

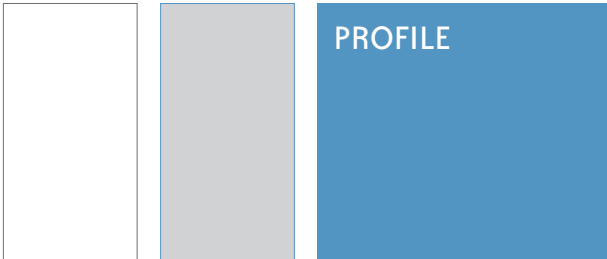


2007 Annual Report

CONTENTS

Message from the Chairman	2
Corporate governance	4
Key figures	6
ACTIVITIES	8
Human plasma-derived medicinal products	10
The immunology range	12
The hemostasis range	13
The anesthetics & intensive care range	14
LFB's international activities	15
RESEARCH & DEVELOPMENT	16
Main orientations – Key figures	18
R&D operations organization	19
R&D policy orientations	20
A partnership policy	23
CORPORATE SOCIAL RESPONSIBILITY	24
Company values	26
Our people	26
Patient-oriented partnerships	28
FINANCIAL INDICATORS	32





A French biopharmaceutical group specializing in therapeutic proteins

€322 million
sales

20%
growth in 2007

3rd largest laboratory
supplying hospitals in France

20 medicinal products

1,383 employees

LFB is a leading European pharmaceutical company that produces and markets human plasma-derived medicinal products. This state-owned company is also a key French player in biotechnology. 500,000 patients are treated with LFB's plasma-derived products every year for 80 serious and often rare pathologies. LFB is a biopharmaceutical group that focuses on biological medicinal products and biotechnologies.

MESSAGE FROM THE CHAIRMAN



Christian Béchon
Chairman & Chief Executive
Officer, LFB S.A.

There is no doubt that biological medicinal products, i.e. vaccines, plasma-derived drugs, recombinant proteins and monoclonal antibodies, represent the most dynamic business in the pharmaceutical industry today. Indeed, these therapeutic drugs are meeting a growing number of needs.

In the field of human plasma-derived medicinal products, the number of prescriptions has been increasing due to several factors; mainly improvements in safety, a renewed therapeutic interest in certain proteins and better diagnosis of patients suffering from chronic immunological pathologies. The phenomenon is noticeable in most of the world, and is particularly acute in Europe and the United States.

LFB is now well positioned in the booming biological medicinal products sector due to its large product range of therapeutic proteins indicated for the treatment of often severe and sometimes rare pathologies. With a growth rate of 20% in 2007, LFB is now expanding faster than at any time since it was founded in 1994.

The company was able to muster its resources and expertise in 2007 to meet its public health duties in France while at the same time making significant progress in its international expansion program.

Expanding international sales of some-times unique drugs

LFB has secured strong positions in France as it has gained the trust over several years of healthcare professionals despite increased competition. This has resulted in significant growth in all three of its therapeutic fields. LFB makes some of the only drugs on the market now used to treat very rare pathologies.

Exports surged by over 40% in 2007 as the company implemented its announced international growth plan by opening three subsidiaries in Europe, while pursuing a sustained policy of drug registrations in many countries around the world including its von Willebrand factor – the only drug of its kind. In addition, 2007 was indisputably the year of Brazil for LFB as the company successfully bid on the contract to fractionate all of Brazil's plasma and with the signature of an important transfer of technology contract.

The drugs used to treat rare pathologies naturally play a very special role in LFB's international growth strategy. Hence, the European Commission took the decision in January to include our plasma-derived "Factor H Complement" currently in development on the community's list of orphan medicinal products and in November, the FDA granted orphan designation to HEMOLEVEN®, an LFB product, indicated in a very rare coagulation defi-

The LFB group has grown rapidly both in France and abroad

ciency. This plasma factor XI has been manufactured and sold for several years in France to treat severe congenital factor XI deficiency.

This rapidly advancing program illustrates both LFB's desire and its ability to sit at the same table with the industry's major international players with its unique drugs particularly in Europe.

A manufacturing agreement with a European partner opens perspectives

LFB signed a very important manufacturing agreement early in 2008 with a large European fractionation company, Sanquin of the Netherlands. One of the agreement's most important facets involves taking a minority equity stake in the CAF-DCF of Belgium in which Sanquin holds a controlling interest. This stake, together with LFB's various other manufacturing agreements, will soon allow the company to significantly expand its production capacity. Indeed, the Brussels factory covered by the agreement offers a very good fit with our manufacturing plants. As part of a broader vision, the cooperation between Sanquin and LFB can work to better secure a safe supply of plasma-derived drugs manufactured from voluntary unpaid donations in Europe.

Investing the fruits of growth for the future

The profits derived from the company's rapid growth can be invested in our factories to increase production capacity, in new skills to consolidate the group, and in R&D programs so that LFB can continue to help improve people's lives. Over the past few months, our people have focused, and will continue to do so, on passing crucial milestones in our strategic new-generation polyvalent human immunoglobulin project. We invest in a new production unit in Lille, so that we will soon very significantly boost our production of this drug, which is so essential to saving lives.

Building a portfolio of recombinant proteins produced by bioengineering and expanding our bioproduction capacity

After the human factor VIIa in 2006, we began development on two new projects, a monoclonal antibody, anti-CD 20, and a factor IX as part of our collaboration with our partner, GTC Biotherapeutics. These joint projects now constitute a portfolio of recombinant proteins resulting from animal bioengineering.

In the area of cell culture, Crucell's Per. C6® licensing agreement signed in August 2007 is aimed at boosting the performance of our own technological platform,

EMABling® through which we are developing our monoclonal antibodies. Now that LFB has acquired MABgène, a French bioproduction company, and its plant at Alès in France's Gard region, the company has the capacity to meet the needs of its own projects as well as a "base" from which to develop a recombinant protein production plant over the coming years.

Honoring our commitments

LFB's special status as a state-owned company in a very competitive sector is also reflected in its partnerships with public organizations. We support both the French and International Federation for Voluntary Blood Donations. LFB is also a recognized and appreciated partner of patients' associations.

The company entered into numerous agreements with employee representatives backed by a positive industrial relations climate, which allowed it to keep up with the rapid pace of business. Our employees' commitment to our fine company and their round-the-clock working hours seven days a week enabled LFB to meet patients' growing demands in 2007.

We are very proud of our business. This pride will drive us forward to do still better in the future and thereby contribute to the noble mission of improving the health and lives of thousands of people.



Christian Béchon
Chairman & Chief Executive Officer, LFB S.A.

Corporate governance

THE BOARD OF DIRECTORS OF LFB S.A.

The Board of Directors of LFB S.A. is composed of 18 members:

- 6 members representing the French government appointed by government decree;
- 6 qualified members appointed by decree for their competence in health or economic matters;
- 6 elected personnel representatives.

Members of the Board of Directors have a five-year term of office that may be renewed twice.

2007 MEMBERS

Qualified members

René ABATE	Christian BECHON
Marie-Danièle CAMPION	William K. HEIDEN
Dr Élisabeth HUBERT	André RENAUDIN

Representatives of the French government

François AUVIGNE	Isabelle DIAZ
Didier EYSSARTIER	Stéphan LUDOT
Gérard MATHIEU	Philippe PRONOST

Employee representatives

Bernadette CAUVIN	Sébastien BAGOT
Alain ESPARGILIÈRE	Marc LASCOMBES
Hervé MARCILLY	Emmanuel PAOLI

Control

By order of the Ministry of the Economy, Finance and Industry and the Minister of the Budget and Government Reform, the French government's spokesperson, dated May 24, 2006, Mr. Jean-Pierre MORELLE was appointed to manage the economic and financial control duties relating to LFB's fractionation and biotechnology activities for oil, chemistry and geological prospecting research within the general and financial auditing department. He was succeeded by Guy WORMS in September 2007. In this respect, he exercises the general controlling function of LFB, and he attends the Board of Directors meetings.

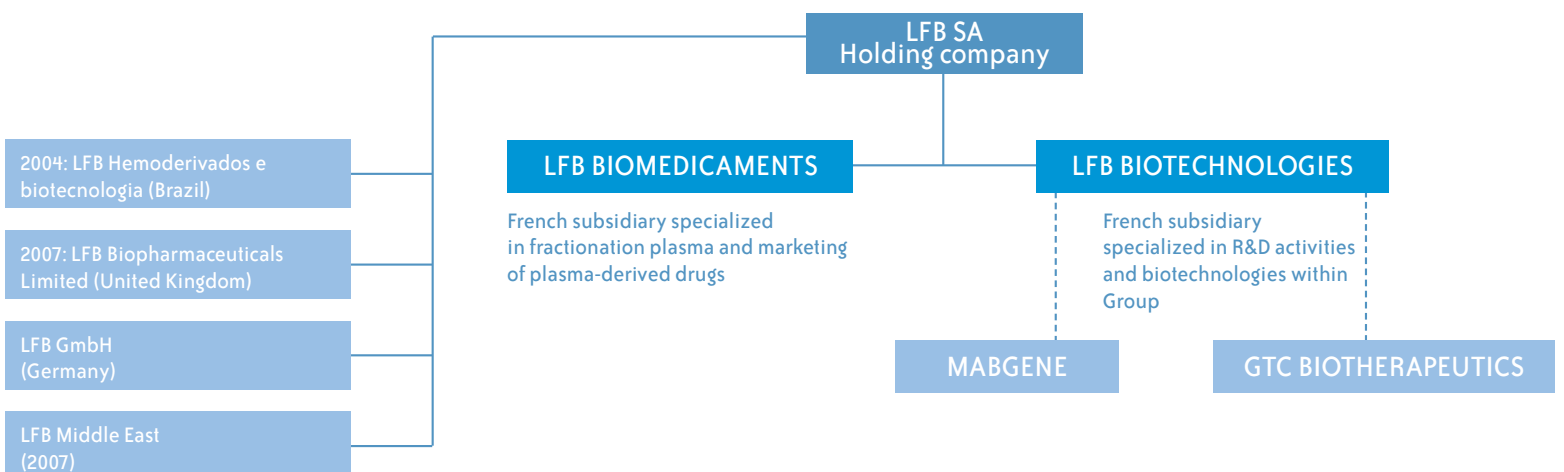
Committees set up by the Board of Directors

On June 30th, 2006, the Board of Directors set up the Audit Committee. On September 29th, 2006, the Board of Directors formed an R&D Committee.

Statutory auditors

The joint statutory auditors audit and certify LFB's financial statements. They are represented by the Mazars and Cailliau Dedouit et Associés accounting firms.

LFB GROUP IN 2007



LFB Group Management Committee

(in alphabetical order)



Christian Béchon
Chairman & CEO, LFB S.A.



Patrick Bergeat
Deputy General Operations
Director, LFB Biomédicaments



Max Berger
Legal Affairs Director,
LFB S.A.



Guillaume Bologna
Public Affairs Director,
LFB S.A.



Sandrine Charrières
Corporate Communications
Director, LFB S.A.



Patrick Clément
CEO of LFB Hemoderivados
y Biotecnología Brazil



Jean-Noël Colin
Director of Quality and Pharmaceutical
Coordination, LFB S.A.
Head Pharmacist, LFB Biomédicaments



Jean-François Doré
Human Resources Director,
LFB S.A.



Pierre-François Falcou
International Operations
Director, LFB S.A.



Jean-Baptiste Gélébart
Technical Director, LFB
Biomédicaments



Philippe Grédy
Sales & Marketing
Operations Director,
LFB Biomédicaments



Marc Grosdemouge
International Operations
Director, LFB S.A.,
President of the board
of Directors of
LFB Biomédicaments

Bertrand Mérot
General Operations Director,
LFB Biotechnologies



Évelyne Nguyen
Strategy and Financial Affairs
Director, LFB S.A.



