued according to inflation and promotion scenarios, and are updated to take into account the date on which these benefits will actually be paid. When calculation assumptions are reviewed, any actuarial gains and losses that result are fully carried over into income. These valuations are made once a year, for all pension plans.

n) Revenue

Revenue is recognized when there is a transfer to the purchaser of the benefits and risks related to ownership of the goods.

o) Operating subsidies

Guerbet recognizes a subsidy in its financial statements as accrued income upon obtaining approval by the funding agency.

Note 1 Intangible fixed assets

1.1 Gross values

	2016	2015
Intangible fixed assets at January 1	**35,412**	**24,721**
Increases [1]	15,272	11,079
Decreases	(1,137)	(388)
INTANGIBLE FIXED ASSETS AT DECEMBER 31	**49,547**	**35,412**

(1) The increases are mainly explained by the deployment of the SAP integrated management software in the subsidiaries.

1.2 Amortization and provisions

	2016	2015
Amortization and provisions for intangible fixed assets at January 1	**12,244**	**10,009**
Allowances	3,449	2,245
Reversals	(20)	(10)
AMORTIZATION AND PROVISIONS FOR INTANGIBLE FIXED ASSETS AT DECEMBER 31	**15,673**	**12,244**

Note 2 Tangible fixed assets

	12/31/2015	2016 Increases	2016 Decreases	12/31/2016
Land	1,554	-	-	1,554
Buildings	93,100	2,130	(783)	94,447
Technical facilities, equipment and tooling	165,447	4,975	(5,555)	164,867
Other tangible fixed assets	16,284	933		17,217
Fixed assets under construction	7,965	6,355	(128)	14,192
Advance payments	15	15	(15)	15
GROSS VALUES	**284,365**	**14,408**	**(6,481)**	**292,292**
Depreciation	(148,937)	(14,341)	5,031	(158,247)
Impairments				
NET VALUES	**135,428**	**67**	**(1,450)**	**134,045**

	12/31/2014	2015 Increases	2015 Decreases	12/31/2015
Land	1,554	-	-	1,554
Buildings	90,484	2,616	-	93,100
Technical facilities, equipment and tooling	157,572	7,875	-	165,447
Other tangible fixed assets	20,508	1,519	(5,743)	16,284
Fixed assets under construction	10,489	338	(2,862)	7,965
Advance payments	10	5	-	15
GROSS VALUES	**280,617**	**12,353**	**(8,605)**	**284,365**
Depreciation	(136,885)	(14,543)	2,491	(148,937)
Impairments				
NET VALUES	**143,731**	**(2,190)**	**(6,114)**	**135,428**

Gross investments of €15 million in 2016 and €12 million in 2015 correspond mainly to the establishment of new processes in the Lanester plant and the renewal of our production and installation equipment.

Note 3 Investments

	2016	2015
Gross value of equity investments	**342,494**	**326,128**
Provisions for impairment of equity investments	(7,060)	(8,635)
NET VALUE OF EQUITY INVESTMENTS	**335,434**	**317,493**

These amounts correspond to investments held as of December 31. Financial information for each subsidiary and other controlled entities is listed in detail in the table "List of subsidiaries and controlled entities" on pages 24 and 25. The change is explained by the recapitalization of the Italian, Turkish and English subsidiaries related to the acquisition of Mallinckrodt's CMDS activity in late November 2015 and the reversal of provisions for impairment of the Medex shares for €1,715,000.

Note 4 Loans

	2016	2015
Loans to staff	49	53

Note 5 Inventories

	2016	2015
RAW MATERIALS AND SUPPLIES		
Gross amount	20,154	27,681
Provisions	(990)	(1,104)
NET AMOUNT	**19,164**	**26,577**
INTERMEDIATE AND FINISHED PRODUCTS		
Gross amount	81,380	52,519
Provisions	(3,222)	(4,058)
NET AMOUNT	**78,158**	**48,461**
GOODS		
Gross amount	1,610	11,346
Provisions	(608)	(794)
NET AMOUNT	**1,002**	**10,552**
TOTAL NET AMOUNT	**98,324**	**85,590**

Note 6 Receivables by maturity

	2016			2015
	Gross amounts	1 year maximum	More than 1 year	
Receivables from controlled entities	-			-
Loans	49	0	49	53
Other financial fixed assets	578	0	578	572
Bad or doubtful debts	87	87	0	124
Other trade receivables	12,807	12,807	0	10,885
Bills in course of collection	0	0	0	0
Staff costs and related payables	12	12	0	15
Social security and related payables	274	274	0	219
State income tax [1]	8,846	8,846	0	2,876
State value added tax	3,127	3,127	0	8,312
Other state taxes and duties	0	0	0	0
Miscellaneous state receivables	40	40	0	861
Group and associates	94,506	94,506	0	58,288
Miscellaneous debtors	87,551	87,551	0	24,425
Prepaid expenses	1,648	1,575	73	1,592
TOTAL	**209,525**	**208,825**	**700**	**108,222**

(1) This mainly consists of a corporate tax receivable of €8.8 million (including the research tax credit for €4.3 million).

Note 7 Cash and investment securities

Cash and investment securities comprise 20,428 treasury shares for a gross value of €170,000. No changes in treasury shares were recognized in 2016. Guerbet shares had a market value of €71.19 at December 31, 2016, equivalent to an overall market valuation of €1,454,000.

Note 8 Shareholders' equity

	2016	2015
Shareholders' equity at the beginning of the fiscal year	**200,948**	**194,804**
Dividends paid	(8,022)	(6,104)
Dividends carried over to retained earnings	13	10
Increase in share capital and issue and merger premiums	2,448	2,085
Fiscal year result	15,142	(747)
Regulated provisions	17,713	10,900
SHAREHOLDERS' EQUITY AT THE END OF THE FISCAL YEAR	**228,242**	**200,948**

The following changes have occurred for Guerbet shares:

	2016
Number of shares at the beginning of the year	**12,343,474**
Creation of shares through exercise of stock options [1]	157,674
NUMBER OF SHARES AT THE END OF THE YEAR	**12,501,148**

(1) Refer to note 22.

Note 9 Regulated provisions

	12/31/2014	2015 Provisions	2015 Reversals	12/31/2015	2016 Provisions	2016 Reversals	12/31/2016
Investment provisions	60		60	0			0
Provisions for accelerated depreciation	45,039	15,547	4,586	56,000	22,813	5,100	73,713
TOTAL	**45,099**	**15,547**	**4,646**	**56,000**	**22,813**	**5,100**	**73,713**

Note 10 Provisions for liabilities and charges

	12/31/2014	2015 provisions	2015 reversals (provision used/ reclassified)	2015 reversals (provision not used)	12/31/2015	2016 provisions	2016 reversals (provision used/ reclassified)	2016 reversals (provision not used)	12/31/2016
Pension benefits [1]	16,244	2,338			18,582	1,828			20,410
Foreign exchange risk	4,681	4,423	4,681		4,423	3,562	4,423		3,562
Other	348	384	46		686	296	257		725
TOTAL	**21,273**	**7,145**	**4,727**	**0**	**23,691**	**5,686**	**4,680**	**0**	**24,697**

(1) Pension benefits:

The Company has no obligations in terms of pensions, supplementary pensions or similar benefits, with the exception of a commitment in terms of supplementary pensions for its officers. The calculation of the provision for pension benefits assumes that all retirements will be voluntary. The pension benefit provision did not cover company officers at December 31, 2016.

The main actuarial assumptions applied to assess the provision for pension benefits are as follows:

Discount rate

Application of the "Eur Composite (AA) Bloomberg 2016-12-30 (F667)" yield curve.

Turnover rate

Rate tables applied are established from internal statistical data from recent years, using the following analysis axes: status and age of employee.

Wage growth rate

The wage growth rate used to calculate the liability at December 31, 2016 is 2.5%.

Mortality rate

The tables used for mainland France are adjusted tables TH 00-02 and TF 00-02.

Note 11 Payables by due date

	2016				2015
	Gross amount	1 year maximum	Between 1 and 5 years	More than 5 years	Gross amount
Borrowing and debts for 1 year maximum at outset	20,005	20,005	0	0	17,193
Borrowing and debts for more than 1 year at outset	363,782	101,627	262,156	0	304,110
Miscellaneous financial debt and borrowing	1,133	1,133	0	0	844
Trade payables and related accounts	47,997	47,997	0	0	42,016
Staff costs and related payables	18,856	17,770	0	1,087	17,365
Social security and related payables	6,991	6,991	0	0	8,461
State: income tax	33	33	0	0	10
State: VAT	0	0	0	0	0
State: other taxes and similar payments	195	195	0	0	135
Debt on fixed assets and related accounts	7,379	7,379	0	0	2,173
Group and associates	76,651	76,651	0	0	39,880
Other debt	12,767	12,767	0	0	1,148
Deferred income	3,297	945	2,352	0	3,319
TOTAL	**559,086**	**293,493**	**264,508**	**1,087**	**436,654**

Note 12 Accrued income and expenses

	2016	2015
ACCRUED INCOME		
Receivables from controlled entities	-	-
Trade receivables	806	1,741
Other receivables	83,994	22,784
Banks and financial institutions	4	19
TOTAL	**84,804**	**24,544**
EXPENSES PAYABLE		
Financial debt and borrowing	166	410
Trade accounts payable	23,763	18,930
Debt on fixed assets	-	-
Tax and employment-related liabilities	21,044	20,336
Other debt	12,332	723
Accrued overdraft interest	110	127
TOTAL	**57,415**	**40,526**

Note 13 Revenue by geographic region

	2016	2015
France and overseas departments and territories	105,093	126,059
Europe (except France)	140,669	116,409
EUROPE INCLUDING FRANCE	**245,762**	**242,468**
Asia	51,561	33,165
Latin America	12,925	18,084
North America	19,140	12,564
Other countries	18,512	18,119
TOTAL	**347,709**	**324,400**

Note 14 Operating subsidies

The various aids mainly consist of two subsidies:

- €164,000 in aid for the establishment of an incineration process energy recovery investment by EDF;
- €21,000 in aid for definition of the environmental master plan by the water agency of Brittany – Pays de la Loire.

No innovation aid was received in 2016. The 2015 innovation aid amounting to €246,000 corresponds to the closing of the Gallimed project.

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. An amendment signed with BPI France extends the duration of the project by two years and modifies the conditions of financial return if a product resulting from the project is marketed.

At December 31, 2016, this aid agreement included the following items on the balance sheet:

- €2.3 million in subsidies paid in advance upon signature of the contract in December 2008, and recognized in "Deferred income";
- €5.1 million in repayable advances received from 2008 to 2014 and recognized in "Contingent advances".

There was no impact recognized in the 2016 income statement.

