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A BIOPHARMACEUTICAL COMPANY COMMITTED TO LIFE

LFB is a biopharmaceutical group that develops, manufactures and markets medicinal products derived from living matter for the treatment of serious and often rare diseases in major therapeutic areas: immunology, haemostasis and intensive care.

Number one in France and 7th worldwide for plasma-derived medicinal products, the LFB group is also a European leader in the development and production of innovative treatments and proteins derived from biotechnologies.

Through its constant research efforts, the LFB group implements a growth strategy to expand its activities on international markets.
WHAT WERE THE MAIN TRENDS IN 2016?

In 2016, turnover grew relatively slowly, at €518.9 million, but sales rose substantially on international markets.

With a 52.6% increase in sales of medicinal products outside France, international development is the most significant factor in 2016. We also developed new subsidiaries. In Europe, LFB acquired the Belgian company CAF-DCF in July 2016 and opened a sales subsidiary in Spain. Across the Atlantic, we’re strengthening our position in Mexico, one of the region’s most promising markets, with a joint venture created in November 2016 with our Mexican partner, Innovare R&D SA.

Stemming our international sales structures obviously goes hand in hand with the market launch of two major new products. Strengthening from the group’s research & development, our immunoglobulin 10% IQYMUNE® and our fibrinogen FibCLOT®, both of which are registered in many European countries, provide therapeutic solutions for genetic diseases that are rare but still affect thousands of people in Europe. In the United States, in 2016 LFB applied to the FDA for a “Biologics License Application” (BLA) for activated recombinant Factor VII, which could be indicated for haemophilia. These three medicinal products result from our research & development and reflect LFB’s innovation capability, as well as its openness to new markets, made possible by our active registration policy.

Our future growth calls for a relevant industrial setup. 2016 was a very important year for our industrial projects. We laid the foundation for our future large-capacity plant in Arras with the President of France in attendance. This major industrial project will enable LFB to triple its production capacity of plasma-derived
medicinal products over the next decade. Also in France, but in Alès this time, we inaugurated the new industrial facilities on our biotechnology site, which will also enable us to substantially increase our bioproduction capacities for recombinant medicinal products, particularly for our activated Factor VII.

WHAT ARE THE LEVERS OF YOUR DEVELOPMENT?

We’re focused on high therapeutic value-added medicines for which needs are increasing worldwide. Our know-how in bioproduction is a valuable asset, and the success of CELLforCURE in cell and gene therapies reflects our vibrant “100% biological” strategy.

The LFB group’s development is being shaped on international markets. The process is well underway with growth that is structurally driven by sales of medicinal products outside France and the steady registration of new products. Our industrial projects are an integral part of this growth and an essential condition for our development.

The group’s 2,327 employees are united around this twofold challenge: further successful international development and the production of the medicinal products expected in France and abroad. Everyday they work to develop, manufacture and market essential medical products for the lives of hundreds of thousands of patients. We have a wonderful profession and are lucky to contribute to a real corporate project.
2016 ACTIVITY AND HIGHLIGHTS

2016 KEY FACTS

Turnover
At €518.9 million, the Group’s turnover in 2016 was over the half billion-euro mark and grew 3.3% compared with 2015. 30% of turnover is achieved outside France.

In 2016, sales of medicinal products were the main growth drivers, accounting for 86.2% of the group’s turnover, a 10.7% increase compared with 2015. This rise is chiefly due to vibrant sales outside France, which rose 52.6% in 2016 compared with 2015, and slight sales growth in France (+3.4%).

Services / other goods and services account for 13.8% of the group’s revenue. These activities did not perform as well in 2016.

Immunology
Medicinal products in the “Immunology” therapeutic range accounted for €172.6 million in turnover, up 17.3% compared with 2015. This growth is driven by international sales, which rose 135.7%, showing sharp growth across the great majority of markets. In France, turnover from sales of multi-purpose immunoglobulins grew 1.6%.

Haemostasis / Rare Diseases
The “Haemostasis / Rare Diseases” range achieved total turnover of €154.9 million, up 10.9% from 2015. Growth was substantial both in France (+9.8%) and outside France (+17.7% vs. 2015).

