Half-Yearly Financial Report 2014

Guerbet

Contrast for Life

HALF YEARLY FINANCIAL REPORT

AS AT 30 JUNE 2014

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Solid growth, on track with roadmap

In the 2014 first half, Guerbet Group had €202.6 million in revenue with growth of 5.3%. At 30 June 2014, the negative impact of foreign exchange was estimated at €4.2 million. At constant exchange rates, sales thus came to €206.8 million, up 7.5%.

For the first six months of 2014, the MRI segment registered a marginal 1.8% decline to €80.9 million, reflecting the impact of inventory build-up in Germany in Q2 2013. Excluding Germany, Dotarem® sales grew. In the United States, one year after its launch, Dotarem® has established a strong image and is pursuing steady expansion. As expected, the X-ray segment is now growing, with the impact of exceptional orders at 2012 year-end on 2013 sales now phased out. With 5.3% growth in revenues reaching €96.3 million, all regions have shown upward momentum. Gains by the Group's growth platforms (two new segments Interventional Radiology, Medical Devices and two strong growth countries USA, China) further accelerated (+35.5% from H1 2013).

Operating margin above the annual target

On track with the roadmap, the Group has continued to reap the benefits of measures taken to improve operating profitability: increase in the gross margin (price effect and product/country mix, continuing efforts to optimise industrial processes) and control over operating expenses.

As a first consequence of the improvement in margins, EBITDA rose to €32.3 million in the 2014 first half, up from €24.2 million for the same period in 2013, and now representing 15.9% as a percentage of sales compared to 12.6% for last year's same period.

Current operating income rose to €19.8 million or 9.8% as a percentage of sales. As a result, the midyear trend for this margin is above the full-year target.

With Net Income of €12.7 million, the Group's net margin reached 6.3% compared to 5.2% for the 2013 first half. This aggregate furthermore includes income tax expense of €6.5 million, an increase of more than €2 million in relation to H1 2013.

Strengthening the balance sheet

With €247.1 million in shareholders' equity at 30 June 2014 compared to €229.0 million one year earlier, the Group continues to strengthen its financial structure.

Despite a deterioration in WCR, these good results combined with effective control over capital investments allowed the Group to further reduce debt (€83.8 million at 30 June 2014 compared to €96.6 million at 30 June 2013; €82.5 million at 31 December 2013).

Full-year guidance for the operating margin raised for 2014

In the X-ray and MRI segments, the Group should benefit from a positive market environment for contrast products in the second half of 2014, expected to be comparable overall with the first six months.

In the IRT segment (interventional radiology), the strategy of diversification is paying off (+56.5% compared to H1 2013). Lipiodol® was approved by Japanese authorities in November 2013 for the treatment of primary liver cancers (HCC) by transcatheter arterial chemo-embolization. In addition, a new indication was approved by US authorities in April 2013 for HCC imaging.

Finally, in the Medical Devices segment, the market launch of the FlowSens® injector has met with a positive response by professionals. The Group has decided to increase the number of countries included in the first commercial launch phase for FlowSens® to six (compared to four initially).

Continuing gains in competitiveness, combined with a return to R&D expenditures more in line with normal levels should also contribute to improvements in the Group's operating margin.

Based on these first half performances, the Group confirms its annual target of €412 million +/- 2% in revenue for 2014 and raises guidance for the current operating margin on reported sales to 9%-10% (compared to initial guidance of 8%-9%).

Principal risks and uncertainties for the remaining six months of the fiscal year

Readers are invited to consult Guerbet's 2013 registration document filed with the AMF, the French financial market authority (No. D.14-0349) on 11 April 2014 that may be consulted directly at the websites of the AMF or Guerbet (http://www.guerbet.com). Readers are moreover informed that no material risks or uncertainties have arisen since this date and concerning the remaining six months of the fiscal year.

Major related party transactions of the first six months

Readers are invited to consult Note 25 of the consolidated financial statements and Note 31 (that describe equity interests of the parent company) of the 2013 registration document filed with the AMF (No. D.14-0349) on 11 April 2014 available directly from the websites of the AMF or Guerbet *(http://www.guerbet.com)*. Readers are moreover informed that no material related party transactions have occurred since this date and concerning the first six months.