At December 31, 2016, the following were recognized in connection with this consortium agreement (HECAM):

- €650,000 of repayable advances received recognized in "Contingent advances";
- €381,000 in subsidies paid in advance upon signature of the contract and recognized in "Deferred income".

Note 15 Staff costs

	2016	2015
Salaries and wages	(53,712)	(47,770)
Social security charges	(24,488)	(22,313)
TOTAL	**(78,200)**	**(70,083)**

Note 16 Financial income

	2016	2015
Dividends	12,501	3,595
Interest	(6,038)	(1,137)
Net currency gains/losses	(1,845)	(894)
Net provision for equity investments	1,575	1,935
Other [1]	4,926	(207)
TOTAL	**11,119**	**3,292**

(1) Including reversals of net provisions on current accounts for €4,064,000

Note 17 Non-recurring income

	2016	2015
Net charge for regulated provisions	(17,713)	(10,900)
Net income on disposal of fixed assets [1]	(6,958)	(1,337)
Other	(1)	(11)
TOTAL	**(24,672)**	**(12,248)**

(1) Including recapitalization of the Medex subsidiary for €5,651,000.

Note 18 Income tax

The Group has opted for tax consolidation since 1988. The following companies have historically been included in the scope of tax consolidation: Guerbet SA (parent company and head of the tax consolidation group) and Simafex. Starting in the 2014 fiscal year, Medex and Guerbet France entered the scope of tax consolidation. In accounting terms, tax expenses are borne by the consolidated companies (subsidiaries and parent company) as they would be without tax consolidation. Loss-related income from taxes is kept by the parent company. Savings made by the tax consolidation group that are not linked to losses (corrections related to certain intra-Group transactions) are kept by the parent company and recognized as income. Tax credits for research, apprenticeships, family and employment competitiveness are reallocated to the companies that generated them. Tax savings resulting from tax losses of subsidiaries will be reallocated to them and applied against future taxable income. Overall taxable income at the normal rate for the tax consolidation group comes to €19.01 million in 2016. The tax expense for the tax consolidation group comes to €2.14 million after allocation of tax credits, including the 2016 research tax credit of €4.33 million. As this tax credit due by the tax consolidation group is below the amount of tax prepayments and tax credits, the receivable from the state is recognized in "Other operating receivables" for €8.8 million.

The tax expense or income appearing on the income statement breaks down as follows:

	2016	2015
Group tax income or (expense)	(2,142)	(7,150)
Tax expense from consolidated subsidiaries	6,720	2,259
Tax savings reallocated to consolidated subsidiaries	(573)	(648)
Other tax expenses	98	(118)
TAX INCOME OR (EXPENSE) FOR THE GROUP PARENT COMPANY	**4,103**	**(5,657)**

Tax income or expense from the Group parent company breaks down as follows:

	2016	2015
Corporate tax on current income	(2,668)	(10,460)
Corporate tax on non-recurring income	6,340	4,654
Other tax expenses	431	149
TAX INCOME OR (EXPENSE) FOR THE GROUP PARENT COMPANY	**4,103**	**(5,657)**

Non-deductible charges referred to in Article 39-4 of the French General Tax Code

Charges of this type borne by Guerbet in 2016 correspond to depreciation of passenger cars in the amount of €151,000.

Note 19 Deferred tax position

Guerbet's deferred tax position was calculated on the basis of tax consolidation starting in the 1988 fiscal year. Due to this, prepaid taxes were determined for all of the fiscally consolidated companies. These resulted from the difference between recognition of certain income and expenses and their incorporation into taxable income, and taxes due on shareholders' equity items (regulated provisions).

	2016	2015
Net deferred taxes from temporary differences (prepaid taxes)	13,396	14,897
Deferred taxes on shareholders' equity (taxes due)	27,907	21,213

These deferred taxes were calculated at a rate of 33 1/3% increased by the social contribution.

Note 20 Impact of the application of tax statutes on the fiscal-year result

In order to take advantage of certain tax provisions, the Company must recognize some entries on the income statement (non-recurring result) that do not have the status of accounting income or expenses.

	2016	2015
Pre-tax income	11,039	4,910
Allowance or reversal net of regulated provisions and accelerated depreciation	(17,713)	(10,900)
Adjusted pre-tax income	28,752	15,810

Note 21 Associated companies

All transactions of significant size with related parties and liable to come within the scope of Article R. 123-198 of the French Commercial Code relate to fully-owned subsidiaries.

	2016	2015
FINANCIAL FIXED ASSETS		
Controlled entities	342,494	326,128
Receivables from controlled entities	-	-
CUSTOMERS	**6,447**	**5,127**
RECEIVABLES		
Other receivables	70,610	20,402
Financial current accounts	94,506	58,289
PROVISIONS FOR LIABILITIES AND CHARGES	**-**	**-**
DEBT		
Miscellaneous financial debt and borrowing	-	-
Trade payables	13,187	1,132
Debt on fixed assets	-	-
Other debt	-	-
Financial current accounts	76,651	39,880
Deferred income	0	0
OPERATING INCOME		
Sale of goods	309,912	189,625
Services	15,931	6,365
Other income	0	0
OPERATING EXPENSES		
Purchases of goods and raw materials	(76,444)	(39,182)
Purchases of materials not held in inventory, other services	(4,028)	(17,053)
Taxes and duties	-	-
FINANCIAL INCOME		
Dividends	12,481	3,575
Other interest and similar income	255	240
Reversals of provisions and expense transfers	-	-
Foreign exchange gains	-	-
FINANCIAL EXPENSES		
Depreciation, amortization and provisions	-	-
Interest and similar expenses	(153)	(172)
Write-offs	-	-
Foreign exchange losses	-	-
NON-RECURRING EXPENSES		
Depreciation, amortization and provisions	-	-
Write-offs	-	-

Write-offs granted to related companies and implemented during the 2016 fiscal year

N/A.

Note 22 Stock purchase and subscription options

The staff of the Company and its subsidiaries benefit from stock options. At December 31, 2016, staff could subscribe to 166,076 shares at a weighted average price of €15.47. The portion for company officers represents 16,600 shares at a weighted average price of €16.08. If all of the stock options are exercised, the total number of shares would be 12,667,224 for a nominal amount of €12,667,224. These new shares would represent an increase in shareholders' equity of €2,568,762. Potential dilution of shareholders' equity is 1.31%. Diluted net earnings per share, calculated to take into account the dilutive effect of the stock option plan offered to staff, are €2.28 for the 2016 fiscal year.

Summary statement of stock option plans

Grant date	10/17/2011	11/23/2011	02/20/2012
Date of tax availability	10/17/2015	11/23/2015	02/20/2016
Date of the Board of Directors' meeting when it was decided to grant options	10/17/2015	11/23/2015	02/20/2016
Number of options granted:	530,840	48,000	6,800
■ of which Yves L'Épine	-	48,000	-
■ of which Brigitte Gayet	1,480	-	-
Subscription or purchase price	€15.40	€16.08	€15.38
Plan expiry date	10/16/2021	11/22/2021	02/20/2022
Number of options exercised	261,364	31,400	-
Number of options canceled	124,800	-	2,000
Number of options remaining	144,676	16,600	4,800

Note 23 Items that could generate market risk

The fair value of cash instruments is €383,000 for currency hedging and €1,367,000 for interest rate hedging.

Concerning exchange rate risk management, Guerbet implemented 39 forward foreign exchange contracts over the year, notably in the US dollar, Japanese yen and British pound. At December 31, 2016, eight contracts remained with a value of €110 million.

Date of establishment	Value date	Type	Spot rate	Hedging rate	Amount (in €)	Amount (in foreign currency)	Fair value (in €)
11/30/2016	03/02/2017	JPY Buy swap	120	119.98	3,250,541.76	390,000,000	(89,915)
12/28/2016	01/27/2017	JPY Sell swap	122.82	122.9	5,614,320.59	690,000,000	21,399
11/22/2016	07/27/2020	Cross-currency swap (USD buy)		1.065	12,676,056.34	13,500,000	68,213
11/25/2016	07/27/2020	Cross-currency swap (USD buy)		1.06	18,867,924.53	20,000,000	(7,077)
11/25/2016	07/27/2020	Cross-currency swap (USD buy)		1.06	18,867,924.53	20,000,000	(19,326)
11/30/2016	07/27/2020	Cross-currency swap (USD buy)		1.065	18,779,342.72	20,000,000	63,740
11/30/2016	07/27/2020	Cross-currency swap (USD buy)		1.066	18,792,135.50	20,000,000	106,040
12/08/2015	07/27/2020	Cross-currency swap (USD buy)		1.077	13,463,324.05	14,500,000	239,763

Concerning interest rate risk management, Guerbet put the following 12 contracts in place in 2016 for an equivalent value of €269 million.

Start date	Date of expiry	Contract type	Guerbet position	Benchmark indexes	Contract rate	Fair value (in €)	Notional amount (in €)	Notional amount (in foreign currencies)
03/27/2016	03/27/2019	Swap (fixed-rate buy)	Buy	3-month USD Libor	1.15%	282,398	48,420,740.46	50,614,200
03/27/2016	03/27/2019	Swap (fixed-rate buy)	Buy	3-month USD Libor	0.9390%	219,905	22,648,952.45	23,674,950
03/27/2016	03/27/2019	Swap (fixed-rate buy)	Buy	3-month USD Libor	0.975%	158,136	17,477,805.41	18,269,550
03/27/2016	03/27/2019	Swap (fixed-rate buy)	Buy	3-month USD Libor	0.950%	157,705	16,587,965.18	17,339,400
03/27/2016	03/27/2019	Swap (fixed-rate buy)	Buy	3-month USD Libor	0.942%	328,877	34,065,770.59	35,608,950
03/27/2016	03/27/2019	Swap (fixed-rate buy)	Buy	3-month USD Libor	1.050%	220,067	28,693,150.29	29,992,950
11/22/2016	07/27/2020	Cross-Currency Swap (fixed-rate buy €)	Buy	3-month USD Libor	-0.43%		12,676,056.34	13,500,000
11/25/2016	07/27/2020	Cross-Currency Swap (fixed-rate buy €)	Buy	3-month USD Libor	-0.3880%		18,867,924.53	20,000,000
11/25/2016	07/27/2020	Cross-Currency Swap (fixed-rate buy €)	Buy	3-month USD Libor	-0.4375%		18,867,924.53	20,000,000
11/30/2016	07/27/2020	Cross-Currency Swap (fixed-rate buy €)	Buy	3-month USD Libor	-0.40%		18,779,342.72	20,000,000
11/30/2016	07/27/2020	Cross-Currency Swap (fixed-rate buy €)	Buy	3-month USD Libor	-0.50%		18,792,135.50	20,000,000
12/08/2016	07/27/2020	Cross-Currency Swap (fixed-rate buy €)	Buy	3-month USD Libor	-0.48%		13,463,324.05	14,500,000

Note 24 Compensation allocated to company officers

	2016	2015
Compensation allocated to company officers	1,006	893

This is compensation paid in accordance with their role as company officers, in their salaried status.