Intensive Care
Medicinal products in the “Intensive Care” range totalled €120 million in turnover, a 2.3% increase from 2015. Turnover in France, at €91.7 million, was 2.3% lower than in 2015, despite constant growth in sales of the fibrinogen CLOTTAFACT®. International sales, on the other hand, improved sharply with 20.6% growth.
Sales of medicinal products were the main growth drivers, accounting for 86.2% of the group’s turnover.

Intermediate services and products
In intermediate services and products, which include bioproduction services and toll manufacturing, an activity that the LFB group is developing on international markets, turnover in 2016 represents 13.8% of the Group’s consolidated revenue. It decreased both in France and internationally, where medicine sales are now the main growth driver.

Key Figures 2016

€518.9 M
Group’s turnover

30%
of turnover achieved outside France.

2016 Turnover breakdown - France and International (€ million)

- Medicines Haemostasis/Rare Diseases: 154.9
- Medicines Intensive Care: 120
- Medicines Immunology: 172.6
- Intermediate services and products: 71.4

+ 52.6%
increase of international medicinal sales vs 2015.
The Group continued the extension of the cell culture plant in Alès, giving it the capacities to meet needs for activated Factor VII production in particular, and to broaden its market offering.

Industrial investments

Capital expenditure increased substantially in 2016, totalling €93.7 million, compared with €42.8 million in 2015.

A significant share of the investment effort focused on the project for a new plasma-derived medicinal product plant in Arras, France. The Group also began several major projects on its current sites in Les Ulis and Lille. In Les Ulis, construction started on a new thawing workshop to modernise this part of the process and meet the highest quality standards. On the Lille site, upgrading of freeze-drying equipment continued and the construction of a fibrinogen purification workshop was launched. This industrial asset will be a relay for the Arras plant’s future facilities, which will enable the LFB group to triple its capacity in plasma-derived medicinal products.

The group continued the extension of the cell culture plant in Alès, giving it the capacities to meet needs for activated Factor VII production in particular, and to broaden its market offering. In the United States, the Group began construction of a clarification plant for the first stage in the purification process of recombinant products resulting from its proprietary rPRO™ technology.

On the financial side, the group posted net income of -€15.4 million for 2016. This result is particularly due to production difficulties and the consequences of the failure of the study on ATryn® in a new indication, leading to write-downs.
MEDICINAL PRODUCT NEWS

FibCLOT® and IQYMUNE® filed in 15 and 14 European countries, respectively
As of the end of December 2016, LFB SA’s FibCLOT® fibrinogen and IQYMUNE® 10% immunoglobulin have been filed in 15 and 14 European countries, respectively, under the decentralised procedures chosen for these two products. Both plasma-derived medicinal products are indicated for the treatment of rare diseases.

FibCLOT® and IQYMUNE® are also being filed in several countries outside Europe, while IQYMUNE® is continuing phase III clinical development for European registration in two neurological indications.

FDA application made for Factor VIIa
In October 2016, LFB SA applied for a license with the US Food and Drug Administration (FDA) for its recombinant clotting Factor VIIa (activated beta eptacog).

The “Biologics License Application” (BLA), for the treatment of haemophilia, was judged admissible by the FDA in December 2016. The application contains data from the phase III confirmatory study in the global programme PERSEPT (Program for the Evaluation of Recombinant Factor Seven Efficacy by Prospective Clinical Trials).

Authorisation extended for TEGELINE® in France
On January 28th, 2016, TEGELINE® obtained an extension to its market authorisation in France for the indication in a rare autoimmune disease that affects 50 - 200 people per million. TEGELINE® is the first and only immunoglobulin in France that has this indication.
LFB group gains new entity in Belgium
Under an agreement signed on July 1st, 2016 by LFB SA and Sanquin, the Dutch blood transfusion foundation, LFB acquired the Belgian company CAF DCF bvba-sprl. In 2008 LFB acquired a 24.9% stake in the Belgian company CAF DCF bvba-sprl, alongside the Belgian Red Cross and Sanquin. In 2015, the Belgian Red Cross and LFB sold their interests to Sanquin, which then became the sole shareholder in CAF DCF bvba-sprl. On June 13th, 2016, CAF DCF bvba-sprl changed its name to Plasma Industries Belgium cvba/scrl. Furthermore, on the same day, the company completed a partial split of its activities on the Belgian market, which were transferred to a company that took the name CAF DCF bvba-sprl.