Financial highlights

In thousands of euros – IFRS	30 June 2014	30 June 2013
Revenue	202,641	192,359
EBITDA[1]	32,269	24,221
Current operating income	19,768	15,164
Net income	12,714	10,017
Net earnings per share	€ 1.04	€ 0.82
Shareholders' equity	247,112	228,970
Net financial debt	83,285	96,616
Leverage[2]	1.29	1.99
Gearing[2]	0.42	0.34

Trading activity

	Month	High[3] (in euros)	Low[3] (in euros)	Trading volume (number of shares)[3]	Trading volume (in thousands of euros)
2013	January	28.25	24.13	442,884	11,830
	February	35.47	25.53	514,728	16,164
	March	35.63	26.31	731,308	21,100
	April	28.73	23.75	403,956	10,445
	May	28.63	23.54	288,924	7,365
	June	28.49	26.51	119,528	3,254
	July	28.71	21.01	289,844	6,956
	August	22.88	20.40	242,508	5,230
	September	24.28	22.10	177,688	4,153
	October	25.25	21.17	252,432	5,845
	November	28.62	23.83	320,252	8,675
	December	28.37	26.45	202,516	5,602
2014	January	28.22	23.92	260,664	3,460
	February	31.75	22.95	235,909	6,588
	March	33.60	28.99	291,990	9,336
	April	35.00	31.60	223,897	7,553
	May	34.80	32.43	232,975	7,855
	June	34.00	30.04	111,748	3,635

[1] EBITDA (earnings before interest, tax, depreciation and amortisation) corresponding the financial aggregate for current operating income before depreciation and amortisation.
[2] These two ratios represent contractual covenants between Guerbet and its banks. The maximum limit for Leverage (defined as the ratio of Net financial debt / EBITDA) is 3.2. The maximum limit for Gearing (Net financial debt / Equity) is 0.7.
[3] Share prices and trading volumes have been adjusted for the period from January 2013 to January 2014 for the four-for-one stock split on 23 January 2014.

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

On 29 July 2014, the Board of Directors authorised the publication of the interim condensed consolidated financial statements of Guerbet for the six-month period ended 30 June 2014.

The interim condensed consolidated financial statements of 30 June 2014 should be read in conjunction with the consolidated financial statements for the period ended 31 December 2013 as presented in the registration document (*document de référence*) filed with the French financial market authorities (*Autorité des Marchés Financiers* or AMF) on 11 April 2014 (No. D.14-0349).

▪ Consolidated balance sheet

ASSETS (net values) In thousands of euros	Note	30 June 2014	31 December 2013
Intangible assets	**1**	39,156	36,216
Property, plant and equipment	**1**	194,835	197,358
Non-current financial assets		3,109	2,783
Deferred tax assets	**2**	9,808	8,326
Total non-current assets		**246,908**	**244,683**
Inventories	**3**	103,466	97,305
Trade receivables and related accounts		84,489	75,372
Current assets held for sale		-	-
Other current financial assets		22,698	23,759
Cash and cash equivalents		11,594	18,433
Total current assets		**222,247**	**214,869**
TOTAL ASSETS		**469,155**	**459,552**

EQUITY AND LIABILITIES (net values) In thousands of euros	Note	30 June 2014	31 December 2013
Capital	**4**	12,208	12,200
Other reserves		222,967	208,141
Consolidated net income		12,714	20,489
Currency translation adjustments		(777)	(2,572)
Shareholders' equity		**247,112**	**238,258**
of which attributable to equity holders of the parent company		247,112	238,258
Non-current financial liabilities	**6**	53,689	62,183
Other non-current financial liabilities		1,140	1,108
Deferred tax liabilities	**2**	10,777	10,758
Non-current provisions	**5**	20,852	20,358
Total non-current liabilities		**86,458**	**94,407**
Trade payables and equivalent		38,850	35,057
Current financial liabilities	**6**	41,190	38,734
Other financial liabilities		40,430	43,914
Current tax liabilities		12,258	7,495
Current provisions	**5**	2,857	1,687
Total current liabilities		**135,585**	**126,887**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**469,155**	**459,552**