Note 25 Average workforce during the year

	2016	2015
Blue-collar workers, office workers	208	219
Technicians and supervisors	431	407
Executives	280	260
TOTAL AVERAGE WORKFORCE	**919**	**886**

Note 26 Off-balance-sheet commitments

	2016	2015
Sureties, deposits and other commitments given to third parties on behalf of related companies	20,428	18,237
Sureties and deposits given to third parties and other commitments	12,389	46,794
Debts transferred *via* securitization	-	-
Fixed and moveable leasing commitments, of which lease payments:	-	119
■ of less than 1 year	-	119
■ between 1 and 5 years	-	-
■ more than 5 years	-	-
Outstanding secured debt	-	-
TOTAL	**32,817**	**65,150**

	Lease-financing payments made in 2016	Lease-financing payments made in 2015
On fixed leases	-	-
On moveable leases	119	130
TOTAL	**119**	**130**

Financial items related to leased fixed and moveable assets are as follows:

	2016	2015
Value of fixed and moveable assets	588	588
Provisions for amortization if the assets had been acquired by the Company	64	76
Residual value of assets at the end of the contract	-	-

For 2016, the details of these lease financing assets by type breaks down as follows:

	Acquisition cost	Fiscal year allowances for amortization	Cumulative allowances for amortization	Net value
Technical facilities, equipment and tooling	588	64	362	226
TOTAL	**588**	**64**	**362**	**226**

Note 27 Other information

1. The Tax Credit for Competitiveness and Employment *(crédit d'impôt pour la compétitivité et l'emploi)*, which represented a receivable of €706,000 at December 31, 2015, was fully used when the 2015 corporate tax was paid in 2016.

   For 2016 and 2015, its amount is equal to 6% of compensation not exceeding 2.5 times the minimum wage.

   It was recognized as a deduction from staff expenses.

   It should be possible to use the sums acquired in respect of the 2016 fiscal year, *i.e.* €750,000, to pay corporate tax in 2017.

   The purpose of the tax credit is to finance improvements in companies' competitiveness.

   The Company used the funds in 2016 particularly for spending on investment, research and training.

2. Statutory Auditors' fees paid by Guerbet during the 2016 fiscal year appear in note 30 to the consolidated financial statements.

Note 28 Post-closing events

N/A.

List of subsidiaries and controlled entities

Detailed information on each subsidiary and controlled entity (in € thousands)	Share capital	Shareholders' equity except for share capital and income	Share of equity held in %	Gross value of equity	Net value of equity	Loans and advances granted	Deposits and sureties	Revenue from products	Dividends	Income from last fiscal year ended
A – SECURITIES OF GROSS VALUE EXCEEDING 1% OF GUERBET'S SHARE CAPITAL										
SUBSIDIARIES										
Simafex (France)	1,280	19,434	100	1,224	1,224		175	28,986	4,000	2,399
Medex (France)	180	1,356	100	3,000	1,715	2,151	703	16,875		1,757
Guerbet S.p.A. (Italy)	8,000	6,144	99.9	8,743	8,747	518	2,000	16,782		762
SA Guerbet N.V. (Belgium)	541	4,380	99.78	379	379			20,173	8,481	1,164
A. Martins & Fernandes (Portugal)	410	5	100	1,224	5	3,303	200	3,257		(400)
Guerbet GmbH (Germany)	511	26,751	100	19,962	19,962			55,547		2,241
Laboratorios Farmaceuticos Guerbet (Spain)	781	2,222	100	790	790	1,804		10,270		539
Guerbet Austria GES.m.b.H (Austria)	73	2,215	100	146	146			4,077		279
Guerbet AG (Switzerland)	398	6,064	100	304	304			27,208		1,951
Guerbet A.S. (Turkey)	4,124	478	99.99	4,503	4,148		2,130	9,181		530
Guerbet Korea Ltd. (Korea)	7,466	(5,181)	100	8,202	7,521		8,147	24,836		1,223
Guerbet Taiwan (Taiwan)	191	1,137	100	191	191	3	1,628	5,591		178
Guerbet Japan KK (Japan)	1,991	(2,548)	100	1,951	914	7,838		18,259		1,327
Guerbet LLC (United States)	22,541	329	100	22,838	22,838	15,339	627	39,398		2,211
Guerbet Mexicana (Mexico)	3,634	(2,431)	100	3,600	1,352		7	2,524		153
Guerbet Produtos Radiologicos (Brazil)	10,560	17,633	100	11,197	11,197			30,767		2,054
Liebel-Flarsheim Ireland Limited (Ireland)	42,308	(11,649)	100	222,522	222,522		4,743	85,231		10,959
Guerbet Luxembourg SARL (Luxembourg)	13	1,178	100	368	368	56,836		0		2,372
Mallinckrodt do Brasil, Ltda. (Brazil)	355	4,301	100	6,530	6,530			23,120		1,806
Guerbet Australia Pty Ltd. (Australia)	1,161	541	100	1,581	1,581			5,516		112
Comercializadora Mallinckrodt Chile Limitada (Chile)	NS	465	100	437	437			6,874		254
Guerbet Sweden AB (Sweden)	5	1,143	100	1,250	1,123			1,860		19
Guerbet South Africa Pty Ltd. (South Africa)	237	501	100	787	787			5,779		353
Guerbet Imaging Switzerland AG (Switzerland)	83	11,632	100	13,791	13,791			122,507		4,468
Guerbet Imaging Panama S.A. (Panama)	NS	(4,800)	100	NS	NS			5,548		118
Guerbet Panama S.A. (Panama)	NS	1,024	100	1,022	916			906		(121)
CONTROLLED ENTITIES	-	-	-	-	-	-		-	-	-

6 Financial statements and related notes

Annual financial statements and notes

Detailed information on each subsidiary and controlled entity (in € thousands)	Share capital	Shareholders' equity except for share capital and income	Share of equity held in %	Gross value of equity	Net value of equity	Loans and advances granted	Deposits and sureties	Revenue from products	Dividends	Income from last fiscal year ended
B – SECURITIES OF GROSS VALUE NOT EXCEEDING 1% OF GUERBET'S SHARE CAPITAL										
SUBSIDIARIES										
Abarem (France)	1	1	100	1	0					0
Abalux (France)	1	1	100	1	0					0
Guerbet France (France)	2	2,472	100	2	2		23	142,042		8,591
Guerbet Nederland B.V. (Netherlands)	91	3,235	100	92	92	40		11,854		304
Guerbet Laboratories Ltd. (England)	5,610	2,431	100	5,643	13	1,991	45	8,979		726
Guerbet Asia Pacific (Hong Kong)	N.S.	9,254	100	N.S.	N.S.			43,625		2,462
Guerbet Poland Sp.z.o.o. (Poland)	7	(95)	100	106	106			271		47
Guerbet Czech Republic s.r.o. (Czech Republic)	0	0	100	0	0			0		0
CONTROLLED ENTITIES										
Investments in French companies	N/A	allocated to company officers N/A		108	108				20	N.S.

General information on all subsidiaries and investments	Subsidiaries		Controlled entities	
	French	Foreign	French	Foreign
Book value of securities held:				
■ gross:	4,228	338,158	108	-
■ net:	2,941	332,385	108	-
Amount of loans and advances granted	2,151	87,672	-	-
Amount of deposits and sureties granted	901	19,526	-	-
Amount of dividends received	4,000	8,481	20	-

In the interest of consistency, shareholders' equity and income from subsidiaries are presented in IFRS standards. For subsidiaries outside the euro zone, capital, shareholders' equity and income were converted at the historical rate, and the result was converted at the 2016 average rate.

6.4 Statutory Auditors' report on the annual financial statements

To the Shareholders,

Under the terms of the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2016, concerning:

- the audit of the consolidated financial statements of Guerbet, as attached to the present report;
- the justification of our assessments;
- the specific information and verifications provided for by the law.

The annual statements were approved by the Board of Directors. It is our responsibility to express an opinion on these statements on the basis of our audit.

I. Opinion on the annual statements

We have conducted our audit in accordance with professional standards applicable in France. These standards require that we carry out the necessary procedures in order to obtain reasonable assurance that the annual financial statements contain no significant anomalies. An audit involves examining, through spot checks or other selection methods, the evidence that supports the amounts and disclosures in the annual financial statements. It also consists of assessing the accounting principles used, the significant estimates adopted, and the overall presentation of the statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

We hereby certify that the annual financial statements, in accordance with French rules and accounting principles, give a true and fair view of operating income for the past year and of the assets, liabilities and financial position of the Company at the end of the year.

II. Justification of assessments

In accordance with the provisions of Article L. 823-9 of the French Commercial Code concerning the justification of our assessments, we hereby draw your attention to the following information:

- Each year, the Company assesses the value in use of its investments and holdings using the method described in note d) to the annual financial statements concerning accounting methods and rules. Our work has consisted in evaluating the data on which these estimates are based, in reviewing the calculations made by the Company, and in reviewing the procedure for Management approval of these estimates. On this basis we proceeded to assess the reasonableness of these estimates.

The assessments thus made are part of our audit approach for the consolidated financial statements taken as a whole, and thereby contributed to forming our opinion expressed in the first part of this report.

III. Specific information and verifications

We have also, in accordance with professional standards applicable in France, performed the specific verifications required by law.

We have no remarks to make concerning their fairness and their consistency with the annual financial statements provided in the management report of the Board of Directors and in the documents sent to Shareholders on the financial situation and the annual statements.

Regarding the information provided in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code on compensation and benefits paid to company officers, and on commitments made in their favor, we have verified their consistency with the financial statements or with the data used to establish the statements, and, when applicable, with the information collected by your Company from companies controlling or controlled by your Company. On the basis of this work, we affirm the accuracy and fairness of this information.

In accordance with the law, we have ensured that various information regarding the identity of capital holders and voting rights has been communicated to you in the management report.

Paris and Neuilly-sur-Seine, April 4, 2017

The Statutory Auditors

HAF Audit & Conseil
Member of Crowe Horwath International

Marc de Prémare

Deloitte & Associés

Frédéric Souliard

6.5 Special report of the Statutory Auditors on regulated commitments and agreements

To the Shareholders,

As the Statutory Auditors of your Company, we hereby present to you our report on regulated commitments and agreements.