Consequently, the LFB group has a new entity in Belgium. The Belgian company houses employees working in commercial and regulatory activities and has taken over distribution of 10 plasma-derived medicinal products that are currently on the market. The company continues to be supplied with blood plasma collected by transfusion organisations that are mostly managed by the Belgian Red Cross. Under long-term agreements, it contracts out the medicinal product manufacturing activity to the Neder-over-Heembeek plant (Brussels), which still belongs to Plasma Industries Belgium cvba/scrl, and to other established industrial partners of CAF DCF bvba-sprl (particularly Biotest), including LFB.

Consolidation of LABORATORIO FARMA-CEUTICO LFB MEXICO
LABORATORIO FARMACÉUTICO LFB MÉXICO S.A.P.I de CV ("LFB MEXICO") is 51% held by LFB SA and 49% by Innovare R&D. Through the creation of this joint venture, LFB SA is strengthening its partnership with Innovare R&D, its exclusive distributor in Mexico. An exclusive distribution agreement between LFB BIOMEDICAMENTS and LFB MEXICO is in the negotiation process and should be signed in 2017.

New bioproduction agreement signed by CELLforCURE and CELLECTIS
On January 19th, 2016, CELLforCURE and Cellectis announced the signing of a new bioproduction agreement for the manufacture of clinical batches of UCART123 under BPF standards at CELLforCURE. This new agreement follows successful cooperation on the production of UCART19.

LFB AMERICAN PLASMA signs agreement with US firm ImmunoTek BioCenters
On February 16th, 2016, LFB AMERICAN PLASMA, an LFB group company, and the US firm ImmunoTek BioCenters signed an agreement to supply LFB with plasma collected in the United States. Under this multiannual contract, several plasma collection centres will be opened in the USA in the years ahead.

Bond issue
On January 5th, 2016 LFB SA completed a 124 M€ Euro PP bond issue. Carrying a 7-year maturity and paying a 2.848% coupon, the bonds were issued on the Euronext Paris free market as registered, book-entry securities. The 1,240 bonds have a nominal unit value of €100,000.
This funding contributes to the Group’s development, particularly through capital expenditure such as the new production plant under construction near Arras, France for plasma-derived medicinal products.
EVENTS IN MAJOR INDUSTRIAL PROJECTS

First stone laid for the Arras production plant
On June 7th, 2016, in the presence of the President of France, Mr François Hollande, the Chairman of the Hauts-de-France Region, Mr Xavier Bertrand, the Chairman of Pas de Calais Département Council, Mr. Michel Dagbert, and the Chairman of Arras Urban Community, Mr. Philippe Rapeneau, the first stone of LFB’s “new generation” plant was laid at the construction site near Arras. The future Arras plant will enable LFB BIOMEDICAMENTS to triple its plasma-derived medicinal product manufacturing capacity within 10 years.

In March 2016, LFB BIOMEDICAMENTS signed a service contract with Technip to manage the design, construction and accreditation of the new Arras plant.

New facilities inaugurated at Alès biotech site
The inauguration of the new industrial facilities, including the UP2 unit, on the Alès bioproduction site operated by LFB BIOMANUFACTURING took place on October 25th, 2016. With UP2, LFB BIOMANUFACTURING will be able to triple its production capacity from 2017. UP2 increases the site’s BPF production area to 700 m², compared with 150 m² for UP1 alone.