▪ Consolidated income statement

In thousands of euros	30 June 2014 (6 months)	30 June 2013 (6 months)
Revenue	**202,641**	**192,359**
Royalties	13	19
Other revenue from ordinary activities	236	883
Supplies used in operations	(48,513)	(47,030)
Staff costs	(58,016)	(56,045)
External charges	(58,900)	(58,761)
Taxes other than on income	(6,658)	(7,346)
Allowances for depreciation and amortisation	(11,867)	(10,914)
Net allowances for reserves	(634)	1,857
Change in work in progress and finished goods	2,088	381
Other current operating income and expenses	(622)	(239)
Current operating income	**19,768**	**15,164**
Other operating income and expenses	355	(37)
Operating profit	**20,123**	**15,127**
Income from cash and cash equivalents	66	81
Finance costs	(1,134)	(518)
Net interest expense	**(1,068)**	**(437)**
Currency gains and losses	314	(435)
Other financial income and charges	(193)	74
Income tax	(6,462)	(4,312)
Consolidated net income	**12,714**	**10,017**
of which attributable to equity holders of the parent company	12,714	10,017

Net earnings per share for a par value of one euro (in euros)[1]	1.04	0.82
Diluted net earnings per share for a par value of one euro (in euros)[1]	1.01	0.79

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

In thousands of euros	30 June 2014 (6 months)	30 June 2013 (6 months)
Net income	**12,714**	**10,017**
Income and expense recognised directly in equity		
Currency translation adjustments	1,795	(1,366)
Total net profit and income and expense recognised directly in equity	**14,509**	**8,651**

[1] Pursuant to the four-to-one stock split on 23 January 2014, the share capital that was made up of 3,050,046 shares with a par value of €4 per share in 2013 was divided by 12,200,184 shares with a par value of €1 per share.

▪ Consolidated statement of cash flows

In thousands of euros	30 June 2014 (6 months)	30 June 2013 (6 months)
Net income	**12,714**	**10,017**
Allowances and reversals of provisions for fixed assets	11,774	10,914
Allowances and reversals for contingencies	1,664	(215)
Fair value changes in hedging instruments	68	(912)
Stock option expenses	202	206
Income from the disposal of fixed assets and other adjustments	435	(26)
Cash flow after net interest expense and tax	**26,857**	**19,984**
Net interest expense	1,068	437
Tax expenses (including deferred tax)	6,462	4,312
Cash flow before net interest expense and tax	**34,387**	**24,733**
Tax payments	(3,720)	(562)
Change in operating working capital requirements (including liabilities relating to employee benefits)	**(9,973)**	**(1,598)**
Change in inventories	(6,161)	(5,452)
Change in trade receivables and related accounts	(9,736)	6,259
Change in trade payables and related accounts	2,755	(1,126)
Change in other assets	(53)	(1,994)
Change in other liabilities	3,222	715
CASH FLOWS FROM OPERATING ACTIVITIES (A)	**20,694**	**22,573**
Capital expenditures	**(12,040)**	**(13,415)**
for intangible assets	(3,751)	(1,775)
for property, plant and equipment	(7,569)	(11,573)
for financial assets	(720)	(67)
Proceeds from the disposal of fixed assets	113	1,106
Increase / (decrease) in payables to fixed assets suppliers	(3,154)	(1,698)
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**(15,081)**	**(14,007)**
Dividends paid	(6,100)	(6,100)
Capital increases	224	-
New long-term debt	9,595	6,712
Repayment of borrowings	(13,134)	(9,132)
Net interest payments (including finance lease agreements)	(1,083)	(474)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(10,498)**	**(8,994)**
Impact of foreign exchange fluctuations (D)	530	364
NET CHANGE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C) + (D)	**(4,355)**	**(64)**
OPENING CASH AND CASH EQUIVALENTS	**693**	**(3,986)**
CLOSING CASH AND CASH EQUIVALENTS	**(3,662)**	**(4,050)**