It is our duty to convey to you, on the basis of the information that was provided to us, the essential features and conditions, with explanations of their advantages for the Company, of the agreements and commitments of which we have been informed or that we may have discovered in the course of our work, without ruling on their usefulness or their justification, or seeking to identify other commitments and agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to assess the advisability of concluding these agreements and commitments with a view to their approval.

Furthermore, it is our responsibility, where applicable, to convey to you the information provided for in Article R. 225-31 of the French Commercial Code relating to the execution, during the past year, of the commitments and agreements already approved at the Annual General Meeting.

We performed the due diligence that we considered necessary in line with the professional standards of the National Audit Authority for this task. This due diligence consisted in verifying that the information provided to us was consistent with the source documents.

Agreements and commitments submitted for approval to the Annual General Meeting

Agreements and commitments authorized during the past fiscal year

We hereby inform you that we were not given notice of any agreement or commitment authorized during the previous year that must be submitted for the approval of the Annual General Meeting in accordance with the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved at the Annual General Meeting

Agreements and commitments approved in previous years which continued to be executed in the past year

In accordance with Article L. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the General Meeting in previous years, continued to be executed in the past year.

Agreements signed with Marie-Claire Janailhac-Fritsch, Chairman of the Board of Directors

Type and subject: Health insurance (mutual) and welfare insurance policy (invalidity, illness and death) taken out by your Company for the benefit of Marie-Claire Janailhac-Fritsch.

These agreements were authorized previously by your Board of Directors, at its meeting on March 11, 2015.

Terms: This health insurance and the welfare insurance policy are the same as those from which Guerbet's employees benefit and have been taken out under the same conditions, in terms of both the cover offered and the financial terms.

Amount: The contributions paid by Guerbet in this respect in the 2016 fiscal year amount to €999.87 for health insurance and €1,241.20 for the welfare insurance policy.

Paris and Neuilly-sur-Seine, April 4, 2017

The Statutory Auditors

HAF Audit & Conseil
Member of Crowe Horwath International
Marc de Prémare

Deloitte & Associés
Frédéric Souliard

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Annual General Meeting on May 19, 2017

7.1 Agenda

Ordinary agenda

1. Reports of the Board of Directors and of the Chairman of the Board of Directors.
   - Reports of the Statutory Auditors on the parent company and consolidated financial statements for 2016.
   - Approval of parent company and consolidated financial statements for 2016.
   - Report of the Statutory Auditors, established in accordance with Article L. 225-235 of the French Commercial Code, relating to the report of the Chairman of the Board of Directors, and internal control procedures and risk management procedures regarding the production and processing of financial and accounting information.
   - Report of one of the Statutory Auditors on CSR information.
   - Special report of the Board of Directors on the allocation of performance shares established pursuant to Article L. 225-197-4 of the French Commercial Code.
   - Discharge to the members of the Board of Directors and the Statutory Auditors regarding the fulfillment of their duties for the past year.
2. Appropriation of income and dividend distribution.
3. Special report of the Statutory Auditors on the agreements in Article L. 225-38 of the French Commercial Code and approval of said agreements.
4. Setting of Directors' attendance fees.
5. Principles and criteria for determining the compensation of company officers.
6. Compensation for the term of Marie-Claire Janailhac-Fritsch as Chairman of the Board of Directors.
7. Compensation for the term of Yves L'Épine as CEO.
8. Compensation for the term of Brigitte Gayet as Deputy CEO.
9. Compensation for the term of Pierre André as Deputy CEO.
10. Reappointment of Marie-Claire Janailhac-Fritsch as a member of the Board.
11. Reappointment of Marion Barbier as a member of the Board.
12. Appointment of Thibault Viort as an independent member of the Board.
13. Appointment of Éric Guerbet as a member of the Board.
14. Renewal of the company Deloitte et Associés as co-Statutory Auditor.
15. Authorization to be granted to the Board of Directors to buy shares of the Company.

Extraordinary agenda

16. Amendment to the Company's articles of association: article 9.
17. Amendment to the Company's articles of association: articles 2 and 14.
18. Amendment to the Company's articles of association: articles 13 and 16.

Ordinary agenda

19. Powers for formalities.

7.2 Resolutions

Ordinary agenda

First resolution

Approval of the parent company and consolidated financial statements for the fiscal year ended December 31, 2016 and discharge to members of the Board and to the Statutory Auditors

The Shareholders at the Annual General Meeting, after presentation of the reports of the Board of Directors and its Chairman, and having consulted the reports of the Statutory Auditors, approve the parent company and consolidated financial statements for the 2016 fiscal year as presented.

Accordingly, the Shareholders approve the operations evidenced by these accounts or summarized in these reports and discharge the members of the Board of Directors, as well as the Statutory Auditors, for their terms of office in the past year.

Second resolution

Appropriation of income and dividend distribution

The Shareholders at the Annual General Meeting, after noting that the statements for 2016 show net income of €15,142,017.38, approve the proposals of the Board of Directors for the appropriation of income and the following dividend distribution:

(in €)	
Net income	15,142,017.38
Positive retained earnings	63,731,611.94
TOTAL TO BE APPROPRIATED	**78,873,629.32**
Legal reserve	29,296.40
TOTAL DISTRIBUTABLE	**78,844,332.92**
Statutory dividend	750,068.88
Supplemental dividend	9,875,906.92
TOTAL NET DIVIDEND	**10,625,975.80**
BALANCE APPROPRIATED TO RETAINED EARNINGS	**68,218,357.12**

Accordingly, the Annual General Meeting sets the dividend for this fiscal year at €0.85 per share. The dividend will be paid from May 29, 2017 and will apply to the 12,501,148 shares making up the Company's share capital.

In accordance with Article 158 of the French General Tax Code, individuals resident in France for tax purposes are eligible for a 40% tax rebate on this dividend.

It is specified that, for payment of the dividend, the Company's holding of treasury shares will be taken into account if necessary, and the distributable profits, corresponding to the dividend not paid because of said treasury shares, will be appropriated to retained earnings.

As a reminder, in accordance with the law, the amounts of the dividends paid for the previous three years were as follows:

Year	Total amount distributed	Gross dividend per share (1)	Tax rebate (2)
2013	€6,100,092.00	€0.50	€0.20
2014	€6,104,092.00	€0.50	€0.20
2015	€8,023,258.10	€0.65	€0.26

(1) Before taxes and social security contributions.
(2) For individuals resident in France for tax purposes.

Third resolution

Special report of the Statutory Auditors on the agreements in Article L. 225-38 of the French Commercial Code and approval of said agreements

The Shareholders at the Annual General Meeting, after having been read the special report of the Statutory Auditors on the agreements referred to in Article L. 225-38 of the French Commercial Code, and giving their decision on this report, approve the agreements mentioned therein.

Fourth resolution

Setting of Directors' attendance fees

The Shareholders at the Annual General Meeting set €240,000 as the maximum total amount of Directors' attendance fees for the fiscal year ended December 31, 2016.

Fifth resolution

Principles and criteria for determining the compensation of company officers

Having reviewed the report provided for in Article L. 225-37-2 of the French Commercial Code, the Shareholders at the Annual General Meeting approve the principles and criteria for the determination, distribution and allocation of the fixed, variable, and exceptional portions of the total compensation and benefits of any kind, presented in the aforementioned report, that may be allocated to Marie-Claire Janailhac-Fritsch as Chairman of the Board of Directors, Yves L'Épine as CEO, and Pierre André as Deputy CEO.

Sixth resolution

Compensation for the term of Marie-Claire Janailhac-Fritsch as Chairman of the Board of Directors

The Shareholders at the Annual General Meeting, having examined the report of the Board of Directors, and in accordance with the provisions of paragraph 26 of the Afep-Medef Code of corporate governance, approve the compensation due or awarded to Marie-Claire Janailhac-Fritsch for her term as Chairman of the Board of Directors for the fiscal year ended December 31, 2016.

Seventh resolution

Compensation for the term of Yves L'Épine as CEO

The Shareholders at the Annual General Meeting, having examined the report of the Board of Directors, and in accordance with the provisions of paragraph 26 of the Afep-Medef Code of corporate governance, approve the compensation due or awarded to Yves L'Épine for his term as CEO for the fiscal year ended December 31, 2016.

Eighth resolution

Compensation for the term of Brigitte Gayet as Deputy CEO

The Shareholders at the Annual General Meeting, having examined the report of the Board of Directors, and in accordance with the provisions of paragraph 26 of the Afep-Medef Code of corporate governance, approve the compensation due or awarded to Brigitte Gayet for her term as Deputy CEO from January 1, 2016 to May 31, 2016.

Ninth resolution

Compensation for the term of Pierre André as Deputy CEO

The Shareholders at the Annual General Meeting, having examined the report of the Board of Directors, and in accordance with the provisions of paragraph 26 of the Afep-Medef Code of corporate governance, approve the compensation due or awarded to Pierre André for his term as Deputy CEO from June 1, 2016 to December 31, 2016.

Tenth resolution

Reappointment of Marie-Claire Janailhac-Fritsch as a member of the Board

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, reappoint Marie-Claire Janailhac-Fritsch, whose term has expired, as member of the Board for a period of six years ending after the Ordinary General Meeting of Shareholders to be held in 2023 to deliberate on the financial statements for the fiscal year ending December 31, 2022.

Eleventh resolution

Reappointment of Marion Barbier as a member of the Board

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, reappoint Marion Barbier, whose term has expired, as member of the Board for a period of six years ending after the Ordinary General Meeting of Shareholders to be held in 2023 to deliberate on the financial statements for the fiscal year ending December 31, 2022.

Twelfth resolution

Appointment of Thibault Viort as an independent member of the Board

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, immediately appoint Thibault Viort, who resides at 10, rue Mabillon – 75006 Paris and was born in Saint-Jean-de-Luz on September 24, 1972, as member of the Company's Board for a period of six years ending after the Ordinary General Meeting of Shareholders to be held in 2023 to deliberate on the financial statements for the fiscal year ending December 31, 2022.

Thirteenth resolution

Appointment of Éric Guerbet as a non-independent member of the Board

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Ordinary General Meetings, immediately appoint Éric Guerbet, who resides at 16, rue du Sentier – 78400 Chatou and was born in Courbevoie on August 4, 1976, as member of the Company's Board for a period of six years ending after the Ordinary General Meeting of Shareholders to be held in 2023 to deliberate on the financial statements for the fiscal year ending December 31, 2022.

Fourteenth resolution

Renewal of the company Deloitte et Associés as co-Statutory Auditor

The Shareholders at the Ordinary General Meeting decide to reappoint the company Deloitte et Associés, whose head office is at 185 C, avenue Charles-de-Gaulle – 92200 Neuilly-sur-Seine, as Statutory Auditor for a six-year period ending after the Ordinary General Meeting of Shareholders to be held in 2023 to deliberate on the financial statements for the fiscal year ending December 31, 2022.