This extension will enable LFB SA to increase its purification capacities for recombinant activated Factor VII and offer up to 10 times as many recombinant products by 2020, thanks to the site’s 2,000-liter bioreactors.
CORPORATE GOVERNANCE
as of December 31st, 2016
MEMBERSHIP OF THE EXECUTIVE COMMITTEE
(as of December 31st, 2016)

01 - Christian BECHON
Chairman & CEO, LFB SA

02 - Marcia BASSIT
Chief Executive Officer, LFB HEMODERIVADOS
E BIOTECNOLOGIA LTDA, Brazil

03 - Patrick BERGEAT
Deputy CEO-Operations and Director
of Manufacturing, LFB BIOMEDICAMENTS SA

04 - Max BERGER
Executive VP Legal Affairs, LFB SA

05 - Léopold BERTÉA
Director of the Global Bioproduction Division and
Executive VP, LFB BIOTECHNOLOGIES SASU

06 - Guillaume BOLOGNA
Executive VP Pharmaceutical Development,
LFB BIOTECHNOLOGIES SASU

07 - Sandrine CHARRIERES
Executive VP Corporate Communications, LFB SA

08 - Sami CHTOUROU
Executive VP Innovation and Scientific Affairs,
LFB BIOTECHNOLOGIES SASU

09 - Jean-Noël COLIN
Executive VP Quality and Group Pharmaceutical
Coordination, LFB SA

10 - Jean-François DORE
Member of the Board of Directors,
EUROPLASMA Holding AT GmbH, Austria

11 - Yann ECHELARD
Chief Executive Officer of rEVO Biologics Inc.

12 - Philippe GREDY
Executive VP Global Marketing and Sales,
LFB SA, Director of Commercial Affairs, LFB SA

13 - David LOISON
Executive VP Group Financial Affairs, LFB SA

14 - Joris PEZZINI
Executive VP Group Corporate Strategy
and Business Development, LFB SA

15 - Denis SOUBEYRAN
CEO, LFB BIOMEDICAMENTS SA

16 - Stéphane VALET
Executive VP Group Human Resources, LFB SA

17 - Robert VERDEGUER
Delegate CEO,
Quality and Pharmaceutical Affairs and Head
Pharmacist, LFB BIOMÉDICAMENTS SA

18 - Hervé FRIDMAN
Medical Advisor to the Chairman & CEO, LFB SA
LFB SA BOARD OF DIRECTORS

Until the General Meeting of November 24th, 2016, in accordance with article 6 of French law #83-675 of July 26th, 1983 on the democratisation of the public sector, LFB SA’s Board of Director was comprised of 18 members divided between three colleges:

Qualified members
René ABATE
Managing Director, DELPHEN SARL
Christian BECHON* (see below)
Chairman and Chief Executive Officer, LFB SA, Chairman of the Board of Directors of LFB BIOMEDICAMENTS SA
Docteur Elisabeth HUBERT
Chair of HAD FRANCE SAS, Manager of ALIAGIS SARL
Manuela LEONE
Executive VP Operations, APTUIT SRL Verona, Italy
Francis MER
Director of VIOHALCO SA, Belgium, Director of BORUSAN, Turkey
Jean-Marie ZACHARIE

French government representatives
Pierre ANGOT
Deputy Director of Chemistry, Materials and Eco-Industries, Department of Business, French Ministry of the Economy and Finance
Pascale AUGÉ
Chair of the Executive Board, INSERM TRANSFERT SA
François AUVIDGE
Inspector Gen. of Taxes, IFG, Ministry of the Economy and Finance
Thomas GOSSET
Deputy Director of Energy Holding in the French State Shareholding Agency
Jean Michel HEARD
Scientific Director for Bio-Health at the French Directorate-General for Research and Innovation

Staff representatives
Vincent DENOIS
Head of IT – LFB BIOMEDICAMENTS SA
Frédéric DHAINAUT
Head of Immunology and Applied Biochemistry – LFB BIOTECHNOLOGIES SASU

Nicolas HERMAN
Production Unit Manager – LFB BIOMEDICAMENTS SA
Marc LASCOMBES
Project Engineer - LFB BIOMEDICAMENTS SA
Hervé MARCILLY
Operations Quality Assurance Manager – R&D Quality Assurance – LFB BIOTECHNOLOGIES SASU
Dominique SAINT PICQ
Change Control Coordinator – LFB BIOMEDICAMENTS SA

