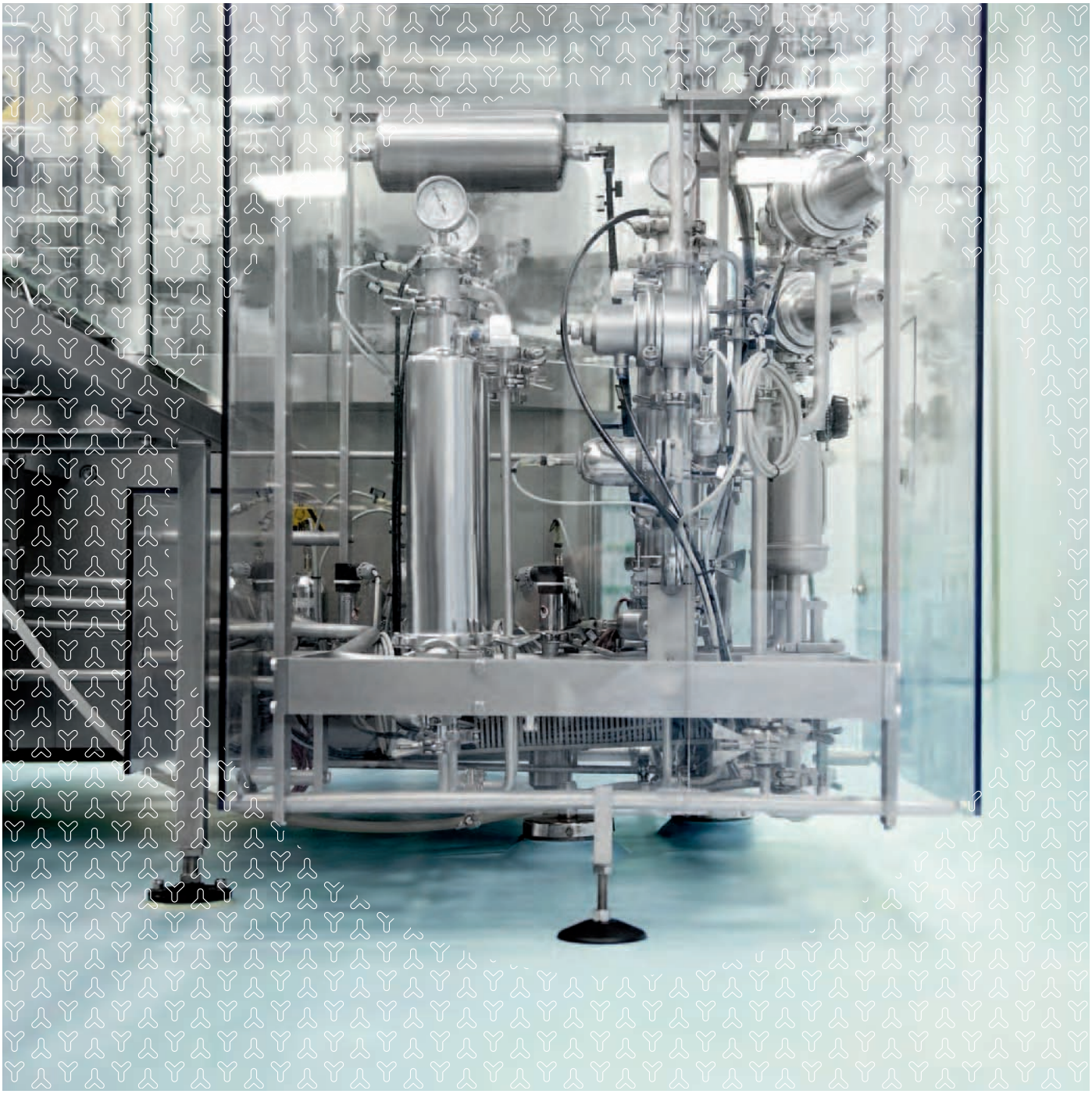
Biotest

From Nature for Life

FIGURES 2012 | Annual Report Biotest AG



KEY FIGURES

BIOTEST GROUP*		**2012**	2011	Change in %
Revenue	€ million	**440.0**	422.0	4.3
thereof:				
Germany	€ million	**89.4**	96.9	–7.7
Rest of World	€ million	**350.6**	325.1	7.8
thereof:				
Therapy	€ million	**330.9**	324.7	1.9
Plasma & Services	€ million	**97.0**	87.9	10.4
Other Segments	€ million	**12.1**	9.4	28.7
EBITDA	€ million	**76.1**	72.4	5.1
EBIT	€ million	**44.7**	41.6	7.5
EBIT in % of sales	*%*	***10.2***	*9.9*	
Earnings before taxes	€ million	**36.5**	28.6	27.6
Earnings after taxes	€ million	**23.1**	18.7	23.5
Structure of expenses:				
Cost of materials	€ million	**167.9**	165.1	1.7
Personnel expenses	€ million	**116.1**	106.7	8.8
Research and development costs	€ million	**51.4**	49.4	4.0
Research and development costs in % of sales	*%*	***11.7***	*11.7*	
Capital expenditure in property, plant and equipment and intangible assets	€ million	**34.5**	26.7	29.2
Financing				
Cash flow**	€ million	**34.7**	72.5	–52.1
Depreciation and amortisation	€ million	**31.4**	30.8	1.9
Equity (as of 31 December)	€ million	**369.4**	346.7	6.5
Equity ratio (as of 31 December)	*%*	***54.1***	*50.8*	
Total assets and liabilities (as of 31 December)	€ million	**682.3**	682.8	–0.1
Employees (full-time equivalents as of 31 December)		**1,726.9**	1.661.5	3.9
Earnings per share	€	**1.94**	1.57	23.6

* Continuing Operations

** from operating activities

CONTENTS

PROF. DR. GREGOR SCHULZ
Chairman of the Board of Management

DEAR SHAREHOLDERS,

We are very pleased to report that 2012 was a successful year for Biotest. Over the last 12 months, we achieved for both our sales and our earnings considerable increases. Despite a European market environment characterised by stagnant prices and the challenges faced in Southern Europe, we managed to successfully pursue our path of growth. We would like you, our valued shareholders, to participate in this success and will once again recommend an increased dividend payment at the Annual Shareholders' Meeting.

With our new strategic realignment, our focus is on patients and their needs. Our goal is to support their therapy programmes with our diverse range of products. And through our research and development efforts, we seek to create additional new treatment opportunities for the future.

Since the beginning of financial year 2012, the Biotest Group has been re-aligned into the following segments: Therapy, Plasma & Services and Other Segments. In the Therapy segment, we focus on three indication areas, where our products are used: haematology, clinical immunology and intensive medicine. These areas all have a high medical demand and offer stable growth prospects.

Keeping this in mind, an important milestone in the past year was the granting of marketing authorisation for the immunoglobulin Bivigam™ in the US in December 2012. The market introduction – the first Biotest-developed product on the US market – represents another important page in our success story. A major milestone in this process was the takeover of the plasma protein business of Nabi Biopharmaceuticals Corporation and the founding of our US subsidiary, BPC. We expect the medium- and long-term sales potential for Bivigam™, which is used to treat patients with primary immunodeficiencies (PID), to be around USD 100 million. Thus, another important step in the history of Biotest has been taken.

Our consistent internationalisation strategy includes our planned expansion into China – one of the fastest growing pharmaceutical markets in the world. Due to a distribution agreement with Wanbang Biopharma for the marketing of human albumin, we will gain access to the high-price Chinese albumin market. We expect this to generate an additional € 20 to € 30 million in medium-term sales. A new distribution partnership in Russia with Merz Pharma GmbH represents a further step toward the geographical diversification of our business model in 2012.

We were also successful in restructuring our activities in Greece. The takeover of marketing authorisation and distribution of our products by the distributor Vianex allowed us to greatly reduce our risks in this market, as Vianex will requires advance payment for further distribution of Biotest products. At the same time, with this solution we are ensuring the continuous supply of our products for patients.

Besides our efforts to continuously expand our plasma protein business, we are also moving forward in our development of monoclonal antibodies. Especially noteworthy in the past year has been our progress in the clinical development of Tregalizumab (BT-061), which is being developed by Biotest in cooperation with AbbVie (a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott). Also worth mentioning are our preclinical study findings for our immunoconjugate BT-062, which showed efficacy against aggressive solid tumours in mice. Thus, in addition to its efficacy against multiple myeloma (a type of bone marrow cancer), which we already examined in clinical studies, the drug presents completely new opportunities: In preclinical tries, human breast and pancreatic tumours that were resistant to all other therapy procedures were completely destroyed. Although our research and development with this product is just beginning, early findings already point to the enormous potential of our latest development efforts.

Overall, Biotest was able to increase sales in Continuing Operations in the past year from € 422.0 million to € 440.0 million. Earnings before interest and taxes (EBIT) amounted to € 44.7 million (2011: € 41.6 million) – an increase of 7.5 %. Thus, despite the tense market situation in Europe, we clearly met our projections and laid the foundation for future growth. With a 27.6 % rise in earnings before taxes (EBT) from € 28.6 million to € 36.5 million and a 23 % increase in earnings after taxes (EAT) from € 18.7 million to € 23.1 million, we considerably exceeded our results from the previous year.

In financial year 2013, we expect Group sales to grow by 10 to 15 %. For EBIT, we expect results of a similar magnitude for the current reporting year.

With the sale of the Microbiological Monitoring division in 2011, Biotest realigned both its strategy as well as its organisation, a move which already began to produce efficiencies in 2012. On this basis, Biotest will pursue its opportunities with greater focus and generate even greater growth in the future.

Our continued success in 2012 and the promising prospects of the Biotest Group were reflected in the capital markets with a rise in our stock price.

For this, we would like to thank you, our valued shareholders, business partners and financing institutions, and we hope you will continue to support us on this exciting journey.

We would also like to thank our staff, whose daily commitment helps ensure the long-term success of the Biotest Group.

Cordially yours,

Prof. Dr. Gregor Schulz
Chairman of the Board of Management

+ 27.6 %

Earnings before taxes increased significantly
due to the positive operating performance.

€ 440 million

of revenue the Biotest Group generated in fiscal year 2012.
Around 80 % with customers from abroad.

1,870

employees worked for the Biotest Group
at the end of 2012 – an increase of 5.4 %.

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

A. ECONOMIC REPORT

I. BUSINESS AND GENERAL FRAMEWORK

A. AT A GLANCE

The Biotest Group was able to increase sales (in Continuing Operations) in financial year 2012 as expected by 4.3 % from € 422.0 million in the previous year in Continuing Operations to € 440.0 million in 2012.

Earnings before interest and taxes (EBIT) also increased significantly in Continuing Operations during the reporting period from € 41.6 million in 2011 to € 44.7 million – an increase of 7.5 %. The growth in Group sales and earnings was driven primarily by the international markets. While business in Europe remained mostly stagnant due to continued price pressure as well as the euro and sovereign debt crises, revenue from outside Europe increased significantly in some cases. Furthermore, improvements in production processes resulted in higher yields and, along with rigorous cost management, an improved cost of sales ratio.

An important milestone in the past year was the granting of marketing authorisation for the immunoglobulin Bivigam™ in the US in December 2012. The launch of the product in February 2013 will provide a significant boost to the Company's US business. The intravenous immunoglobulin is used to treat patients with primary immunodeficiencies (PIDs) and has a medium- to long-term sales potential of around USD 100 million.

B. BUSINESS ACTIVITY AND CORPORATE STRUCTURE

The Biotest Group, with its headquarter in Dreieich, Germany, is an international supplier of biological medications. Products currently on the market and new developments are both obtained from human blood plasma and manufactured using biotechnology methods. The indication areas are haematology, clinical immunology and intensive care medicine.

The Biotest Group is engaged in research and development in all three of these indication areas. The company covers all essential stages in the value chain, from preclinical and clinical development – which is conducted in collaboration with internationally well-known partners in the case of certain development projects – to global marketing. As a strategic option, further strengthening of marketing and sales is being pursued through collaboration with leading global pharmaceutical companies.

Corporate structure

The consolidated financial statements include the parent company, Biotest AG, together with 15 other fully consolidated companies. The complete list of participating interests of the Biotest Group is provided in Section F10 of the notes to the consolidated financial statements. Biotest AG has issued ordinary and preference shares, both of which are listed on the Prime Standard of the German stock exchange (Deutsche Börse).

For detailed information regarding corporate structure, management and controlling, see the "Management Declaration" available on the company website.

Segments of the Biotest Group

As of the beginning of financial year 2012, the Company's operations have been divided into the following segments: Therapy, Plasma & Services and Other Segments. The Therapy segment includes products and development projects assigned to the three indication areas. Plasma sales and toll manufacturing are combined under the Plasma & Services segment. Merchandise sales and overhead costs that cannot be attributed to the Therapy or Plasma & Services segments are reported by Biotest under Other Segments. Previous years figures for Continuing Operations have been adjusted to reflect the new segment structure. The claim to the subsequent purchase price payment from Merck KGaA was disclosed under Discontinued Operation, as were the value of the sold Microbiological Monitoring segment and the remaining activities of the Medical Diagnostic segment in the previous year.

Group strategy

The core element of the Biotest strategy in the Therapy segment is a clear focus on marketing and developing products in the three indication areas of haematology, clinical immunology and intensive care medicine.

As a quality provider, an important factor in implementing this strategy is utilising internal resources to cover key portions of the value chain. These include research and development, plasma collection, production, quality assurance and distribution. The expertise acquired by the Company, especially in the areas of plasma collection and fractionation, is also used to offer available capacity on the market in the form of primary and intermediate products as well as toll manufacturing.

Another goal is the consistent internationalisation of the Company. By expanding the business into the US, among other countries, the Biotest Group will maintain a presence in nearly every major pharmaceutical market in the world.

In addition to sales of existing products, Biotest addresses the demands of additional lead indications with high medical need and large patient populations with monoclonal antibodies and plasma proteins, which are currently in clinical development. These preparations – provided they receive marketing authorisation – will enhance the product range significantly. They are characterised by a specific mechanism of action that distinguishes them from other therapeutic approaches, either approved or in development.

Alongside the continued pursuit of the Company's own research and development efforts, opportunities for further increasing the volume of business over the next several years through international acquisitions and licensing are being carefully examined.

Added value

The Biotest Group covers the entire value chain from production to marketing and sales for its primary product, plasma proteins. Production takes place both at the headquarter in Dreieich as well as in Boca Raton, Florida, USA. In addition, Biotest maintains its own distribution operations in six European countries and Brazil to market its products in these countries. The Biotest Group is also active in over 70 countries through additional partnerships. Sales activities are centrally initiated and managed by Biotest, thus creating additional potential synergies along the value chain.

Human blood plasma is the basis for manufacturing current Biotest products. Biotest currently operates 22 of its own collection centres in Europe and the US to obtain this raw material and to sell some of it on to contracted partners. In these centres, blood is collected from qualified and strictly monitored healthy donors, and the required blood plasma is separated by plasmapheresis; this is then processed further at the production sites.