Fifteenth resolution

Authorization to be granted to the Board of Directors to buy shares of the Company

The Shareholders at the Annual General Meeting, having examined the report of the Board of Directors, authorizes the Board of Directors, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, to have the Company buy its own shares.

This authorization is granted to allow, if necessary:

- the award of shares to employees and/or executive management of the Company (in the conditions and according to the procedures foreseen by law), notably for a stock option scheme, a performance share allotment scheme, or a Company savings plan;
- the purchase of shares to place in reserves for future use as payment or exchange for M&A operations as a practice accepted by the French *Autorité des marchés financiers* (AMF);
- market-making or support for the share's liquidity *via* an investment services provider under a liquidity agreement.

Purchases, sales, or transfers described above can be made by any means in accordance with the laws and regulations in force, including by using financial derivatives and by block purchases or sales.

These transactions can take place at any time, including during public offerings of the Company's shares, provided said offering is settled in full in cash and subject to the lockup periods provided for by applicable laws and regulations.

The Shareholders at the Annual General Meeting set the maximum number of shares that can be acquired under the present resolution at 5% of the Company's share capital on the date of the present Meeting, which corresponds to 625,057 shares of par value €1. It is further specified that, for the application of the present authorization, the number of treasury shares must be taken into consideration so that the Company remains permanently within the limit of a number of treasury shares equal to at most10% of its share capital.

The maximum purchase price is set at €130. Furthermore, the Shareholders decide that the total amount dedicated to these purchases shall not exceed the amount of €81,257,410, on the basis of 625,057 shares.

In the event of a capital increase through the capitalization of premiums, reserves, profits or other, in the form of a performance share allotment during the period of validity of this authorization, as well as in case of a stock split or reverse stock split, the maximum price above will be adjusted based on the ratio between the number of shares issued and outstanding before the transaction and after the transaction.

The Shareholders grant to the Board of Directors, along with the ability to delegate in the conditions provided for by law, all of the necessary powers to:

- decide upon the implementation of the present authorization, in accordance with statutory provisions;
- place any stock market orders, and enter into any agreements, notably for keeping registers of share purchases and sales, in accordance with applicable financial market regulations;
- make all declarations and carry out all other formalities and, in general, do all that is necessary.

The Board of Directors will inform the Shareholders at the Ordinary Annual General Meeting of all transactions carried out under this resolution.

This authorization is given for a period of 18 months starting from the date of this Meeting. It supersedes and replaces the authorization previously given under the eleventh resolution of the Annual General Meeting on May 27, 2016.

Extraordinary agenda

Sixteenth resolution

Amendment to Article 9 of the Company's articles of association – Composition of the Board of Directors, minimum number of shares held by members of the Board, and designation of an employee member of the Board

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Extraordinary General Meetings and having reviewed the report of the Board of Directors, decide to make the following amendments to Article 9 of the articles of association:

- Division of Article 9 into two sub-articles: Article 9a – Composition, and Article 9b – Appointment of the Board of Directors and term of office.
- Increase in the maximum number of members of the Board of Directors from 12 to 18.
- Increase in the minimum number of shares that each member of the Board must own from 1 to 200.
- Insertion into the new sub-article 9c of the principle and methods for appointing an employee member of the Board on the basis of Article L. 225-27 of the French Commercial Code.

Article 9 of the articles of association is canceled in its previous wording and will now be drafted as follows:

"Article 9 – COMPOSITION – APPOINTMENT OF THE BOARD OF DIRECTORS AND TERM OF OFFICE

a – Composition

The Company shall be administered by a Board of Directors. Subject to the exceptions provided for by law, the Board of Directors shall be composed of at least three (3) members and no more than eighteen (18) members, appointed by the Ordinary General Meeting of Shareholders.

b – Appointment of the Board of Directors and term of office

Board members, whether they are individuals or legal entities, are appointed by the Ordinary General Meeting of Shareholders for a term of six (6) years, expiring after the Ordinary General Meeting of Shareholders called to approve the financial statements for the previous fiscal year and held in the year in which the term of office expires.*

Each Board member must own at least two hundred (200) shares in the Company. If, on the day of his or her appointment, a Board member does not own the requisite number of shares, or if, during his or her term of office, he or she ceases to own them, he or she is automatically deemed to have resigned if they have not rectified the situation within three (3) months.*

* *With the exception of the employee member referred to in Article 9c.*

The number of Board members who have reached the age of 70 may not exceed one third of the members of said Board. If this limit is exceeded, the oldest Board member is automatically deemed to have resigned after the Ordinary General Meeting called to approve the financial statements for the fiscal year in which the limit was exceeded.

Board members are reappointed, resign, are co-opted if a vacancy arises and are dismissed under the conditions provided for by law.

c – Employee member of the Board (Article L. 225-27 of the French Commercial Code)

The Board of Directors shall include one (1) employee member elected from among and by the Company's staff and the staff of its direct or indirect subsidiaries whose head office is located on French territory, pursuant to Article L. 225-27 of the French Commercial Code.

Unless otherwise stipulated, the employee member of the Board shall have the same rights and shall be subject to the same duties as the Company's Board members referred to in Article 9b of the articles of association. In particular, the employee member of the Board shall be subject to the same obligation of confidentiality and must comply with the principle of collegiality of the Board of Directors. As such, the employee member of the Board undertakes, in respect of the other employees of the Company or third parties external to the Company, not to communicate any information related to the agendas, work and decisions of the Board, and to obey its rules of communication.

The employee member of the Board shall have a term of six (6) years.

The Board member elected by the salaried personnel shall take office during the first meeting of the Board of Directors held after the proclamation of the outcome of the elections.

In case of vacancy by death, resignation, dismissal, or breach of the employment contract of the employee member of the Board, said member's replacement shall take office instantly with a term ending upon the expiry of the term of his or her predecessor. In the absence of a suitable replacement to fulfill the duties, a new election shall be held within three (3) months.

In this regard, the Board member elected by the employees may only be dismissed under the conditions laid down by the laws and regulations in force. In accordance with Article L. 225-32 of the French Commercial Code, the dismissal of the employee member of the Board can only result from misconduct in the exercise of his or her mandate, and only the president of the High Court (tribunal de grande instance), ruling in summary proceedings, may make such a decision, at the request of the majority of all members of the Board of Directors.

The employee member of the Board shall be elected by majority vote in two rounds, in accordance with the provisions of Article L. 225-28 of the French Commercial Code and the stipulations of this article. In the event of a tie vote, the candidates with the oldest employment contract shall be declared elected.

The voters and eligible candidates shall be the staff members who meet the conditions provided for by law.

Each nomination must include, in addition to the candidate's name, the name of his or her possible alternate. The candidate and his or her alternate must be of different genders.

Nominations other than those presented by a representative trade union organization must be accompanied by a document containing the names and signatures of (i) 5% of the employee voters if the total number of voters is less than 2,000 or (ii) one hundred employee voters if the total number of voters is greater than 2,000.

The practical arrangements for the elections, which supplement these provisions, specify in particular the timetable, methods of collection and publication of nominations, as well as the adopted election method (correspondence, electronic, ballot box). They shall be approved by the Chief Executive Officer.

Candidates must use the standard formats adopted by the Senior Management to facilitate and harmonize the presentation of the candidates (application form and video). Candidacy forms shall be disseminated by display on Management's notice boards and videos on the Company's intranet.

* *With the exception of the employee member referred to in Article 9c.*

Elections shall be organized in such a way that a second round can be held no later than fifteen (15) days before the end of the term of the outgoing employee member of the Board.

During each election, the Chief Executive Officer shall prepare the list of subsidiaries whose staff will take part in the vote and shall fix the date of the elections on a date complying with the following time frames:

- *the date of the election shall be posted within the Company and disseminated in accordance with all other conditions defined by the Chief Executive Officer at least eight (8) weeks before the date of the first round of the election;*
- *the list of voters shall be posted within the Company and disseminated in accordance with all other conditions defined by the Chief Executive Officer at least six (6) weeks before the date of the first round of the election;*
- *nominations must be submitted at least five (5) weeks before the date of the first round of the election;*
- *the list of candidates shall be posted within the Company and disseminated in accordance with all other conditions defined by the Chief Executive Officer at least four (4) weeks before the date of the first round of the election;*
- *the documents necessary for postal voting must be submitted at least three (3) weeks before the date of the first round of the election.*

If a second round proves necessary, it shall be organized no less than one (1) week and no more than one (1) month after the first round. There shall be no call for new nominations between the two rounds, unless there are not enough candidates.

The results of the vote shall be recorded in a report posted and disseminated in accordance with all other conditions defined by the Chief Executive Officer no later than three (3) business days from the close of the election.

Seventeenth resolution

Amendments to Articles 2 and 14 of the Company's articles of association – Wording of the Company purpose and age limit for the Chief Executive Officer and the Deputy Chief Executive Officer(s)

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Extraordinary General Meetings and having reviewed the report of the Board of Directors, decide to amend Articles 2 and 14 of the articles of association.

1. Amendment to Article 2 of the Company's articles of association: change in the wording of the Company purpose.

Article 2 of the articles of association is canceled in its previous wording and will now be drafted as follows:

"Article 2 – COMPANY PURPOSE

The Company's purpose, in France and every country, is the:

- *Manufacture, purchase, and marketing of all pharmaceutical and chemical products, and all medical devices.*
- *Research, development, and invention of all pharmaceutical and chemical products, and all medical devices.*
- *Development and marketing of services, in any form whatsoever, either directly or indirectly related to pharmaceutical and medical activities, and to healthcare activities more generally.*
- *All industrial, commercial, financial activities directly or indirectly related to this purpose, including research activities, and the creation, acquisition, holding, operation and sale of patents, licenses, know-how and, more generally, all intellectual and industrial property rights.*

And generally, any industrial, commercial, financial, investment or property operations that may be directly or indirectly related to the above purposes or that could facilitate their application or development."

2. Amendment to Article 14 of the Company's articles of association – change in the age limit for the Chief Executive Officer and/or Deputy Chief Executive Officer(s).

Article 14c is amended as follows, while the rest of the article remains unchanged:

"Article 14 – MANAGEMENT BODIES

[...]

c –Age limit for the Chief Executive Officer and/or Deputy Chief Executive Officer(s)

The age limit for exercising the duties of the Chief Executive Officer and Deputy Chief Executive Officer shall be 65 years. Their duties shall automatically cease at the first meeting of the Board of Directors following their 65th birthday."

Eighteenth resolution

Amendments to Articles 13 and 16 of the Company's articles of association – Principle of voting in the General Meeting on executive compensation

The Shareholders at the Annual General Meeting, deliberating under the quorum and majority conditions required for Extraordinary General Meetings and having reviewed the report of the Board of Directors, decides to amend Articles 13 and 16 of the articles of association.