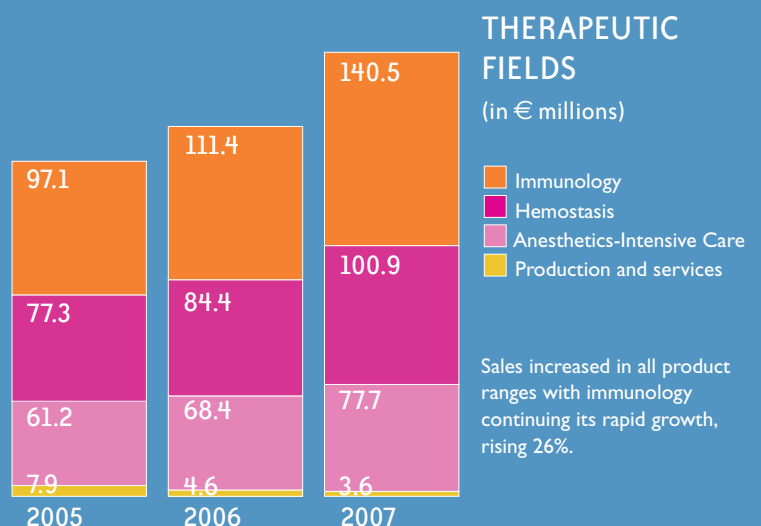
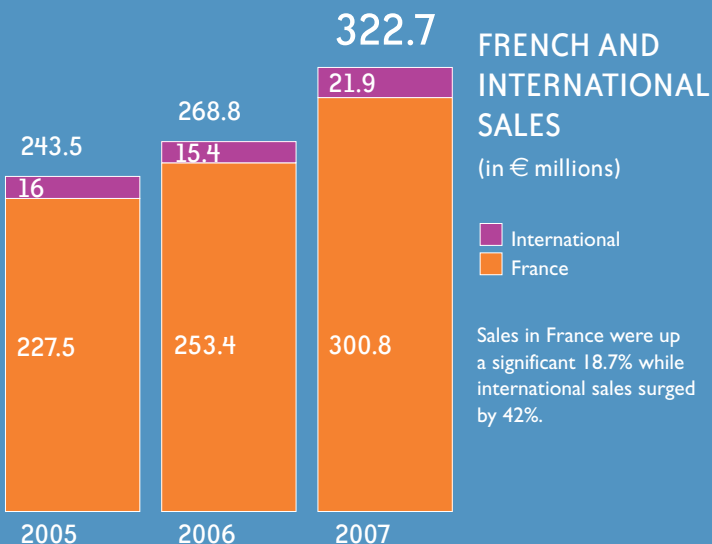
Jean-François Prost
Scientific and Medical Operations
Director, LFB S.A.

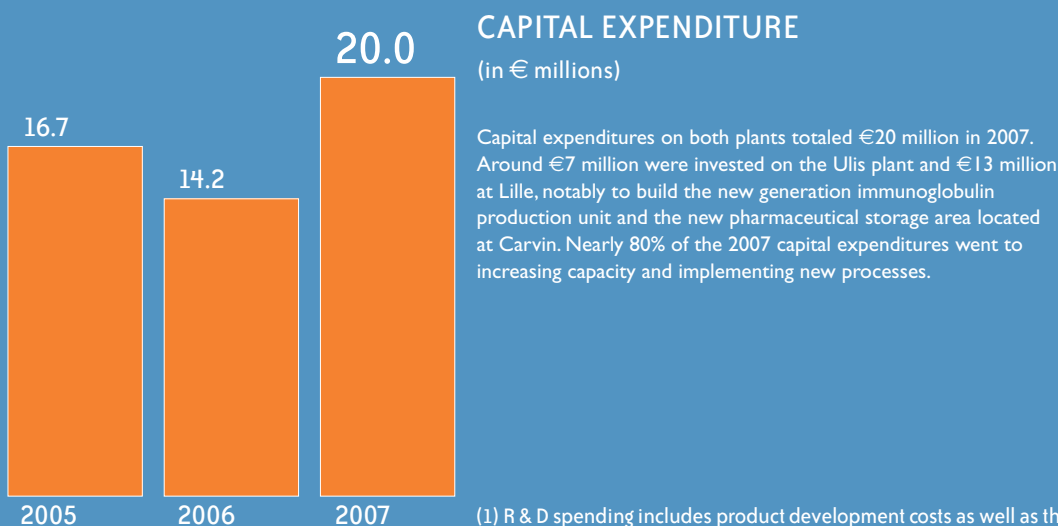
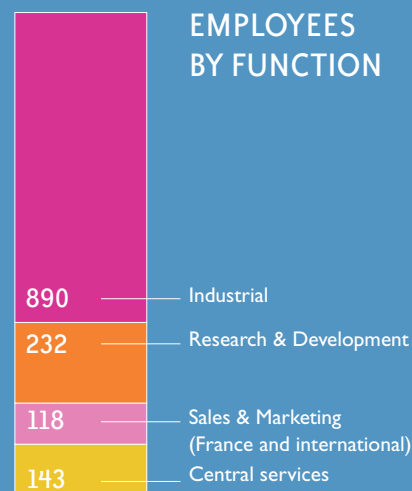
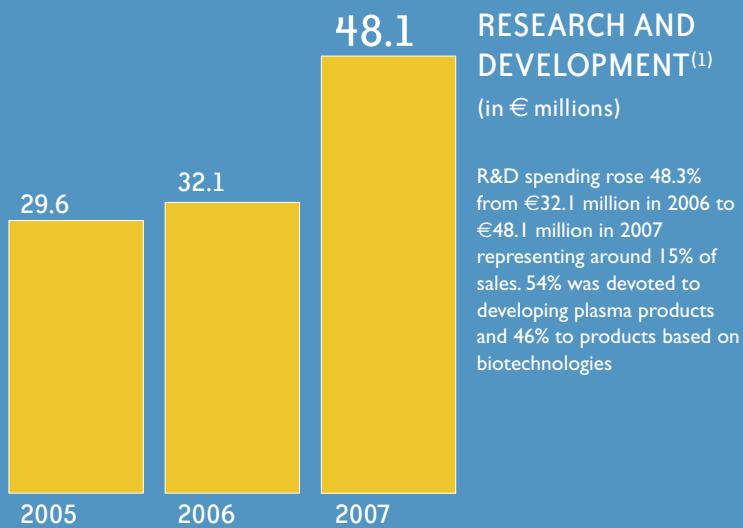
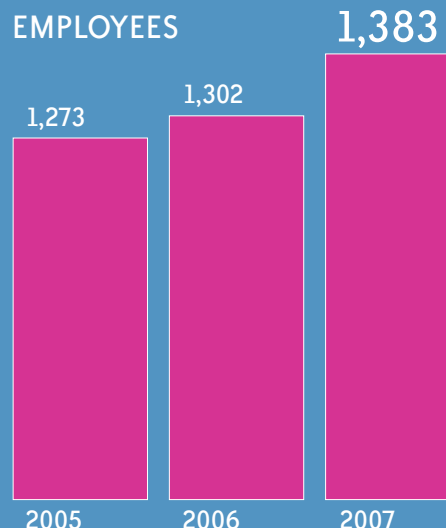
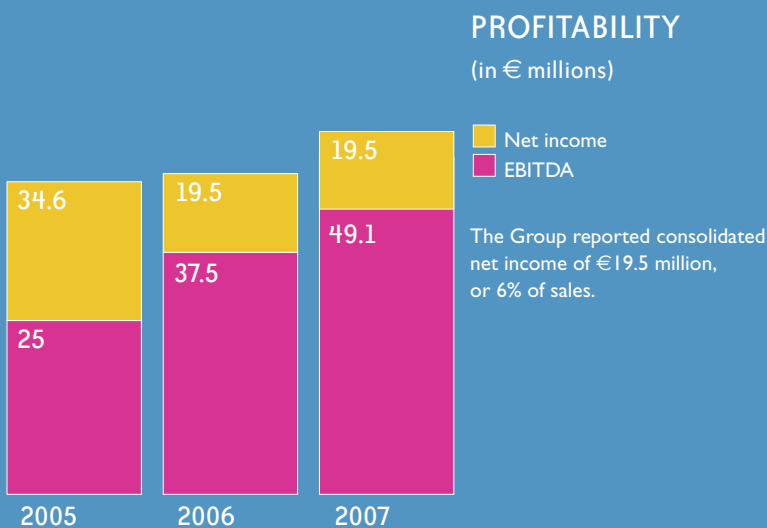


**Dominique
Thiebaut-Boucard**
Medical Affairs Director,
LFB Biomédicaments

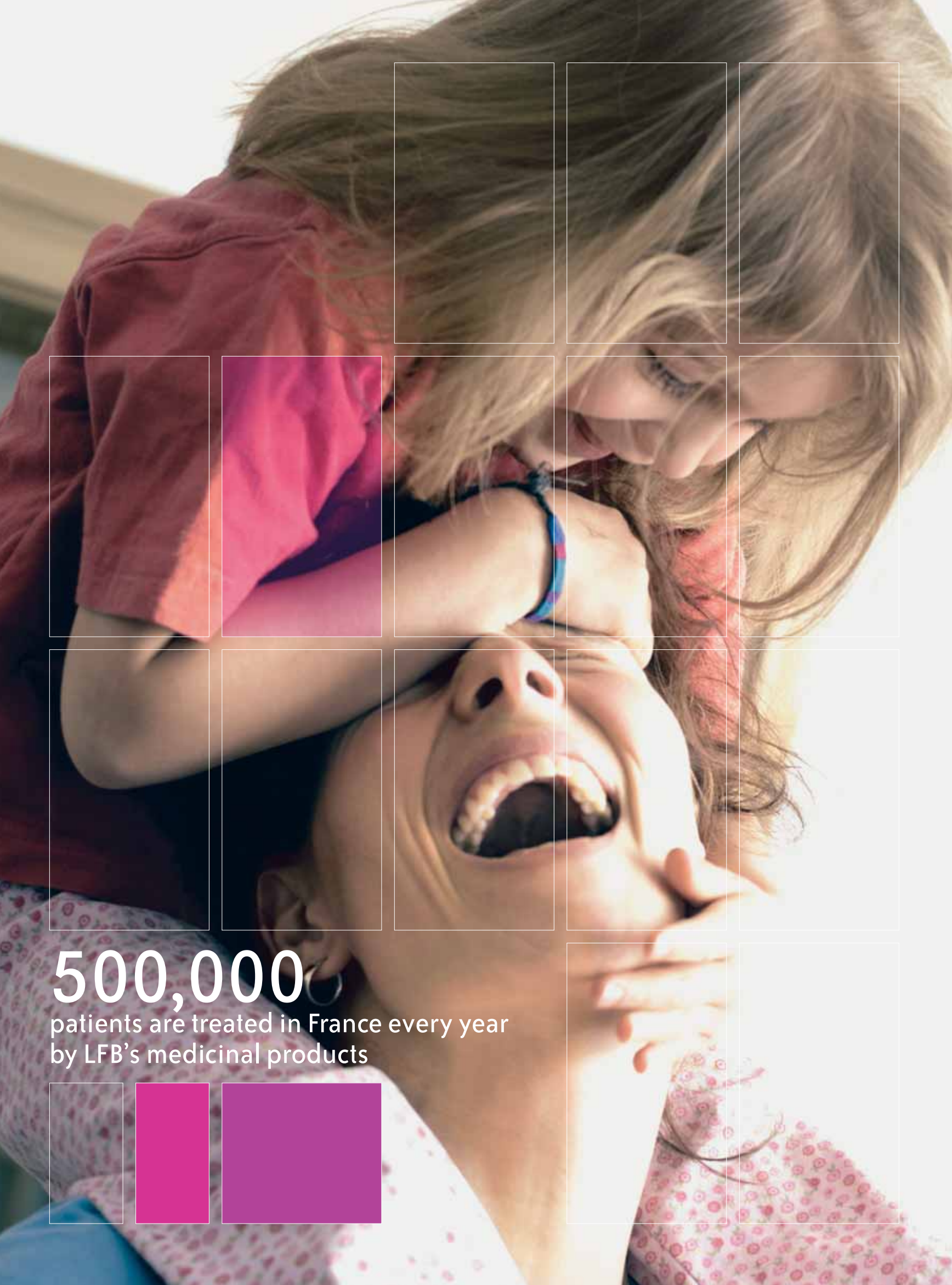
- Exceptional growth with sales up **20%** In 2007
- **35.2** million in consolidated operating income, i.e. 10.9% of sales
- Sound financial position with **€211.1** million of consolidated shareholders' equity at year-end 2007
- **€27** million in consolidated net cash

The consolidated financial statements as of December 31, 2007 were drawn up under IFRS standards, which were adopted by the Group on January 1, 2006. They include the impacts relating to the transition to the new accounting standards and those relating to the change of legal status.