The prices that can be achieved for the finished products are influenced significantly by the available volume of plasma proteins relative to the demand.

Also in the area of monoclonal antibodies, which are not obtained from human blood plasma but are manufactured using biotechnology methods, Biotest covers the essential elements of the value chain at its international locations. Furthermore, resources are supplemented by collaboration with well-known partners.

Product portfolio

Biotest's product range is divided between the indication areas of haematology, clinical immunology and intensive care medicine. The portfolio contains products that are already on the market and also products that are at various phases of research and clinical development.

PRODUCTS AND DEVELOPMENT PROJECTS FROM THE BIOTEST GROUP

Preparations	Lead indication	Status
Haematology indication area		
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)	Marketing in South America, Asia, the EU and rest of the world
Haemonine®	Haemophilia B (acute therapy and prophylaxis)	Marketing in Europe
BT-062*	Multiple myeloma	Clinical development; various ongoing trials, phase I/IIa
Clinical immunology indication area		
Bivigam™	Primary immune deficiency (PID)	Since February 2013: marketing in USA; marketing authorisation granted by the FDA on 19 December 2012
Cytotect®	Cytomegalovirus infection (CMV prophylaxis)	Marketing in Central and South America, Asia, the EU and rest of the world
Fovepta® **	Hepatitis B prophylaxis in newborns	Marketing authorisation in Germany in 2012, marketing authorisation in nine other countries planned
Hepatect®, Nabi-HB®	Hepatitis B (re)infection prophylaxis	Marketing in South America, Asia and the EU Nabi-HB® exclusively for the US market
Intratect 5 % ®	Primary immune deficiency (PID) and secondary antibody deficiency syndromes as well as autoimmune diseases	Marketing in America, Asia, the EU and rest of the world
Intratect ® 100 g/l (10 % solution)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes as well as autoimmune diseases	Start of marketing in Germany in January 2013, introduction in five other European countries planned for 2013; extension to 13 additional European countries is planned
Varitect®	Zoster virus infection (prophylaxis and therapy)	Marketing in South America, Asia and the EU
Zutectra®	Hepatitis B re-infection prophylaxis after liver transplantation	Marketing in Asia and the EU; additional clinical trial to extend the indication started in 2012
BT-063*	Systemic lupus erythematosus	Clinical development; phase I trial concluded
BT-094 (Cytotect 70)*	Prevention of CMV infection of the foetus during pregnancy of CMV-infected mother	Clinical development; phase III trial ongoing
Civacir™ *	Hepatitis C re-infection prophylaxis after liver transplantations	Clinical development; preparation of a clinical phase II trial
Tregalizumab (BT-061)*	Rheumatoid arthritis, psoriasis	Clinical development; various ongoing trials, phase IIb
Intensive care medicine indication area		
Biseko®	Deficiency of volume and serum protein	Marketing in Asia and the EU
Cofact®	Deficiency of clotting factor	Marketing in the EU
Humanalbumin	Volume depletion	Marketing in South America, Asia, the EU and rest of the world
Pentaglobin®	Severe bacterial infection	Marketing in South America, Asia, the EU and rest of the world
Fibrinogen*	Deficiency of fibrinogen	Clinical development; start of phase I/II trial approved
IgM concentrate*	Severe bacterial infection (scap = severe community acquired pneumonia)	Clinical development; (phase II trial ongoing)

* Preparations under development (as of 31 December 2012)

** Brand name refers to Germany

Human resources

Changes in personnel

As of 31 December 2012 the Biotest Group had a staff of 1,727 full-time equivalents. Compared to 1,662 full-time equivalents at the end of 2011, this represents an increase of 3.9 %.

This growth is mainly attributable to newly created positions in plasma protein production at Biotest Pharmaceuticals Corporation (BPC) as well as the establishment of additional plasma centres in the US. As of 31 December 2012 726 positions (42.1 %) were assigned to Biotest AG and another 696 (40.3 %) to BPC. Over half of all employees (914) work in Germany.

Remuneration

The next phase of the Long Term Incentive Programme for success-based remuneration of management staff began as scheduled on 15 May 2012. This variable remuneration component is based on the achievement of predefined targets. The programme is described in detail in Section F1 of the notes to the consolidated financial statements.

Personnel and organisational development

The exceptional qualifications, motivation and performance of our staff are the reasons behind our long-term business success and growth. In 2012, we continued to give high priority to continuing education and professional development.

The focus of our efforts was on developing management teams and their departments. The current and future areas of activity of each department were discussed in tailored management workshops with an emphasis on organisation, processes and management. Based on this, we introduced a 360° feedback process for management performance in production and production-related areas as well as leadership and communication training for project managers.

To ensure our ability to recruit qualified young specialists and managers, we established a partnership with the polytechnic university in Bingen. Our cooperation allows top employees with a technical or biotechnical educational background or work experience the chance to participate in a four-year, in-service Bachelor of Science programme in process technology. In 2012, two employees participated in the programme. The Biotest AG trainee programme was also expanded.

Traineeships

To attract and retain young talent and thus meet the challenges of the demographic shift, Biotest AG provides traineeships in seven different professions. School-leavers can begin their career in either a technical or commercial field. A new profession, Fachinformatiker Systemintegration (IT specialist in systems integration), was added in order to meet the growing requirements of IT infrastructures. Biotest AG currently employs 22 trainees as well as two students majoring in International Business Administration.

The quality of the company's trainee programmes is reflected in the final examination results of the nine trainees who graduated in 2012. Three of them were honoured by the Chamber of Industry and Commerce (Industrie- und Handelskammer) for their above-average examination scores.

To ensure its position as an employer of choice, Biotest continued to market its trainee programmes. The Company attended various vocational training trade fairs in an effort to raise awareness among school-leavers and their parents.

Business performance management

Biotest's business performance is managed using both financial and non-financial indicators, changes in which influence enterprise value in different ways. Financial and non-financial performance indicators are measured continuously and form part of the monthly reports to the Board of Management.

These reports include an analysis of actual figures and their variances from planning and previous years figures by segment and company. Additional specific analyses are performed on an event-driven basis.

Financial performance indicators

The indicators used to monitor the business performance of the Group are listed in the table below:

KEY PERFORMANCE INDICATORS AT THE GROUP LEVEL

Indicator	Calculation	Value on 31.12.2012
Return on Capital Employed (RoCE)	EBIT/capital employed	7.4 %
EBIT margin	EBIT/sales	10.2 %
EBT margin	EBT/sales	8.3 %
Contribution margin	(Sales – cost of sales)/sales	42.0 %
Cash flow from operating activities	See the cash flow statement for a detailed calculation	€ 34.7 million
Cost of sales ratio	Cost of sales/sales	58.0 %
Distribution expense ratio	Distribution expenses/sales	13.0 %

At the segment level, earnings before interest and taxes (EBIT) is the primary performance indicator. Other indicators include sales and contribution margin by product as well as by sales representative.

Sales figures are an important indicator of Biotest's share of the overall market or target market segment.

In addition, the structure of receivables and their associated risks are continuously analysed. Inventories are measured and verified on a monthly basis.

Non-financial indicators

Control-relevant non-financial performance indicators for the Group as a whole include, in the case of production: the degree of utilisation, cycle times and downtimes, inventory amounts along the production chain and yield per unit of plasma.

Regulatory environment

Biotest's manufacturing facilities for plasma proteins are subject to mandatory inspection and approval by the Darmstadt Regional Government Commission and the Paul Ehrlich Institute (PEI) as well as by the United States Food and Drug Administration (FDA).

In the member states of the European Union, plasma proteins are approved by the centralised marketing authorisation procedure or by mutual recognition of national marketing authorisations. In the United States, drugs are subject to the regulatory provisions of the FDA.

Biotest is a member of the Plasma Protein Therapeutics Association (PPTA) and has adopted the association's strict safety standards for obtaining and processing blood plasma beyond the legally prescribed requirements.

The monitoring and authorising agencies for monoclonal antibodies in both Europe and the US are the same as those for plasma proteins.

Social responsibility

With its products, Biotest is active in a highly ethical environment. Biotest's products help to save lives and confer a degree of normality on the daily lives of many (chronic) patients. Furthermore, the company is engaged in various scientific medical initiatives, research projects and measures taken by patient organisations.

Among other things, Biotest set up a haemophilia foundation some years ago that assists haemophilia patients in financial difficulties. In this connection, children with haemophilia from more socially deprived families are able this year to take part in an integrated leisure programme of the Deutsche Hämophiliegesellschaft e.V. (German Haemophilia Society) and in injection training provided by the Interessengemeinschaft Hämophiler e.V. (Haemophiliac Interest).

To acknowledge the great importance of its employees in company development and also to promote compatibility between work and family, various measures are being planned at the Dreieich site. In addition, Biotest is again providing young people with prospects for starting a career through extensive training options and dual study.

Biotest is also linked with Johann Wolfgang Goethe University in Frankfurt am Main through various projects and partnerships, where it promotes selected scientific projects by students and doctoral students.

In addition, Biotest makes an important contribution to the promotion of national and international research through its active collaboration in the board of trustees of the Paul Ehrlich Foundation. The Foundation awards the Paul Ehrlich and Ludwig Darmstaedter Prize once a year. Outstanding research in the areas of immunology, cancer, haematology, microbiology and chemotherapy is promoted with this globally recognised distinction.

C. THE YEAR 2012

Overall economic performance

The performance of the world economy in financial year 2012 was significantly impacted by the continuing sovereign debt crisis in some EU nations, the economic slowdown of the Asian markets and the persistently difficult fiscal policy situation in the US. This led increasingly to a reluctance to invest and a high degree of uncertainty regarding future prospects on the world markets. German GDP, for instance, grew only 0.7 % in 2012 compared to 3.0 % the previous year.[1] In its 2013 Annual Economic Report, the German Federal Government predicted that the German economy will grow by just 0.4 % in 2013.[2] The loss of momentum is due to the recessive trend in Europe, especially in the eurozone, as well as negative economic growth in the emerging markets.

The overall economic situation in the eurozone thus remains tense. Despite the financial markets' reaction to the European Central Bank's (ECB) announcement of its plan to purchase unlimited amounts of government bonds, the eurozone economy remains in recession. The statistical office of the European Union (Eurostat) expects economic output in 2012 to drop by 0.4 %. For 2013, the experts predict low growth of just 0.1 %.[3]

The outlook for the US economy is declining as well. The US Federal Reserve in December 2012 projected gross domestic product growth of only 1.7 % to 1.8 % despite its earlier prognosis of 1.7 % to 2.0 % in September 2012.[4]

After a rise in the first quarter of 2012, the euro fell sharply against the dollar between April and July, reaching its annual low of 1.21 EUR/USD on 24 July 2012. By the end of 2012, however, the common European currency had rebounded significantly, closing out the year at 1.3194 EUR/USD. Exchange rates of importance to Biotest are listed in Section B3 of the notes to the consolidated financial statements.

Performance by industry environment

The market for immunoglobulins, the main product group for Biotest, continues to show stable growth. Whereas the worldwide market for immunoglobulins totalled 107 tonnes in 2011, an increase of 7 – 8 % to about 115 tonnes is expected for the whole of 2012. This is consistent with the annual average growth rate from 2005 to 2011. We expect this trend to continue in the coming years, with the cumulative global market exceeding 140 tonnes by 2015.

GLOBAL MARKET FOR IMMUNOGLOBULINS IN 2011*

	2011 market volume in t	Share of global market in %
USA	46	43
Europe	26	24
Rest of world	35	33

* Estimates based on data from the Marketing Research Bureau[5]

According to estimates by UBS Investment Research, the demand for immunoglobulins will grow by 2015, driven by a marked increase in Asia and South America. While annual growth rates of 5 – 7 % are projected for the developed markets of Europe and the US, the rest of the world will grow faster (> 10 %).

Market prices for immunoglobulins remained under pressure in 2012, particularly in Europe. Prices over the course of the reporting year fell in Europe, but we were able to achieve slightly higher prices in the US market. Prices per gram in the US currently exceed average European prices by 30 – 40 %.[6] The Biotest Group hopes to benefit from this development over the long term by introducing Bivigam™ in the US.

Both the demand as well as prices for plasma-based clotting factors remained largely stable according to Biotest data for 2012.

1 Federal Office of Statistics (Statistisches Bundesamt) press release, German economy defies 2012 European economic crisis (Deutsche Wirtschaft trotzt 2012 europäischer Wirtschaftskrise), 15 January 2013

2 Federal Ministry of Economics and Technology, 2013 Annual Economic Report, 16 January 2013

3 Statistical Office of the European Union (Eurostat), growth rate of real GDP volume, last update on 13 February 2013

4 Board of Governors of the Federal Reserve System, Minutes of the Federal Open Market Committee, 12 December 2012

5 Marketing Research Bureau: The Plasma Proteins Market in the US 2011; Marketing Research Bureau, The Worldwide Plasma Proteins Market 2011

6 UBS, Mar-12 qtr Plasma Price & Supply Survey – supply tightens, US price gains, but EU soft, 29 May 2012; UBS Investment Research, Two speed market presents CSL with lower price volume / market share gains?, 9 July 2012; UBS Investment Research, Sep12 qtr Plasma Price & Supply Survey – Solid markets a prelude to price increases, 3 December 2012

Biotest in 2012

2012 goals: target-performance comparison

The Biotest Group met all of the targets set out in the previous year's annual report. In 2012 the company successfully generated sales growth of 4.3 %, well within the projected target range of 3–5 %. In addition, operating profit (EBIT) of € 44.7 million in 2012 met the target of a slight increase over the previous years figure comfortably (€ 41.6 million).

This is a very good outcome, especially considering the adverse impact of two key factors on business performance in the reporting period: the delay in the granting of marketing authorisation for Bivigam™ due to additional requirements from the FDA and the necessary caution exercised in measuring current Greek receivables. These factors were subsequently offset by the positive operating performance.

Group business strategy and implementation in the 2012 financial year

Internationalisation

In the 2012 financial year, Biotest continued its efforts to expand its presence in important international markets. The Company was able to significantly enhance its product portfolio by obtaining marketing authorisation for Bivigam™ in the US, the world's largest and most important pharmaceutical market. The intravenous immunoglobulin is used to treat patients with primary immunodeficiencies (PID). Its subsidiary BPC expanded its production facilities over the past years and is now capable of producing up to 1.5 tonnes of Bivigam™. BPC expects additional medium- to long-term sales potential of around USD 100 million from the expansion.

The Biotest Group will also intensify its involvement in China as planned. Through a distribution agreement with Wanbang Biopharma for the marketing of human albumin, Biotest will gain access to the fast-growing, high-price Chinese albumin market. The Company expects this to generate an additional € 20 to 30 million in medium-term sales.

The Company's presence in Russia was also expanded last year. On 1 January 2013, a long-term distribution agreement with Merz Pharma GmbH & Co. KGaA entered into force, under which Merz Pharma GmbH & Co. KGaA will distribute Biotest products such as Intratect® and Pentaglobin® via their distribution channels. The goal of this agreement is to make use of synergies and significantly strengthen Biotest's market position over the long term through the systematic marketing of its products.