▪ Statement of changes in shareholders' equity

In thousands of euros	Capital	Retained earnings	Result	Change in cumulative translation adjustments	Total
At 31/12/2012	**12,200**	**192,407**	**20,399**	**1,203**	**226,209**
Capitalisation of 2011 income		20,399	(20,399)		-
Stock options		384			384
Distribution of dividends		(6,090)			(6,090)
2013 consolidated income			20,489		20,489
Actuarial gains and losses		1,038			1,038
Currency translation adjustments				(3,775)	(3,775)
Other changes		3			3
At 31/12/2013	**12,200**	**208,141**	**20,489**	**(2,572)**	**238,258**
Capitalisation of 2013 consolidated income		20,489	(20,489)		-
Capital increase	8	216			224
Stock options		202			202
Distribution of dividends		(6,100)			(6,100)
2014 consolidated first-half income			12,714		12,714
Currency translation adjustments				1,795	1,795
Other changes		19			19
At 30/06/2014	**12,208**	**222,967**	**12,714**	**(777)**	**247,112**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2014

In thousands of euros

I) Significant accounting policies

The accounting principles applied for the interim condensed consolidated financial statements of 30 June 2014 are the same used for the annual consolidated financial statements of 31 December 2013 (available for consultation at the Group's website: www.guerbet.com)

New standards and interpretations whose application became mandatory on 1 January 2014 had no material impact on the financial statements prepared on 30 June 2014.

New standards and interpretations whose application was optional before 30 June 2014 were not applied in advance.

The condensed consolidated financial statements of 30 June 2014 have been prepared in accordance with IAS 34 "Interim financial reporting" which provides for the presentation of selected notes. The interim condensed financial statements must be read in conjunction with the consolidated annual financial statements for the fiscal year ended 2013.

The condensed consolidated financial statements of the Group are presented in thousands of euros except where indicated otherwise. They were prepared by the Board of Directors on 29 July 2014.

II) Seasonality

Sales are not subject to material seasonal trends.

III) Payment of dividends

In the first half of 2014, shareholders were paid a dividend of €0.50 per share.

IV) Management of financial risks

In compliance with its risk management policy, Guerbet hedges the main balance sheet accounting risks and does not have a market position open not backing such risks.

A) FOREIGN EXCHANGE RISK

Guerbet centralises its management of foreign currency exposures.

a. Hedging instruments

At 30 June 2014 the exchange value in euros of the hedging portfolio comprised of forward contracts, was €18.71 million.

b. Exposure by currency

(€m)	USD	BRL	JPY	TRY	CHF	KRW	HKD	GBP	TWD	MXN
Total budget currency risk position(a)	3.56	(2.10)	0.47	0.86	5.70	3.96	7.61	1.09	(1.13)	1.11
Total balance sheet and financial currency risk position (b)	8.78	9.09	(7.33)	0.89	1.47	(0.15)	(0.17)	0.55	0.71	1.09
Position before hedging (c=a+b)	12.33	6.99	(6.87)	1.74	7.17	3.81	7.44	1.64	(0.42)	2.21
Balance of foreign exchange hedges (d)	(2.93)	0.00	(5.11)	0.00	0.00	0.00	(5.86)	0.75	0.00	0.00
Net position (c+d)	9.41	6.99	(11.98)	1.74	7.17	3.81	1.58	2.39	(0.42)	2.21

(1) The budget risk corresponds to the risk associated with future commercial flows relating to transactions that do not yet constitute firm orders or invoices recognised in the balance sheet. This risk has no immediate impact on the income statement.

(2) The balance sheet risk concerns all assets and liabilities in currencies other than the euro.

c. Sensitivity of net financial income (expense) to the foreign exchange risk for key currencies

The calculation is carried out on unhedged accounting balances at 30 June 2014.

The following table presents the impact on net financial income of a 10% change in exchange rates for the main currencies against the euro.