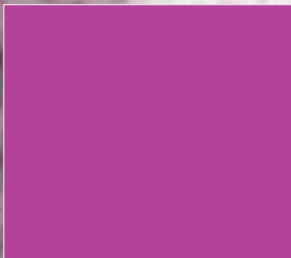
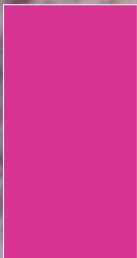


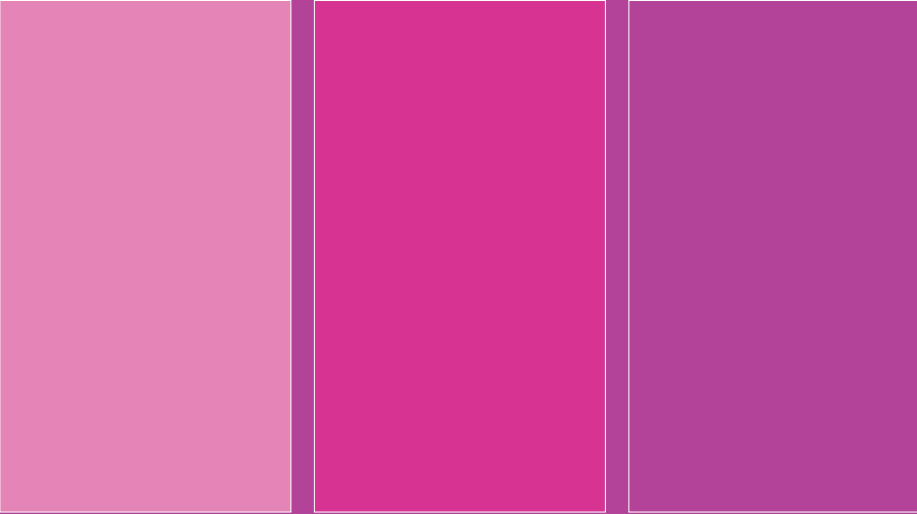
(1) R & D spending includes product development costs as well as the regulatory affairs budget.



500,000

patients are treated in France every year
by LFB's medicinal products





In 2007 LFB posted €322.7 million in sales, a 20% increase. The immunology product line contributed €140.5⁽¹⁾ million, hemostasis €100.9 million⁽¹⁾ while anesthetics and intensive care accounted for €77.7⁽¹⁾ million.



LFB now ranks in third place in the French GERS⁽²⁾ ranking with 2007 sales of €300.8 million.

(1) Sales for both French and international product lines combined.

(2) GERS is the acronym for Groupement pour l'Elaboration et la Réalisation de Statistiques. This is a French economic interest group formed by pharmaceutical laboratories to pool and share information relating to sales made to doctors' offices and hospitals.

ACTIVITIES





Human plasma-derived medicinal products

50% of whole blood is plasma while the remainder consists of white blood cells at 8% and red blood cells at 42%. While 90% of plasma is water, it also contains proteins at 7% and other molecules at 3%. Of the 7% portion of proteins, the majority is albumin at 61% while immunoglobulins make up 15% and coagulation factors represent less than 1% of plasma proteins. A high level of technological control is therefore required for production of the very low quantities of protein concentrates in plasma.

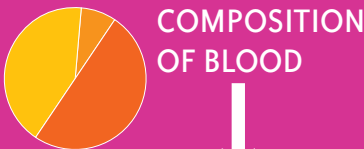
The major categories of illnesses which can be treated with LFB's plasma-derived proteins are:

- Immunodeficiencies for which polyvalent immunoglobulins are the basic treatment by providing the antibodies necessary to prevent infections, making them indispensable for patients' lives,

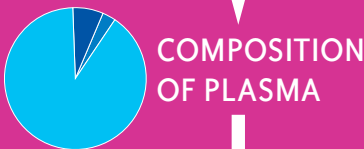
- Auto-immune diseases, which can also be treated with intravenous immunoglobulins. In this case, this does not entail making up for a low production of antibodies, but rather restoring the immunobalance through their immunoregulatory properties,
- Hemorrhagic diseases like hemophilia or von Willebrand's disease which are treated with coagulation factors,
- Illnesses relating to deficiencies observed during hospital stays in intensive care which are treated by albumin, thrombin or fibrinogen,
- Preventing serious pathologies like the reinfection of transplants by the hepatitis B virus in patients who received a liver transplant, or tetanus where there is a sore at risk, and the incompatibility of blood Rh factor between the mother and fetus with specific immunoglobulins or antibodies.
- Rare diseases linked to a specific deficiency like an alpha-1 antitrypsin deficiency.

Plasma proteins

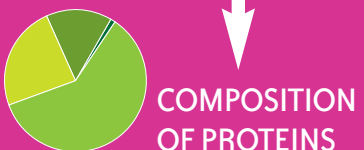
- Plasma 50%
- Red cells 42%
- White cells 8%



- Water 90%
- Proteins 7%
- Other 3%



- Albumin 60%
- Other proteins 24%
- Immunoglobulin 15%
- Coagulation factors < 1%



OVERALL TREND IN PLASMA-BASED THERAPEUTIC PROTEINS

In its 2007 report, the Marketing Research Bureau, an independent market research firm which specializes in plasma-derived medicinal products, wrote that the global market for plasma proteins represented \$7 billion in 2005. If we add recombinant proteins (factor VIII, IX and factor VIIa), the market reached \$10.7 billion with a 12% annual growth rate from 2003 to 2005. From 2003 to 2005 the market's growth was driven both by increased volume and higher prices.

Blockbuster drugs like polyvalent immunoglobulins, albumin, and anti-hemophilic factors make up the bulk of the market in terms of value, but many other proteins can be fractionated to treat rarer diseases and deficiencies which are often genetic in origin.

Hence, there are medicinal proteins for rare coagulation problems like factor XI and factor VII plus specific immunoglobulins like anti-hepatitis B and alpha-1 antitrypsin to treat certain types of emphysema.

20
medicinal
products in
three ranges

With 17 proteins, LFB has developed and marketed one of the world's biggest portfolios of plasma-derived medicinal products.

WHAT IS FRACTIONATION?

The purpose of plasma fractionation is to isolate proteins and to provide healthcare professionals with highly specific medicinal products.

The processes used to purify plasma proteins require very high-precision technologies. One of LFB's top priorities is to be innovative in manufacturing processes towards increasing the safety of plasma-derived medicinal products while at the same time maintaining the natural biological properties of the proteins and their therapeutic benefits for patients

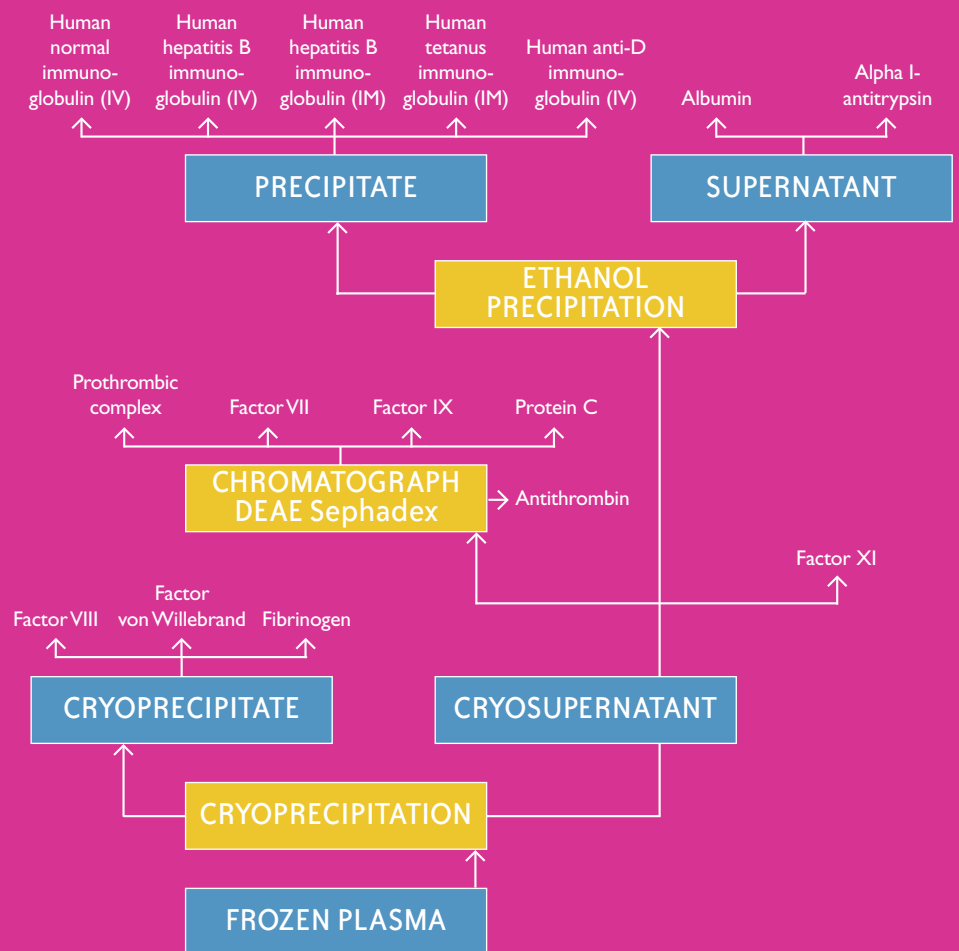
LFB's manufacturing processes include several purification and safety enhancing steps. In France, the comprehensive control system that extends from the donor to the patient, is one of the most stringent in the world.

WHAT ARE THE PARTICULAR CHARACTERISTICS OF PLASMA-DERIVED MEDICINAL PRODUCTS?

LFB produces its drugs within a strong regulatory framework of strict standards and rules for manufacturing plasma-derived medicinal products. It also works under specific rules that apply to the manufacture of injectable medicinal products.

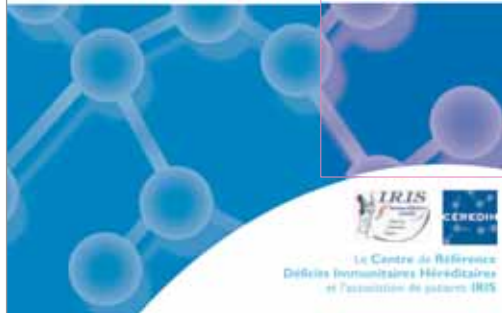
LFB's medicinal products are widely used to treat patients afflicted with serious pathologies and they meet the highest quality standards. LFB's plasma-derived medicinal products in particular come from voluntary donations of whole blood and plasma collected in France. French law has granted LFB Biomédicaments the exclusive license to fractionate blood plasma collected in France.