In addition, a decentralised European marketing authorisation procedure for Intratect® 100 g/l (10 % solution), which will allow the sale of the product in up to 19 European countries, will help improve the Company's market position in Germany and Europe.

Operational segment performance

Therapy

The strategic goal within the Therapy segment is to continuously expand the international sales base for previously marketed products and promote further research and development for new and existing products. The efforts to expand sales of authorised products in new and existing markets, as described in the "Internationalisation" section, mark an important step towards realising strategic targets.

By developing additional active agents within the three defined indication areas and optimising products already on the market (such as through additional concentrations or dosage forms), Biotest is also expanding its revenue base.

Finally, the development efforts in both the clinical and pre-clinical areas described in the "Research and Development" section represent the basis for the future growth of the Biotest Group.

Plasma & Services

The core element of the business strategy within the Plasma & Services segment is the optimal management of plasma sales together with the best possible utilisation of capacity. Biotest will decide in each case when to allocate capacity to in-house manufacturing, when to sell collected plasma and when and to what degree to use available capacity most efficiently to provide toll manufacturing to third parties.

In financial year 2012, BPC expanded its contractual relationship with ViroPharma Biologics Inc. (ViroPharma) in the US. Over the next three years, BPC will sell increasing quantities of blood plasma to ViroPharma. Under its long-term agreement with BPC, which will initially run through the end of 2017, ViroPharma will purchase around USD 70 million of blood plasma over the next two years. The purchased volume will depend on market prices, inflation and guaranteed price discounts. The current global network of 22 plasma collection centres will be further expanded through this step, thus laying the foundation for additional sales and profits for this segment.

Research and development

Research and development constitute an integral part of the Biotest Group's company strategy. Important progress was achieved in the following development projects in the 2012 financial year:

Haematology indication area

BT-062: In the dose escalation study (no. 975) for the lead indication of multiple myeloma (monotherapy with multiple doses of BT-062), more than 30 patients have now been treated at doses up to 160 mg/m². The results of this phase I/IIa study were presented at the annual conference of the American Society of Hematology. The study patients had very advanced disease, failing to respond to conventional therapies. Despite this, tolerability of BT-062 was good, and clinical benefit was observed in more than 50 % of the patients. A stable disease phase without disease progression for more than 14 months was achieved in one of the patients. Treatment of the first patients has also started in the combination study (no. 983), which is investigating the efficacy of BT-062 in combination with lenalidomide and dexamethasone. The first dosage level was tolerated well and two of three treated patients show obvious clinical improvement.

Also, in initial preclinical studies, BT-062 has demonstrated activity against several types of aggressive solid tumours, for example breast, pancreatic, prostate and bladder cancer. Additional preclinical evaluation of the activity of BT-062 in these cancers is now underway, for which Biotest receives funding from the CI3 Rhein-Main Leading Edge Cluster 'Individualised Immune Intervention'.

Clinical immunology indication area

Bivigam™: Prior to the approval of Bivigam™ in December 2012, Biotest received new information regarding the approval process from the American Food and Drug Administration (FDA) in August. The FDA demanded an additional new test system in validated form to detect thrombogenic activity – for the first time to date in the case of a new approval. In collaboration with a laboratory that is well known in this area and works closely with the FDA, Biotest carried out the test validation and submitted the data to the FDA at the end of October in a Complete Response Letter. On 19 December 2012, approval of Bivigam™ was granted for the American market. Delivery of the first lots and market introduction of the immunoglobulin took place in February 2013.

BT-094 (Cytotect 70): In a phase III trial (no. 963) for the hyperimmune globulin BT-094 (Cytotect 70) roughly 13,600 pregnant women were screened up to 31 December 2012 in the indication of prevention of cytomegalovirus infection of the unborn with primary CMV infection of the mother during pregnancy. Out of the screened patients, about 8,460 were randomised and 80 were included in the study.

Fovepta®: In the first quarter of 2012, Biotest obtained national marketing authorisation in Germany for the hepatitis B immunoglobulin Fovepta® for the prophylaxis in newborns from hepatitis B-infected mothers. This marketing authorisation is the basis for the application for approval in nine other countries – in countries outside Europe and the US as well as for tender transactions. The first sales figures with this product are expected in 2013.

Intratect® 100 g/l (10 % solution): At the end of October 2012, Biotest obtained marketing authorisation for the 10 % intravenous immunoglobulin solution Intratect® (100 g/l) in the decentralised European approval procedure. Intratect® 100 g/l (10 % solution) was developed especially for patients receiving outpatient therapy, for whom a faster infusion rate is usually desirable and also tolerated. The approval application for a faster infusion rate with Intratect® 100 g/l (10 % solution) was submitted at the end of 2012.

Tregalizumab (BT-061): The further development of the biotherapeutic agent Tregalizumab (BT-061) in conjunction with AbbVie (a global, research-based biopharmaceutical company formed in 2013, following separation from Abbott) is being driven forward in various studies. In the currently running phase IIb trial (no. 979), which is investigating the combination with methotrexate for the indication rheumatoid arthritis, treatment of the last patients in the first part of the study was concluded in December 2012. An extra study (no. 985) was also started in the second quarter of 2012 to further investigate the pharmacodynamics of the drug. Another prospective, randomised phase IIb trial (no. 986) is at the planning stage. This will be a study with a six-month treatment duration, followed by an optional six-month extension phase, in which more than 350 patients will be included.

Zutectra®: For the hepatitis B immunoglobulin Zutectra®, treatment of the first patients started in the 2012 financial year in an additional study (ZEUS, Zutectra Early Use, no. 987). In this study, extension of the treatment to the early phase after liver transplantation is being investigated and an attempt is made to switch from intravenous (i.v.) treatment to subcutaneous (s.c.) treatment only a week after the transplant and not after six months as hitherto.

OVERVIEW OF CLINICAL TRIALS

Type of study	Study number	Dosage/ study design	Number of study participants	Status on 31 December 2012
Haematology indication area				
BT-062				
Phase I/IIa Multiple myeloma	969	Repeated single dose, intravenously every 21 days, 10 – 200 mg/m²	32	Study concluded
Phase I/IIa Multiple myeloma	975	Repeated multiple dosing, intravenous day 1, 8 and 15; every 28 days, dose escalation above 40 mg/m²	35	Patient recruitment ongoing
Phase I/IIa Multiple myeloma	983	Combination with lenalidomide and dexamethasone based on 975 design (repeated multiple dosing)	50	Patient recruitment ongoing
Clinical immunology indication area				
BT-094 (Cytotect 70)				
Phase III Cytomegalovirus (CMV) infection transmitted in pregnancy	963	Multiple dosing in pregnant women with primary CMV infection (seroconversion) Control group without treatment	Screening of roughly 25,000 pregnant women	Patient recruitment ongoing
Tregalizumab (BT-061)				
Phase IIb Rheumatoid arthritis	979	Combination with methotrexate, subcutaneous up to 75 mg, multiple dosing, treatment duration twelve weeks, placebo-controlled	176	Treatment in the first part of the study concluded
Phase I Use in volunteers pharmacodynamics/pharmacokinetics study	985	Subcutaneous up to 200 mg, single dose	36	Inclusion of probands ongoing
Phase IIb Rheumatoid arthritis	986	Combination with methotrexate, subcutaneous, multiple dosing, treatment duration 24 weeks with subsequent optional 28-week extension phase; placebo-controlled	more than 350	Planning phase
Zutectra®				
Phase III Hepatitis B reinfection in the early phase after liver transplantation	987	Zutectra® (s.c. HBIG); Multiple dosing after liver transplantation	60	Patient recruitment ongoing
Intensive care medicine indication area				
Fibrinogen				
Phase I/II Congenital fibrinogen deficiency	984	Single dose to determine pharmacokinetics, dosage and frequency of treatment of acute bleedings in the case of treatment individually according to patient	20	Start of patient re-cruitment in the first quarter of 2013
IgM concentrate				
Phase II Severe community acquired pneumonia	982	Multiple dosing after SCAP (severe community acquired pneumonia); treatment for five days, i.v. administration, placebo-controlled double-blind study	82	Patient recruitment ongoing

Intensive care medicine indication area

Fibrinogen: The trial protocol for a multinational phase I/II study (no. 984) for a clinical trial was approved. Recruitment of the first patients is expected in early 2013. The study will investigate, on the one hand, whether a congenital fibrinogen deficiency can be compensated by administration of fibrinogen concentrate. On the other hand, a second stage will investigate the extent to which acute bleeding in these patients can be arrested by administration of fibrinogen concentrate. About 20 patients (aged 6 to 75 years) will initially be included in the study, which will be conducted in several countries.

In a subsequent study, the efficacy of the fibrinogen concentrate in severe acquired bleeding complications will be studied.

IgM concentrate: In the ongoing phase II trial (CIGMA, concentrated IgM for application, no. 982) on the use of an immunoglobulin M concentrate, additional patients with severe acquired lung inflammation were treated. An interim analysis after 40 treated patients will be performed in the first half of 2013.

II. PRESENTATION OF RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL POSITION

A. RESULTS OF OPERATIONS

In financial year 2012, the Biotest Group generated revenue of € 440.0 million. This corresponds to a 4.3 % increase over Continuing Operations in 2011, from which sales of € 422.0 million were generated. Plasma & Services and Other Segments experienced high growth, with the two segments recording a 10.4 % and 28.7 % increase in sales revenue, respectively. In general, all segments performed positively.

SALES BY SEGMENT

In € million	**2012**	2011*, **	Change in %
Therapy	330.9	324.7	1.9
Plasma & Services	97.0	87.9	10.4
Other Segments	12.1	9.4	28.7
Biotest Group	**440.0**	**422.0**	**4.3**

* Continuing Operations
** Figures adjusted to new segmentation

The Group's internationalisation strategy impacts the way sales revenue is distributed by region. In financial year 2012, 79.7 % of revenues were generated outside the German home market (previous year: 77.0 %). While sales to customers in Germany and North and South America fell sharply, significant increases were seen elsewhere, particularly in Asia, where total sales rose from € 77.6 million in 2011 to € 121.8 million in 2012 – an increase of 57.0 %. The Group recorded high growth in the Asian markets in Plasma & Services, with revenue up 86.0 % in this segment.

SALES BY REGION

In € million	**2012**	2011*	Change in %
Germany	89.4	96.9	–7.7
Rest of Europe	160.5	161.5	–0.6
North and South America	58.5	74.9	–21.9
Asia	121.8	77.6	57.0
Rest of world	9.8	11.1	–11.7
Biotest Group	**440.0**	**422.0**	**4.3**

* Continuing Operations

MAJOR COST POOLS OF THE BIOTEST GROUP*, **

In € million	2012	As a % of sales	2011	As a % of sales
Cost of sales	–255.3	58.0	–254.2	60.2
Distribution expenses	–57.1	13.0	–48.5	11.5
Administrative expenses	–27.9	6.3	–32.0	7.6
Research and development expenses	–51.4	11.7	–49.4	11.7
Other operating income and expenses	–3.6	0.8	3.7	0.9
Financial and investing result	–8.2	1.9	–13.0	3.1

* Expenses are marked with a negative sign
** Continuing Operations

Despite the significant increase in sales, the cost of sales remained relatively constant, rising just 0.4 % over the previous year from € 254.2 million to now € 255.3 million. Consequently, the company was able to significantly reduce the cost of sales ratio in financial year 2012 from 60.2 % to 58.0 %. This was due to a consistently high level of capacity utilisation throughout the year and – as a result of continuous process optimisation – an overall improvement in production efficiency. Necessary one-time expenses due to the delayed restart of plasma protein production at BPC, adversely impacted this figure.

Costs for marketing and sales rose in the wake of the business expansion realised, particularly in Asia, by 17.7 % to € 57.1 million in 2012 (previous year: € 48.5 million). Their share of sales also increased from 11.5 % in 2011 to the current 13.0 %. In contrast, administrative costs were reduced by almost 13 % from € 32.0 million to € 27.9 million. This was due to savings in facility management and expenses for consulting services related to the signing of the contract with AbbVie (a global, research-based biopharmaceutical company formed in 2013, following separation from Abbott) in financial year 2011. Research and development expenditure increased following intensification of studies and amounted to € 51.4 million compared to € 49.4 million in the previous year. Its share of sales remained stable at 11.7 %.

Other operating income, composed primarily of income from services and from the release of provisions and deferred liabilities, decreased to € 11.6 million (previous year: € 13.4 million). In contrast, other operating expenses increased significantly from € 9.7 million in the previous year to € 15.2 million in 2012. This was particularly due to impairment of receivables from Greek hospitals and expenses for the closure of the Greek subsidiary.

In Continuing Operations, earnings before interest and taxes (EBIT) of the Biotest Group improved significantly by 7.5 % to € 44.7 million from € 41.6 million in 2011. As a result, the EBIT margin rose from 9.9 % to a current 10.2 %. In the Therapy segment, EBIT of € 26.3 million was generated in 2012 compared to € 24.9 million in 2011. In contrast, earnings contributed by the Plasma & Services segment fell moderately from € 18.8 million to € 18.4 million. The profitability of the Therapy and Plasma & Services segments is not directly comparable, as the Plasma & Services segment has only minor or no project-based research and development expenses. The distribution expenses of Plasma & Services segment are also significantly lower in relation to sales. In Other Segments, the Group effectively broke even (€ 0.0 million) after last year's loss of € 2.1 million.

The financial and investing result improved significantly in the past year, amounting to € –8.2 million, up from € –13.0 million in the previous year. The main reason for this was last year's impairment of Greek government bonds that were on the books, which had an impact on the financial result.

This resulted in earnings before taxes (EBT) from Continuing Operations of € 36.5 million – an increase of 27.6 % compared to the previous year (€ 28.6 million). Due to an increased tax liability resulting from undeducted losses from the Greek subsidiary and start-up losses from the Brazilian subsidiary as well as from not fully utilised deferred taxes for BPC, earnings after taxes (EAT) rose from € 18.7 million to € 23.1 million (+ 23.5 %) in 2012. The Biotest Group thus generated earnings per share in Continuing Operations of € 1.94 compared to € 1.57 in 2011.

KEY FINANCIAL PERFORMANCE FIGURES OF THE BIOTEST GROUP

In € million	**2012**	2011*	Change in %
EBIT	44.7	41.6	7.5
EBT	36.5	28.6	27.6
EAT	23.1	18.7	23.5
Earnings per share (€)	1.94	1.57	23.6

* Continuing Operations

In addition, a decision on pending litigation in connection with the sale of the former Biotest Microbiological Monitoring segment was made in favour of the former subsidiary of Biotest AG. Biotest is consequently entitled to receive the outstanding portions of the purchase price, which were reported in earnings after tax from Discontinued Operation by the Biotest Group in financial year 2012 in the amount of € 10.3 million.

B. FINANCIAL POSITION

The total assets of the Biotest Group remained virtually unchanged as of 31 December 2012 compared to 31 December 2011, amounting to € 682.3 million compared to € 682.8 million at the end of last year.