As of the date of editing this annual report, the Board of Directors has eight members:
- Director representing the French government, appointed pursuant to the provisions of article 4 of the Order (see below):
  > Cédric GARCIN
- 4 Directors appointed at the General Meeting on the proposal of the French Government, chosen either for the technical, scientific or technological expertise, their knowledge of the local or regional aspects of the relevant activities, their knowledge of the public and private activities concerned by the company’s activity, or their capacity as representatives of consumers or users:
  > Pierre ANGOT
  > François AUVIDGE
  > Jean-Michel HEARD
  > Pascale AUGÉ
- 3 Directors elected as staff representatives:
  > Dominique SAINT PICQ
  > Wilhelmus STEVENS
  > Jérôme WACRENIER
Audit Committee

Until November 24th, 2016, the Audit Committee was chaired by François AUVIDGE. The other members were Thomas GOSSET and Vincent DENOIS.

On January 19th, 2017, the Board of Directors approved the appointment of the new members of the Audit Committee: Thomas GOSSET, Jérôme WACRENIER and François AUVIDGE (Chair). The Board of Directors tasked the committee with assisting it in accordance with the Rules and Regulations.

The Board noted the temporary impossibility of complying with the Audit Committee’s Rules & Regulations in terms of the number of the Committee’s members and with the AFEP-MEDF Code’s recommendations on the share of independent directors on the Board of Directors and its Committees, including the Audit Committee.

R&D Committee

Until November 24th, 2016, the R&D Committee was chaired by Elisabeth HUBERT, the other members being Pierre ANGOT, Pascale AUGÉ, Jean-Michel HEARD, Manuela LEONE and Hervé MARCILLY.

As of May 1st, 2016, Manuela LEONE resigned from her position to join LFB BIOTECHNOLOGIES.

From November 24th, 2016 to December 31st, 2016, as the newly formed Board did not meet, new members of the R&D Committee were not appointed.

Compensation Committee

Until November 24th, 2016, the Compensation Committee was chaired by René ABATE and the other members were Thomas GOSSET and Dominique SAINT PICQ.

From November 24th, 2016 to December 31st, 2016, as the newly formed Board did not meet, new members of the Compensation Committee were not appointed.

General Control

In accordance with the decision taken on September 11th, 2013 pursuant to decree no. 55-733 dated May 26th, 1955, the “Coverage of social risks, social cohesion and health security” mission of the general economic and financial control department was appointed to carry out governmental economic and financial control on the LFB group.

Gérard BELET is responsible for general control of LFB SA and LFB BIOMEDICAMENTS SA, and duly attends the Board of Directors and Committee meetings of these two companies without voting rights.

INFORMATION ON THE GOVERNANCE OF LFB SA:
AMENDMENT OF STATUTES FOR COMPLIANCE PURPOSES

The General Meeting of November 24th, 2016 amended the Company’s statutes to implement the provisions of Order #2014-948 of August 20th, 2014 on the governance and equity operations of State-owned companies (hereafter “the Order”).

Pursuant to the Order, LFB SA is now administrated by a Board of Directors with three to 18 members, appointed at the General Meeting, as the case may be on the proposal of the State, in accordance with article 6-II of the above-mentioned Order, a Representative of the State appointed by decree and, as the case may be, a number of staff representatives elected in accordance with the legal provisions in force.

* By a letter from the Ministry of the Economy dated November 24th, 2016, Mr Christian BECHON was appointed acting Chairman & CEO of the Company pursuant to article 21 of the Order.
OUR RESPONSIBILITIES

LFB GROUP DEVELOPS THROUGH ITS FUNDAMENTAL PRINCIPLES AND SUSTAINABLE VALUES

Putting patient safety at the heart of corporate decisions

Building ethical relations with stakeholders, healthcare professionals, employees and partners, and developing projects with non-profit organisations working to improve well-being and quality of life for patients and their families

Developing programmes for rare diseases.

Implementing proactive policies aimed at controlling energy and water consumption and waste generation from our activities to protect the environment and non-renewable resources.