Main fractionated proteins





Les acteurs de l'amélioration du diagnostic et de la prise en charge des Déficits Immunitaires Primaires en France



The immunology range



5 medicinal products

 **GAMMATETANOS[®]**
(human tetanus Ig)

 **IVHEBEX[®]**
(IV hepatitis B Ig)

 **Ig HÉPATITE B IM – LFB**
(IM human hepatitis B Ig)

 **RHOPHYLAC[®]**
(IV human anti-D Ig)

 **TEGELINE[®]**
(IV human normal Ig)

Immunology

LFB's immunology range is its largest with €134 million of sales in France, up 23% from 2006.

TEGELINE[®] is LFB's biggest drug with 2.95 metric tons sold to French hospitals. It is used to treat immunodeficiencies or certain autoimmune diseases. This makes LFB the leading laboratory in France's booming market.

LFB obtained authorization to market TEGELINE[®] to treat multifocal motor neuropathy (MMN), which confirms the interest in the drug's ability to treat this rare disabling disease, enabling LFB to gain a position in the field of neurology. This registration is one of the therapeutic advances of 2007 highlighted in the LEEM's annual report. The LEEM is a French trade association for the pharmaceutical industry.

The specific immunoglobulins that make up the remainder of the product line represent a large number of concentrates that are specific to one pathology or a given situation. They are IVHEBEX[®] (anti-hepatitis B Ig for IV use), hepatitis B IM-LFB immunoglobulin (anti-hepatitis B Ig for IM use), GAMMATETANOS[®] (anti-tetanus Ig), and RHOPHYLAC[®] (anti-rhesus D Ig). Sales of these drugs rose sharply as well, especially for the anti-D Ig.

PROSPECTS FOR IMMUNOLOGY DRUGS

Sales are expected to remain brisk in 2008 led by the growing need for IV Ig and thus TEGELINE[®]. The market authorization application for the new generation immunoglobulin is expected to be filed in France in 2008.



Hemostasis

Sales of LFB's hemostasis range rose 17% in 2007 to €95 million.

Sales of FACTANE[®] rose particularly rapidly. The drug is indicated to treat hemophilia A due in particular to development of Immune Tolerance Inductions (ITI) for which an extension of the marketing authorization was obtained in July 2006. WILFACTIN[®], LFB's von Willebrand factor, is recognized as an international reference. Sales of this drug are supported by increasing prophylactic management of patients suffering from severe deficiencies. This care for patients suffering from severe deficiencies through prophylaxis is increasingly being used and now represents a basic trend. For treating hemophilia B, BETAFAC[®], LFB's Factor IX, has a stable 41% market share despite the increased competition in France.

The very low numbers of patients causes fluctuations in the annual usage levels, but prescriptions for HEMOLEVEN[®], the only factor XI to have a marketing authorization worldwide, and for FACTOR VII – LFB are stable overall.

PROSPECTS FOR THE HEMOSTASIS RANGE

We expect sales of this product range to continue growing in 2008. The increase will probably be driven by a growing number of patients with hemophilia A being treated with immune tolerance induction for inhibitors and greater prophylactic use of WILFACTIN[®].

The hemostasis range



6 medicinal products

 **BETAFAC[®]**
(human coagulation factor IX)

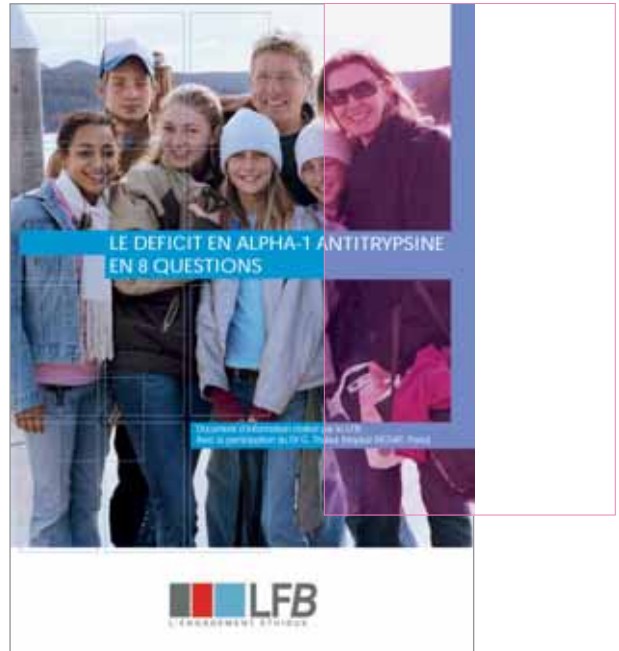
 **FACTANE[®]**
(human coagulation factor VIII)

 **FACTEUR VII – LFB**
(human coagulation factor VII)

 **WILFACTIN[®]**
(human von Willebrand factor)

 **HEMOLEVEN[®]**
(human coagulation factor XI)

 **WILSTART[®]**
(human von Willebrand factor and coagulation factor VIII)



The anesthetics & intensive care range



9 medicinal products

-  **ACLOTINE®**
(human antithrombin)
-  **VIALEBEX® 40 mg/ml**
(human albumin)
-  **VIALEBEX® 50 mg/ml**
(human albumin)
-  **VIALEBEX® 200 mg/ml**
(human albumin) Newborns and infants
-  **VIALEBEX® 200 mg/ml**
(human albumin)
-  **CLOTTAGEN®**
(human fibrinogen)
-  **KASKADIL®**
(human prothrombin complex – PPSB)
-  **ALFALASTIN®**
(human alpha I antitrypsin)
-  **PROTEXEL®**
(human protein C)

Anesthetics & intensive care

LFB's anesthetics and intensive care range reported sales of €72 million for 2007, a 13% increase.

VIALEBEX® (human albumin), the biggest selling drug in the range, made up for lower prices in several hospital markets with higher volumes sold. An important phase-4 study is now being conducted in collaboration with the Cochin Hospital's clinical research unit to assess the desirability of using VIALEBEX® to treat sepsis.

ALFALASTIN® (alpha-I antitrypsin) is indicated in a rare alpha-I antitrypsin deficiency that appears with pulmonary emphysema. The emphysema sometimes appears afterwards, or even goes undiagnosed. The French Language Pneumology Society, which is supported by LFB, opened a registry to record patients to track their treatment and thus improve their care. At present, ALFALASTIN® is the only medicinal product available on the French market for this indication.

Sales of the other products in the range rose 11%. They were ACLOTINE®, an antithrombin, KASKADIL®, a prothrombin complex, CLOTTAGEN® a fibrinogen, and PROTEXEL®, a protein C.

PROSPECTS FOR THE ANESTHETICS & INTENSIVE CARE RANGE

We expect the range to post further growth in 2008. This positive trend should continue into the coming years based on the growing use of albumins, improved diagnosis and care of patients suffering from alpha-I antitrypsin deficiency, and the future registration of a new fibrinogen.



LFB's international activities

International sales surged 42% to €21.9 million in 2007 compared with 2006. Exports of finished products accounted for most of the volume sold. The three product ranges, Hemostasis, Immunology and Anesthetics & Intensive Care contribute more or less equally to sales at €6, 7 and 6 million respectively.

With €2,8 million in sales, toll manufacturing* is limited, falling below its level in 2006.

However, LFB won the contract to fractionate Brazilian plasma in 2007. The Brazilian government launched a tender offer covering 150,000 liters of plasma obtained from voluntary donations, i.e. all the plasma collected by selected centers throughout Brazil. The annual \$25 million contract may be renewed for a 5-year term. LFB will fractionate Brazilian plasma in its Lille and Les Ulis facilities. LFB has a local presence with its Brazilian subsidiary, LFB Hemoderivados e Biotecnologia, which was founded in 2004. As the successful bidder, LFB is expected to increase this type of activity considerably in 2008 and the future.

Additionally, LFB's Chairman also signed an important contract in the presence of the President of the Brazilian Republic. The contract covers the transfer of technologies so that Brazil can eventually build a fractionation plant on its own territory, and thereby become largely independent in the procurement of life saving drugs.

*PRODUCTION AND INTERNATIONAL SERVICES

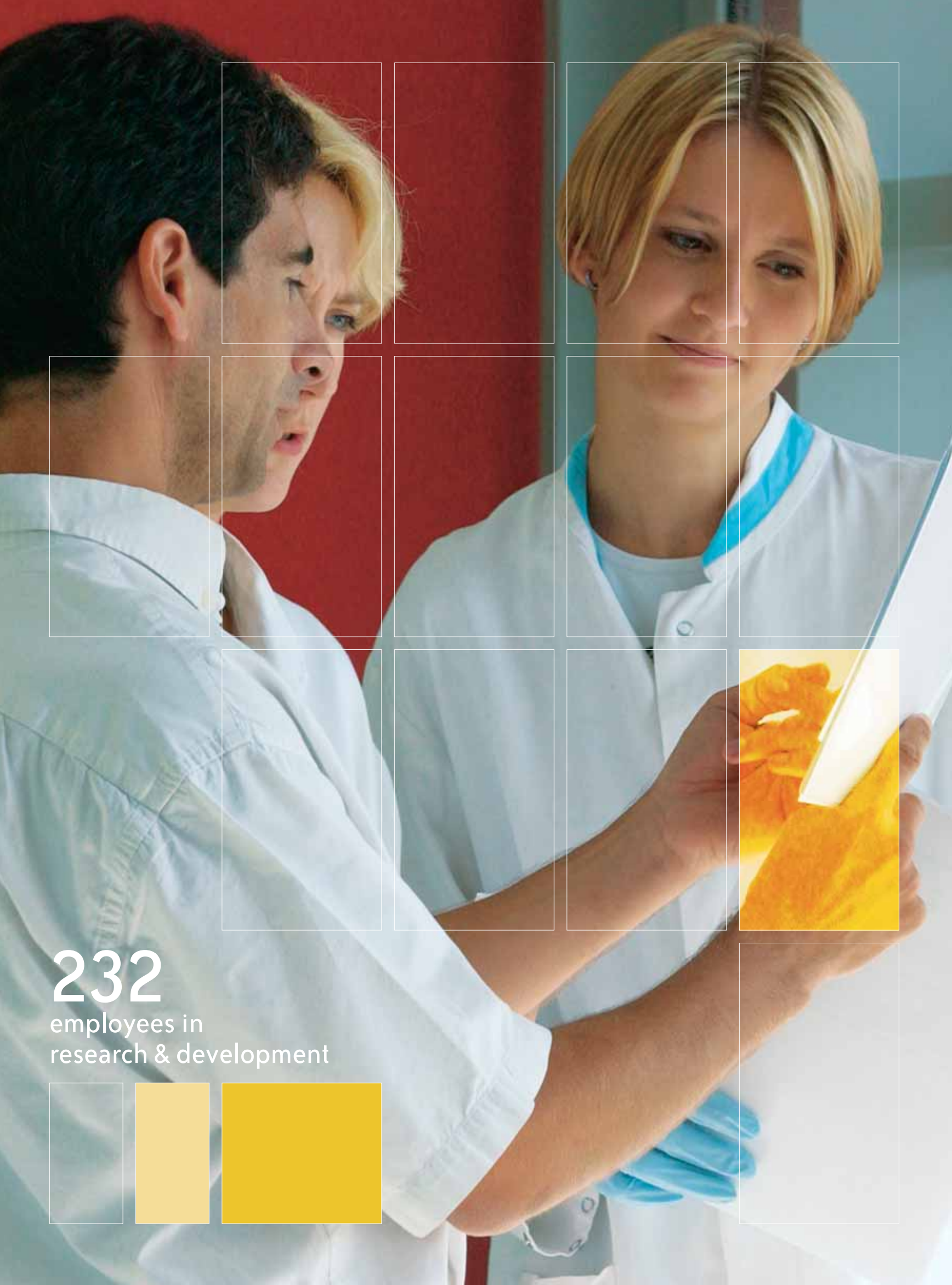
LFB manufactures drugs in its plants from plasma supplied mainly by governments or public health organizations, and ships them back to their country of origin. LFB's business enables countries without a national operator to fractionate local plasma (or that from production intermediaries) with the help of LFB's production facilities. The products obtained thus depend on the partner's needs. The fractionated medicinal products consist mainly of FACTANE®, VIALEBEX®, TEGELINE® and the intravenous hepatitis B immunoglobulin.