On the asset side, non-current assets increased slightly from € 312.8 million to € 314.9 million. Increased property, plant and equipment and deferred tax assets were offset by lower intangible assets and other financial investments. Property, plant and equipment increased sharply as of 31 December 2012 to € 243.0 million (31 December 2011: € 234.9 million). While a total of € 33.3 million was invested in tangible fixed assets during the 2012 financial year, depreciation and amortisation amounted to € 22.1 million in the same period. Intangible assets as of 31 December 2012 fell to € 54.6 million (31 December 2011: € 62.8 million). Investments of € 1.2 million in intangible assets were offset by depreciation, amortisation and impairment of € 9.3 million.

In current assets, which, including assets from Discontinued Operation, decreased only slightly as of the reporting date of 31 December 2012 from € 370.0 million to € 367.4 million (31 December 2012), the increase in inventories was offset by a decrease in trade receivables. Inventories increased from € 153.0 million to € 184.2 million. At Biotest AG, the increase resulted from necessary build-up of preliminary product stocks in preparation for the expected volume increase in 2013. At BPC, pre-production on Bivigam™ began. However, related to the reporting date of 31 December 2012 trade receivables decreased to € 96.1 million (31 December 2011: € 121.0 million). Cash decreased by 31.2 % as planned from € 83.2 million to € 57.2 million at the end of 2012. This reduction was due to investments, tax payments and the repayment of loans.

On the equity and liabilities side, equity increased significantly after taking into account dividends (€ −5.5 million), earnings after taxes (€ 33.4 million), currency translation differences (€ −0.2 million) and changes recognised directly in equity (€ −5.0 million). Equity of € 369.4 million was recorded as of the reporting date of 31 December 2012 (31 December 2011: € 346.7 million). As a result, the equity ratio increased significantly to 54.1 % at the end of 2012 from 50.8 % as of 31 December 2011.

A reduction in non-current debts was offset by an increase in current debts. Pension provisions increased from € 51.0 million to € 57.1 million, while long-term debts decreased as of 31 December 2012 to € 148.0 million from € 188.3 million as of 31 December 2011 due to lower non-current financial liabilities and liabilities from deferred sales revenue. Liabilities from sales settlements will include partial payments from the AbbVie agreement (AbbVie is a global, research-based biopharmaceutical company formed in 2013, following separation from Abbott) through 2014. Current debt as of 31 December 2012, including debt from Discontinued Operation in the amount of € 8.0 million, increased from € 147.8 million to € 164.9 million. Current financial liabilities increased here, along with trade payables, which rose 36.6 % related to the reporting date.

C. CASH FLOWS

The cash flow statement for the financial year 2012 was characterised in particular by investments in fixed assets and the repayment of loans. Cash flows from operating activities of Continuing Operations for the 2012 financial year amounted to € 34.7 million. In 2011, significantly higher inflows of € 72.5 million were recorded. The main reason for the change was the proceeds from the cooperation agreement with AbbVie (a global, research-based biopharmaceutical company formed in 2013, following separation from Abbott), which significantly affected the operating cash flow in the previous year. Moreover, tax payments on the proceeds from the sale of the former Microbiological Monitoring segment were not due until financial year 2012, which had a substantial impact on the operating cash flow for the current period.

Operating cash flow was therefore sufficient to fully finance the increased capital expenditure of the Group.

Cash flow from investing activities at the end of 2012 amounted to € –29.3 million. This includes increased investments in Dreieich (primarily for the new filling and packaging systems) and in Boca Raton, Florida, USA, for the completion of the production facilities and the establishment of plasma centres. In the previous year, an inflow of € 22.7 million was recorded. This was attributable to the proceeds from the sale of the activities of the former Microbiological Monitoring segment.

Cash flow from financing activities in financial year 2012 was a cash outflow of € 31.4 million. This was only slightly more than in the previous year (€ –30.7 million). A significant portion of this item was due to the repayment of loans serviced from cash as well as dividend payments. Consequently, cash and cash equivalents as of 31 December 2012 decreased as planned to € 57.2 million from € 83.2 million as of 31 December 2011.

KEY CASH FLOW STATEMENT FIGURES FOR THE BIOTEST GROUP*

In € million	**2012***	2011*
Operating cash flow before changes in working capital	73.7	72.9
Cash flow from changes in working capital	–8.6	12.9
Interest and taxes paid	–30.4	–13.3
Cash flow from operating activities	**34.7**	**72.5**
Cash flow from investing activities	–29.3	22.7
Cash flow from financing activities	–31.4	–30.7
Cash changes in cash and cash equivalents	**–26.0**	**64.5**

* Continuing Operations

Financing strategy

The financing strategy of the Biotest Group is designed to ensure that sufficient liquidity is available at all times, to provide adequate options for financing the growth of Group operations and to ensure its ability to implement all investment projects as scheduled.

Biotest uses both equity and debt financing with the aim of maintaining a solid, conservative financing structure. The target equity ratio is at least 40 %; with an equity ratio of 54.1 % at the reporting date, Biotest has a solid basis for financing its future investments. Equity combined with the long-term component of debt financing together should cover fixed assets. Biotest obtains revolving working capital loans for terms of typically one or two years to finance its operations.

For a description of the capital structure, please refer to Section E14 of the Notes.

D. SUMMARY ASSESSMENT BY THE BOARD OF MANAGEMENT

Financial year 2012 was a year of growth for the Biotest Group. Both sales (+ 4.3 %) and EBIT (+ 7.5 %) increased significantly compared to the previous year. The Plasma & Services segment in particular saw a marked increase in sales. Regionally, the Asian markets were the main drivers behind the growth in business.

Overall, the Biotest Group has the resources to move forward with its operational business plans. The launch of Bivigam™ in the United States as well as medium- and long-term developments in the area of monoclonal antibodies offer additional profit potential. The financial position of the Biotest Group, with the further improvement in the equity ratio to 54.1 % and a balanced financing structure, will serve as the foundation for the planned future growth of the Biotest Group.

B. SUPPLEMENTARY REPORT

After the reporting date, the Supervisory Board of Biotest AG appointed Dr. Georg Floß to the Board of Management with effect from 9 January 2013. As Chief Operations Officer (COO), a newly created position, he is responsible for the areas of Production and Operations. Dr. Floß has been employed with Biotest in a management capacity since 2008.

C. RISK REPORT

As a global company in a highly advanced field of technology, the Biotest Group is subject to a variety of risk factors that could negatively impact the business. When and where risks resulting from its business activities or external factors will materialise – if at all – cannot always be predicted and may be partially or completely beyond the control of Biotest.

Sales and profits, along with the Company's financial position and cash flows, may be negatively affected. The risk report describes the risks to which Biotest is exposed, both as a Group and at segment level. It explains how the Company deals with these risks and how they are controlled and managed. An assessment by the Board of Management of the likelihood that any of the individual risks outlined will materialise is given below.

I. GENERAL STATEMENT ON THE GROUP'S RISK POSITION

In the Board of Management's opinion, Biotest is currently not subject to any risks extending beyond those that are an inevitable part of its business operations. All material risks are monitored continuously, and, wherever possible and reasonable, the necessary precautions are and will continue to be taken to prevent any potential financial consequences. No risks are currently apparent that might jeopardise the Biotest Group's financial stability.

II. RISK STRATEGY

As specified by the Board of Management and Supervisory Board in their joint risk strategy report, the company may take controlled risks in order to generate prospects for long-term profitable growth. The risk strategy is aimed at ensuring the company's continued existence and enhancing its value sustainably and systematically.

III. RISK MANAGEMENT AND CONTROLLING

Biotest systematically identifies and evaluates operational and strategic risks. All risks with fundamental implications and a reasonable likelihood of arising are closely monitored.

The IT-based risk management system of the Biotest Group meets the requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG). Risk management processes are documented in detail, and the corresponding documents are stored in the risk management system.

The implemented risk management system is aimed at identifying and evaluating risks that might negatively impact the compliance of the consolidated financial statements. Furthermore, any risks identified are limited, with help from external specialists if required. Lastly, the risk management system is used to evaluate the impact of identified risks on the consolidated financial statements and to map these risks.

Our monthly internal reports include an assessment of major potential risks. In addition, every six months the Risk Management Committee reviews the current risk situation in all segments and drafts a detailed risk report, which is submitted to the Board of Management. This report covers the following risk areas: market risks, process and production risks, financial risks, personnel risks and organisational risks.

Between meetings of the Risk Management Committee, the segment managers brief the Board of Management at regularly held Board meetings on the current risk situation in their respective areas of responsibility. In the case of a sudden change in the risk position, the Board of Management is notified directly and at short notice if necessary.

All Biotest employees must behave in a risk-conscious manner within the scope of their responsibilities. The management staff is responsible for controlling and managing risks. Within the Group, about 50 risk reporters cover all potential risks. All risk reporters are subject to binding principles for dealing with risks.

The Internal Audit department reviews risk management and controlling standards and processes regularly for suitability and effectiveness. The last audit took place in 2012.

Biotest has taken out insurance policies to limit the financial consequences of liability risks and material damage to plant and machinery. The level of protection afforded by the insurance is reviewed regularly and adjusted where necessary.

IV. INTERNAL CONTROL SYSTEMS FOR ACCOUNTING PROCESSES

Biotest has implemented an accounting-related internal control system that covers all main business processes at Biotest AG and all of its subsidiaries. The aim of the accounting-related internal control system is to ensure with adequate certainty through a series of checks that, despite any risks identified, the consolidated financial statements are prepared in accordance with applicable policies. The relevant guidelines are summarised in an organisational manual to which all employees have access.

Biotest AG's accounting manual conforms to International Financial Reporting Standards (IFRS). This manual is binding for all Group companies and covers all accounting standards of relevance to Biotest. It is continuously updated to reflect any changes to IFRS. All managers in charge of financial accounting are continuously informed of and trained in relevant accounting practices.

The accounts of Biotest AG and all subsidiaries included in the consolidated financial statements are maintained in accordance with strict schedules and procedures, in which all the necessary activities are set forth in detail.

Single-entity and consolidated financial statements are prepared with the help of approved systems. In each Group company, internal control processes have been established through organisational procedures and clear responsibilities, including separation of duties through a dual control system.

Companies enter data for the consolidated financial statements into a standardised, detailed reporting package, the content of which is reviewed on a monthly basis by the departments responsible for finance and controlling. All single-entity financial statements prepared by Group companies undergo plausibility checks, and any differences in consolidation processes are analysed and rectified where necessary.

Measures undertaken in the preparation of the consolidated financial statements are subject to electronic and manual checks. Further checks at the consolidated financial statement level include target performance comparisons and analyses of changes in items on the statement of financial position and the statement of income.

Confidential data and documents are protected against access by unauthorised persons. This applies to accounting-related IT systems (access authorisation, passwords, encryption) and all business premises (access control, access privileges).

The single-entity and consolidated financial statements are either audited or reviewed by external auditors.

The Internal Audit department reviews business processes in all segments and subsidiaries. Its powers, duties and position within the Group are laid down in the internal audit guidelines. Audits are undertaken in accordance with an annual internal audit plan established by the Board of Management and the Supervisory Board's Audit Committee. Individual audit findings are submitted to the Board of Management in a timely manner. In addition, once a year the Internal Audit department submits a detailed report to the Board of Management and the members of the Audit Committee.

V. RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Biotest uses derivative financial instruments to hedge currency positions. The corresponding contracts are established in observance of the set risk limits. Section F4 of the notes to the consolidated financial statements contains a detailed description of the risk management system with regard to financial instruments.

VI. PRESENTATION OF SIGNIFICANT RISK CATEGORIES

The material risks affecting the Biotest Group are described below. However, Biotest may be exposed to additional risks and uncertainties which are still unknown or which are currently considered minor. These risks could also have an adverse effect on business operations, the financial position, cash flows and results of operations of the Biotest Group. The order in which the risks below are listed is in no way indicative of the probability of their occurrence.

A. ENVIRONMENTAL AND INDUSTRY RISKS

Economic risks

Biotest would be unable to permanently escape the consequences of a far-reaching, long-lasting recession, even if its direct effects were limited. The risk of a downturn in sales may result from lower demand and rising pressure from customers to reduce prices.

Another potentially dampening effect is the possibility that Biotest will be forced to reduce or discontinue supplies to individual markets. This could be the case if the company were unable to adequately hedge against default on corresponding receivables or only at much less favourable terms.

If a country's overall economic position deteriorates to such an extent that serious consequences for its solvency and its health care system are feared, Biotest may be forced to discontinue deliveries to such countries in order to reduce risk. This was the case in Greece in financial year 2012.

The Board of Management sees the economic risks as elevated and is closely monitoring developments.

Sales market risks

Sales market risks consist of risks associated with price, quantity, substitution and bad debt.

The Biotest Group is reducing the risk of short-term fluctuations in sales volumes and prices by expanding into additional international markets and establishing longer-term supply agreements. However, the risk remains, especially in the case of individual tendered contracts in the Therapy segment, that the volume of sales could be lower than planned.

The risk of further sharp declines in prices for plasma proteins has not increased on account of price developments in recent years, steadily growing demand and changes in the supply situation since the previous year. However, it continues to be classified as increased.

Based on the observations of the Biotest Group, the relationship between globally available plasmatic and recombinant clotting factors has thus far remained stable. Substitution risks are therefore manageable in the Company's view.

Default risk continues to be high due to the lower solvency of companies and governments in some regions. Biotest has instituted an active receivables management system and will implement appropriate measures such as delivery stops to reduce risk if necessary.

The sovereign debt crisis has had a particularly negative impact on Biotest business in Greece over the past several years. Receivables from Greek government hospitals from the years 2007 to 2009 were settled with bonds. Bonds maturing in 2011 were paid back on schedule. Bonds maturing at the end of 2012 or 2013 were traded for new bonds in March 2012 as part of a mandatory exchange programme. Biotest subsequently sold all of its Greek government bond holdings in order to reduce its risk. Nevertheless, uncertainties remain with regard to the full payment of outstanding receivables from the year 2012 in the amount of € 5.4 million from Greek hospitals. Risk-adequate provisions have already been made for these receivables in the form of impairment losses. The Greek subsidiary ceased operations on 30 September 2012. The company continues to actively manage its receivables.

Entering a market is associated with the high cost of registering products along with infrastructure expenses such as the formation of a subsidiary. When developing countries change their regulatory frameworks and bureaucratic procedures, this can cause unexpected delays in entering the market. Biotest seeks to assess and, where applicable, minimise the risks of market entry by enlisting the help of experts in analysing the market situation.

Procurement market risks

The Biotest Group needs special raw materials and excipients to manufacture its biological and biotechnological products. If these materials were to become scarcer or increase substantially in price, Biotest's ability to manufacture or supply might be restricted. Biotest covers a large part of its raw material needs from its own sources. For the rest, it has long-term contracts with suppliers. Therefore, in the Company's assessment, procurement market risks are very low.

B. POLITICAL RISKS

Some of Biotest's sales are attributable to tender contract business. In certain countries, business of this kind may be subject to a high level of political influence, which may in certain cases be to Biotest's disadvantage. Because Biotest acts with a high level of risk awareness in this market sector, the associated risk can be regarded as minor.