1. Amendment to Article 13 of the Company's articles of association: principle of voting in the General Meeting on the Chairman's compensation.

The fourth paragraph is amended as follows, while the rest of the article remains unchanged:

"Article 13 – COMPENSATION OF THE MEMBERS AND CHAIRMAN OF THE BOARD OF DIRECTORS

[...]

In addition to his or her share in the directors' attendance fees received in his/her capacity of member of the Board, the Chairman of the Board of Directors may receive special compensation determined by the Board of Directors. The components of the Chairman's compensation shall be the subject of a vote in the next General Meeting under the conditions laid down by law."

2. Amendment to Article 16 of the Company's articles of association: principle of voting in the General Meeting on the compensation of the Chief Executive Officer and the Deputy Chief Executive Officer(s).

The article is canceled in its previous wording and will now be drafted as follows:

"Article 16 – COMPENSATION OF THE CHIEF EXECUTIVE OFFICER AND THE DEPUTY CHIEF EXECUTIVE OFFICER(S)

The fixed and, where applicable, proportional benefits intended to compensate the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officer(s) for their duties shall be determined by the Board of Directors. They shall be the subject of a vote in the next General Meeting under the conditions laid down by law."

Ordinary agenda

Nineteenth resolution

Powers for formalities

The Shareholders confer all powers on the bearer of the original, an excerpt, or a copy of these minutes to accomplish all formalities including filing, publication, and other.

The Board of Directors

7.3 Reports from the Board of Directors to the Annual General Meeting

7.3.1 Vote on the principles and criteria for compensation for company officers: resolution 5

Pursuant to Article L. 225-37-2 of the French Commercial Code, the Board of Directors submits for approval by the General Meeting the principles and criteria applicable to the determination, distribution, and allocation of the fixed, variable, and exceptional portions of the total compensation and benefits of any kind that may be allocated to Marie-Claire Janailhac-Fritsch as Chairman of the Board of Directors, Yves L'Épine as Chief Executive Officer, and Pierre André as Deputy Chief Executive Officer for their performance of their duties for fiscal year 2016 and constituting the compensation policy concerning them.

These principles and criteria adopted by the Board of Directors are presented in the report provided for by the aforementioned article and contained in section 2 "Compensation of company officers" of the "Corporate governance" chapter of the Registration Document. Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from the application of these principles and criteria shall be subject to approval by the Shareholders at the General Meeting deliberating on the financial statements for fiscal year 2017.

We propose that you approve the principles and criteria as presented in this report.

The Board of Directors

7.3.2 Vote on compensation for company officers: resolutions 6, 7, 8, and 9

The Board of Directors presents to the Shareholders the details of compensation of executive company officers that, in accordance with the provisions of Article 26 of the Afep-Medef Code of corporate governance, must be subject to an advisory vote by the Shareholders of the Company.

Compensation for the executive company officers concerns:

- Marie-Claire Janailhac-Fritsch as Chairman of the Board of Directors;
- Yves L'Épine as CEO;
- Brigitte Gayet as Deputy CEO;
- Pierre André as Deputy CEO.

We invite you to familiarize yourselves with the compensation details for the company officers in question in section 2 "Compensation of company officers" of the chapter entitled "Corporate governance".

As a reminder, when the Annual General Meeting expresses a negative opinion, the Board of Directors, on the advice of the Appointment and Compensation Committee, must deliberate on the subject and publish a press release on the Company's website indicating the response that it intends to give to the wishes expressed by the Shareholders at the Annual General Meeting.

The Board of Directors

7.3.3 Authorization granted to the Board of Directors to buy shares of the Company: resolution 15

It is requested that the Shareholders decide on authorizing the Board of Directors to buy shares of the Company, in accordance with Article L. 225-209 of the French Commercial Code.

This authorization will allow, if necessary:

- the award of shares to employees and/or executive management of the Company (in the conditions and according to the procedures foreseen by law), notably for a stock option scheme, a performance share allotment scheme, or a Company savings plan;
- the purchase of shares to place in reserves for future use as payment or exchange for M&A operations as a practice accepted by the French *Autorité des marchés financiers* (AMF);
- market-making or support for the share's liquidity *via* an investment services provider under a liquidity agreement that complies with the AMAFI code of ethics (the French association of securities industry and financial market professionals) recognized by the AMF.

The authorization would extend to a maximum number of shares corresponding to 5% of the Company's share capital, which represents 625,057 shares of par value €1. It is further specified that, under this authorization, the maximum number of shares held by the Company will be permanently limited to 10% of the Company's share capital.

The maximum purchase price would be set at €130. Thus, the total amount dedicated to these purchases will not exceed the amount of €81,257,410, on the basis of 625,057 shares.

This authorization would be given for a period of 18 months starting from the day of this Meeting and would replace the authorization previously given under the 12th resolution of the Annual General Meeting on May 27, 2016.

The Board of Directors

7.3.4 Amendments to the Company's articles of association: resolutions 16, 17, and 18

The General Meeting is asked to decide on the proposed amendments to the Company's articles of association in accordance with the reasons and terms set out below.

Presentation of resolution 16

Amendment to article 9 of the Company's articles of association:

- New organization of Article 9 of the articles of association: subdivision of Article 9 through the creation of sub-articles 9a and 9b:

Reasons:	Given the substantial amendments made below to Article 9, it is proposed to further subdivide Article 9 into two sub-articles 9a and 9b.
Wording of Article 9a:	*The first paragraph of Article 9 is grouped under sub-article 9a.*
Wording of Article 9b:	*Paragraphs 2 to 4 of Article 9 are grouped under sub-article 9b.*

- Amendment to Article 9a of the articles of association: maximum number of members of the Board of Directors:

Reasons:	It is proposed to the General Meeting to increase the maximum number of members of the Board of Directors from 12 (twelve) to 18 (eighteen) in order to harmonize the provisions of the articles of association with those of the French Commercial Code.
Former wording of Article 9a:	**a – Composition** *The Board of Directors shall be composed of three (3) to twelve (12) members, unless a temporary exception is provided for by law in the event of a merger.* *Board members, whether they are individuals or legal entities, are appointed by the Ordinary General Meeting of Shareholders for a term of six (6) years, expiring after the Ordinary General Meeting of Shareholders called to approve the financial statements for the previous fiscal year and held in the year in which the term of office expires.*
New wording of Article 9a:	**a – Composition** *The Company shall be administered by a Board of Directors. Subject to the exceptions provided for by law, the Board of Directors shall be composed of at least three (3) members and no more than eighteen (18) members, appointed by the Ordinary General Meeting of Shareholders.* *Board members (*), whether they are individuals or legal entities, are appointed by the Ordinary General Meeting of Shareholders for a term of six (6) years, expiring after the Ordinary General Meeting of Shareholders called to approve the financial statements for the previous fiscal year and held in the year in which the term of office expires.*

(*) With the exception of the employee member referred to in Article 9c.

- Amendment to Article 9b paragraph 2 of the articles of association: minimum number of shares to be held by Board members:

Reasons:	It is proposed to the General Meeting to increase the minimum number of shares to be held by each Board member from one (1) to two hundred (200). This amendment is proposed in light of the changes in the Company's rules of governance adopted on the recommendations of the Afep-Medef Corporate Governance Code. The employee member of the Board mentioned in Article 9c shall be subject to this obligation.
Former wording of Article 9b paragraph 2:	**b – Appointment of the Board of Directors and term of office** *[...]* *Each Board member must own at least one (1) Company share. If, on the day of his or her appointment, a Board member does not own the requisite number of shares, or if, during his or her term of office, he or she ceases to own them, he or she is automatically deemed to have resigned if he or she has not rectified the situation within three (3) months.* *[...]* *Board members are reappointed, resign, are co-opted if a vacancy arises and are dismissed under the conditions provided for by law.*
New wording of Article 9b paragraph 2:	**b – Appointment of the Board of Directors and term of office** *[...]* *Each Board member must own at least two hundred (200) shares in the Company, with the exception of the employee member of the Board referred to in Article 9c as provided for by law. If, on the day of his or her appointment, a Board member does not own the requisite number of shares, or if, during his or her term of office, he or she ceases to own them, he or she is automatically deemed to have resigned if they have not rectified the situation within three (3) months.* *[...]* *Board members (*) are reappointed, resign, are co-opted if a vacancy arises and are dismissed under the conditions provided for by law.*

(*) With the exception of the employee member referred to in Article 9c

◆ Addition of sub-article 9c: appointment of an employee member of the Board (Article L. 225-27 of the French Commercial Code):