2007 was also marked by the creation of three subsidiaries. Germany and UK are of sufficient economic interest so that LFB opened up subsidiaries there beginning in February 2007. Moreover, LFB Middle East was formed to develop business with all of the countries in the Middle East and North Africa as well as in the Persian Gulf region.

PROSPECTS FOR 2008

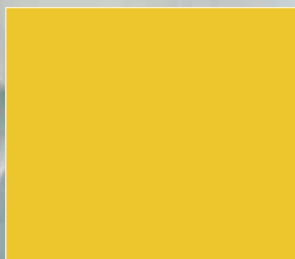
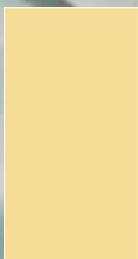
Early in 2008, LFB entered into a comprehensive manufacturing agreement with the Dutch foundation, Sanquin. The agreement opens up prospects to increase our production capacities as well as reciprocal access to certain drugs.

The registration of the von Willebrand factor (WILFACTIN®/WILFACT®) in many European countries should allow for a new product introduction in the next two years. LFB will be one of the Gold sponsors of the World Federation of Hemophilia (WFH) congress to be held in Istanbul in June 2008.



232

employees in
research & development





In 2007, LFB spent €48.1 million on research and development, i.e. nearly 15% of its sales. After rising steadily for seven years, R&D spending rose sharply in the last two years and the R&D budget soared by 50% from 2006 to 2007. This R&D effort results both from LFB's renewed plan to boost its research on plasma processes and products and a strategic commitment to invest heavily in biotechnologies. As a result this area of technological innovation now account for over €22 million, or close to one-half of the total R&D spending.



RESEARCH & DEVELOPMENT

Main orientations

LFB's research & development program as five main goals.

- **Guarantee the biological safety of plasma-derived medicinal products** by developing processes to detect, eliminate and inactivate infectious agents potentially present in human plasma.
- **Develop innovative processes** to optimize quality and industrial yield, and make plasma protein administration methods easier for patients.
- **Enhance LFB's presence in biotechnologies** by consolidating and enhancing its technological platforms (EMABling® monoclonal antibodies with optimized functional properties, recombinant coagulation factors resulting from transgenic technology) and by developing new products.
- **Focus research on therapeutic areas of excellence:** hematology and hemostasis, immunotherapy (cancer and autoimmune diseases), and intensive care.
- **Register new therapeutic indications, develop products internationally** and support international registration of drugs through clinical activity.

Key figures

BREAKDOWN OF R&D SPENDING

(in € millions)	2004	2005	2006	2007
New clinical indications and globalization	8.44	8.28	7.67	12.85
Products, plasma processes and biological safety	12.10	11.87	12.53	12.63
Biotechnologies	8.31	9.72	11.64	22.57
Total	28.87	29.88	31.84	48.05

LFB ranked first among French biotech companies in sales and third for its R&D spending according to the "Panorama des Biotechnologies en France" published by France Biotech in 2007⁽¹⁾ and based on 2006 figures.

Four programs are defined as being of highest priority and these accounted for over 75% of LFB's R&D spending in 2007:

- a new generation polyvalent human immunoglobulin,
- monoclonal antibodies from the EMABling® platform,
- products produced from bioengineering technology: factor VIIa, anti-CD 20, factor IX
- development of certain plasma proteins abroad, particularly a purified factor XI, a von Willebrand factor concentrate and a fibrinogen.

(1) In this study, sales made by the plasma-derived medicinal products were included.



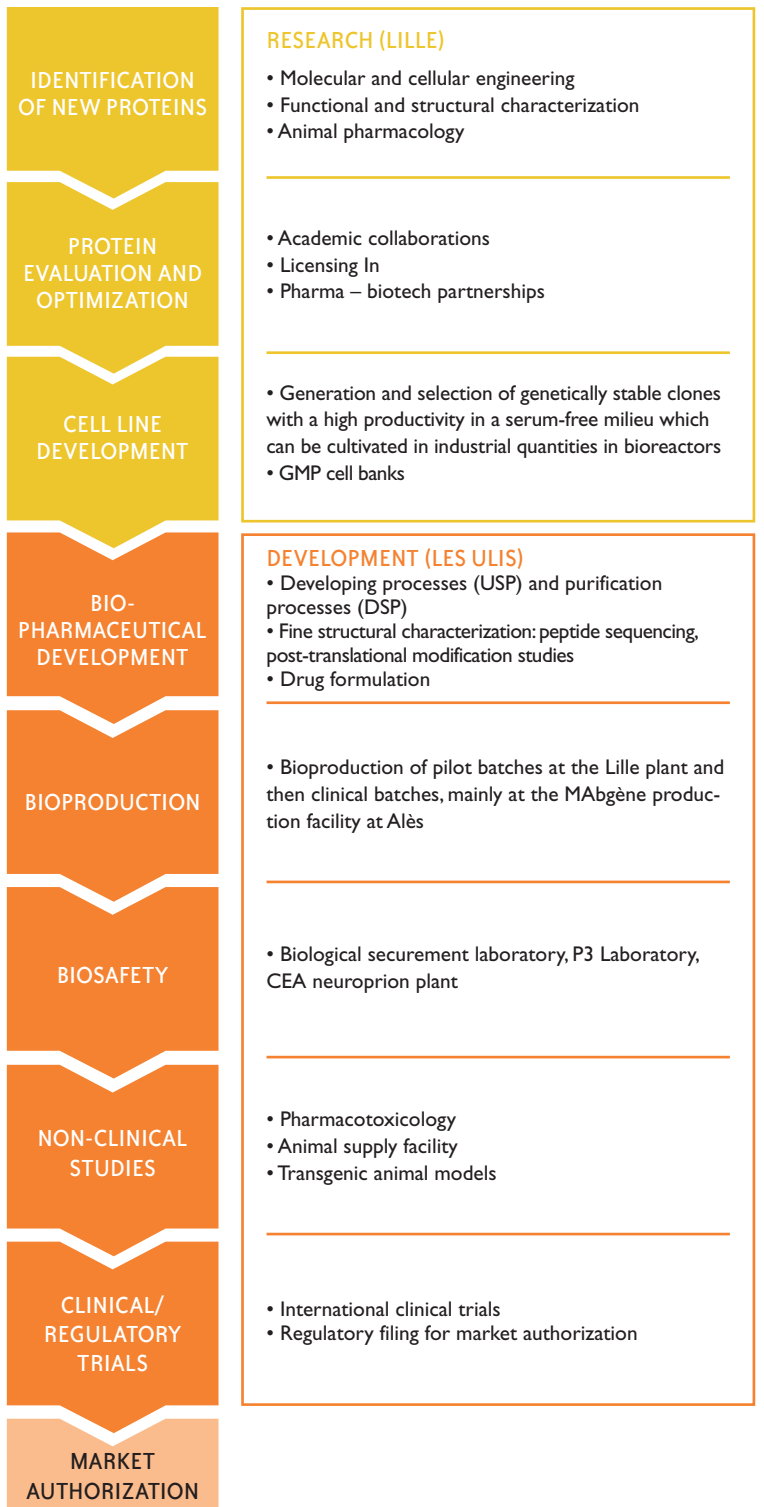
The take over of MAbgène offers LFB a bioproduction site.
From left to right: Patrick Henno, Christian Béchon, Evelyne Nguyen.

R&D operations organization

This integrated operational organization works at two main locations. One is Lille-Eurasanté for biotechnological research activities and the other is at Les Ulis for development activities. These include the exploratory development of new plasma proteins, biopharmacy (developing both analytical processes and pharmaceutical forms), biosafety and quality assurance, toxicopharmacology and clinical development.

The Scientific and Medical Affairs Department defines LFB's scientific and medical policy and directs science-related strategic research and development projects.

From molecular design to marketing authorization, LFB's R&D is an organization made up of over 230 people



R&D policy orientations

GUARANTEE THE BIOLOGICAL SAFETY OF PLASMA-DERIVED MEDICINAL PRODUCTS

LFB's has made research on the biological safety of its drugs its primary preoccupation. The company has focused on the development and confirmation of techniques to remove and inactivate potentially infectious agents which could be present in the blood, and thus in human plasma. LFB actually pioneered the introduction of nanofiltration, a technology used to remove pathogenic agents. Its efficacy, notably in eliminating viruses and prions, is acknowledged both by the French authorities and by leading European and international scientific bodies. Upstream, LFB's Biological Safety Unit develops new methods for detecting potentially infectious agents. In the area of viral risks (infections by enveloped or non-enveloped viruses), LFB was the first laboratory to systematically use a robust technology for the PCR (Polymerase Chain Reaction) titration of parvovirus B19 in plasma. In recent years, LFB has undertaken intensive research in the area of unconventional infectious agents (UIA) such as "prions" and has developed and patented an innovative method for prion elimination based on an in vitro cell test. LFB continued to validate this method through its biosafety laboratory in the Neuroprion facility at the Commissariat à l'Énergie Atomique (CEA) located in Fontenay-aux-Roses (Hauts-de-Seine region, France).

DEVELOP INNOVATIVE PROCESSES

Processes

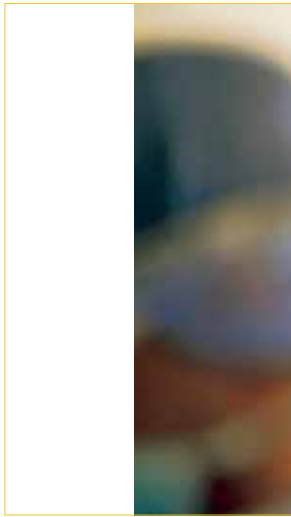
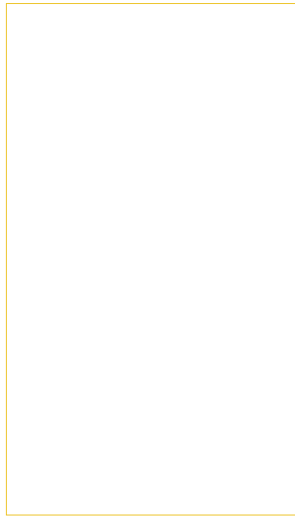
LFB puts great effort into optimizing the only plasma fractionation tree of its kind in the world. Its biopharmaceutical development teams constantly work to draw maximum benefit from plasma through the production of 17 proteins as well as through the optimization of plasma protein extraction and purification processes.

Pharmaceutical forms

Making the products marketed by LFB easier to use also involves developing new pharmaceutical forms and pack sizes. LFB Biomedicaments filed an application with AFSSAPS for marketing authorization for a lower volume form of factor IX to reduce injection volumes for patients with hemophilia B and make the product more comfortable to use. Further upstream, LFB began set-up of a technological platform to create innovative pharmaceutical forms in 2006.