Biotest maintains relationships with companies all over the world. In unfavourable circumstances, a destabilisation of the political situation in individual countries could impair business relationships and prospects. In extreme cases, the political and economic system of certain countries may destabilise. Possible effects include currency export restrictions or import and export bans, which could threaten business relationships between Biotest and typically government-run institutions in such countries.

The situation in many countries of the Near and Middle East has destabilised in recent years. Because Biotest is represented in these countries, it is exposed to increased risk. Another risk is the increasing difficulty in receiving payment for drug deliveries exempt from embargo and sanction restrictions from countries that are otherwise subject to an embargo. Biotest is attempting to minimise these difficulties through constant contact with its banks and explanation of the transactions behind these payments.

Biotest monitors all political risks continuously. The potential economic consequences of such risks are closely analysed.

C. CORPORATE STRATEGY RISKS

Research and development risks

New drugs undergo several clinical trials prior to approval and market launch. There is a risk that a previously assumed therapeutic effect may not be confirmed or that unexpected medical risks will negatively impact the benefit/risk balance. In addition, it is impossible to put a precise figure on the amount of development investment that will be required, and additional costs may be incurred. This may also result from current regulations in Europe that require pharmaceutical companies to prove the added benefits of new products over existing ones or the advantages of new products in terms of healthcare costs. These requirements may become more stringent in the future. Proving these benefits is necessary as early as possible during the product development stage, as otherwise there is a high risk that the company will not be able to obtain a high-enough price on the market to cover the costs of development.

The progress of development projects is constantly monitored through milestone planning. In regular interim analyses, new data obtained from preclinical and clinical development is evaluated to create a reliable basis for decisions on the further course of these projects.

D. PERFORMANCE-RELATED RISKS

Process and production risks

Process and production risks include those that could impair the ability to provide efficient and environmentally friendly goods and services due to inefficient structures or production processes or material damage. Personnel risks in production arise from possible deliberate or accidental misconduct by employees that might negatively affect production efficiency or safety.

Biotest Group constantly monitors and analyses its production processes in order to take early action against any risks that may arise. All employees involved in production become familiar with production workflows by reviewing our operating procedures. To combat possible risks, extensive, precisely documented standards and operating procedures are maintained and staff members are regularly trained. One of the Company's main focus areas is hygiene. Currently there is no increased risk evident in this area.

Supplier relationship risk

There is a risk that individual business or cooperation partners may not duly comply with their obligations or terminate existing agreements. The Biotest Group is also at risk of claims brought against it for possible breach of duty on the part of its partners. Given that its business relationships generally last many years and in view of the close dialogue maintained with suppliers, the Board of Management believes that the probability that these risks will materialise is very low.

Risks relating to plasma as a raw material

There is a very low risk that plasma contaminated with currently known but undiscovered or previously unknown bacteria, viruses or prions will enter the production cycle. This could lead to contamination of end products. Possible consequences include a recall of individual batches from the market or restriction or suspension of approval by the authorities. In addition, contamination caused by previously unknown bacteria, viruses or prions could result in tighter legislative controls on plasma-based drugs.

The test procedures employed by Biotest are in line with the latest standards of science. The manufacturing process includes several steps for viral inactivation or viral depletion. Contamination of end products is thus highly unlikely.

Compliance

There is a fundamental risk of corruption in competing for supply contracts and in procurement. Biotest Group employees could improperly influence the awarding of contract by granting or accepting undue advantages. Biotest combats this risk through various preventive anti-corruption measures. An international Compliance System was established for this purpose taking due account of country-specific conditions and is now periodically updated to reflect current requirements.

The heads of Group companies may only undertake business transactions with a material effect on the Group's financial position, cash flows and results of operations or the Group's risk position with the approval of Group management.

On 8 May 2012, the public prosecutor's office in Frankfurt conducted a search of the premises of Biotest AG in Dreieich. The search was part of an investigation against several persons based on an anonymous tip alleging, among other things, embezzlement and bribery by employees of Biotest AG. The case is still under investigation by the prosecutor. Biotest AG firmly denies the allegations and is actively cooperating with the public prosecutor's office in the investigation.

Personnel risks

Other risks include the possibility that Biotest will not be in a position to retain employees in key positions or be able to find suitable candidates for such positions. Biotest combats this risk through continuous and targeted staff education, training programmes of interest and performance-based remuneration of specialised and management staff.

E. IT RISKS

Many production and other business processes at Biotest rely on IT support. The security of the technology used is therefore a top priority. This applies both to the stability of the IT systems and backup solutions as well as to protection against unauthorised third-party access and possible attacks from the internet. Production and administration operate on separate IT networks.

Biotest is continuously improving its security systems. The proper handling of systems and data is covered extensively in our operating procedures and authorisation concept.

F. FINANCIAL AND CURRENCY RISKS

Financial risks may arise from the unexpected cancellation of credit lines or a sudden increase in lending rates. Biotest has established long-term agreements for the majority of its debt financing.

In connection with the syndicated loan agreement, Biotest AG is required to maintain certain financial ratios, including net debt to EBITDA, net debt to liable equity and EBITDA to interest expense. These ratios are calculated at the end of every quarter based on the annual or quarterly consolidated financial statements. In financial year 2012, as in the previous year, all required financial ratios were met.

Biotest counteracts currency risks through the use of derivative financial instruments wherever advisable. Sales in US dollars continue to be largely offset by purchases in the same currency. However, despite these measures, the massive devaluation of individual currencies could greatly impact consolidated results. Possible currency risks are therefore monitored continuously and appropriate hedges entered into if necessary.

G. OTHER RISKS

Risks due to side effects or interactions

Unexpectedly severe or hitherto unknown side effects or interactions with other medicines can become apparent with already approved medications. Incorrect handling, storage or use of Biotest products can also result in considerable negative effects in consumers and patients. The measures to be adopted in such

cases in agreement with regulatory authorities range from recall of individual lots to restriction or withdrawal of the marketing authorisation. In particular, incorrect handling of suspected cases of side effects, interactions or quality defects can also damage Biotest's reputation with the regulatory and licensing authorities. Biotest ensures a very high level of reliability in this area by continuously developing transparent processes and by training of staff who deal with these subjects. Our high reliability has been confirmed by repeated official inspections. In addition, intensive dialogue with clinics and specialist physicians' practices ensures that we are informed promptly about possible newly identified side effects and interactions.

Risks arising from ongoing legal proceedings and tax risks

All identifiable risks from ongoing legal proceedings are covered by provisions.

Tax risks from previous year financial audits may result if the tax authorities assess the tax situation differently from that reported by the companies of the Biotest Group.

D. OUTLOOK

The expectations and projections of the Board of Management regarding the future business performance of the Biotest Group are based on assumptions that appear to be the most probable scenario from today's perspective. However, like all statements regarding future performance, projections are inherently uncertain. Actual developments in the market environment or Biotest segments may differ significantly from our assumptions.

I. GENERAL STATEMENT BY THE BOARD OF MANAGEMENT REGARDING GROUP PERFORMANCE

The Board of Management expects positive performance for the Biotest Group for both the 2013 and 2014 financial years. The market for plasma proteins based on volume will continue to grow. However, pressure on prices is likely to continue, but not increase, in 2013.

Through successful concentration on the pharmaceutical business, the granting of marketing authorisation for and introduction of Bivigam™ in the US market and further development of Tregalizumab (BT-061) in collaboration with AbbVie (a global, research-based biopharmaceutical company formed in 2013, following separation from Abbott), important foundations for the Company's development have been laid. From this strong base, the Board of Management expects Biotest to continue on its path of growth in 2013.

II. GROUP STRATEGY IN FINANCIAL YEARS 2013/2014

From today's perspective, the general direction of the Biotest Group in the 2013 and 2014 financial years will not change.

III. MARKET DEVELOPMENTS

A. OVERALL ECONOMY

The persistent sovereign debt crisis in some EU countries along with the general downward trend of the world markets will continue to impact global economic performance in financial year 2013. Because necessary austerity measures in some countries may affect health care systems, a negative impact on the business of the Biotest Group is also possible. However, the efforts of these countries to manage the crisis as well as the degree to which the real economy of Biotest's target markets is impacted by these uncertainties will remain deciding factors in this development.

B. TARGET MARKETS

According to current studies, the global demand for immunoglobulins will increase by around 7 % annually in 2013 and coming years. The supply is growing slightly disproportionately. Thus, despite the rise in demand, the Biotest Group expects prices for these products to remain under pressure. Nevertheless, the introduction of Bivigam™ in the US, the world's largest immunoglobulin market, provides additional sales opportunities that were not previously available.

In the case of plasmatic clotting factors, Biotest expects the global market volume to increase by about 2 % per year. In addition, the resumption of sales of human albumin in China offers significant medium-term sales potential. China is expected to become the world's second largest pharmaceutical market by 2014 with sales of around € 85 billion.

Regarding monoclonal antibodies and new plasma protein products still under development, the Company sees high long-term sales potential – provided marketing authorisation is granted – as these products are quite different from other treatments currently available in the market.

IV. EXPECTED PERFORMANCE OF THE BIOTEST GROUP

A. EXPECTED RESULTS OF OPERATION OF THE BIOTEST GROUP

We expect the Group's sales in financial years 2013 and 2014 to grow 10 % to 15 % annually. With regard to EBIT, we expect a comparable performance in 2013, with perhaps a slight increase in 2014. This will depend, however, on whether Biotest achieves the expected level of success in China.

B. EXPECTED CASH FLOWS AND FINANCIAL POSITION OF THE BIOTEST GROUP

In 2013 Biotest will maintain a balanced financing structure, both in terms of the ratio of debt to equity as well as the ratio of short-term to long-term debt financing. A significant portion of the Company's cash will be used to finance the necessary increase in current assets. This increase is due primarily to the planned expansion of marketing efforts for Bivigam™, which will require the build-up of adequate stocks of the end product. Current assets will also increase due to the rise in sales of Intratect® 100 g/l (10 % solution) as well as the planned doubling of albumin production by the end of the year.

In addition to financing the continued expansion of capacity, further acquisitions of suitable companies as well as the licensing of near-market products represent additional strategic options.

Capital expenditures in the Biotest Group of € 33 million are planned for 2013, followed by € 41 million for 2014. The largest individual projects in 2013 and 2014 will be the construction of a new plasma receiving centre with supporting infrastructure for testing, the development of a fibrinogen plant and the expansion of albumin production. In 2013, the expansion of the filling and packaging facility for plasma protein products in Dreieich will be completed. In addition, up to five new plasmapheresis centres will be constructed or put into operation in 2013 and 2014.

C. EXPECTED DEVELOPMENT IN THE SEGMENTS

Therapy segment

The following significant advances and developments are expected in the therapy segment in the current 2013 financial year:

Haematology indication area

BT-062: The first results from the clinical trial assessing BT-062 used in a combination regimen for the lead indication multiple myeloma are expected at the end of 2013. After the conclusion of the necessary preclinical studies, submission of a clinical trial in solid tumours is planned in the second half of 2013. The clinical development of BT-062 is therefore being continued as planned and extended to other tumour indications.

Clinical immunology indication area

BT-063: Toxicology studies necessary for the phase II trial.

Civacir™: A clinical phase II trial in the indication "prevention of reinfection after hepatitis C-induced liver transplantation" is planned for the second quarter of 2013.

Fovepta®: The initial marketing authorisations and sales outside Europe and the US are expected in 2013. Marketing authorisation is being sought in nine other countries.

Intratect® 100 g/l (10 % solution): The market introduction of Intratect® 100 g/l (10 % solution) in Germany took place in January 2013. Up to 18 other European markets could follow soon. Biotest anticipates an increase in sales of up to 20 % with Intratect® 5 % and Intratect® 100 g/l (10 % solution) in 2013.

Tregalizumab (BT-061): The phase IIb trial (no. 986) with more than 350 patients, which will investigate the combination of Tregalizumab (BT-061) with methotrexate, will probably be submitted for approval in early 2013. An additional study (no. 985) was also started in the second quarter of 2012 to investigate the pharmacokinetics and pharmacodynamics of the drug.

Zutectra®: Biotest plans to introduce Zutectra® for maintenance treatment after hepatitis B-induced liver transplantation to other Asian and South American markets in the current 2013 financial year.

Intensive care medicine indication area

Fibrinogen: The conclusion of patient recruitment for the phase I/II trial is planned for the third quarter of 2013.

IgM concentrate: An interim analysis after 40 treated patients will be performed in the first half of 2013 by a statistician who will make a recommendation on the total number of patients to be investigated in this study.

Plasma & Service segment

Part of the group's strategy in the Plasma & Services segment is to offer free raw material and production capacities in the market in contract manufacturing and subsequently to expand these. As a result, BPC concluded a strategic long-term contract with ADMA Biologics, Inc. (ADMA) in December 2012, which will run initially for ten years. In this contract, ADMA has undertaken to meet its global production volume of RSV (respiratory syncytial virus) immunoglobulin, which is produced from human plasma with RSV antibodies, exclusively with BPC. In addition, ADMA has a licence to grant to Biotest AG for the marketing and sale of RSV immunoglobulin in Europe and selected countries in North Africa and the Middle East.

The aim is to increase sales continuously in the Plasma & Services segment. Both contract manufacturing volumes and plasma sales should be increased, especially in the special plasma area. Profitability should remain at the present level.

V. OPPORTUNITIES

Biotest views risks and opportunities from an integrated management perspective. By continuously monitoring developments in sales markets and regulatory conditions, the Company is able to identify opportunities at an early stage. Current opportunities are the subject of regular reports to the Board of Management. In the event of a change in opportunities requiring immediate action, the Board of Management is notified directly and at short notice.

Biotest thoroughly evaluates any identified opportunities and makes decisions regarding possible investments based on the results of the evaluation, which may include the use of risk-adjusted net present values or comparisons of different scenarios. Possible risks are also considered in assessing opportunities. Finally, the potential project must be in line with the strategic orientation of the segment and the Group.

A. OPPORTUNITIES ARISING FROM DEVELOPMENT OF THE PRODUCT PORTFOLIO

Extension of the use of existing products to additional indications might open up further marketing potentials for the Biotest Group, especially with respect to immunoglobulins.

In addition, extended indication areas may also result from improved or more widely used diagnostic methods, leading to better detection of potentially treatable diseases which can benefit from the administration of immunoglobulins. Internationalisation, for example, with the planned sale of albumin in China, will also contribute to further development of the portfolio.

Consistent product and life cycle management of existing products also results in additional potentials. By developing products already on the market, by establishing additional concentrations or administration forms, among other things, the product portfolio will be further differentiated, thus enabling other market segments to be addressed.

B. OPPORTUNITIES ARISING FROM CORPORATE STRATEGY

As described, the internationalisation strategy of the Group offers significant potential for the future growth of the Company. The introduction of Bivigam™ in the US as well as the planned resumption of activities in the Chinese market is proof of this development. In addition, future corporate takeovers could offer additional strategic competitive advantages and opportunities.