In thousands of euros	30 June 2014	30 June 2013
JPY	733	410
USD	585	91
CHF	147	66

B) INTEREST RATE RISK

Borrowings consist almost exclusively of floating-rate debt. The breakdown between fixed and floating rate debt is decided by the Group's executive management and reviewed on a periodic basis according to expected trends for interest rates.

a. Hedging instruments

No new hedging transactions were carried out the first six months of 2014.

The current portfolio is comprised of seven contracts with a balance of €56.79 million breaking down as follows:

Bank	Inception date	Expiration date	Hedging instrument	Position Guerbet	Premium	Benchmark	Contract rate	Amortisation	Residual notional value (in €)	Mark-to-market (in €)
Societe Générale	17/12/2009	17/12/2014	Cap	Purchase	0.531%	EUR 3M	2.3%	Quarterly	1,000,000	(2,026)
Natixis	30/06/2011	04/07/2016	Swap	Purchase		EUR 3M	2.295%	Quarterly	2,250,000	(59,425)
Natixis	04/11/2011	08/11/2016	Swap	Purchase		EUR 3M	1.435%	Quarterly	5,000,000	(84,802)
Natixis	10/11/2011	14/11/2016	Swap	Purchase		EUR 3M	1.4525%	Quarterly	5,000,000	(86,040)
Crédit Agricole CIB	09/12/2009	12/12/2016	Cap	Purchase	0.68%	EUR 3M	2.53%	Quarterly	3,571,429	(33,806)
HSBC	09/07/2012	30/06/2017	Swap	Purchase		EUR 3M	0.725%	Quarterly	28,450,000	(235,760)
BNP Paribas	29/03/2011	29/03/2018	Swap	Purchase		EUR 3M	2.775%	Quarterly	11,517,857	(586,281)

b. Exposure to interest rate changes at 30 June 2014

In thousands of euros	Current debt[1]	Non-current debt	Total
Financial liabilities at fixed-rates	(311)	(7,399)	(7,710)
Financial liabilities at floating-rates	(40,879)	(46,290)	(87,169)
Financial assets at fixed rates	4,100		4,100
Financial assets at floating-rates	7,494		7,494
Net position before hedging[2]:			
- fixed-rate	3,789	(7,399)	(3,610)
- floating-rate	(33,385)	(46,290)	(79,675)
Off-balance-sheet[3]	20,525	36,264	56,789
Net position after hedging:			
- fixed-rate	(16,736)	(43,663)	(60,399)
- floating-rate	(12,860)	(10,026)	(22,886)

The major share of floating-rate debt has been covered by caps and interest rate swaps to hedge against balance sheet liabilities in the case of interest rate increases.

[1] Total financial assets and liabilities at floating-rates plus short term fixed-rate assets and liabilities.
[2] Total of differences (assets - liabilities) at fixed rates and (assets - liabilities) at floating-rates.
[3] Interest rate swaps and caps (receiving floating-rate and paying fixed rates).

c. Sensitivity of net financial income (expense) to interest rate changes

Interest rate change of:	1%
Change in net financial income	€ 228,860

V) Segment reporting

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

In consequence, the Group presents segment information by geographical area that corresponds to the internal reporting statements used by Management for operating purposes.

The geographical segments presented below have been defined on the basis of an analysis of risks and returns into two subgroups that reflect the Group's internal organisation and Guerbet's different strategies for development in these markets:

- The main European markets where Guerbet Group has developed long-term relations with its customers and a strong position through its network of pharmaceutical sales representatives.

- Other markets where the Group has a direct presence through sales subsidiaries only in selected countries (Brazil, South Korea, China, USA, etc.) and where sales are generated primarily from license or distribution agreements. Among the latter, the Group is focused in particular on pursuing development in the United States and Japan that by themselves represent more than half the world market.

For the purpose of additional information, a breakdown of sales by product line (uro-angio, MRI and other) is also provided.