NB: Under the criteria set out in section 225 of the French ‘Grenelle 2’ environmental law #201067088 of July 12th, 2010 and its application decree of April 24th, 2012, LFB is required to publish certain information “on the manner in which the company deals with the social and environmental consequences of its activity”. LFB meets these obligations in its management report.
LFB’s people

LFB Group, with a France-based workforce comprising employees of 24 different nationalities, has developed a set of practices designed to foster workplace equality and prevent discrimination on the grounds of gender, ethnicity, age or sexual orientation.

The registered headcount in France increased 9.2% from 2015. This rise is due to the further development of the subsidiaries LFB BIOMANUFACTURING and CElLforCURE, and the recruitment carried out with respect to the plant under construction in Arras.

LFB’s workforce outside France is growing in line with its international development strategy. Fairness and equal opportunities for men and women are vital components of LFB’s human resources policy.

Over the past 10 years, LFB has developed a range of practices designed to promote gender equality. General terms and conditions of employment, access to training, recruitment, working conditions, compensation systems, working hours and holidays are identical for both sexes, and/or designed to take into account the differences between them, in order to promote workplace quality between men and women. Two company agreements on workplace gender equality were signed in 2012 and 2015.

Training

In France, LFB Group continued its efforts to promote professional training, allocating a budget representing 4.7% of its gross wage bill to cover the cost of in-house trainers and the training programmes offered at LFB. Multiple training opportunities are also provided by professional training organisations (in the fields of manufacturing, quality, sales & marketing, etc.) and were consolidated within “LFB University” created in 2016.

The main training areas are professional expertise, languages, office IT systems, specific manufacturing skills and health, safety & the environment.

LFB’s training strategy also includes a work/study training policy that is vital to its teams’ development in both the short and medium term. In 2016, 66 young people were on a work/study contract at LFB in France.

Disabled employment policy

Launched in 2012, LFB’s disabled employment policy is being rolled out and enhanced. The medium-term objective is to have people with disabilities total 8% of the direct and indirect workforce in France. Our aim is to ensure that disability does not prevent people from expressing their individual talents and skills.

In 2015, an individual was appointed, alongside the disability officer, to promote and monitor LFB’s social policies, including for the employment of people with disabilities.
A range of incentives has been set up internally, including information campaigns encouraging recognition of the quality of disabled workers and awareness-raising initiatives organised at various sites in the Group. LFB also supports sheltered employment programmes by subcontracting work on a long-term basis to specialist organisations and businesses that offer work to people with disabilities.

Practical actions to adapt working hours or workstations for staff with disabilities were carried out in 2016. LFB also set up financial assistance for its employees with disabilities, including Pass CESU Handicap, which provides regular support in their daily lives. In 2016, LFB made 83 grants of support to its employees under this system.

LFB provides long-term support to several patient organisations, mostly in the field of rare diseases, with the twofold aim of increasing our understanding of these diseases and developing projects to improve the wellbeing of patients.

In that spirit, LFB has stood by Alliance Maladies Rares (a group of 206 voluntary sector patients’ organisations) for 13 years. Similarly, in 2016, it also supported the following patients’ organisations: IRIS and IPOP1 (immunodeficiency), AHF and WFH (haemophilia), AF3M (multiple myeloma), ADAAT (alpha-1 antitrypsin deficiency) and AFNP (peripheral neuropathies).

LFB also believes that improving the lives of patients – particularly children – with chronic illnesses in their healthcare environment is essential. For 15 years LFB has been working in partnership with Le Rire Médecin, a not-for-profit organisation that supports weekly visits from clowns at two paediatrics departments at Paris’s Necker Hospital.

LFB devotes over half of its R&D expenditure to projects involving new biotherapies for rare diseases in the fields of immunology, haemostasis and intensive care.

It supports and guides the major institutional players in the field of rare diseases, in France through its 13-year long partnership with Alliance Maladies Rares, and on the European level with EURORDIS. LFB is also a major partner of ORPHANET. In 2016, LFB supported Fondation des Maladies Rares in France.