New proteins

LFB also continues to use plasma as a source of new proteins with therapeutic potential, particularly for rare diseases such as hereditary deficiencies. Hence, in January 2007, the European Commission recorded the "complement's factor H", a plasma derivative now under development, in the EU registry. The designated orphan indication is the treatment of atypical Hemolytic-Uremic Syndrome (aHUS), which is associated with a genetic anomaly of the complement system. The decision was taken following the positive opinion issued by the EMEA's Committee for Orphan Medicinal Products. Factor H, a principal regulator of the alternative complement pathway, is a plasma glycoprotein, which is essentially synthesized by the liver. Long known, its implication in aHUS was only uncovered in the late 1990s. aHUS is a disease which most often occurs in very young children under two years old. It results in the loss of kidney function, often engaging the vital prognosis. This extremely rare pathology is the thrombotic microangiopathy and affects about 35 people in France and 200 in Europe. At present, there is no



satisfactory solution for aHUS. LFB has drawn up the project proposal with the French Institute for Rare Diseases and has worked together with European experts in pathology (pediatricians and pediatric nephrologists). During 2006 and 2007, at the request of the French Ministry of Health, LFB developed a treatment containing specific immunoglobulins (antibodies) to the virus responsible for chikungunya. This development was undertaken following the epidemic caused by chikungunya on Reunion Island in the winter of 2005-06. It will be tested, should the epidemic resurge, to treat newborns infected by the virus as a supplement to preventive measures (mosquito removal, prophylactic medicinal treatment).

ENHANCE LFB'S PRESENCE IN BIOTECHNOLOGIES

Biotechnology activities are being strengthened through the consolidation and enhancement of technological platforms (EMABling® monoclonal antibodies with optimized functional properties, recombinant clotting factors resulting from transgenic technology), and through new product developments.

LFB's research & development programs concern products for use as substitutes for or additions to plasma proteins such as recombinant coagulation factors with biomimetic properties and monoclonal antibodies.

Monoclonal antibodies

LFB is developing EMABling®, a proprietary technological platform for the production of recombinant monoclonal antibodies with very high biological efficacy. LFB's research in this area is based on the study of structure-function relations in monoclonal antibodies and the role of their post-translational modifications in their functional activity (role of glycans). This work has led to the setup of an original technological platform – EMABling®, and the development of monoclonal antibodies with optimized functional properties that show much higher cytotoxic and pro-apoptotic activity. "Proof of concept" in humans was documented for this technological platform in late 2005. Over the past five years, LFB has used these technological foundations as groundwork for the creation of a

portfolio of several EMABling® antibodies with therapeutic potential.

The pipeline of products under development currently includes two antibodies:

- a monoclonal anti-Rhesus D antibody for the prevention of foetomaternal alloimmunization (mother-child Rhesus incompatibility),
- a monoclonal antibody directed against an antigen present at the surface of B lymphocytes in leukaemia and lymphoma.

Concentration of development for these two products resulted in the choice of an initial producer clone and the completion of a "proof of concept" study in cynomolgus monkeys. "The British Journal of Haematology" published two important scientific articles on LFB's monoclonal CD 20 antibodies and monoclonal anti-D early in 2008.

In July 2007, LFB entered into a non-exclusive research licensing agreement with Crucell N.V and DSM Biologics relating to the PER. C6® cell line.

The PER. C6® cell line was developed to produce biopharmaceutical products on a large scale with an excellent safety and productivity record. Thus, the agreement makes it possible for LFB to study the possibilities for using a very productive cell line as part of its EMABling® technological platform to produce antibodies.

In addition, LFB and Crucell may launch a joint project concerning the glycosylation of monoclonal antibodies produced through PER. C6®.

Recombinant coagulation factors

In the area of coagulation factors, LFB is developing new bio-mimetic molecules with comparable properties to plasma-derived molecules. In this way, it capitalizes on its experience in the purification and functional and structural characterization of therapeutic proteins and on its grasp of state-of-the-art analysis technologies.

After entering into an alliance with the US biotech company, GTC Biotherapeutics, Inc., a portfolio of recombinant proteins based on GTC's transgenic production platform is being formed with an activated factor VII at present, a factor IX as well as with an anti-CD 20 monoclonal antibody.

The use of bioengineering technologies makes it for

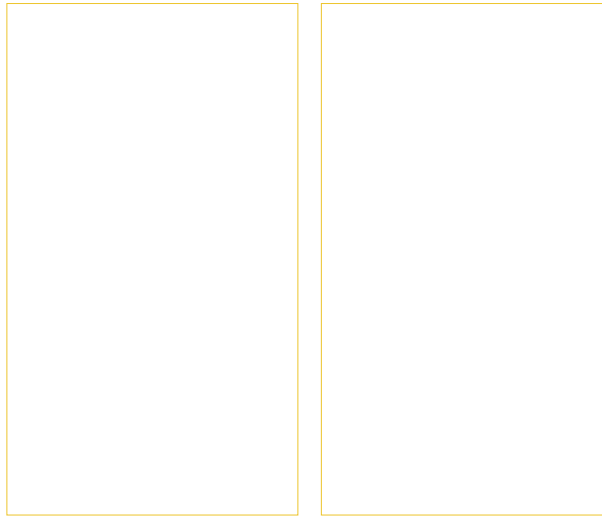
example possible to produce recombinant factor VIIIa at lower manufacturing costs, which allows LFB to expand its use, particularly to meet presently unmet needs of patients who live in developing countries. Through this strategic alliance with GTC, a leading company in animal bioengineering technology, LFB has access to all the needed tools, especially in terms of intellectual property and skills needed to develop a line of recombinant products.

REGISTER NEW THERAPEUTIC INDICATIONS, DEVELOP PRODUCTS INTERNATIONALLY

LFB devotes a significant share of its R&D to managing the life cycle of its marketed products and developing them internationally. In particular, LFB carries out projects to develop new clinical indications for the products it markets in order to widen the scope of their applications. Depending on the product and range in question, this can mean developments for specific patient categories, such as pediatric indications, or clinical trials in indications that are related to the main indication. For several years, LFB has implemented a program designed to assess the use of immunoglobulins in a number of autoimmune diseases. In 2006, AFSSAPS approved the indication of Multifocal Motor Neuropathy (MMN) for TEGELINE® a normal intravenous (IV) human immunoglobulin already indicated for Guillain-Barré syndrome and birdshot retinochoroidopathy. Based on clinical data, TEGELINE®, is thus the world's first immunoglobulin to obtain a marketing authorization to treat this disease. MMN is a pathology of recent indication with at least 20 years of clinical historical perspective. With an estimated prevalence of one or two out of 100,000, it is a rare disease that afflicts young victims at an average age of 40. This disease is probably under diagnosed owing to its rarity and the difficulty in diagnosis. The clinical sign is characterized by a multifocal motor affliction with sometimes very significant decrease in muscular

strength, particularly in the upper limbs, which could lead to a loss of independence. The AFSSAPS is now reviewing a marketing authorization application for a chronic idiopathic neuropathy polyneuritis (PRNC).

Lastly, in order to support the Group's growth abroad and bolster the launch of its subsidiaries in Europe and Brazil, LFB initiated a specific program to develop certain products abroad with the goal of getting them registered in Europe or the United States. The first product affected by this international strategy is a treatment for von Willebrand disease, which is now registered in several European countries. LFB's other products are being developed abroad such as HEMOLEVEN®, which obtains the orphan designation in the USA in 2007. The orphan designation granted by the FDA is to treat severe congenital factor XI deficiency, which used to be called hemophilia C, and was first described in 1953 by Doctor Rosenthal. It affects both men and women alike. Congenital factor XI deficiencies occur sporadically in all populations and the severe forms affect around one individual out of a million. LFB is now the only pharmaceutical company in the world to manufacture and market a factor XI with marketing authorization.



A partnership policy

LFB's research and development activities are supported by a system of cooperation with public research organizations (institutions such as Inserm, CEA and CNRS, universities and hospitals) or young small and medium-size biotechnology firms. This partnership strategy is mainly focused on three key sectors: biotechnologies and new therapeutic targets, innovative bioprocesses for purification and formulation of therapeutic proteins, and ensuring biological safety.

LFB works with more than 20 top-ranking academic teams through this approach. For example, LFB has forged close links with Inserm, particularly in structure studies – the function of immunoglobulin receptors and their involvement in activation of the immune system's effector cells.

LFB is very active in the Nord Pas-de-Calais region in the north of France and has close relations with local public research teams, universities and regional hospital structures, especially the glycobiology laboratory of Lille Science & Technical University and the hematology department at Lille teaching hospital.

Through the agreement signed with GTC Biotherapeutics, LFB has enhanced its development potential in bioengineering-derived proteins.

LFB-RUN BIOTECHNOLOGY PROJECTS CERTIFIED BY COMPETITIVENESS CLUSTERS

LFB is a partner and founding member of two health-focused competitiveness clusters in the regions where it is based, MEDICEN Paris-Région (Paris region) and Nutrition Santé Longévité (northern France). It is also leader or partner in three research initiatives that are certified as competitiveness cluster projects and funded by the French Ministry of Industry. A project performed in Toulouse in partnership with Millegen and Inserm is certified by the cancer bio-health competitiveness cluster of the Midi-Pyrénées region.

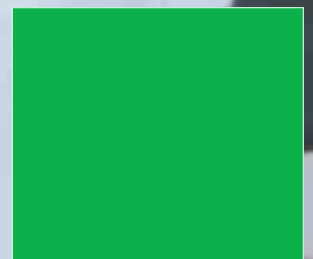


THE SCIENTIFIC ADVISORY BOARD – KEY EXPERTISE

All research and development projects of LFB are conducted in close concert with a scientific advisory board, whose mission is to guide LFB in its strategic choices on scientific and medical partnerships. It is made up of internationally renowned experts in LFB's fields of expertise: immunology, hemostasis, biological securement, infectious diseases and oncology. This scientific advisory board is chaired by Hervé Fridman, director of the immunology department at the Georges Pompidou European Hospital – APHP (Paris) and director of the Cordeliers Research Center (Inserm UMRS 872, Paris).

ISAC – A COMMITTEE DEDICATED TO BIOLOGICAL SAFETY

To guarantee its biological safety strategy, LFB created the ISAC (International Safety & Advisory Committee) in 2001. The ISAC is comprised of international experts and headed by Pr. Paul Brown, a neurologist specializing in prion diseases. This advisory committee enables LFB to validate its strategy for ensuring biological safety in line with scientific progress in the fields of epidemiology and risk prevention with respect to emerging pathogens.





CORPORATE SOCIAL RESPONSIBILITY

Company values

LFB draws on its founding principles and on lasting values to develop its strategy and activities.

- **Put patient safety at the center of the company's decisions.** This means taking the necessary measures, even at the expense of significant extra costs, to improve that safety under the precaution principle.
- **Develop programs rare diseases.** Investing in the research, production and marketing of widely distributed drugs, while also contributing to research, production and marketing of products that are indicated for rare pathologies concerning very few patients worldwide.
- **Ground economic development with ethics.** Promoting the ethics of voluntary blood donations and partnering blood donor organizations to support this approach.
- **Establish ethical relations with stakeholders.** Striving for transparency with everyone concerned by the company's goals and situation: healthcare professionals, patient associations, employees, health authorities, shareholders, partner organizations and associations such as the French Blood Donors Association, but also developing projects with associations whose mission is to improve the wellbeing of patients and their families.
- **Contribute to international solidarity for public health.** Acting collectively within TULIPE⁽¹⁾, an association for which LFB sits on the board of directors, while also carrying out exceptional operations.
- **Set up decisive policies.** Work to control the energy and water consumption and waste resulting from its manufacturing activities in order to protect the environment and non-renewable resources.

(1) see page 31

Our people

ADVANCEMENT IN A GROWING COMPANY

As of December 31st, 2007, the LFB Group consisted of 1,383 registered employees. In 2007, 151 employees joined the Group, of which 92 on permanent contracts and 59 on fixed term contracts. 52 jobs on fixed-term contracts were created of which 19 were in R&D and 12 at the Pharmaceutical Affairs Department.

Forty employees had their fixed term contracts changed to permanent contracts.

In terms of management, the company follows an active policy of promoting from within while at the same time recruiting new personnel with skills which are essential to enable the group to grow. Hence, in 2007, 90 employees were promoted.

