Semi-annual Report 2010

Guerbet
Contrast for Life

GUERBET GROUP

HALF YEARLY REPORT

30 JUNE 2010

CONTENTS

Interim management report

2010 first-half review

In the 2010 first half, Guerbet Group sales grew 10% year-on-year. All contrast products of the portfolio contributed to this strong performance.

Group momentum has accelerated on particularly robust growth in markets outside Europe (+40%) boosted by better-than-expected currency effects combined with steady gains in Europe (+5% excluding the discontinuation of the Falk business).

Dotarem sales grew 13.1% worldwide while further reinforcing its leadership position in Europe.

Xenetix is back on track as sales advanced 12% on renewed growth worldwide.

Sales for Lipiodol, a long-established core product of Guerbet Group's portfolio, grew 10%.

In the first half, the Group had current operating income of €12.1 million (with a current operating margin of 6.8%) compared to €14.0 million (8.6%) in the same period last year.

While gross margin increased, it did not fully offset increases in selling expenses outside the euro area and R&D expenditures for the US Dotarem programme.

In this same period, net income rose sharply to €8.6 million with a net margin of 5% compared to respectively €8.1 million and 4.8% in the prior year. The income tax rate rose in response to the increase in research tax credits.

Cash flows increased to €19.8 million while tight control was maintained over working capital requirements. Net debt at 30 June 2010 totalled €89 million.

The outlook for sales growth in the 2010 second half remains more favourable than in the previous year. And as the new chemical facilities at the Marans and Lanester sites progressively come on line, our production capacity will increase to keep pace with the growth of our business.

The costs of raw materials in foreign currencies are rising while certain production cost gains are starting to be generated through manufacturing process improvements and growth in volumes.

Investments for the Aulnay site (a new pharmaceutical filling unit) are being implemented according to the road map and represent the last major milestone of the Cap 2016 strategic plan. The clinical trial programme for Dotarem’s filing in the US market is also proceeding according to plan

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

Readers are invited to consult chapter 4 of Guerbet's 2009 registration document filed with the AMF (No. D.10-0216) on 1 April 2010 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 26 of the consolidated financial statements, p. 152 and Note 32 on p. 156 (that describe equity interests of the parent company), of the 2009 registration document filed with the AMF (No. D.10-0216) on 1 April 2010 that may be consulted directly at 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.

The Chief Executive Officer

Financial highlights at 30 June 2010
Guerbet Group

In thousands of euros IFRS	2010 first half		2009 first half		Δ 10/09	2009 fiscal year	
	€m	***% of sales***	**€m**	***% of sales***	% [1]	**€m**	***% of sales***
NET SALES	**178.90**	***100.0***	**162.52**	***100.0***	**+10.1%**	**335.48**	***100.0***
CURRENT OPERATING PROFIT	12.10	*6.8*	14.05	*8.6*	-13.9%	28.25	*8.4*
NET INCOME	**8.56**	***4.8***	**8.14**	***5.0***	**+ 5.1%**	**20.50**	***6.1***
CASH FLOW [2]	19.81	*11.1*	17.05	*10.5*	+16.2%	40.31	*12.0*
CAPITAL EXPENDITURES	17.51	*9.8*	11.48	*7.1*	+52.5%	32.78	*9.8*
RESEARCH EXPENDITURES	18.18	*10.2*	17.10	*10.5*	+ 6.3%	32.71	*9.8*
EMPLOYEES [3]	1 310		1 285		+ 1.9%	1 304	
SHAREHOLDERS' EQUITY [3]	211.03		189.77		+11.2%	205.31	
TOTAL NET DEBT [4]	**89.07**		**81.00**		**+10.0%**	**78.90**	

Trading activity

	Trading range (adjusted)		Trading volume in number of shares	Trading volume in thousands of euros
	High (€)	Low (€)		
January 2009	109.00	100.01	55,184	5,783.00
February 2009	115.00	101.75	44,201	4,816.43
March 2009	115.00	109.10	36,615	4,049.81
April 2009	113.00	109.10	22,499	2,521.03
May 2009	118.00	110.00	44,843	5,019.25
June 2009	116.20	110.00	26,957	3,009.08
July 2009	114.00	106.00	26,276	2,894.66
August 2009	110.99	102.10	39,800	4,223.51
September 2009	108.00	97.20	39,965	4,025.79
October 2009	115.00	104.00	12,777	1,401.12
November 2009	115.00	98.10	37,483	3,894.79
December 2009	102.50	97.10	10,683	1,055.22
January 2010	104.99	97.10	15,629	1,543.27
February 2010	99.59	87.20	9,069	864.89
March 2010	94.50	85.50	18,802	1,691.92
April 2010	90.00	83.75	23,971	2,086.40
May 2010	89.53	76.35	33,117	2,761.85
June 2010	85.00	77.00	13,665	1,083.26