Reasons:	It is proposed to the General Meeting to insert into Article 9 of the articles of association, *via* a new sub-article 9c, the principle and terms for appointment of an employee member of the Board within the Board of Directors. This appointment, proposed on the basis of Article L. 225-27 of the French Commercial Code, aims to provide beforehand for changes in the Company's governance bodies given its growth and legislative developments. The employees of the Company and its French subsidiaries shall appoint a Board member elected from among the employees for a term of six years. This employee member of the Board shall have the same status as the Company's other Board members.
Wording of Article 9c:	**c – Employee member of the Board (Article L. 225-27 of the French Commercial Code)** *The Board of Directors shall include one (1) employee member elected from among and by the Company's staff and the staff of its direct or indirect subsidiaries whose head office is located on French territory, pursuant to Article L. 225-27 of the French Commercial Code.* *Unless otherwise stipulated, the employee member of the Board shall have the same rights and shall be subject to the same duties as the Company's Board members referred to in Article 9b of the articles of association. In particular, the employee member of the Board shall be subject to the same obligation of confidentiality and must comply with the principle of collegiality of the Board of Directors. As such, the employee member of the Board undertakes, in respect of the other employees of the Company or third parties external to the Company, not to communicate any information related to the agendas, work and decisions of the Board and to obey its rules of communication.* *The employee member of the Board shall have a term of six (6) years.* *The Board member elected by the salaried personnel shall take office during the first meeting of the Board of Directors held after the proclamation of the outcome of the elections.* *In case of vacancy by death, resignation, dismissal, or breach of the employment contract of the employee member of the Board, this member's replacement shall take office instantly with a term ending upon the expiry of the term of his or her predecessor. In the absence of a suitable replacement to fulfill the duties, a new election shall be held within three (3) months.* *In this regard, the Board member elected by the employees may only be dismissed under the conditions laid down by the laws and regulations in force. In accordance with Article L. 225-32 of the French Commercial Code, the dismissal of the employee member of the Board can only result from misconduct in the exercise of his or her mandate, and only the president of the High Court (tribunal de grande instance), ruling in summary proceedings, may make such a decision, at the request of the majority of all members of the Board of Directors* *The employee member of the Board shall be elected by majority vote in two rounds, in accordance with the provisions of Article L. 225-28 of the French Commercial Code and the stipulations of this article. In the event of a tie vote, the candidates with the oldest employment contract shall be declared elected.* *The voters and eligible candidates shall be the staff members who meet the conditions provided for by law.* *Each nomination must include, in addition to the candidate's name, the name of his or her possible alternate. The candidate and his or her alternate must be of different genders.* *Nominations other than those presented by a representative trade union organization must be accompanied by a document containing the names and signatures of (i) 5% of the employee voters if the total number of voters is less than 2,000 or (ii) one hundred employee voters if the total number of voters is greater than 2,000.* *The practical arrangements for the elections, which supplement these provisions, specify in particular the timetable, methods of collection and publication of nominations, as well as the adopted election method (correspondence, electronic, ballot box). They shall be approved by the Chief Executive Officer.* *Candidates must use the standard formats adopted by the Senior Management to facilitate and harmonize the presentation of the candidates (application form and video). Candidacy forms shall be disseminated by display on Management's notice boards and videos on the Company's intranet.* *Elections shall be organized in such a way that a second round can be held no later than fifteen (15) days before the end of the term of the outgoing employee member of the Board.* *During each election, the Chief Executive Officer shall prepare the list of subsidiaries whose staff will take part in the vote and shall fix the date of the elections on a date complying with the following time frames:* ■ *the date of the election shall be posted within the Company and disseminated in accordance with all other conditions defined by the Chief Executive Officer at least eight (8) weeks before the date of the first round of the election;* ■ *the list of voters shall be posted within the Company and disseminated in accordance with all other conditions defined by the Chief Executive Officer at least six (6) weeks before the date of the first round of the election;* ■ *nominations must be submitted at least five (5) weeks before the date of the first round of the election;* ■ *the list of candidates shall be posted within the Company and disseminated in accordance with all other conditions defined by the Chief Executive Officer at least four (4) weeks before the date of the first round of the election;* ■ *the documents necessary for postal voting must be submitted at least three (3) weeks before the date of the first round of the election.* *If a second round proves necessary, it shall be organized no less than one (1) week and no more than one (1) month after the first round. There shall be no call for new nominations between the two rounds, unless there are not enough candidates.* *The results of the vote shall be recorded in a report posted and disseminated in accordance with all other conditions defined by the Chief Executive Officer no later than three (3) business days from the close of the election.*

Presentation of resolution 17

Amendment to Article 2 of the Company's articles of association: Company purpose.

Reasons:	It is proposed to the General Meeting to change the wording of the Company's purpose appearing in Article 2 of the articles of association in order to adopt a more general wording.
Former wording of Article 2:	**Article 2 – COMPANY PURPOSE** *The Company's purpose, in France and every country, is the:* ■ *administration, governance and management of all companies or businesses, and direct or indirect participation in all operations conducted by those companies or businesses, by all means;* ■ *research and technical assistance for all companies, particularly in the fields of chemicals and pharmaceuticals;* ■ *purchase, sale, production, processing and use of all chemical and parachemical products;* ■ *purchase, production, use, sale and distribution of all pharmaceutical products and specialties, and all related accessories, items or services;* ■ *pharmaceutical and clinical research, as well as production and distribution of all products for pharmacological and clinical trials;* ■ *creation, deposit, acquisition and direct or indirect use of all invention patents; acquisition of all licenses and their direct or indirect use;* ■ *acquisition of a stake or interest in all industrial, commercial, financial, investment and property companies and businesses, the creation of all companies, and participation in all capital increases, mergers, splits, mergers/spin-offs and partial asset contributions;* ■ *acquisition and management of all securities and ownership rights by all means, notably through subscription, contributions, acquisition of shares, shares of founders or beneficiaries of share rights, partnership interests or other types of ownership rights, and bonds;* ■ *and generally, any industrial, commercial, financial, investment or property operations that may be directly or indirectly related to the above purposes or that could facilitate their application or development.*
New wording of Article 2:	**Article 2 – COMPANY PURPOSE** *The Company's purpose, in France and every country, is the:* ■ *manufacture, purchase, and marketing of all pharmaceutical and chemical products, and all medical devices;* ■ *research, development, and invention of all pharmaceutical and chemical products, and all medical devices;* ■ *development and marketing of services, in any form whatsoever, either directly or indirectly related to pharmaceutical and medical activities, and to healthcare activities more generally;* ■ *all industrial, commercial and financial activities directly or indirectly related to this purpose, including research activities, and the creation, acquisition, holding, use and sale of patents, licenses, know-how and, more generally, all intellectual and industrial property rights;* *and any industrial, commercial, financial, investment or property operations that may be directly or indirectly related to the above purposes or that could facilitate their application or development.*

Amendment to Article 14c of the Company's articles of association – age limit for the Chief Executive Officer and/or Deputy Chief Executive Officer(s) reduced from 75 to 65 years.

Reasons:	It is proposed to the General Meeting to reduce the age limit of the Chief Executive Officer and the Deputy Chief Executive Officer(s) from 75 years to 65 years in order to harmonize the provisions of the articles of association with those of the French Commercial Code. It is recalled that the age limit was 65 years prior to 2011. It had been increased to 75 years to address an exceptional situation.
Former wording of Article 14c:	**Article 14 – MANAGEMENT BODIES** *[...]* **c – Age limit for the Chief Executive Officer and/or Deputy Chief Executive Officer(s)** *The age limit for exercising the duties of the Chief Executive Officer and Deputy Chief Executive Officer shall be 75 years. Their duties shall automatically cease at the first meeting of the Board of Directors following their 75th birthday.*
New wording of Article 14c:	**Article 14 – MANAGEMENT BODIES** *[...]* **c – Age limit for the Chief Executive Officer and/or Deputy Chief Executive Officer(s)** *The age limit for exercising the duties of the Chief Executive Officer and Deputy Chief Executive Officer shall be 65 years. Their duties shall automatically cease at the first meeting of the Board of Directors following their 65th birthday.*

Presentation of resolution 18

Amendment to Article 13 paragraph 4 of the Company's articles of association: principle of voting in the General Meeting on the Chairman's compensation.

Reasons:	It is proposed to the General Meeting to specify in Article 13 paragraph 4 of the articles of association that the compensation of the Chairman is submitted to the General Meeting for a vote. This purpose of the amendment to the articles of association is to incorporate the new legislative requirements, particularly those provided for in Article L. 225-37-2 of the French Commercial Code.
Former wording of Article 13 paragraph 4:	**Article 13 – COMPENSATION OF THE MEMBERS AND CHAIRMAN OF THE BOARD OF DIRECTORS** *[...]* *In addition to his or her share in the directors' attendance fees received in the capacity of member of the Board, the Chairman of the Board of Directors may receive special compensation determined by the Board of Directors.*
New wording of Article 13 paragraph 4:	**Article 13 – COMPENSATION OF THE MEMBERS AND CHAIRMAN OF THE BOARD OF DIRECTORS** *[...]* *In addition to his or her share in the directors' attendance fees received in the capacity of member of the Board, the Chairman of the Board of Directors may receive special compensation determined by the Board of Directors. The components of the Chairman's compensation shall be the subject of a vote in the next General Meeting under the conditions laid down by law.*

Amendment to Article 16 of the Company's articles of association: principle of voting in the General Meeting on the compensation of the Chief Executive Officer and the Deputy Chief Executive Officer(s).

Reasons:	It is proposed to the General Meeting to specify in article 16 of the articles of association that the compensation of the Deputy Chief Executive Officer(s) is submitted to the General Meeting for a vote. This purpose of the amendment to the articles of association is to incorporate the new legislative requirements, particularly those provided for in Article L. 225-37-2 of the French Commercial Code.
Former wording of Article 16:	**Article 16 – COMPENSATION OF THE CHIEF EXECUTIVE OFFICER AND THE DEPUTY CHIEF EXECUTIVE OFFICER(S)** *The fixed and, where applicable, proportional benefits intended to compensate the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officer(s) for their duties shall be determined by the Board of Directors.*
New wording of article 16:	**Article 16 – COMPENSATION OF THE CHIEF EXECUTIVE OFFICER AND THE DEPUTY CHIEF EXECUTIVE OFFICER(S)** *The fixed and, where applicable, proportional benefits intended to compensate the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officer(s) for their duties shall be determined by the Board of Directors. They shall be the subject of a vote in the next General Meeting under the conditions laid down by law.*

The Board of Directors

7.3.5 Special report of the Board of Directors on the allocation of performance shares pursuant to Article L. 225-197-4 of the French Commercial Code

Fiscal year ended December 31, 2016

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, your Board of Directors hereby informs you of the operations carried out in accordance with the provisions of Articles L. 225-197-1 to L. 225-197-3 of said Code concerning performance shares.

During the fiscal year ended December 31, 2016, acting in accordance with the authorization granted by the Company's Extraordinary General Meeting of May 27, 2016, the Board of Directors decided to allocate performance shares as detailed below.

1. On September 27, 2016, the Board of Directors approved a performance share allocation plan for all employees and officers of the Company and its French and foreign subsidiaries.

Decision of the Board of Directors of September 27, 2016 – Plan 1	
Date of the Extraordinary General Meeting:	May 27, 2016
Board meeting date:	September 27, 2016
Number of shares granted:	
Grants decided by the Board:	65,000 shares
Shares granted at December 31, 2016:	60,925 shares
Of which granted to company officers:	50 shares
Company officers:	
Yves L'Épine – Chief Executive Officer:	25 shares
Pierre André – Deputy Chief Executive Officer:	25 shares
Of which granted to the Group's top 10 non-officer beneficiary employees:	Each beneficiary was granted 25 shares.
Valuation of granted shares at December 31, 2016	€4,040,000
Vesting period/conditions:	Grant period of two years from September 28, 2016. The final acquisition of the granted shares is subject to a condition of presence at the end of the grant period and the fulfillment of collective performance criteria. The acquired shares shall be available without any required holding period. However, the Chief Executive Officer and the Deputy Chief Executive Officer(s) must hold respectively 20% and 5% of their acquired shares until the end of their duties within the Company.

2. On November 8, 2016, the Board of Directors approved a performance share allocation plan for certain employees and officers of the Company and its French and foreign subsidiaries.