1. Geographical segment information

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

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

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

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

30 June 2014	European companies (for their respective markets)	Other	Unallocated	Total
Revenue				
European markets	138,664	5,366		144,030
Other markets		58,611		58,611
Total sales	**138,664**	**63,977**		**202,641**
Current operating income	**54,784**	**9,285**	**(44,301)**	**19,768**
Other operating income and expenses				355
Operating profit				**20,123**
Net interest expense				(1,068)
Other financial income and charges				121
Tax charge				(6,462)
Net income				**12,714**
- of which amortisation and depreciation	(1,356)	(1,017)	(9,494)	(11,867)
- of which other non-cash expenses	(406)	99	(327)	(634)
Segment assets	387,535	81,620		469,155
- of which fixed assets	212,500	23,490		235,990
Segment liabilities excluding borrowings	129,265	13,205		142,470
Borrowings	73,049	6,524		79,573
Shareholders' equity			247,112	247,112
Segment capital expenditures				
- of which intangible assets	3,693	58		3,751
- of which property, plant and equipment	6,607	962		7,569

30 June 2013	European companies (for their respective markets)	Other	Unallocated	Total
Revenue				
European markets	131,430	5,815		137,245
Other markets		55,114		55,114
Total sales	**131,430**	**60,929**		**192,359**
Current operating income	**50,385**	**8,446**	**(43,667)**	**15,164**
Other operating income and expenses				(37)
Operating profit				**15,127**
Net interest expense				(437)
Other financial income and charges				(361)
Tax charge				(4,312)
Net income				**10,017**
- of which amortisation and depreciation	(1,448)	(394)	(9,072)	(10,914)
- of which other non-cash expenses	300	138	1,419	1,857
Segment assets	385,385	82,169		467,554
- of which fixed assets	207,758	20,139		227,897
Segment liabilities excluding borrowings	135,187	10,858		146,045
Borrowings	87,018	5,522		92,540
Shareholders' equity			228,969	228,969
Segment capital expenditures				
- of which intangible assets	1,764	11		1,775
- of which property, plant and equipment	10,888	685		11,573

2 – Sales by product

In thousands of euros	30 June 2014	30 June 2013
X-ray	46.4%	46.2%
MRI	39.9%	42.8%
Other	13.7%	11.0%
Total	**100.0%**	**100.0%**

VI) Notes to financial statement items (tables in thousands of euros)

Note 1 - Property, plant and equipment and intangible assets

In the 2014 first-half, Group capital expenditures included:

- €7.6 million for property, plant and equipment of which €6.4 million in France to increase production capacity for the Aulnay, Lanester and Marans sites and €0.7 million in Brazil,
- €3.7 million for intangible assets, mainly in connection with the ERP migration project.

Note 2 - Deferred tax assets and liabilities

	31/12/2013	Changes in income	Changes in equity	Translation adjustments & misc.	30/06/2014
Deferred tax assets	8,326				9,808
Deferred tax liabilities	(10,758)				(10,777)
Total	**(2,432)**	**1,316**	**-**	**147**	**(969)**
Of which deferred taxes resulting from:					
Recognition of tax losses	6,182	839		188	7,209
Temporary differences	9,630	725		1,021	11,376
Restatement of regulated provisions	(15,018)	(250)			(15,268)
Remeasurement of tangible assets	(2,584)	34		(1)	(2,551)
Remeasurement of intangible assets	(7,152)	82		(150)	(7,220)
Restatement of inventory margins	5,507	(571)		58	4,994
Restatement of provisions for subsidiary risks	(1,464)	137			(1,327)
Capital leases	(106)	4		5	(97)
Restatement of Medex injectors	74	52		(1)	125
Other	2,499	264		(973)	1,790

Note 3 - Inventory

The total level of inventory has increased by €6.16 million in net value since 1 January 2014.

By type of inventory before impairment:

- Raw materials: + €3.3 million
- Manufactured products: + €1.9 million
- Trade goods: -€0.3 million

Amounts for impairment decreased by €1.2 million.

Note 4 – Shareholders' equity

At 30 June 2014, the share capital of the company was 12,208,184 shares with a par value of €1 per share. The Group has 20,428 treasury shares.