[1] Percentages are calculated on the basis of exact figures in thousands of euros.
[2] After net interest expense and tax
[3] End of the period
[4] Current and non-current financial liabilities net of cash and cash equivalents

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

On 28 July 2010, the Board of Directors authorised the publication of the condensed interim consolidated financial statements of Guerbet for the six-month period ended 30 June 2010.

The condensed interim consolidated financial statements of 30 June 2010 should be read in conjunction with the consolidated financial statements for the period ended 31 December 2009, as published in the registration document (*document de référence*) filed with the French financial market authorities (*Autorité des Marchés Financiers*) on 1 April 2010 under number D.10-0216.

CONSOLIDATED BALANCE SHEET

In thousands of euros

ASSETS (net amounts)	Note	30/06/10	31/12/09
Intangible assets	1	37,163	34,729
Property, plant and equipment	1	153,626	145,528
Other non-current assets		2,347	2,035
Deferred tax assets	2	9,957	6,995
Total non-current assets		**203,093**	**189,287**
Inventories	3	97,030	88,994
Trade receivables and related accounts		88,345	80,627
Current assets held for sale			
Other current financial assets		17,329	26,565
Cash and cash equivalents		10,118	8,846
Total current assets		**212,822**	**205,032**
TOTAL ASSETS		**415,915**	**394,319**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	30/06/10	31/12/09
Capital	4	12,177	12,167
Other reserves		185,394	171,586
Consolidated net income		8,558	20,495
Translation adjustments		4,904	1,058
Shareholders' equity		**211,033**	**205,036**
Equity attributable to shareholders of the parent		211,033	205,036
Non-current financial liabilities	6	80,253	66,667
Other non-current financial liabilities		1,072	1,022
Deferred tax assets	2	6,046	7,493
Current provisions	5	14,538	14,108
Total non-current liabilities		**101,909**	**89,290**
Trade payables and equivalent		34,277	30,450
Other payables	6	18,937	21,074
Current financial liabilities		33,193	37,167
Current tax liabilities		11,725	6,845
Current provisions	5	4,841	4,187
Total current liabilities		**102,973**	**99,723**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**415,915**	**394,319**

CONSOLIDATED INCOME STATEMENT

In thousands of euros

	Note	30/06/10	30/06/09
Net sales		178,904	162,517
Royalties		62	313
Other operating income		430	336
Supplies used in operations		-49,102	-38,132
Personnel expenses		-47,226	-44,202
External charges		-54,467	-49,164
Taxes other than on income		-6,133	-7,379
Allowances for amortization		-9,687	-9,200
Net allowances for reserves		-163	1,355
Change in work in progress and finished goods		643	-1,700
Other current operating income and expenses		-1,165	-692
Current operating income		**12,096**	**14,052**
Other operating income and expenses		199	132
Operating profit		**12,295**	**14,184**
Income from cash and cash equivalents		20	132
Finance costs		-1,640	-1,924
Net interest expense		**-1,620**	**-1,892**
Currency gains and losses		536	275
Other financial income and charges		-7	-26
Income tax	9	-2,646	-4,400
Consolidated net income		**8,558**	**8,141**
Income attributable to equity holders of the parent company		**8,558**	**8,141**
Basic earnings per share (€)		2.81	2.69
Fully diluted earnings per share (€)		2.75	2.61

STATEMENT OF NET PROFIT AND INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY

In thousands of euros	30/06/10 (6 months)	30/06/09 (6 months)
INCOME OF THE PERIOD	**8,558**	**8,141**
Income and expense recognized directly in equity		
Translation adjustments	3,846	2,384
NET PROFIT AND INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	**12,404**	**10,525**