The development of monoclonal antibodies and new plasma protein products – provided marketing authorisation is granted – also offers high sales potential, as these therapy options are quite different from anything else on the market.

C. PERFORMANCE-RELATED OPPORTUNITIES

In recent years, Biotest has invested heavily in expanding its resources and expertise in the fields of drug development and approval. At the same time, it has maintained the benefits of its efficiently managed corporate headquarters in Dreieich, where all of the major business departments are concentrated. The resulting synergies and potential will continue to be used to conduct projects more quickly and cost-effectively, especially those in the area of research and development.

E. REMUNERATION REPORT

The remuneration report on pages 104 to 106 of the Corporate Governance report is considered part of the management report. The remuneration report summarises the methods used to determine the remuneration of members of the Board of Management and explains the structure and amount of remuneration provided to Board of Management and Supervisory Board members.

F. EXPLANATORY NOTES IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

In accordance with the Articles of Association the subscribed capital of Biotest AG is € 30,025,152. It is divided into 6,595,242 no-par ordinary shares as well as 5,133,333 no-par preference shares. The shares are bearer shares; preference shares do not carry voting rights.

OGEL GmbH, Frankfurt, Germany, notified us on 12 February 2008 that it holds 50.03 % of Biotest AG's ordinary shares. The company is controlled by Dr. Cathrin Schleussner, Germany, who is a member of Biotest AG's Supervisory Board. Kreissparkasse Biberach, Biberach, Germany, notified us that it held 24.36 % of the company's shares with voting rights as of 20 January 2007. Based on the new rules under Section 41 Paragraph 4d of the WpHG in effect from 1 February 2012, Dr. Martin Schleussner, Renate Schleussner and Dr. Hans Schleussner (all based in Germany) announced on 22 February 2012 that effective 1 February 2012 they each held a reportable share in Biotest AG with voting rights of 50.27 %. Beyond this, the Board of Management is not aware of any direct or indirect shareholdings in the company exceeding 10 % of voting rights. There are no holders of shares with special rights granting powers of control.

Members of the Board of Management are appointed and dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 7 (2) of the Articles of Association. In accordance with Section 179 (1) of the AktG, all changes to the Articles of Association must be made by resolution of the Annual Shareholders' Meeting (Section 133 of the AktG). Authorisation to amend the Articles of Association affecting only the wording thereof was transferred to the Supervisory Board in accordance with Section 27 of the Articles of Association in conformity with Section 179 (1) sentence 2 of the AktG.

Pursuant to the resolutions of the Annual Shareholders' Meeting of 6 May 2010, the company is authorised under Section 71 (1) sentence 8 of the AktG to acquire ordinary bearer shares and/or preference bearer shares up to 10 % of the share capital outstanding at the time of the Annual Shareholders' Meeting of € 30,025,152.00. At no time may the acquired shares, along with other treasury shares held by the company or ascribed to it under Sections 71d and 71e of the AktG, represent more than 10 % of the company's share capital. This authorisation is valid until 5 May 2015; to date the company has not exercised its rights under this authorisation.

By resolution of the same Annual Shareholders' meeting, the Board of Management is authorised to increase the company's share capital by 5 May 2015 with the approval of the Supervisory Board by up to € 3,742,487.04 through a single or several issue(s) of new preference bearer shares with no voting rights in return for cash contributions (equivalent to 1,461,909 preference bearer shares with no voting rights) (Authorised Capital 2010/I). The shareholders shall be granted pre-emptive rights to these shares. This authorisation has not yet been exercised.

Biotest AG has entered into major agreements with third parties regarding the Group's long-term financing contracts, which take effect in the event of a change of control. The syndicated loan agreement grants the lending banks the right to terminate the agreement in the event of a change of control at Biotest AG or Biotest Pharmaceuticals Corporation, if, in their view, this change of control would make continuance of the agreement unacceptable.

The participation rights agreement relating to a bullet loan for a nominal value of € 10 million provides for the possibility of extraordinary termination by the creditors in the case of a change in control. In the event of termination, the entire sum would be due immediately together with an early prepayment penalty.

The Board of Management agreement signed by Board of Management members Prof. Dr. Schulz and Dr. Ramroth includes a supplementary agreement regarding severance pay in the event of the early termination of the Board of Management agreement due to circumstances clearly defined as a change of control. The severance payment shall consist of the member's fixed salary until the end of the contractual term plus pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the company vehicle provided. In addition to these entitlements, the severance payment shall also include a sum equal to twice the annual fixed salary. In total, however, the severance payment may not exceed three times the annual fixed salary.

There shall be no entitlement if the Board of Management agreement is terminated for good cause, illness or incapacity to work or if the Board of Management member receives monetary or non-monetary benefits from a third party in connection with the change of control.

+23.5%

Earnings after taxes increased significantly compared to previous year from € 18.7 million to € 23.1 million.

1.94 Euro

Earnings per share the Biotest Group achieved in 2012 – an increase of 23.6 % compared to previous year's result.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF INCOME

of the Biotest Group for the period from 1 January to 31 December 2012

In € thousand	Annex	2012	2011
Revenue	D 1	439,967	422,027
Cost of Sales		−255,304	−254,266
Gross profit		**184,663**	**167,761**
Other operating income	D 5	11,625	13,430
Distribution costs		−57,151	−48,517
Administrative costs		−27,886	−31,958
Research and development costs	D 4	−51,438	−49,406
Other operating expenses	D 6	−15,160	−9,750
Operating profit		**44,653**	**41,560**
Financial income	D 7	20,589	21,052
Financial expenses	D 8	−29,788	−34,571
Financial result		**−9,199**	**−13,519**
Income from associated companies	D 9	1,024	539
Earnings before taxes (EBT)		**36,478**	**28,580**
Income tax	D10	−13,430	−9,850
Earnings after taxes from Continuing Operations		**23,048**	**18,730**
Earnings after taxes from Discontinued Operation	D 11	10,373	29,419
Earnings after taxes (EAT)		**33,421**	**48,149**
Thereof:			
Retained earnings attributable to equity holders of the parent company		**33,408**	**46,353**
from Continuing Operations		23,035	18,722
from Discontinued Operation		10,373	27,631
Minority interests		**13**	**1,796**
from Continuing Operations		13	8
from Discontinued Operation		–	1,788
Earnings per share in €	E 11	**2.82**	**3.93**
from Continuing Operations		1.94	1.57
from Discontinued Operation		0.88	2.36
Additional dividend rights per preference share in €	E 11	**0.06**	**0.06**
from Continuing Operations		0.06	0.06
from Discontinued Operation		–	–
Earnings per preference share in €	E 11	**2.88**	**3.99**
from Continuing Operations		2.00	1.63
from Discontinued Operation		0.88	2.36

The notes are an integral part of the consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

of the Biotest Group for the period from 1 January to 31 December 2012

In € thousand	2012	2011
Profit for the period	**33,421**	**48,149**
Actuarial gains/losses from defined benefit pension plans	–7,017	888
Deferred taxes thereon	2,036	–263
Actuarial gains from defined-benefit pension plans in Discontinued Operation	–	452
Deferred taxes thereon	–	–78
Currency translation of foreign subsidiaries	–206	2,421
Total deferred taxes on income and expenses recognised in equity	2,036	–341
Income and expenses recognised directly in equity	–5,187	3,420
Comprehensive income	**28,234**	**51,569**
Income and expenses recognised directly in equity	**–5,187**	**3,420**
from Continuing Operations	–5,187	3,046
from Discontinued Operation	–	374
Profit for the period	**33,421**	**48,149**
from Continuing Operations	23,048	18,730
from Discontinued Operation	10,373	29,419
Comprehensive income	**28,234**	**51,569**
from Continuing Operations	17,861	21,776
from Discontinued Operation	10,373	29,763
Thereof:		
Retained earnings attributable to equity holders of the parent company	**28,221**	**49,773**
from Continuing Operations	17,848	21,768
from Discontinued Operation	10,373	28,005
Minority interest	**13**	**1,796**
from Continuing Operations	13	8
from Discontinued Operation	–	1,788
Comprehensive income	**28,234**	**51,569**
from Continuing Operations	17,861	21,776
from Discontinued Operation	10,373	29,793

The notes are an integral part of the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

of the Biotest Group as of 31 December 2012

In € thousand	Annex	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Intangible assets	E 1	54,598	62,833
Property, plant and equipment	E 2	243,033	234,857
Investments in associates	E 3	2,777	2,042
Other financial investments	E 4	154	4,733
Other assets	E 8	519	618
Deferred tax assets	E 5	13,805	7,729
Total non-current assets		**314,886**	**312,812**
Current assets			
Inventories	E 6	184,216	152,983
Trade receivables	E 7	96,143	120,961
Current income tax assets		3,756	3,493
Other assets	E 8	7,688	9,314
Cash and cash equivalents	E 9	57,241	83,199
		349,044	**369,950**
Assets from Discontinued Operation	E 10	18,417	–
Total current assets		**367,461**	**369,950**
Total equity and liabilities		**682,347**	**682,762**
EQUITY AND LIABILITIES			
Total equity			
Subscribed capital		30,025	30,025
Share premium		153,332	153,332
Reserves		152,559	116,862
Retained earnings attributable to equity holders of the parent company		33,408	46,353
Equity attributable to equity holders of the parent company	E 11	**369,324**	**346,572**
Minority interests		109	96
Total equity	E 11	**369,433**	**346,668**
Non-current liabilities			
Provisions for pensions and similar obligations	E 12	57,122	51,049
Other provisions	E 13	3,946	3,192
Financial liabilities	E 14	71,034	101,343
Other liabilities	E 15	16	194
Deferred tax liabilities	E 5	7,591	7,598
Liabilities from sales settlement	E 16	8,328	24,983
Total non-current liabilities		**148,037**	**188,359**
Current liabilities			
Other provisions	E 13	18,998	19,340
Current income tax liabilities		5,128	13,074
Financial liabilities	E 14	41,445	37,690
Trade payables		47,373	34,678
Other liabilities	E 15	27,233	26,298
Liabilities from sales settlement	E 16	16,655	16,655
		156,832	**147,735**
Liabilities from Discontinued Operation	E 10	8,045	–
Total current liabilities		**164,877**	**147,735**
Total liabilities		**312,914**	**336,094**
Total equity and liabilities		**682,347**	**682,762**

The notes are an integral part of the consolidated financial statements.

CASH FLOW STATEMENT

of the Biotest Group for the period from 1 January to 31 December 2012

In € thousand	Annex	2012	2011
Earnings before taxes		36,478	28,580
Depreciation and impairment of intangible assets and property, plant and equipment	E 1, E 2	31,432	30,828
Income from associated companies	E 9	–1,024	–539
Losses from the disposal of fixed assets		833	47
Changes in pension provisions	E 12	–3,242	429
Financial result		9,199	13,519
Operating cash flow before changes in working capital		**73,676**	**72,864**
Changes in other provisions	E 13	560	1,487
Changes in inventories, receivables and other assets		–5,108	–24,035
Changes in liabilities from sales settlement		–16,655	41,638
Changes in accounts payable and other liabilities		12,667	–6,138
Cash flow from changes in working capital		**–8,536**	**12,952**
Interest paid		–4,673	–4,930
Taxes paid		–25,741	–8,371
Cash flow from operating activities in Continuing Operations		**34,726**	**72,515**
Cash flow from operating activities in Discontinued Operation		–	–237
Total cash flow from operating activities		**34,726**	**72,278**
Cash from the disposal of fixed assets		629	217
Payments for investment in fixed assets	E 1, E 2	–34,505	–26,716
Cash from the sale of Discontinued Operation		–	41,770
Changes in other financial assets		3,997	6,623
Interest received		548	737
Cash flow from investing activities in Continuing Operations		**–29,331**	**22,631**
Cash flow from investing activities in Discontinued Operation		–	–635
Total cash flow from investing activities		**–29,331**	**21,996**
Dividend payments for the previous year	E 11	–5,469	–4,765
Dividend payments to minority interests	E 11	–	–1,722
Proceeds from the assumption of financial liabilities	E 14	1,296	4,261
Payments for redemption of financial liabilities	E 14	–27,214	–28,424
Cash flow from financing activities in Continuing Operations		**–31,387**	**–30,650**
Cash flow from financing activities in Discontinued Operation		–	–
Total cash flow from financing activities		**–31,387**	**–30,650**
Cash changes to cash and cash equivalents		–25,992	63,624
Exchange rate-related changes		34	162
Cash and cash equivalents at beginning of period	E 9	83,199	19,413
Cash and cash equivalents total at end of period	E 9	**57,241**	**83,199**
less cash and cash equivalents at end of period in Discontinued Operation	E 9	–	–
Cash and cash equivalents at end of period in Continuing Operations	E 9	**57,241**	**83,199**

The notes are an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

of the Biotest Group for the period from 1 January 2011 to 31 December 2012

In € thousand	Subscribed capital	Capital reserves	Accumulated differences from currency translation	Earnings and reserves	Equity excluding minority interests	Minority interests	Total Total equity
Balance on 1 January 2011	**30,025**	**153,332**	**5,721**	**112,486**	**301,564**	**6,044**	**307,608**
Gains/losses recognised directly in equity	–	–	2,421	999	3,420	–	3,420
Profit for the period	–	–	–	46,353	46,353	1,796	48,149
Comprehensive income	**–**	**–**	**2,421**	**47,352**	**49,773**	**1,796**	**51,569**
Disposal of minority interests	–	–	–	–	–	−6,022	−6,022
Dividend payments for 2010	–	–	–	−4,765	−4,765	−1,722	−6,487
Balance on 31 December 2011	**30,025**	**153,332**	**8,142**	**155,073**	**346,572**	**96**	**346,668**
Gains/losses recognised directly in equity	–	–	−206	−4,981	−5,187	–	−5,187
Profit for the period	–	–	–	33,408	33,408	13	33,421
Comprehensive income	**–**	**–**	**−206**	**28,427**	**28,221**	**13**	**28,234**
Dividend payments for 2011	–	–	–	−5,469	−5,469	–	−5,469
Balance on 31 December 2012	**30,025**	**153,332**	**7,936**	**178,031**	**369,324**	**109**	**369,433**

The notes are an integral part of the consolidated financial statements.

NOTES

A. GENERAL INFORMATION

The Biotest Group consists of the parent company, Biotest Aktiengesellschaft (Biotest AG), with its registered office in Dreieich, Germany, and its domestic and foreign subsidiaries. The Group's headquarters are located at Landsteinerstrasse 5, 63303 Dreieich, Germany. Biotest AG is registered with the District Court of Offenbach am Main under HRB 42396. Biotest is a provider and developer of biological and biotechnological pharmaceutical products. With a value added chain that extends from preclinical and clinical development to worldwide sales, Biotest has specialised primarily in the indication areas of clinical immunology, haematology and intensive medicine.

With refocusing on its core business since the beginning of financial year 2012, the Biotest Group has been divided into the following segments: Therapy, Plasma & Services and Other Segments.