Standing by patients and their families

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COMMITMENT ON RARE DISEASES

Supporting active organisations in the field of rare diseases

With over 60% of its medicines indicated for the treatment of rare diseases, LFB is a major player in this field. LFB’s medicines help hospital-based health professionals to care for patients suffering from rare and sometimes very rare diseases for which the available treatment options are limited.

LFB devotes over half of its R&D expenditure to projects involving new biotherapies for rare diseases in the fields of immunology, haemostasis and intensive care.

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TULIPE, SOLIDARITY ACROSS BORDERS

The LFB group has been an adherent of TULIPE since 1996, TULIPE being the humanitarian association of the French union for pharmaceuticals, LEEM. TULIPE gathers the donations of healthcare companies to address emergency situations and needs of distressed populations, caused by acute sanitary crises, natural disasters and conflicts. Its intervention consists in the provision of emergency kits with healthcare products, delivered in short delays where needed, adapted to the needs. The LFB group is a member of TULIPE’s Board of Directors.
THE COMMITMENTS OF A RESPONSIBLE COMPANY

An active responsible purchasing policy

The Group’s Purchasing Department implements a responsible purchasing policy as part of LFB’s corporate social responsibility programme.

The main indicators are: collection time monitoring, percentage of purchases from small and medium-sized businesses and the monitoring of cases referred to mediators. In dealing with discrepancies and disputes, LFB pays special attention to the treatment of price discrepancies in order to facilitate faster payments.

Our Responsible Supplier Relations Charter is sent out to all suppliers and is available on the Group’s website together with the Best Purchasing Practices Charter.

All our managers, budget supervisors, the purchasing department and all staff members authorised to incur expenditure have signed our Best Purchasing Practices Charter.

LFB Group’s environmental policy is designed to mitigate its activities’ environmental impact throughout the medicine production and distribution chain.

The impact of LFB’s French production operations (four out of five production sites worldwide) on their ecosystems is monitored through the gradual setup of environmental indicators on both incoming (e.g. raw materials, energy and water) and outgoing flows (emissions, effluent and waste).

LFB’s aim is to control its consumption of energy and water, and monitor hazardous and non-hazardous waste, effluent releases and air emissions as closely as possible. We are also careful to identify any possible shortcomings in these systems and set up short-term remedial solutions, and, more generally, use technologies that provide more energy-efficient and environmentally-friendly equipment as part of a multi-year capital expenditure plan.

“CULTURE PRIORITAIRE”: SHOWCASING LFB’S PROFESSIONS

Since 2015, LFB has supported “Culture Prioritaire”, a non-profit organisation that helps young people achieve educational and professional success by letting them discover professions from around the age of 15. The association aims to foster equal opportunities and prevent school students falling behind.

LFB organises an annual open day on its Les Ulis site to showcase its professions with a group of high school students. They are hosted by various department managers so the young people can see the many possibilities on offer in a company.
## Consolidated income statement

<table>
<thead>
<tr>
<th>Amounts stated in EUR million</th>
<th>As of December 31st 2016</th>
<th>As of December 31st 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales - France</td>
<td>362.1</td>
<td>350.2</td>
<td>3.4%</td>
</tr>
<tr>
<td>Sales - International</td>
<td>196.9</td>
<td>152.2</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td><strong>518.9</strong></td>
<td><strong>502.4</strong></td>
<td><strong>3.3%</strong></td>
</tr>
<tr>
<td>Cost of goods and services sold</td>
<td>(339.0)</td>
<td>(324.8)</td>
<td></td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td><strong>180.0</strong></td>
<td><strong>177.6</strong></td>
<td><strong>1.3%</strong></td>
</tr>
<tr>
<td>Research &amp; development expenses</td>
<td>(77.5)</td>
<td>(81.3)</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Sales &amp; marketing expenses</td>
<td>(53.4)</td>
<td>(51.0)</td>
<td>4.7%</td>
</tr>
<tr>
<td>Overheads and administrative expenses</td>
<td>(50.0)</td>
<td>(50.3)</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other operating expenses and income</td>
<td>1.9</td>
<td>17.0</td>
<td>-88.7%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>1.0</strong></td>
<td><strong>12.0</strong></td>
<td></td>
</tr>
<tr>
<td>Net financial income</td>
<td>(2.6)</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td><strong>Income before tax</strong></td>
<td><strong>(1.6)</strong></td>
<td><strong>12.1</strong></td>
<td></td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(4.5)</td>
<td>(3.2)</td>
<td></td>
</tr>
<tr>
<td>Share of equity affiliates in net income</td>
<td>(9.3)</td>
<td>(8.6)</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated net income</strong></td>
<td><strong>(15.4)</strong></td>
<td><strong>0.3</strong></td>
<td></td>
</tr>
<tr>
<td>- Group’s share of net income</td>
<td>(15.4)</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>25.8</strong></td>
<td><strong>49.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