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros

	30/06/10 (6 months)		30/06/09 (6 months)	
Net income	**8,558**		**8,141**	
Allowances and reversals of provisions for fixed assets	9,666		9,193	
Allowances and reversals for contingencies	1,084		-1,387	
Changes in fair value of hedging instruments	326		967	
Stock option expenses	44		147	
Income from the disposal of fixed assets and other adjustments	128		-9	
Cash flow after interest expense and tax	**19,806**		**17,052**	
Net interest expense	1,620		1,892	
Tax expenses (including deferred tax)	2,648		4,400	
Cash flow before net interest expense and tax	**24,072**		**23,344**	
Tax payments	2,128		-839	
Change in working capital for operations (including liabilities relating to employee benefits)	**-11,244**		**-7,558**	
Change in inventories		-8,036		-4,448
Change in trade receivables and related accounts		-7,981		-2,087
Change in trade payables and related accounts		2,862		-3,889
Change in other assets		2,937		4,591
Change in other liabilities		-1,026		-1,725
CASH FLOWS FROM OPERATING ACTIVITIES (A)	**14,956,**		**14,947**	
Acquisitions	**-17,506**		**-11,482**	
Of intangible assets		-800		-781
Of property, plant and equipment		-16,434		-10,510
Of financial assets		-273		-191
Proceeds from the disposal of fixed assets	245		107	
CASH FLOWS FROM INVESTING ACTIVITIES (B)	**-17,261**		**-11,375**	
Dividends paid	-6,832		-6,783	
Capital increase	106		135	
New long-term debt	34,184		21,227	
Repayment of borrowings	-22,632		-24,558	
Net interest payments (including finance lease agreements)	-1,675		-1,999	
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**3,151**		**-11,978**	
Impact of foreign exchange fluctuations (D)	474		2,333	
NET CHANGE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C) + (D)	**1,320**		**-6,073**	
OPENING CASH AND CASH EQUIVALENTS	**-728**		**8,916**	
CLOSING CASH AND CASH EQUIVALENTS	**592**		**2 843**	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital stock	Retained earnings	Income	Translation reserve	Total
Balance at 01/01/2009	**12,080**	**152,753**	**24,389**	**(3,496)**	**185,726**
Capital increase	87	1,212			1,299
Capitalisation of 2008 income		24,389	(24,389)		0
Stock options		251			251
Distribution of dividends		(6,783)			(6,783)
2009 consolidated income			20,495		20,495
Actuarial gains and losses		(233)			(233)
Translation adjustments				4,554	4,554
Other changes		(3)			(3)
Balance at 31/12/2009	**12,167**	**171,586**	**20,495**	**1,058**	**205,306**
Balance at 01/01/2010	**12,167**	**171,586**	**20,495**	**1,058**	**205,306**
Distribution of dividends		(6,832)			(6 832)
Capitalisation of 2009 consolidated income		20 495	(20 495)		0
Capital increase	10	97			107
2010 consolidated first-half income			8,558		8 558
Stocks options		44			44
Translation adjustments				3,846	3 846
Other changes		4			4
Balance at 30/06/2010	**12,177**	**185,394**	**8,558**	**4,904**	**211,033**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2010

In thousands of euros

I) Significant accounting policies

The principles applied for the condensed interim consolidated financial statements of 30/06/2010 are the same used for the annual consolidated financial statements of 31 December 2009 (available for consultation at the Group's website: www.guerbet.com).

The new standards and interpretations whose application became mandatory on 1 January 2010, did not have an impact on the financial statements prepared on 30 June 2010.

IFRS 3R: revision of the standard on business combinations;
IAS 27R: amendment of the standard relating to the consolidation of subsidiaries completing the second phase of the business combinations project;
Amendment IAS 39: eligible hedged items;
IAS 2 amendment: amendment relating to Group cash-settled share-based payments.

The new standards and interpretations that must be applied in 2010 were not applied in advance for the period ended 30 June 2010.

The condensed consolidated financial statements of 30 June 2010 have been prepared in accordance with IAS 34 "Interim financial reporting" which provides for the presentation of selected notes. The condensed interim financial statements must be read in conjunction with the consolidated annual financial statements for the fiscal year ended 2009.

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 28 July 2010.

II) Seasonality

Sales are not subject to materials seasonal trends.