The **Therapy segment** essentially combines the previous Plasma Proteins and Biotherapeutics segments. It therefore comprises the development and production of blood plasma-based immunoglobulins, clotting factors and albumins, which are used in diseases of the immune system, haematological diseases and intensive care medicine. It also includes the preclinical and clinical development of monoclonal antibodies, indications for which include rheumatoid arthritis and blood cancers.

The **Plasma & Services segment** includes the areas of plasma sales and toll manufacturing.

Other Segments include retail business and costs that cannot be allocated to either the Therapy segment or the Plasma & Services segment.

As of the reporting date, the Biotest Group has 1,870 (previous year: 1,774) employees worldwide.

The consolidated financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) which are mandatory in the European Union. The IFRS comprise both the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretation Committee (SIC). The accounting of the Biotest Group is prepared in accordance with the IFRS which are mandatory for financial years beginning on 1 January 2012.

In their present version, the consolidated financial statements comply with the provisions of Section 315a of the German Commercial Code (HGB). These provisions form the legal basis in Germany for consolidated accounting in accordance with international standards in conjunction with Regulation (EC) No. 1606/2002 on the application of International Accounting Standards issued by the European Parliament and Council on 19 July 2002.

Unless otherwise noted, all amounts are stated in thousand euros (€ thousand). The consolidated financial statements have been prepared in euros.

The amounts disclosed in the consolidated financial statements in the previous year, unless otherwise stated, relate exclusively to Continuing Operations.

In the current financial year, the claim to the subsequent purchase price payment from the Merck KGaA Group, Darmstadt, Germany, is reported in the statement of financial position and statement of income under Discontinued Operation; in the previous year, the sold Medical Diagnostics and Microbiological Monitoring divisions were reported under the same category.

As in the previous year, reconciliations for the period from 31 December 2011 to 31 December 2012 do not include Discontinued Operation. The exception is the statement of changes in equity for the previous year, which refers generally to all business divisions.

The Board of Management of Biotest AG will submit the consolidated financial statements to the Supervisory Board on 13 March 2013. The Supervisory Board will decide on the release of the consolidated financial statements for publication on 22 March 2013.

CHANGES IN RECOGNITION AND MEASUREMENT METHODS

All valid and mandatory International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) of relevance for the Biotest Group have been applied in the preparation of these financial statements. The accounting and valuation methods applied are generally the same as those of the previous year.

The first-time mandatory application of new standards in financial year 2012 had no impact on the consolidated financial statements.

Recently released accounting pronouncements – not yet implemented

Standards published on or prior to the date of publication of the consolidated financial statements but not yet mandatory are listed below. This list is based on published standards and interpretations that the Group reasonably expects will be applicable in the future. The Biotest Group intends to apply these standards if and when they become mandatory.

IAS 1 Presentation of Financial Statements (amended)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (so-called 'recycled') to profit or loss at a future point in time would be presented separately from items which will remain in equity. This change affects only the presentation in the financial statements and therefore has no impact on the financial position, cash flows and results of operation of the Group. The change applies to financial years beginning on or after 1 July 2012.

IAS 19 Employee Benefits (amended)

The amended standard applies to financial years beginning on or after 1 January 2013. The amended IAS 19 eliminates the corridor approach and requires actuarial gains and losses to be recognised in other comprehensive income. In addition, the expected return on plan assets and the interest cost on the pension liability are replaced with a single net interest component. In the future, past service costs will be recognised in full in the period of the corresponding plan change. The amendment to IAS 19 changes the requirements for benefits upon termination of employment and expands disclosure and explanation requirements. The Group expects no major impact on the financial position, cash flows and results of operations from the application of the amended standard.

IAS 32 Offsetting financial assets and financial liabilities (amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off". They further clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms in which individual transactions do not occur simultaneously. It is not expected that these changes will have an impact on the financial position, cash flows and results of operations of the Group; they are applicable to financial years beginning on or after 1 January 2014.

IAS 7 Disclosures – Offsetting financial assets and financial liabilities (amended)

Pursuant to these amendments, a company must disclose information on netting rights and related agreements (such as collateral agreements). In this way, users of financial statements would receive information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The new disclosures are required for all financial instruments offset in the context of IAS 32 Financial Instruments: Presentation. Disclosure also applies to recognised financial instruments subject to enforceable global netting agreements or similar agreements, regardless of whether they are offset in accordance with IAS 32. These amendments do not impact the presentation of the financial position, cash flows and results of operations of the Group and are applicable to financial years beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009 the IASB published IFRS 9 Financial Instruments. This standard covers the first of three phases of the IASB project to replace the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends recognition and measurement requirements for financial assets, including various hybrid contracts. It applies a uniform approach to recognising a financial asset at amortised cost or fair value to replace the various rules of IAS 39. The IFRS 9 approach is based on the way in which a company manages its financial instruments (its business model) and on the nature of the contractual cash flows of financial assets. The new standard also requires a uniformly applicable depreciation method that replaces the different methods within IAS 39.

The new standard is required to be applied to financial years beginning on or after 1 January 2015, with earlier application permitted. The Company is currently assessing the impact of its application on the consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures (revised 2011)

With the adoption of IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed Investments in Associates and Joint Ventures, and its applicability, which had thus far been limited to associates, was expanded to the use of the equity method for joint ventures.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the rules regarding consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements (amended 2008) as well as SIC-12 Consolidation – Special Purpose Entities. Based on the currently applicable principles, IFRS 10 uses a comprehensive control approach to determine which companies are to be included in the consolidated financial statements. The pronouncement offers additional guidelines for interpreting the meaning of control in ambiguous cases. An investor controls another entity if, based on his/her participating interest, he/she holds a stake in variable results and has opportunities to influence the economic success of the company's key business activities. Significant changes to current rules may exist in situations where an investor holds less than half the voting rights in one company but is capable of influencing the primary business activities of another company through other channels.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interest in Joint Ventures (as amended in 2008), and SIC 13 Jointly Controlled Entities – Nonmonetary Contributions by Venturers. IFRS 11 governs the recognition of joint arrangements and is based on the type of rights and responsibilities under the arrangement rather than its legal structure. IFRS 11 classifies joint arrangements into two groups: joint operations and joint ventures. With IFRS 11 the previous option for using the proportionate consolidation of joint ventures is repealed. In the future, these companies will only be included in the consolidated financial statements using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 prescribes comprehensive disclosure requirements for all types of interests in other companies, including joint arrangements, associates, structured companies and off-balance-sheet entities. Disclosures are to be made to enable users of financial statements to assess the nature of participating interests in other companies, the associated risks and the impact of these interests on the company's financial position, cash flows and results of operations.

IFRS 10, 11, 12 and the consequential amendments to IAS 27 and IAS 28 apply to financial years beginning on or after 1 January 2014. New or modified standards may be applied earlier. In this case, all the above new regulations will be applied at the same time. The only exception is IFRS 12, for which disclosure requirements may be applied early independently of the other pronouncements. The pronouncements apply retroactively. The only effects for Biotest are on the explanatory notes.

IFRS 13 Fair Value Measurement

In May 2011 the IASB published IFRS 13, Fair Value Measurement. The new pronouncement does not specify the extent to which certain assets and liabilities are to be measured at fair value but simply defines the term 'fair value' and standardises the disclosure requirements for measurements at fair value. The new pronouncement is effective for financial years beginning on or after 1 January 2013. Early adoption is permitted. Most of the changes resulting from IFRS 13 regarding financial instruments have already been introduced, particularly through changes to IFRS 7 Financial Instruments: Disclosures. The Company is currently assessing the impact on the consolidated financial statements in terms of non-financial assets and liabilities and will determine the date of adoption.

Annual amendment process May 2012

- **IAS 1 Presentation of Financial Statements**
  With this change, the difference between voluntary additional comparative information and required comparative information should be more explicit. In general, the required comparative period is the previous reporting period.
- **IAS 16 Property, Plant and Equipment**
  This change clarifies that essential spare parts and servicing equipment that meet the definition of assets are not considered inventories.
- **IAS 32 Financial Instruments: Presentation**
  This amendment clarifies that income taxes on dividends to holders of equity instruments are to be recognised in accordance with IAS 12 Income Taxes.
- **IAS 34 Financial Instruments**
  With this change, the disclosure requirements for the entire assets of the segment are brought into conformity with the disclosure requirements for the entire debt of the segment in interim financial statements. This specification also results in the assimilation of the disclosure requirements for annual financial statements.

The changes under this project will apply for the first time to financial years beginning on or after 1 January 2013. The changes resulting from this pronouncement are not expected to impact the consolidated financial statements.

B. MATERIAL RECOGNITION AND MEASUREMENT PRINCIPLES

1. SCOPE OF CONSOLIDATION

The consolidated financial statements of Biotest AG include all material subsidiaries of the Group, which consist of three (previous year: three) domestic and twelve (previous year: twelve) foreign companies in which Biotest AG directly or indirectly holds majority voting rights.

In financial year 2012, the scope of consolidation of the Biotest Group did not change compared to 31 December 2011. However, six companies were deconsolidated during 2011.

The Biotest Group sold its Microbiological Monitoring division to the Merck KGaA Group in 2011. Therefore, the companies classified as held for sale in financial year 2010 (the German company heipha Dr. Müller GmbH, the US company Biotest Microbiology Corporation, the Japanese company Biotest K.K. and the French company Biotest S.a.r.l.) were deconsolidated in financial year 2011.

Furthermore, in February 2011 the Biotest Group sold its shares in Viro-Immun Labor-Diagnostika GmbH under a purchase agreement signed on 18 February 2011. The company was deconsolidated effective on 1 April 2011.

With the sale of Medical Diagnostics, the remaining business of the Belgian company Biotest Seralc° N.V. was not sufficient to sustain the necessary structure. For this reason, the remaining business was transferred to external distributors. On 31 December 2010 the company existed only as a legal shell and was deconsolidated in 2011.

Under the agreement dated 18 January 2011, Biotest AG acquired 100 % of the shares of Biotest Farmaceutica Ltda., São Paulo, Brazil (formerly Marcos Pedrilson Produtos Hospitalares Ltda.). The company was consolidated for the first time upon acquisition.

As in the previous year, BioDarou P.J.S. Co., with registered offices in Tehran, Iran, is included in the consolidated financial statements as an associate and is recognised at equity.

The shareholdings of Biotest AG as defined under Section 313 (2) of the German Commercial Code (HGB) are listed in Section F10 List of participating interests.

2. CONSOLIDATION METHODS

The reporting date for Biotest AG and all companies included in the financial statements is 31 December 2012. The financial statements of the included companies are prepared applying uniform recognition and measurement methods prescribed by Biotest AG.

Intra-Group sales, expenses and income as well as all receivables and liabilities between consolidated companies have been eliminated.

Subsidiaries are fully consolidated from the date of acquisition, i.e., the date on which the Company acquires control. Control exists whenever the parent company holds more than half of the voting shares of any company or is otherwise able to govern the financial and operating policies of a company in order to benefit from its activities. Inclusion in the consolidated financial statements ends as soon as control by the parent company no longer exists.

Business combinations entered into after 1 January 2010 are consolidated using the purchase method in accordance with IFRS 3 (revised 2008). Under this method, the cost of a business combination is measured as the sum of the consideration transferred, measured at fair value at the acquisition date, and the non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at its corresponding share of the identifiable net assets of the acquired company. Costs incurred in connection with the business combination are expensed. The agreed contingent consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration representing an asset or liability are recognised either through profit or loss or directly in equity as accumulated other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for in equity. For successive business combinations, equity in the acquiree previously held by the acquirer is remeasured at fair value at the time of acquisition and the resulting profit or loss is recognised in income.

Non-controlling interests are the portions of profit or loss for the period and of the net assets of Biotest Grundstücksverwaltungs GmbH attributable to interests not wholly owned by Biotest Group. Minority interests are disclosed as a separate item in the statement of income and the statement of financial position.

Investments in associates are recognised using the equity method in accordance with IAS 28. Under the equity method, investments in associates are recognised on the statement of financial position at cost plus post-acquisition changes in the shares held by the Group in the net assets of the company accounted for under the equity method.

The Group's share in the success of the associate is reported separately in the profit for the period. Changes disclosed directly in the equity of the associate are recognised by the Group in the amount of its share and, if applicable, in the statement of changes in equity. Goodwill arising from the acquisition of an associate is included in the amortised carrying amount of the associate or jointly-controlled entity and is neither amortised nor tested separately for impairment.

After applying the equity method, the Group determines whether it is necessary to record an additional impairment on investments in associates. On each reporting date, the Group determines whether objective evidence exists that the investments in associates could be impaired. If this is the case, the difference between the fair value of the investment and the carrying amount of the investment is recognised in the income statement as an impairment loss.

According to IAS 28 "Investments in Associates", the amount recognised for the equity investment should include the cost of purchase and any other financial exposure (such as loans).

3. CURRENCY TRANSLATION

The functional currency concept applies to currency translation. The subsidiaries included in the Biotest Group conduct their operations independently and the functional currency of these companies is therefore the respective local currency. When translating the annual financial statements of the subsidiaries whose functional currency is not the euro, assets and liabilities are translated using the mean rate of exchange as of the reporting date, and income and expense are translated at the average annual rate. The resulting accumulated differences are recognised directly in a separate item in equity, which is disclosed under reserves in the statement of financial position.

Under IAS 21 "The Effects of Changes in Foreign Exchange Rates", goodwill is translated as assets of the economically independent foreign subsidiaries using the prevailing exchange rate as of the reporting date.

The following exchange rates were applied to currency translation within the Biotest Group:

Monetary items (cash and cash equivalents, receivables and liabilities) denominated in foreign currency in the consolidated companies' individual statements of financial position are recognised in local currency at the exchange rate as of the reporting date. Income and expense resulting from currency translation are reported as financial expense or financial income.

Non-monetary items denominated in foreign currencies are recognised at historical cost.

	Average exchange rates		Closing rates	
1 euro equals	**2012**	2011	**31 December 2012**	31 December 2011
US dollar	1.2856	1.3917	1.3194	1.2939
UK pound	0.8111	0.8678	0.8161	0.8353
Russian ruble	39.9238	40.8797	40.3295	41.7650
Swiss franc	1.2053	1.2340	1.2072	1.2156
Hungarian forint	289.32	279.31	292.30	314.58
Brazilian real	2.5097	2.3259	2.7036	2.4159

4. INTANGIBLE FIXED ASSETS

A) GOODWILL

Goodwill arises on the acquisition of companies or shares in companies and is the difference between the cost of purchase (purchase price) and the fair values of the assets and liabilities acquired. Goodwill is recognised at cost of purchase. The goodwill disclosed is tested at least annually for impairment and, if appropriate, written down in accordance with IAS 36 "Impairment of Assets". Whenever there is concrete evidence of impairment, an additional test for impairment is performed.

Goodwill is allocated to a group of cash-generating units. In the Biotest Group, these groups of cash-generating units are equivalent to the segments. In cases where goodwill represents a portion of the cash-generating unit and a part of the business division of this unit is sold, goodwill attributable to the divested business division is included in the carrying amount of the business division when determining the net income from the sale of the division. The value of the divested portion of goodwill is determined based on the relative values of the divested business and the remaining portion of the cash-generating unit. Following the realignment of segment reporting, goodwill was reallocated based on relative values.