Pursuant to the four-to-one stock split on 23 January 2014, the share capital that was made up of 3,050,046 shares with a par value of €4 per share on 31 December 2013 was divided by 12,200,184 shares with a par value of €1 per share.
This share capital was subsequently increased by 8,000 shares in the 2014 first-half from the exercise of stock options.

Note 5 – Provisions

Changes in the period

	31/12/2013	Allowances	Reversals (provisions used in the period)	Reversals (unused provisions)	Currency translation adjustments & reclassifications	30/06/2014
Non-current provisions	**20,358**					
Deferred employee benefits	20,358	653	(195)	0	36	20,852
Current provisions						
Tax contingencies	629	10			45	684
Sales-related lawsuit contingencies	144	745			1	890
Anticipated losses on purchase commitments	35					35
Other contingencies	879	389	(32)		12	1,248
Total current provisions	**1,687**	**1,144**	**(32)**		**58**	**2,857**
Total provisions	**22,045**	**1,797**	**(227)**		**94**	**23,709**

Note 6 – Borrowings

6 - 1 Analysis by nature

	30 June 2014	31 December 2013
Long-term borrowings (non-current liabilities) of which	**53,689**	**62,183**
Special profit-sharing reserve	731	707
Capital leases	1,289	1,771
Medium-term borrowings (maturities > / = 1 year)	15,089	19,533
Other borrowings	36,580	40,172
Short-term borrowings (current liabilities) of which:	**41,190**	**38,734**
Capital leases	1,223	891
Medium-term borrowings (maturities < 1 year)	10,566	7,720
Other current borrowings and profit-sharing reserve	5,888	5,886
Short-term bank loans & overdrafts	23,513	24,237
Total financial liabilities	**94,879**	**100,917**

Note 7 – Contingent assets and liabilities

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

OSEO performs a review on an annual basis in the second half of research expenditures incurred by Guerbet from 1 July of the preceding year to 30 June of the year in progress and on that basis pays an amount equal to one half of approved expenses, in the form of grants or repayable advances.

Research expenditures incurred from 1 July 2013 to 30 June 2014 will be submitted for approval to OSEO in the 2014 second half for a repayable advance to be received of €354,000 million.

No other contingent assets or liabilities have been identified.

Note 8 – Staff costs

Main characteristics and criteria for measuring share-based payments:

a) Highlights of share-based payments under plans in force at 30 June 2014

Figures below are presented on the grant date, i.e. before the four-to-one stock split on 23 January 2014. This stock split mechanically increased the number of stock options outstanding in the period by four while dividing their exercise price also by four.

Grant date	Number granted	Share price on date of grant	Volatility	Risk-free rate	Exercise price	Vesting period
17 October 2011	132,710	€ 66.30	35 %	2.77 %	€ 61.60	4 years
23 November 2011	12,000	€ 67.20	35 %	2.77 %	€ 64.30	4 years
20 February 2012	1,700	€ 61.50	35 %	2.77 %	€ 61.50	4 years

b) Breakdown of benefits per period for plans in force

Grant date	17 October 2011	23 November 2011	20 February 2012	Total
2013	590	53	8	651
2014	590	53	8	651
2015	468	47	7	522
Total	**1,648**	**153**	**23**	**1,824**

c) Impact on the balance sheet

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

Note 9 – Corporate income tax

9-1 - Breakdown between current and deferred income tax

	30 June 2014	30 June 2013
Current tax	7,838	7,546
Deferred tax	(1,376)	(3,234)
Total	**6,462**	**4,312**

9-2 – Analysis of the effective tax charge

	30 June 2014	30 June 2013
Theoretical tax charge for the consolidating company at applicable tax rate (*)	(7,287)	(5,173)
Impact of different tax rates	659	-
Impact of permanent non-deductible or tax-exempt expenses	(1,106)	(689)
Impact of tax credits	2,085	2,052
Impact of deferred taxes on unrecognised losses and misc.	(813)	(502)
Total	**(6,462)**	**(4,312)**
(*) Tax rate	38.00 %	36.10 %