III) Payment of dividends

In the first half of 2010, shareholders were paid a dividend of €2.25 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 market positions open not backing such risks.

a. Foreign exchange hedging positions opened by Guerbet in the 2010 first half

Five forward exchange contracts, including 4 put in place in 2010, represented a total commitment remaining open of €13.8 million.

b. Exposure to currency fluctuations at 30 June 2010

Guerbet France positions in €m	USD	BRL	JPY	TRY	CHF	KRW	HKD	GBP	TWD	MXN	Total €m
BUDGET RISK (1)	-6.85	0.00	-0.25	2.38	5.51	1.96	2.88	2.01	0.43	0.00	22.28
BALANCE SHEET RISK (2)	2.50	1.04	4.22	1.99	0.15	0.09	6.53	0.33	0.01	1.03	17.88
POSITIONS BEFORE HEDGING (3=1+2)	-4.35	1.04	3.96	4.37	5.66	2.06	9.41	2.34	0.45	1.03	34.66
OUTSTANDING HEDGES (4)	-2.48	0.00	-3.73	-1.86	0.00	0.00	-6.54	0.00	0.00	-1.02	15.63
NET POSITION AFTER HEDGING (5=3+4)	-6.84	1.04	0.23	2.51	5.66	2.06	2.87	2.34	0.45	0.01	24.00

(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) Balance sheet risk concerns all assets and liabilities in non-euro zone foreign currencies.
“Total €m” represents totals in absolute values.

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

The principal sensitivity concerns foreign currencies unhedged at 30/ June 2010.The following table presents the impact on net financial income of a 10% changes of these currencies against the euro.

(In thousands of euros)	**30/06/2010**	**30/06/2009**
BRL	100	111
JPY	48	4
GBP	33	25

c. Interest rate risk

Guerbet Group's debt consists primarily of floating-rate debt. The goal of Guerbet Group’s interest-rate hedging strategy is to lock-in rates for 75% of its floating-rate debt through the use of swaps, caps and floors.

d. Interest-rate hedging positions assumed by Guerbet in 2010 first half

In the 2010 first half no new hedges were implemented. At 30 June 2010, 66% of this above-mentioned debt was hedged.

e. Exposure to interest rate changes at 30 June 2010

In thousands of euros	**Current debt***	**Non-current debt**	**Total**
Financial liabilities at fixed-rates	(2,257)	(1,598)	(3,855)
Financial liabilities at floating-rates	(17,437)	(77,898)	(95,335)
Financial assets at floating-rates	10,118		10,118
Net balance before hedging ***			
• fixed-rate	(2,257)	(1,598)	(3,855)
• floating-rate	(7,319)	(77,898)	(85,217)
Off-balance sheet **	15,667	41,786	57,452
Net balance after hedging:			
• fixed-rate	(17,924)	(43,384)	(61,308)
• floating-rate	8,348	(36,112)	(27,764)

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

On the basis of the Group 2010 cash budget, for the second half average floating-rate debt not hedged by financial instruments would total approximately €25 million after hedging.

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

f. Analysis of the sensitivity of net financial income to interest-rate risks after hedging at 30 June 2010

Interest rate changes of:	1%
Impact on financial income (in €)	29,254

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 the 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.

30/06/2010	European companies (for their respective markets)	Other	Unallocated	Total
Net sales				
European markets	127,146	5,211		132,357
Other markets		46,547		46,547
Total	**127,146**	**51,759**		**178,904**
Current operating income	**47,529**	**8,616**	**-44,049**	**12,096**
Other operating income and expenses				199
Operating profit				**12,295**
Net interest expense				-1,620
Other financial income and charges				529
Tax charge				-2,646
Net income				**8,558**
Including: amortization and depreciation	-1,380	-955	-7,352	-9,687
Including: other expenses without an impact on cash	-187	33	-9	-163
Segment assets	329,472	86,443		415,915
- including fixed assets	168,338	24,798		193,136
Segment liabilities excluding borrowings	101,122	14,137		115,259
Borrowings	82,871	6,752		89,623
Shareholders' equity			211,033	211,033
Segment capital expenditures				
- including intangible assets	769	31		800
- including property, plant and equipment	15,603	831		16,434