Proportions of men and women are identical (50% in all job categories), the average age is 39 and average seniority 11.5 years. It should be noted that over the past two years there has been an increase in the number of women in the Group's management committees. More than 315 experienced managers work at the company ensuring that the industry's best standards are applied in their respective fields. They include 93 pharmacists and 15 physicians, who ensure a high level of scientific expertise in production. Managers also work in scientific communications with healthcare professionals.

Absenteeism, both short and long-term, has been declining for several years. In 2007 it was 2.8% of all days worked. Staff turnover is modest at 3%.

AN EMPLOYEE TRAINING AND DEVELOPMENT POLICY

In addition to job skills training, which is indispensable in such a highly regulated activity, the company has structured its training programs to promote the corporate



culture and to ensure managerial coherence throughout the group. A monthly induction session and training on “knowledge of LFB’s products” helps new recruits to integrate into the company quickly.

During their working life, LFB employees are offered various personal development paths to enhance their professionalism in their area of skills.

In total, more than 20 different modules, specifically developed to meet LFB employees’ expectations, are offered to help each individual develop professionally.

In 2007, the training department organized more than 40 such sessions internally. Moreover, on the Lille site the industrial department implemented a program of eight management modules to enable every member of middle management to carry out his or her duties as well as possible.

OPEN, CONSTRUCTIVE INDUSTRIAL RELATIONS

The quality of industrial dialogue is crucial in such a rapidly-growing business marked by new developments. Industrial dialogue is organized on the Group’s sites in accordance with French law and coordinated by a central works council. To provide for consistent overall management of pay, organization and staff policies, negotiations on these matters are centralized and the resulting decisions apply homogeneously to all departments on LFB’s different sites.

The year 2007 was particularly remarkable for both the intensity and quality of the dialogue between top management and staff representatives.

The restructuring of LFB Biomédicaments was completed in January 2007 while LFB Biotechnologies was organized during the first half of 2007. The works council met once a month, which fostered an exchange of views on all of the issues which rose over the major changes going on in the company. This included the works council

approving the takeover of MAbgène, the creation of foreign subsidiaries, and the organization of LFB Biotechnologies’s senior management structure.

Management and staff representatives met to negotiate and sign two important agreements relating to work organization in order to meet a soaring work load in manufacturing. The first agreement organizes work over Friday-Saturday-Sunday production cycles seven days a week. The second agreement modifies staff pay per production cycle and during the weekend. The parties concluded nine agreements during their mandatory annual negotiation process of which some related to the payment policy.

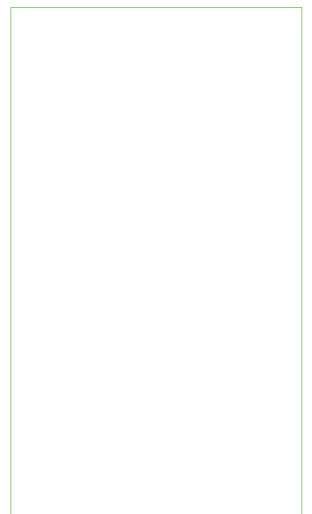
GIVING EMPLOYEES A STAKE IN THE GROUP’S SUCCESS THROUGH A COMPANY SAVINGS PLAN (“PEG”)

Management and staff representatives negotiated a company savings plan under an agreement signed on October 25, 2007.

Executive management’s objective is to create a comprehensive company employee savings plan to motivate employees and boost their performance. Under the plan, employees can accumulate savings on attractive terms while gaining a stake in the company’s results through a financial redistribution mechanism that confers both tax and social benefits.

The subscription rules are clearly aimed at fostering a very broad participation among employees. With an 80% participation among employees in one month, subscription to LFB’s company savings plan was very high, making it a great success.

Employees voluntarily contributed €1,210,000 to the plan while LFB put in an additional €700,000.



Patient-oriented partnerships

In keeping with its company values, LFB supports projects whose purpose is to improve the wellbeing of patients and their families.

CLOSE COOPERATION WITH RARE DISEASES ALLIANCE

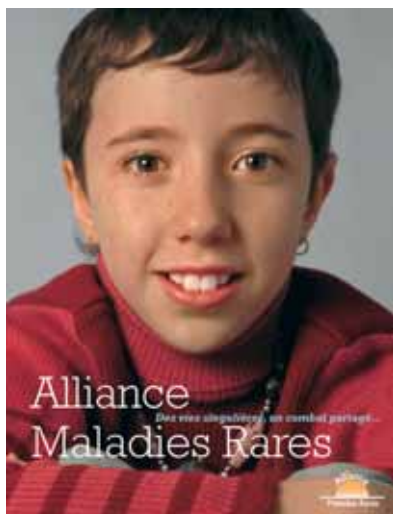
Alliance Maladies Rares (AMR) is a collective of more than 180 patient associations that raises public authorities' awareness of the specificities of rare diseases. AMR played a crucial role in the French government's "Rare

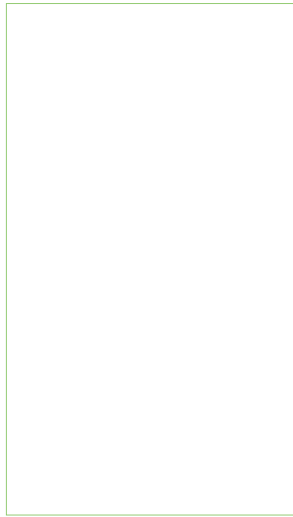
Diseases" plan. LFB was a sponsor of the European congress on rare diseases held in Paris in 2003, and became a regular partner of the Alliance at that time. In 2004, LFB and AMR jointly designed and produced a guidebook, mainly based on the experiences of the collective's members. LFB helped to celebrate AMR's fifth anniversary in 2005 by producing a video on the progress made. In 2006, LFB also supported the "rare diseases walk" as part of the French Téléthon. In 2007, LFB worked with the AMR to design and publish a book entitled, "Singular Lives – A Shared Battle" which was publicly broadcast symbolically on February 29, 2008 during the 1st European Rare Disease Day.

AN IRIS PARTNER SINCE IT WAS FOUNDED IN 1998

LFB supports IRIS, the French hereditary immunodeficiency patients association, in its role of informing and raising the awareness of families and of the medical profession.

Tools have been specially designed and jointly developed to get healthcare professionals involved and thank blood donor associations. In addition, joint symposiums are reg-





ularly held to review medical progress. In 2007, LFB worked with IRIS to design and produce a new poster, “Thank you for Life” to thank blood donors. The poster was officially unveiled on June 14, 2007 by the Chairman of the association on World Blood Donor Day. For the third consecutive year, LFB renewed an agreement with IRIS in 2007 to fund entertainment organized by the association in paediatric wards in five French hospitals.

ACTIONS FOR HEMOPHILIC PATIENTS

Nourson is the name of a teddy bear given out to hemophilia treatment centers with a booklet explaining the pathology. One of Nourson’s veins is visible and it has a tourniquet so that healthcare personnel can use a game to explain the various medical acts to their youngest patients. Designed with the help of Dr. Annie Borel-Derlon of Caen Hemophilia Treatment Center, Nourson is provided to healthcare personnel in 30 or so teaching hospitals that treat hemophiliacs. The Nourson collection has become a major series of educational booklets greatly enjoyed by children.

Out of a total estimated 375,000 patients with hemophilia A worldwide, only 40% are diagnosed and treated.

Faced with this situation, French doctors like Professor Jean-François Schved, Dr. Annie Borel-Derlon, Dr. Albert Faradgi, Dr. Ségolène Claessens, Dr. Viviane Guérin as well as such European doctors as Professor Philippe De Moerloose of Geneva are developing scientific and technical partnerships with a large number of countries. In this regard, LFB will participate as the sole sponsor of a clinical study covering four countries: Morocco, Algeria, Tunisia and Egypt. The protocol, which is planned for three years, consists of a low prophylactic dose for over 50 three-year-old children. The first doses should begin early in 2008. The objective is to demonstrate that treating very young children reduces the pathology’s disabling aspect, thereby avoiding taking these sick children out of school and dislocating them. Publishing the study’s results will serve as a benchmark for the authorities in the aforementioned countries to care for these patients in partnership with local doctors and the various hemophilia associations.

This action is part of the strategy for partnerships with these countries, and it builds on the various humanitarian operations conducted in collaboration with French doctors.

LFB is one of the biggest sponsors of the CEREDIH reference center set up at the Necker hospital under the French “Rare Diseases Plan for 2005-2008” in order to improve management of immunodeficiency pathologies, which still tend to be under-diagnosed

LE RIRE MÉDECIN: A REWARDING PROGRAM AT NECKER HOSPITAL

Created in 1991 by Caroline Simonds, alias “Dr Girafe”, Le Rire Médecin includes more than 50 professional clowns trained to adapt their craft to a healthcare environment.

The clowns worked in more than 20 pediatric wards in 2007. LFB is particularly sensitive to the association’s ethical mission, which is fully in line with its own corporate values. The company has supported a partnership between Le Rire Médecin and Necker Hospital since 2002.

Under the program, the association’s clowns visit the paediatric immunology ward twice a week in liaison with healthcare personnel to brighten up the frequent long spells in hospital of children suffering from immunodeficiency. The clowns give the children a chance to laugh, dream and forget about their disease for a few hours.

In 2005, LFB and Le Rire Médecin produced “Regards sur le Rire Médecin”, a collection of testimonials and photos conveying the program’s distinctive and essential human value. In 2006, LFB was one of the association’s main partners for its 15th anniversary. In 2007, LFB decided to bolster its partnership with Le Rire Médecin by supporting a new program at the Necker hospital’s paediatric resuscitation, neonatal resuscitation and intensive care department. This ensures the continuity of the clowns’ service for pediatric patients.

LFB’S PARTNERSHIP WITH BLOOD DONOR ASSOCIATIONS

LFB signed its first agreement with the French blood donor’s federation in 2007.

LFB and FFDSB, the French blood donors’ federation, signed an agreement in Lille on January 26, 2007. The agreement marks the desire of Christian Béchon, LFB Chairman & CEO, and José Coll, FFDSB Chairman, to strengthen their partnership ties and ensure transparent relations.

The main clauses of the agreement provide for reciprocal, transparent communication, particularly through two senior management meetings per year, annual financial support from LFB for the association’s operations, organization of tours of LFB operations for managers of blood donor associations, production of communication tools in liaison with patients’ associations on the medical benefits of human plasma-derived medicinal products to explain the purpose of their donations, and to promote blood donations. The agreement embodies the two organizations’ will to work together to meet patients’ needs.





FFDSB, the French blood donors' federation, is a recognized public service that body comprises 600,000 members – blood donors body, former donors and blood donation campaigners – within a single national organization. The federation is comprised of 2,500 local associations and three national groups stemming from public service entities where giving blood is particularly well established: France Télécom, SNCF (national railway company), and the national education service. It has a pyramid structure based on unions organized at the departmental level. LFB has been an official partner of IFBDO, the International Federation of Blood Donor Organizations, for two years.

LFB, A MEMBER OF THE TULIPE BOARD OF DIRECTORS

LFB takes part in relief actions alongside TULIPE, a pharmaceutical industry association for emergency transfers. The association's mission is to enable pharmaceutical companies to meet emergency demand for drugs. TULIPE was founded twenty years ago by LEEM, the French federation of medicinal product manufacturers. LFB has been represented on the association's board of directors since 1994.



ALLIANCE BIOSECURE RESEARCH FOUNDATION

LFB was behind the creation, and is a founding member, of the Alliance Biosecure, recognized as a public service in December 2006. The research foundation's mission is to "advance the analysis, understanding, and management of public health risk with respect to current or emerging microbiological agents, particularly prions" (Article 1 of its articles of association).