Note 10 – Related parties

10 - 1 Relations with non-consolidated companies

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

10 - 2 Compensation and benefits granted by the Group to members of the Board of Directors and key executives

Key executives consist of the members of the Executive Committee. They received the following compensation and benefits in-kind (in euros):

Short-term benefits	
Gross compensation	1,693,462
of which benefits in-kind	21,079
of which variable compensation[1]	578,624
Post-employment benefits	
of which supplementary funded pension schemes	65,146
of which provisions for retirement severance payments (recognised on the balance sheet)	33,171
Share-based payments[2]	**88,173**

Members of the Board of Directors received in the first half €174,440.63 in attendance fees for fiscal 2013.

Note 11 – Subsequent events

There have been no material events subsequent to the reporting period ending 30 June 2014.

[1] The variable portion for each board member depends on the number of individual objectives that were achieved in the prior year. It is adjusted to take into account the performance of the Company or Group in this same year and calculated on the basis of the salary at December 2013.
[2] This concerns expenses recognised in the 2014 first half for stock option grants (cf. note 8).

Statutory auditors' limited review report on 2014 interim financial information

for the six-month period ended 30 June 2014

The English version of the interim financial statements has not been audited by the Statutory Auditors. This is a free translation into English of the statutory auditors' report issued in the French language and is consequently provided solely for the convenience of English speaking readers. Only the original French version of the Statutory Auditors' report is legally binding.

To the Shareholders,

In our capacity as Statutory Auditors, and in accordance with Article L. 451-1-2 III of the French monetary and financial code, we performed:

- A limited review of the accompanying interim condensed consolidated financial statements of Guerbet for the six-month period from 1 January to 30 June 2014;
- A verification of the information given in the interim management report.

These interim financial statements were prepared under the responsibility of your Board of Directors. Our responsibility is to express a conclusion on these statements based on our limited review.

I – Conclusion on the financial statements

We have conducted our limited review in accordance with the professional standards applicable in France. A limited review consists mainly in meeting with the members of management in charge of the accounting and financial aspects and in implementing analytical procedures. The scope of such a review is substantially less than for an audit conducted in accordance with generally accepted audit standards in France. As such, it provides a moderate assurance that the financial statements as a whole are free of material misstatements that is lower than that which would result from an audit.

Based on our limited review, nothing has come to our attention to suggest that the interim condensed financial statements do not comply in all material respects with IAS 34 in accordance with IFRS as adopted by the European Union governing interim financial reporting.

II – Specific verifications

We have also reviewed the information given in the interim report accompanying the interim condensed consolidated financial statements that were the subject of our limited review. We have no matter to report regarding its fair presentation and consistency with the interim condensed consolidated financial statements.

Paris and Neuilly-sur-Seine, 29 July 2014

The Statutory Auditors

[French original signed by]

HAF Audit & Conseil	**Deloitte & Associés**
Member of Crowe Horwath International	
Olivier Grivillers	Jean-Marie Le Guiner

Responsibility statement for the half-yearly report

To the best of my knowledge, and in accordance with applicable reporting principles for interim financial reporting, the interim condensed consolidated financial statements of Guerbet for the six-month period ending 30 June 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the interim management statement includes a fair view of material events occurring in the first six months, their impact on the interim financial statements, the main transactions with related parties and a description of the key risks and uncertainties for the remaining six months.

Villepinte, 30 July 2014

Yves L'Epine

Chief Executive Officer

For further information concerning this report please contact:

Jean-François Le Martret, Chief Financial and Administrative Officer

Tel: +33 (0)1.45.91.50.69 - e-mail: jean-francois.lemartret@guerbet-group.com

Postal address: BP 50400 - 95943 Roissy CDG Cedex France

http://www.guerbet.com

A French public limited company (*Société Anonyme*) with capital of €12,200,184
Bobigny Trade and Company Register (R.C.S.) No. 308 491 521
Registered office: 15, rue des Vanesses
93420 Villepinte
France

www.guerbet.com

Guerbet

15 rue des Vanesses
Zone Industrielle Paris Nord II – 93420 Villepinte