30/06/2009	European companies (for their respective markets)	Other	Unallocated	Total
Net sales				
European markets	124,648	4,475		129,123
Other markets		33,394		33,394
Total	**124,648**	**37,869**		**162,517**
Current operating income	**46,103**	**7,187**	**-39,238**	**14,052**
Other operating income and expenses				132
Operating profit				**14,184**
Net interest expense				-1,892
Other financial income and charges				249
Tax charge				-4,400
Net income				**8,141**
Including: amortization and depreciation	-1,239	-774	-7,187	-9,200
Including: other expenses without an impact on cash	90	1,519	-254	1,355
Segment assets	317,069	61,497		378,566
- including fixed assets	150,832	19,809		170,641
Segment liabilities excluding borrowings	96,497	8,495		104,992
Borrowings	63,429	20,377		83,806
Shareholders' equity			189,768	189,768
Segment capital expenditures				
- including intangible assets	754	27		781
- including property, plant and equipment	9,680	830		10,510

2 – Sales by product

	30/06/2010	30/06/2009
X-ray	55.0%	55.0%
MRI	36.1%	35.2%
Other	8.9%	9.8%
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 2010 first half, the Group invested €16.4 million for property, plant and equipment and €0.8 million for intangible assets primarily in France in connection with products to expand and increase capacity of the Aulnay, Lanester and Marans plants.

The net value of fixed assets increased €3.7 million, including €2.6 million for intangible fixed assets in response to the rise in exchange rates from 31 December 2009.

Note 2 - Deferred tax assets and liabilities

	30/06/2010	31/12/2009
Deferred tax assets	9,957	6,995
Deferred tax liabilities	-6,046	-7,493
Total	**3,911**	**-498**
Including deferred taxes resulting from:		
Recognition of tax losses	10,743	7,478
Temporary differences	8,819	7,684
Restatement of regulated provisions	-7,310	-6,341
Remeasurement of property, plant and equipment	-2,896	-2,944
Remeasurement of intangible assets	-9,889	-9,064
Restatement of inventory margins	4,498	3,345
Restatement of provisions for subsidiary risks	-838	-838
Capital leases	-584	-707
Other	1,368	889

Note 3 - Inventory

Gross inventory increased €8.6 million in the first half.
This included an increase of €4 million in inventory for trade goods and €2.8 million from the rise in the value of foreign currencies.
While inventories of raw materials increased, those of manufactured products were reduced through manufacturing cycle improvements. In the latter category, inventories of finished goods increased in order to remain responsive to market demand.

Note 4 – Shareholders' equity

At 30 June 2010, the share capital of the company was 3,044,146 shares with a par value of €4 per share. The Group has 5,107 treasury shares.

4 - 1 Changes in the share capital of the parent company

	2010 first half
Number of shares at 1 January	**3,041,761**
Increase in capital from the exercise of stock options	2,385
Number of shares at 30 June	**3,044,146**

Note 5 – Provisions

Changes in the period

	31/12/2009	Increases	Reversals	Translation adjustments & reclassifications	30/06/2010
Non-current provisions:					
Deferred employee benefits	**14,108**	**469**	**45**	**7**	**14,538**
Current provisions:					
Costs for mandatory paediatric studies	321			55	376
Tax contingencies	1,113	46	67	151	1,243
Foreign exchange hedges	983		362		621
Late payment interest	884	711			1,595
Anticipated losses on purchase commitments	886	186	110	44	1,006
Total current provisions	**4,187**	**943**	**539**	**250**	**4,841**
Total	**18,295**	**1,412**	**584**	**256**	**19,379**

Note 6 – Borrowings

6 - 1 Analysis by nature

		30/06/2010	31/12/2009
Long-term borrowings (non-current liabilities)		**80,253**	**66,667**
Including:	Securitization	19,291	18,078
	Special profit-sharing reserve	1,213	1,208
	Capital leases		4
	Medium-term borrowings	16,847	17,350
	Other borrowings	42,902	30,027
Short-term borrowings (current liabilities)		**18,937**	**21,074**
Including:	Capital leases	1,999	1,971
	Medium-term borrowings (with maturities of less than 1 year)		4 443
	Other borrowings	7,371	5,036
	Short-term bank loans & overdrafts	9,567	9,624
Total financial liabilities		**99,190**	**87,741**

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.