% of turnover:
- Sales - France: 34.7%
- Sales - International: 35.3%
- GROSS PROFIT: 35.3%
- Operating profit: 2.4%
- Income before tax: 2.4%
- Net financial income: 0.2%
- Consolidated net income: 0.1%
- EBITDA: 9.8%
### Statement of financial asset consolidated

<table>
<thead>
<tr>
<th>Amounts stated in EUR million</th>
<th>As of December 31st 2016</th>
<th>As of December 31st 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>445.6</td>
<td>467.7</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>541.5</td>
<td>391.4</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>987.0</td>
<td>859.0</td>
</tr>
<tr>
<td>Share capital</td>
<td>280.0</td>
<td>280.0</td>
</tr>
<tr>
<td>Other reserves</td>
<td>197.0</td>
<td>199.9</td>
</tr>
<tr>
<td>Income</td>
<td>(15.4)</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Equity - Group’s share</strong></td>
<td>461.6</td>
<td>480.2</td>
</tr>
<tr>
<td>Minority interests</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>461.6</td>
<td>480.2</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>270.4</td>
<td>164.4</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>255.1</td>
<td>214.4</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>987.0</td>
<td>859.0</td>
</tr>
<tr>
<td>Net debt</td>
<td>83.7</td>
<td>34.0</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td>18 %</td>
<td>7 %</td>
</tr>
<tr>
<td>Debt/EBITDA</td>
<td>3.2</td>
<td>0.7</td>
</tr>
</tbody>
</table>

### Consolidated statement of cash flow

<table>
<thead>
<tr>
<th>Amounts stated in EUR million</th>
<th>As of December 31st 2016</th>
<th>As of December 31st 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>(15.4)</td>
<td>0.3</td>
</tr>
<tr>
<td>Self-financing capacity before tax and cost of debt</td>
<td>31.4</td>
<td>44.7</td>
</tr>
<tr>
<td>Change in working capital requirement</td>
<td>(17.0)</td>
<td>(46.3)</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>14.4</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Cash flow from investment activities</strong></td>
<td>(94.4)</td>
<td>(44.5)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td>75.4</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Increase (decrease) in cash</strong></td>
<td>(4.6)</td>
<td>(45.6)</td>
</tr>
<tr>
<td><strong>Net cash at start of year</strong></td>
<td>36.9</td>
<td>83.0</td>
</tr>
<tr>
<td>Increase (decrease) in cash</td>
<td>(4.6)</td>
<td>(45.6)</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations</td>
<td>0.1</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>Net cash at end of year</strong></td>
<td>32.5</td>
<td>36.9</td>
</tr>
</tbody>
</table>
SIMPLIFIED ORGANISATIONAL CHART OF THE GROUP

(MAIN SHAREHOLDINGS)

As of December 31st, 2016
Find LFB Group on social networks

http://twitter.com/Groupe_LFB

http://www.linkedin.com/company/lfb

http://www.youtube.com/user/SocieteLFB
LFB S.A
Public limited company incorporated in France with capital of EUR 280,000,000
Company registration: 180 036 14 RCS Evry
3 avenue des Tropiques, ZA de Courtaboeuf, 91940 LES ULIS, France
www.lfb-group.com