This public health mission will be carried out by:

- assessing and communicating regularly on the risks related to such agents based on worldwide epidemiological and monitoring data with the aim of anticipating them for the benefit of society;
- contributing to the understanding of those agent's virulence, pathogenicity and transmission mechanisms;
- fostering the discovery of technological solutions designed to improve the detection, elimination and inactivation of such agents in biological products for therapeutic use, the physical media used for their production, the equipment used in clinical studies and products intended for food;
- using the results of those discoveries as the case may be to develop new therapeutic approaches;
- organizing personnel training and general public communication on the understanding and management of those risks particularly in terms of their consequences for society.

The Foundation announced the winners of its first call for projects launched on April 5, 2007 at the Eurobio conference in Lille and the 2007 Prion Conference at Edinburgh on September 28, 2007. Eight joint projects were selected which meet all of the thematic strategies set forth by the Scientific Council. These are: physiopathology of prion diseases or relating to other emerging pathogenic agents, new detection methods, elimination and inactivation of prions in biological fluids and biological or biotechnology medicinal products, and new therapeutic approaches to prion diseases.

Each project will be funded for a one-year term, which can be renewed if necessary, for an amount ranging from €20,000 to €135,000 depending on the size of the project being considered and the number of work teams involved.

Website: www.alliance-biosecure.org

Founders and donors in addition to LFB are: Baxter, Steris, Maco Pharma, Alhades Provence and the Fédération Française pour le Don de Sang Bénévole (French Federation for Voluntary Blood Donations), l'Union Nationale des Donneurs de Sang Bénévoles (National Union of Voluntary Blood Donors), l'Établissement Français du Sang and l'Institut National de la Transfusion Sanguine (French Establishment for Blood and Blood Transfusions).

The joint statutory auditors audit and certify LFB's financial statements. They are represented by the Mazars and Cailliau Dedouit et Associés accounting firms.

FINANCIAL INDICATORS

Consolidated income statement

(in thousands of euros)	2007	2006
Sales	322,661	268,808
Other income from operations	2,935	903
Income from ordinary operations	325,595	269,712
Purchased goods used	(93,733)	(85,903)
Personnel expenses	(84,805)	(75,903)
Other operating expenses	(82,178)	(62,490)
Taxes	(15,513)	(15,448)
Depreciation net of reversals	(14,045)	(11,369)
Provisions net of reversals	(1,159)	(364)
Change in inventories of work in progress and finished products	(258)	7,569
Recurrent operating income	33,904	25,805
Recurrent operating margin (as % of sales)	10.5%	9.6%
Other non-recurrent operating income and expenses	1,277	155
Operating income	35,180	25,960
Income from cash and cash equivalents	695	998
Cost of borrowings gross	(53)	(39)
Cost of borrowings net	641	959
Other financial income and expenses	(7,207)	(733)
Income before tax	28,614	26,186
Income tax	(9,147)	(6,537)
Net income from continuing operations	19,468	19,649
Consolidated net income	19,468	19,649
Consolidated net income (as % of sales)	6.0%	7.3%
– of which Group share	19,468	19,649
– of which minority interests		
Basic earnings per share (in euros)	19.47	19.65
EBITDA calculation ⁽¹⁾		
Recurrent operating income (EBIT equivalent)	33,904	25,805
Amortization, depreciation and loss in value	15,205	11,733
EBITDA	49,108	37,538

(1) EBITDA : Earnings Before Interest, Taxes, Depreciation and Amortization.

Consolidated balance sheet

ASSETS (in thousands of euros)	december 31 st , 2007	december 31 st , 2006
Net intangible fixed assets	5,533	5,126
Gross values	1,777,524	157,470
Depreciation, impairment	(57,311)	(49,057)
Net tangible fixed assets	120,214	108,412
Shares in affiliates	10,785	12,400
Other noncurrent financial assets	2,117	2,111
Noncurrent financial assets	12,900	14,511
Deferred tax assets	152	152
Total noncurrent assets	138,800	128,202
Inventories	92,709	87,696
Trade receivables	47,928	47,044
Taxes receivable	65	10,370
Other current assets	22,003	14,725
Cash and cash equivalents	27,486	21,193
Total current assets	190,192	181,027
Assets for sale	0	1,629
TOTAL ASSETS	328,992	310,859

LIABILITIES (in thousands of euros)	december 31 st , 2007	december 31 st , 2006
Shareholders' equity	50,000	50,000
Consolidated share premium account and reserves	141,605	119,975
Net income for the year	19,468	19,649
Shareholders' equity – Group share	211,072	189,624
Minority interests		
Total shareholders' equity	211,072	189,624
Provisions for commitments to employees	6,816	5,716
Provisions for liabilities and charges	17,027	17,027
Other financial liabilities	2,645	310
Deferred tax liabilities	4,796	7,007
Total noncurrent liabilities	31,284	30,060
Provisions for commitments to employees – short term	250	665
Provisions for liabilities and charges – short term	1,113	1,605
Amounts payable and related accounts	46,306	38,627
Taxes payable, liabilities	2,668	12,586
Other current liabilities	35,516	27,597
Short-term portion of long-term debt	320	
Bank facilities	463	10,096
Total current liabilities	86,636	91,176
TOTAL LIABILITIES	328,992	310,859

Consolidated cash flow statement

(in thousands of euros)	2007	2006
Consolidated net income	19,468	19,649
Net income from discontinued operations		
Net income from operations	19,468	19,649
Non cash and non profit items		
Depreciation and provisions	21,329	11,918
– Variation de la juste valeur des instruments financiers		
– Pertes de valeur des Goodwills		
Gains on sale of fixed assets	(1,279)	11
– Quote-part de subventions virée au résultat		
Foreign exchange variances	43	(112)
Change in deferred taxes	(2,211)	(1,989)
– Share-based payment expenses		
Funds generated from operations before variation in working capital	37,350	29,476
Net change in other operating assets and liabilities		
(Increase)/reduction in inventories	(5,013)	(11,460)
(Increase)/reduction in trade receivables and related accounts	(884)	(11,244)
(Reduction)/increase in trade payables and related accounts	7,680	7,737
Net change in other operating assets and liabilities linked to operations	605	3,147
Variation in net income tax payable	386	2,291
Variation in working capital linked to operations	2,775	(9,530)
NET CASH FLOW LINKED TO OPERATIONS	40,125	19,946
Impact of changes in the scope of consolidation	80	
Acquisitions of intangible fixed assets	(1,418)	(2,655)
Acquisitions of tangible fixed assets	(22,170)	(16,687)
Payments to post-employment benefit plans		
Income from disposal of tangible and intangible assets	3,088	29
Acquisitions of unconsolidated investments in affiliates	(3,381)	(14,286)
Acquisitions of other nonrecurrent assets	(215)	(1,973)
Other cash flows related to investing activities		
Change in working capital related to investing capital		
NET CASH FLOW LINKED TO INVESTMENT TRANSACTIONS	(24,016)	(35,572)
Additional long term borrowings		
Repayments of long term borrowings		
Net change in short term borrowings		

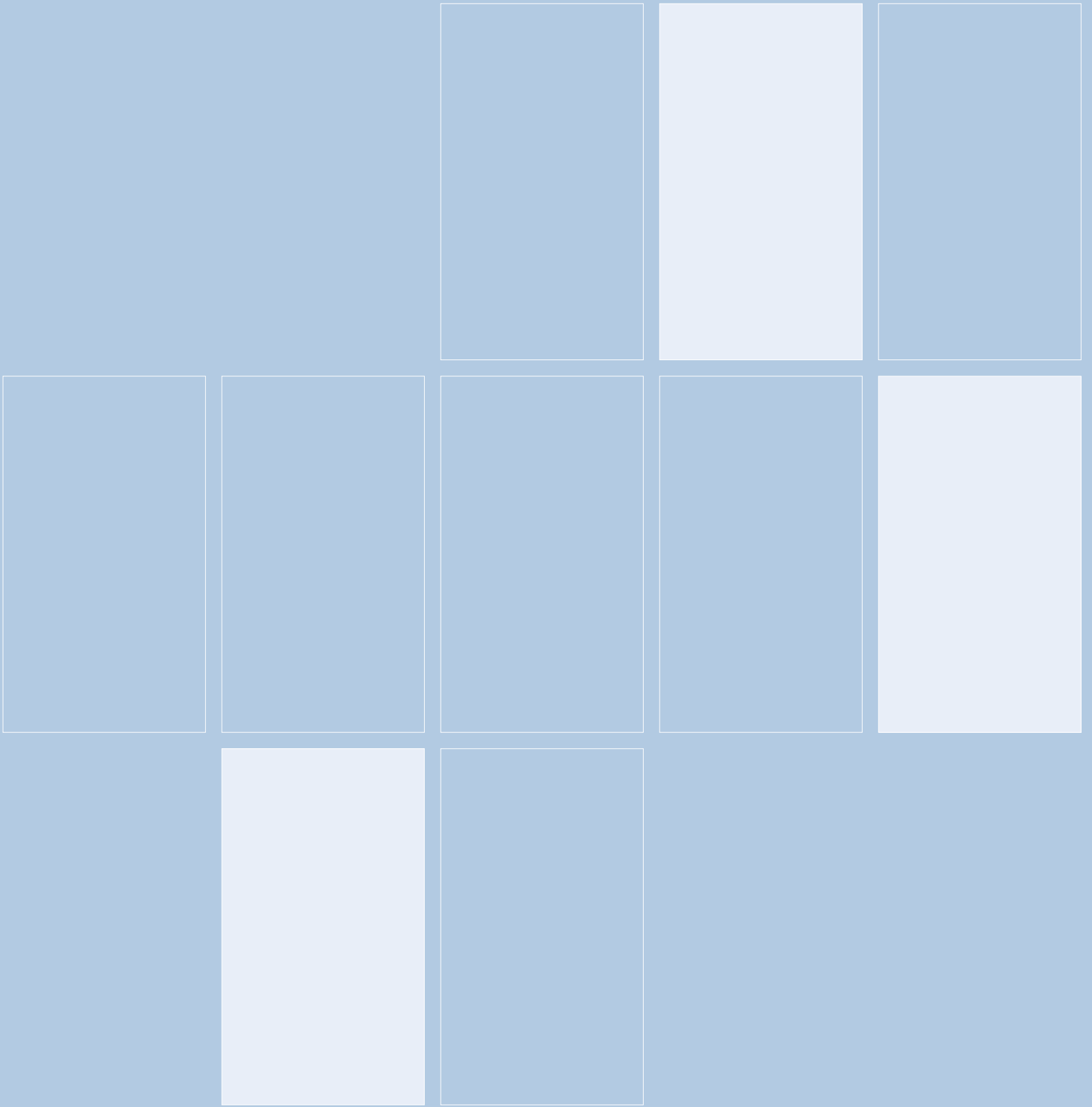
(in thousands of euros)	2007	2006
LFB S.A. cash capital increase		25,000
Repayment on financial lease	(194)	(158)
NET CASH FLOW LINKED TO FINANCE OPERATIONS	(194)	24,842
Impact of operations due to be sold or discontinued		
Impact of change rate fluctuations		
VARIATION IN CASH FLOW	15,926	9,216
Opening cash and cash equivalents	11,097	1,880
Closing cash and cash equivalents	27,023	11,097
INCREASE (REDUCTION) IN CASH FLOW	15,926	9,216

(in thousands of euros)	december 31, 2007	december 31, 2006
Cash and cash equivalents – balance sheet assets	27,486	21,193
Bank overdrafts – balance sheet liabilities	(463)	(10,096)
Net cash flow at year-end	27,023	11,097

DISCLAIMER

“This is a free translation into English of this Annual Report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law.

In the event of a contradiction between the French and the English versions of this Annual Report, the French version shall be final and definitive.”



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