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

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

Research expenditures incurred from 1 July 2009 to 30 June 2010 will be submitted for approval to OSEO in the 2010 second half. These include a grant receivable of €3.2 million plus a €0.7 million inflow from a repayable advance.

In addition, grants of €1.4 million, corresponding cost overruns in relation to the budget prior to 30 June 2009 may be paid by OSEO following the results of a scientific evaluation of the programme to be carried out in 2010. This contingent income has not been recognised to date.

No other contingent assets or liabilities have been identified.

Note 8 – Information on compensation

Main characteristics and criteria for measuring share-based payments:

a) Stock option and stock purchase option highlights

Grant date	Number	Share price on date of grant	Volatility	Risk-free rate	Exercise price	Vesting period
26/03/09	4,000 [1]	112	35%	3.80%	112.26	2 years

b) Breakdown of share-based payments per year

Year	Benefits in € thousands
2009	67
2010	87
2011	20
Total	**174**

Note 9 – Corporate income tax

9-1 - Breakdown between current and deferred income tax

	30/06/2010	30/06/2009
Current tax	-6,151	-4,838
Deferred tax	3,505	438
Total	**-2,646**	**-4,400**

[1] Stock options for 2 years

9-2 – Analysis of the effective tax charge

	30/06/2010	30/06/2009
Theoretical tax charge for the consolidated company at applicable tax rate *(1)*	-3,858	-4,332
Impact of different tax rates	-498	65
Impact of permanent non-deductible or tax-exempt expenses	-1,404	-1,305
Impact of deferred taxes on unrecognised losses and misc. *(2)*	3,114	1,172
Total	**-2,646**	**-4,400**
(1) Tax rate:	*34.43%*	*34.43%*
(2) Including tax credits:	*2,364*	*961*

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 executive officers

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

Short-term benefits	
Gross compensation	**786,169**
including benefits in-kind	7,636
including variable compensation[1]	138,837
Post-employment benefits	**47,746**
including supplementary funded pension schemes	30,159
including provisions for retirement severance payments	17,587
Share-based payments[2]	**22,000**

Members of the Board of Directors received attendance fees in the first half of €146,237.50 for fiscal 2009.

Note 11 – Subsequent events

There have been no material events since the closing date of 30 June 2010.

[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 2009.
[2] This concerns expenses recognised in the 2010 first half for stock option grants (cf. note 8).

Statutory auditors' limited review report of the interim consolidated financial statements for the six-month period ending 30 June 2010

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

Dear 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 attached consolidated interim financial statements of Guerbet for the six-month from 1 January 2010 to 30 June 2010;
- A verification of the information given in the interim management report.

These interim financial statements were prepared under the responsibility of the Board of Directors in an environment distinguished by highly volatile markets rendering it particularly difficult to identify economic trends that were already prevailing at the close of the fiscal year ending 31 December 2009. It is our responsibility, on the basis of our review, to present our opinion on these financial statements.

I – Review of the financial statements

We conducted our limited review in accordance with French professional standards. These standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim consolidated financial statements do not contain any material misstatements. These procedures that involve principally meeting with management and conducting an analytical review thus provide a lower level of assurance than an audit performed in accordance with professional standards applicable in France and consequently do not result in the issuance of an audit opinion.

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

Without calling into question the opinion expressed above, we draw your attention to the presentation of significant accounting policies presented in Note 1 to these financial statements.

II – Specific verifications

We have also reviewed the information given in the interim management report accompanying these financial statements subject to our limited review. On that basis, we have nothing to report with respect to the fairness of such information and its conformity with the condensed interim consolidated financial statements.

Paris and Neuilly-sur-Seine, 28 July 2010

The Statutory Auditors

[*French original signed by*]

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

Responsibility statement for the half yearly financial report

To the best of my knowledge, and in accordance with applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements of Guerbet for the period ending 30 June 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and consolidated companies comprising 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, 28 July 2010

Bernard Massiot
Chief Executive Officer

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This is a free translation into English of the original French language version of the interim financial statements (*rapport semestriel*) provided solely for the convenience of English speaking readers. This report should consequently be read in conjunction with, and construed in accordance with French law and French generally accepted accounting principles. In the event of any ambiguity or conflict between corresponding statements in the two documents, the French language *rapport semestriel* shall prevail.

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