Decision of the Board of Directors of November 8, 2016 – Plan 2	
Date of the Extraordinary General Meeting:	May 27, 2016
Board meeting date:	November 8, 2016
Number of shares granted:	
Grants decided by the Board:	61,000 shares
Shares granted at December 31, 2016:	40,688 shares
Of which granted to company officers:	8,800 shares
Company officers:	
Yves L'Épine – Chief Executive Officer:	8,000 shares
Pierre André – Deputy Chief Executive Officer:	800 shares
Of which granted to the Group's top 10 non-officer beneficiary employees:	12,200 shares
Valuation of granted shares at December 31, 2016	€2,478,000
Vesting period/conditions:	Grant period of two years from December 1, 2016. The final acquisition of the granted shares is subject to a condition of presence at the end of the grant period and the fulfillment of collective performance criteria. The acquired shares shall be available without any required holding period. However, the Chief Executive Officer and the Deputy Chief Executive Officer(s) must hold respectively 20% and 5% of their acquired shares until the end of their duties within the Company.

The Board of Directors

8 Additional information

8.1 Statement by the person responsible for the Registration Document

I affirm, having taken every reasonable measure to this effect, that the information contained in this Registration Document is, to the best of my knowledge, accurate and has no omissions that could alter its bearing.

I affirm, to the best of my knowledge, that the statements have been prepared in accordance with applicable accounting standards, and give a true and fair view of the assets and liabilities, financial position and income of the Company and of all the companies included in its consolidation scope. I affirm that the management report presents an accurate view of developments in the business, the results and the financial situation of the Company and of all the companies included in the consolidation scope, together with a description of the main risks and uncertainties that they face.

I obtained a completion letter from the Statutory Auditors of the financial statements, in which they state that they have verified the information relating to the financial situation and the statements given in the present document, and have read the entire document.

Villepinte, April 4, 2017

Yves L'Épine

Chief Executive Officer

8.2 Statutory Auditors

8.2.1 Statutory Auditors

	First mandate	Last renewal	Expiration of mandate
DELOITTE & ASSOCIÉS Member of the Deloitte Touche Tohmatsu network, represented by Frédéric Souliard 185, avenue Charles-de-Gaulle 92524 Neuilly-sur-Seine Cedex	Annual General Meeting on May 21, 1987	Annual General Meeting on May 27, 2011	Annual General Meeting concerning the 2016 fiscal year
HAF AUDIT & CONSEIL Member of the Crowe Horwath International network represented by Marc de Prémare 15, rue de la Baume 75008 Paris	Annual General Meeting on May 23, 2008	Annual General Meeting on May 27, 2016	Annual General Meeting concerning the 2021 fiscal year

8.2.2 Alternate Statutory Auditors

	First mandate	Last renewal	Expiration of mandate
B.E.A.S. represented by Joël Assayah 7-9, Villa Houssay 92524 Neuilly-sur-Seine Cedex	Annual General Meeting on June 3, 2005	Annual General Meeting on May 27, 2011	Annual General Meeting concerning the 2016 fiscal year
ÉTOILE AUDIT & CONSEIL Independent member of Crowe Horwath International represented by Olivier Grivillers 15, rue de la Baume 75008 Paris	Annual General Meeting on May 27, 2016	Not applicable	Annual General Meeting concerning the 2021 fiscal year

8.3 Share capital

8.3.1 History of the share capital

Event	Date of Management Board/ Board of Directors meeting recording capital increase	Type of capital increase	Number of shares created	Number of shares making up share capital	Share capital (in €)
Capital increase	January 4, 2007	Exercise of stock options	10,199	2,985,518	11,942,072
Capital increase	January 3, 2008		19,051	3,004,569	12,018,276
Capital increase	January 6, 2009		15,396	3,019,965	12,079,860
Capital increase	January 19, 2010		21,796	3,041,761	12,167,044
Capital increase	January 19, 2011		8,285	3,050,046	12,200,184
Four-for-one share split (1)	Not applicable	Not applicable	12,200,184	12,200,184	12,200,184
Capital increase	March 11, 2015	Exercise of stock options	8,000	12,208,184	12,208,184
Capital increase	February 9, 2016		135,290	12,343,474	12,343,474
Capital increase	March 28, 2017	Exercise of stock options	157,774	12,501,148	12,501,148

(1) Taking place on January 23, 2014.

8.3.2 Securities not giving access to the Company's capital

Not applicable.

8.4 Public access to this document

The Registration Documents are available on the Company's website, www.guerbet.com, in the "Finance" section, along with other documents related to regulated information (half-year financial reports, press releases, monthly statements on the number of shares and voting rights, etc.).

Furthermore, in accordance with legal provisions, all Shareholders can exercise their permanent right to communication and come to view the documents referred to in Article L. 225-15 of the French Commercial Code at the Company's headquarters, situated at 15, rue des Vanesses – 93420 Villepinte.

8.5 General information about the Company

8.5.1 Legal form and corporate name

The legal name of the Company is Guerbet SA. It is organized in the form of a French public limited company *(société anonyme)* with a Board of Directors, under the rules of the French Commercial Code.

8.5.2 Date of formation

Guerbet was created on July 16, 1926 by the transformation of an undeclared partnership *(société en participation)* founded in 1901 into a limited partnership *(société en commandite simple),* then transformed into a limited liability company *(société anonyme)* on January 1, 1965. The form of a limited liability company with a Board of Directors and a Supervisory Board *(société anonyme à Directoire et Conseil de surveillance)* was adopted on October 27, 2001 before its form was changed to a limited company with a Board of Directors *(société anonyme à Conseil d'administration)* at the Combined General Meeting of May 21, 2010. The Company's dissolution date is June 30, 2100, barring early dissolution or barring extension, as was the case for 99 years at the Extraordinary General Meeting held on December 8, 1998.

8.5.3 Trade and Companies Register *(Registre du Commerce et des Sociétés)*

Guerbet is listed in the Bobigny Trade and Companies Register under No. 308 491 521 with APE activity code 2120 Z – Manufacture of pharmaceutical preparations.

8.5.4 Fiscal year

Each fiscal year consists of twelve months, commencing on January 1 and ending on December 31.

8.6 Articles of association (excerpts)

8.6.1 Statutory provisions governing the management and administration bodies

8.6.1.1 Powers of the Board of Directors (Article 12)

The Board of Directors sets the guidelines for the Company's business and oversees their implementation. Within the powers expressly granted by law to General Meetings of Shareholders and within the limits of the Company's purpose, it deals with all issues affecting the Company's operations and regulates the Company's affairs.

It performs the controls and verifications it deems appropriate.

Each Director receives all the information necessary to carry out his or her assignment and can obtain the documents they consider useful for accomplishing this assignment.

The Board of Directors grants the authorizations provided for by law (particularly those foreseen under the provisions of Article L. 225-38 of the French Commercial Code) and, as an internal measure that does not apply to third parties, the authorizations mentioned in Article 14 of these articles of association.

The Board of Directors can decide to create committees. It determines the composition and attributions of such committees that carry out their activity under its responsibility, although without delegating to said committees the powers that are assigned to the Board of Directors itself by law or the articles of association, and without reducing or limiting the powers of the Board of Directors.

The Board of Directors can grant special mandates to one or several of its members for one or more specific purposes.

Under penalty of nullity of the contract, it shall be prohibited for Directors other than legal entities to take out loans from the Company in any form whatsoever, to have it grant them a current account overdraft or otherwise, or to have the Company provide guarantees or deposits for commitments to third parties. The same restriction applies to the CEO, to the Deputy CEO(s), and to permanent representatives of legal entities who are Directors, as well as to the spouses, parents and descendants of the persons above and to all intermediaries.

Directors do not take on any personal or joint obligation by virtue of their positions except those foreseen by the legal provisions in force.

8.6.1.2 Powers of the CEO (Article 14)

Subject to legal limitations, the CEO is vested with the broadest powers to act in all circumstances on the Company's behalf.

Nonetheless, under internal regulations and without extending such limitations to third parties, the Board of Directors can limit the extent of the CEO's powers.

8.6.1.3 Powers of the Deputy CEO (Article 14)

Along with the CEO, the Board of Directors determines the scope and duration of powers granted to Deputy CEOs. Nonetheless, they have the same powers in dealing with third parties as the CEO.

8.6.2 Provisions of the articles of association concerning profit distribution

8.6.2.1 Distribution of income (Article 23)

Distributable profits are made up of the profit from the fiscal year, reduced by losses from previous years, as well as amounts to carry over into reserve in application of the law or under the Company's articles of association, and increased by retained earnings.

After the accounts have been approved and the existence of a distributable profit ascertained, the necessary sum is taken from those profits to distribute an initial, non-cumulative dividend to Shareholders, equal to 6% of the amount of the paid-up and non-redeemed shares they own.

From the available surplus, the Shareholders at the Annual General Meeting take all the sums that they judge useful to assign to the allowance for any optional reserve funds or retained earnings.

The balance, if there is one, is split between all the Shareholders in proportion to the amount of shares that they own.

Shareholders at the Annual General Meeting are entitled to grant to each Shareholder, for all or part of the dividend or interim dividends distributed, a choice between payment in cash or in shares for this dividend or interim dividend.

8.6.3 Provisions of the articles of association relating to share capital

Provisions relating to share capital are listed in detail in the third part of this document, "Guerbet and its Shareholders".

8.6.4 Other provisions of the articles of association

8.6.4.1 Company purpose (Article 2)

The Company's purpose, in France and every country, is the:

- administration, governance and management of all companies or businesses, and direct or indirect participation in all operations conducted by those companies or businesses, by all means;
- research and technical assistance for all companies, particularly in the fields of chemicals and pharmaceuticals;
- purchase, sale, production, processing and use of all chemical and parachemical products;
- purchase, production, use, sale and distribution of all pharmaceutical products and specialties, and all related accessories, items or services;
- pharmaceutical and clinical research, as well as production and distribution of all products for pharmacological and clinical trials;
- creation, deposit, acquisition and direct or indirect use of all invention patents; acquisition of all licenses and their direct or indirect use;
- acquisition of a stake or interest in all industrial, commercial, financial, investment and property companies and businesses, the creation of all companies, and participation in all capital increases, mergers, splits, mergers/spin-offs and partial asset contributions;
- acquisition and management of all securities and ownership rights by all means, notably through subscription, contributions, acquisition of shares, shares of founders or beneficiaries of share rights, partnership interests or other types of ownership rights, and bonds;
- and generally, any industrial, commercial, financial, investment or property operations that may be directly or indirectly related to the above purposes or that could facilitate their application or development.

8.7 2017 Financial calendar

Event	Date
Publication of 2016 annual revenue	February 15, 2017
Presentation of consolidated financial statements – 2016 fiscal year	March 29, 2017
Publication of first-quarter 2017 revenue	April 27, 2017
Annual General Meeting of Shareholders for the 2016 fiscal year	May 19, 2017
Publication of second-quarter 2017 revenue	July 27, 2017
Presentation of first-half consolidated financial statements at June 30, 2017	September 27, 2017
Publication of third-quarter 2017 revenue	October 25, 2017

Publications concerning revenue are released after the close of Euronext Paris.

Publications concerning income are released before the opening of Euronext Paris.

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