An impairment loss is recognised through profit or loss if the recoverable amount of the asset or the cash-generating unit exceeds the carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purpose of impairment testing, the allocable future cash flows of the cash generating units are used to calculate their value in use on the basis of the discounted cash flow method. Under this method, cash flows are discounted based on multi-year business projections and a long-term growth rate forecast. The growth rate depends on the business under review. The discount rates applied after tax are based on the relevant WACC (Weighted Average Cost of Capital). In order to determine necessary write-downs, the carrying amount of the cash generating unit is compared with the recoverable amount. An appropriate valuation model based on the discounting of future cash flows is used to determine fair value less costs to sell. In order to ensure that the results are objective, valuation multiples, stock quotes, exchange-traded shares in companies or other available indicators are used to determine fair value.

B) OTHER INTANGIBLE FIXED ASSETS

Other intangible fixed assets acquired are recorded at cost of purchase and divided into assets with a limited useful life and assets with an indefinite useful life. Assets with a limited useful life are amortised on a straight line basis over their estimated useful life. If necessary, impairment losses are recognised in accordance with IAS 36. Useful life applied in this case ranges from 3 to 10 years.

The amortisation period and the amortisation method applied to an intangible asset with a definite useful life are reviewed at the end of each financial year at a minimum. If there is a change in the anticipated useful life of the asset or anticipated amortisation period of the asset, another amortisation period or amortisation method is to be selected. Such changes are treated as changes to estimates. Amortisation of intangible assets with a definite useful life is recorded in the statement of income under the expense category corresponding to the function of the intangible asset.

Intangible assets with an indefinite useful life or intangible assets whose amortisation period has not yet begun are subject to an impairment test at least once a year at the cash generating unit level. Whenever there is concrete evidence of impairment, an additional test for impairment is performed. These assets are not subject to scheduled amortisation. The useful life of these intangible assets is to be reviewed at least once a year to ensure that the indefinite useful life assessment is still justified. If this is not the case, the indefinite useful life is reassessed as a definite useful life on a prospective basis.

Impairment testing is performed on the basis of future cash flows allocated to the cash generating units; to test impairment, their recoverable amount is calculated as the value in use using the discounted cash flow method. Under this method, cash flows are discounted based on multi-year business projections and a long-term growth rate forecast. The growth rate depends on the business under review. The discount rates applied after tax are based on the relevant WACC (Weighted Average Cost of Capital). In order to determine necessary write-downs, the carrying amount of the cash generating unit is compared with the recoverable amount.

5 TANGIBLE ASSETS

Property, plant and equipment are recognised in accordance with the cost of purchase model at cost of purchase or production cost less accumulated scheduled depreciation and amortisation and accumulated impairment losses. Depreciation is allocated on a straight line basis over the expected useful life, which is estimated as follows:

Buildings	up to 50 years
Technical equipment and machinery	5 – 12 years
Office furniture and equipment	3 – 10 years

If necessary, an impairment loss is recognised in accordance with IAS 36. If impairment is indicated, the carrying amounts of property, plant and equipment are compared against the corresponding recoverable amounts.

Production costs for self-constructed property, plant and equipment include material and personnel costs as well as an appropriate share of overhead costs. Ongoing repair and maintenance expenses are recognised through profit or loss when incurred. Extensions and material improvements are capitalised. Interest on borrowed funds is recognised as an expense provided; it is not applicable to the production of qualified assets in accordance with IAS 23. Government grants reduce cost of purchase or production costs.

6 LEASING

Whether or not an agreement constitutes or contains a leasing relationship is determined based on its economic content. For this purpose, an assessment is required as to whether fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset (IFRIC 4).

If fixed assets are rented or leased and the Biotest Group bears a substantial portion of the risks and rewards associated with the leased assets, such contracts are classified as finance leases. These are recognised in accordance with IAS 17 “Leases” at the lower of fair value or the present value of the minimum lease payments at the time the agreement is concluded. Amortisation and depreciation are recognised over the expected useful life or shorter contract term. If necessary, an impairment loss is recognised in accordance with IAS 36. Future lease payment obligations are recognised as liabilities accordingly. The interest element of lease payments is recognised through profit or loss as interest expense over the term of the lease agreement.

Assets recognised under finance leases relate mainly to manufacturing plant and software.

If all of the relevant risks and rewards associated with the leased item are not transferred to the Biotest Group under the lease agreement, the lease is classified by the lessor as an operating lease. In this case, lease payments are amortised over the term of the lease on a straight-line basis through profit or loss.

7 IMPAIRMENT

Should facts or circumstances indicate a need for impairment of long-lived assets or should an annual impairment test of an asset be required, the recoverable amount, which represents the higher of either the net realisable value or value in use, is determined.

The recoverable amount is determined for each individual asset, unless the asset does not generate cash flows independently (to the greatest extent possible) of cash flows from other assets or other groups of assets.

To determine the value in use, the estimated future cash flows are discounted to their present value at a pre-tax discount rate reflecting current market expectations with regard to the interest rate effect and the specific risks of the asset.

If the recoverable amount is below the carrying amount, the value of the asset is considered impaired and is written down to the recoverable amount.

Impairment expenses are recognised in the expense categories corresponding to the function of the impaired asset. In accordance with IAS 1, material amounts are disclosed as a separate line item in the statement of income.

If the estimated recoverable amount is higher than the carrying amount, impairments are reversed up to an amount not greater than the amortised cost of purchase or production costs, except in the case of goodwill.

8 INVENTORIES

Inventories are recognised at cost of purchase or production costs or the lower net realisable value as of the reporting date. The latter corresponds to the estimated selling price which may be recovered in the course of ordinary business, reduced by expected completion or selling costs. Production costs are determined using the "first in first out" or weighted average method. In addition to directly allocable individual costs, pursuant to IAS 2 "Inventories", production costs include an appropriate share of overhead costs directly allocable to the production process. These are based on the normal capacity of the manufacturing plants excluding costs for borrowed capital.

9 TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are recognised at their nominal value. Accounts receivable denominated in foreign currencies are translated at the closing rates prevailing as of the reporting date. Foreign exchange gains or losses are recognised through profit or loss. Default and transfer risks are accounted for through the recognition of allowances. These allowances are determined on the basis of experience and individual risk assessments. An allowance is recognised if there is an objective and substantial indication that the Group will not be in a position to collect all or part of the receivables. Receivables are written off as soon as they become irrecoverable.

Accounts receivable that arise through the application of the percentage of completion method are disclosed less payments on account if the production costs already incurred, including the profit portion, exceed the payments on account received.

10 OTHER FINANCIAL ASSETS

Financial assets are measured at fair value or cost of purchase at the time of initial recognition. In the case of financial assets that are not subsequently measured at fair value through profit or loss, the transaction costs attributable to the acquisition are capitalised. The fair values recognised in the statement of financial position generally correspond to the market prices of the financial assets. Where these are not readily available, fair values are calculated applying recognised valuation models and are based on current market parameters. Already established cash flows or those calculated based on forward rates using the current yield curve are discounted to the reporting date using discount factors determined on the basis of the yield curve applicable on the reporting date. The mean rates are applied.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and current account balances, cheques and financial investments realisable at short notice with original maturities of less than three months and are recognised at their nominal value.

12 PENSION PROVISIONS

The Biotest Group operates several defined contribution and defined benefit pension plans.

Commitments under defined contribution plans are determined by contributions to be made in the period, so that in this case no actuarial assumptions are required.

Defined benefit plans are measured on the basis of actuarial opinions in accordance with the projected unit credit method. The pension costs for the financial year are forecast at the beginning of the financial year based on approaches determined at that time. The included parameters (interest rate, staff turnover rate, salary increases etc.) are anticipated values.

Pursuant to IAS 19.93A – 19.93D all actuarial gains and losses are recognised directly in equity.

Any service period costs to be charged retrospectively arising in a financial year due to a retrospective change in pension commitments are determined separately and amortised over the period until the claims are vested. If claims are already vested at the time of the change, pension costs are recognised through profit or loss as pension expense in that period.

13 OTHER PROVISIONS

In accordance with IAS 37, provisions are recognised when there is a present (legal or constructive) obligation arising out of a past event and it is probable that this will result in an outflow of resources to settle the obligation and a reliable estimate can be made of the outflow of resources. Provisions are measured at the most probable amount. Provisions with an expected time for settlement of more than twelve months after the reporting date are recognised at their present value.

Provisions are discounted using a pre-tax interest rate reflecting the specific risks of the liability. Increases in provisions due to the passage of time are recorded as interest expense.

In addition, obligations under the Biotest Group's share-based remuneration system, which are recognised in accordance with IFRS 2, are disclosed under other provisions. Costs incurred as a result of cash-settled transactions are initially measured using a Monte Carlo simulation at fair value at the time incurred. Fair value is distributed through profit or loss over the period until the date of first possible exercise as a corresponding liability. The liability is remeasured at each reporting date and on the settlement date. Changes in fair value are allocated to the functional area costs.

14 FINANCIAL LIABILITIES

Financial liabilities are recognised at the loan amount less transaction costs and subsequently measured at amortised acquisition cost using the effective interest rate method. Any difference between the net loan amount and the repayment value is recognised in the statement of income over the term of the financial liability.

15 FINANCIAL INSTRUMENTS

A financial instrument is a contract which results in a financial asset for one company and a financial liability or equity instrument for another company.

Financial assets comprise cash and cash equivalents, trade receivables, other loans granted and accounts receivable, financial investments held to maturity as well as primary and derivative financial assets held for trading.

Financial liabilities regularly serve as the basis for repayment claims in cash or cash equivalents or another financial asset. This includes, in particular, bonds and other securitised liabilities, trade payables, liabilities to banks, liabilities from finance leases, borrower's note loans and derivative financial instruments.

The Biotest Group uses derivative financial instruments such as currency option and currency forward transactions, interest rate caps and payer swaps to hedge against interest rate and currency risks. Derivative financial instruments are not acquired for trading purposes.

Derivative financial instruments are values as fair values. The fair values of currency option contracts and payer swaps are determined by banks based on the prevailing market conditions as of the reporting date.

As the stringent formal criteria for hedge accounting are not met in the Biotest Group, all derivative financial instruments are recognised in accordance with the rules for trading derivatives, despite a hedge being in place from an economic point of view. Derivative financial instruments are initially recognised at cost of purchase, excluding incidental charges, and subsequently measured at market value. Changes in market values are recognised through profit or loss in the statement of income.

A financial asset is derecognised when one of the following conditions is met:

- Contractual rights to cash flows from a financial asset have expired.
- The Group has transferred its rights to receive cash flows from that asset to a third party or has taken on a contractual obligation to immediately pass on cash flows to a third party under a so-called pass-through agreement and thus has either (a) transferred all material opportunities and risks associated with ownership of the financial asset or (b) neither transferred nor withheld material opportunities and risks associated with the financial asset but transferred control of the asset.

If the Group transfers its contractual rights to cash flows from an asset or enters into a pass-through agreement, thus neither transferring nor withholding all material opportunities and risks associated with ownership of that asset but retaining control of the asset, the Group recognises the asset to the extent of its continuing involvement.

16 DISCONTINUED OPERATION

The decision made in 2010 to sell the Microbiological Monitoring division was implemented on 1 August 2011 upon execution of the purchase agreement with the Merck KGaA Group.

At the time of sale, a patent lawsuit was pending, in which heipha Dr. Müller GmbH was accused of infringing a patent of the plaintiff. Therefore, part of the purchase price was withheld by the buyer. The German Federal Court of Justice (Bundesgerichtshof) later declared the enforced patent legally null and void. The plaintiff then withdrew the action against heipha Dr. Müller GmbH, so that Biotest now has a claim to payment of the balance of the purchase price from the buyer of the sold division.

The Discontinued Operation is disclosed separately in the statement of financial position, the statement of income, the cash flow statement and segment reports and explained in the Notes.

17 SALES

Sale of goods:

Revenue from the sale of products is recognised at the time of transfer of economic ownership, that is at the time of transfer of the risks and rewards to the purchaser, based on the corresponding contractual agreements less any discounts and VAT.

Provision of services:

Sales from the services business are recorded by the Biotest Group at the time the services are rendered. Service agreements from which the result can be reliably estimated are recognised using the percentage of completion method in accordance with IAS 18 “Revenue”. The service provided, including the pro rata result, is recognised as revenue based on percentage of completion. The percentage of completion to be recognised is determined based on expenses incurred (cost-to-cost method). Contracts are disclosed under receivables or liabilities using the percentage of completion method.

In individual cases where accumulated performance (contract cost and contract result) exceeds payments received on account, construction contracts are disclosed as assets under receivables using the percentage of completion method. Any negative balances remaining after deducting payments received are disclosed as liabilities under construction contracts using the percentage of completion method. Anticipated contract losses determined on the basis of discernible risks are covered through write-downs or provisions.

Revenue from non-refundable fees for the provision of technology, fees for the use of technology and royalty payments is accrued over the corresponding contract period on a straight-line basis, provided no more appropriate method of revenue recognition is available. This contract period is typically equal to the contractually agreed duration of the research or, in the case of agreements with no contractually agreed research duration, the estimated duration of the collaboration. The useful life of the collaboration is estimated at the time of contract signing and is based on the current budget and forecasts. The estimated duration of the collaboration is reviewed annually.

Revenue recognition for multiple-component agreements:

Sales of products and services may include multiple delivery and service components. In these cases, the Company will determine whether more than one accounting item exists. A transaction will be separated if (1) the delivered component(s) offer an independent benefit for the customer, (2) the fair value of the still-undelivered component(s) can be reliably measured and (3) in the case of a general right to return the delivered component(s), delivery or performance of the still-undelivered component(s) is likely and significantly controllable by the Company. If all three criteria are met, Biotest will use the revenue recognition method applicable to each separate accounting item.

18 RESEARCH AND DEVELOPMENT COSTS

Research costs are recognised as expenses at the time incurred. Development costs are also generally recorded as expenses at the time incurred as it is not sufficiently certain that products will be marketable or that production processes can be used until they have been approved by the authorities and such authorisation is typically granted only at the end of the development process. Therefore, the requirements for capitalisation pursuant to IAS 38 “Intangible Assets” are not met in their entirety. Development expenses incurred after approval is received by the authorities are not material.

19 GOVERNMENT GRANTS FOR RESEARCH AND DEVELOPMENT

Government grants for research and development are recognised through profit or loss at the time of the grant or in line with the research and development costs incurred. They are disclosed under other operating income and not netted against research and development costs.

20 FINANCIAL INCOME AND FINANCIAL EXPENSE

Interest is recognised as expense or income at the time incurred. The interest component of lease payments under finance leases is determined using the effective interest rate method and recognised as interest expense. The effective interest rate method is based on a required interest rate at which estimated future cash flows are discounted over the expected life of the financial instrument to the net carrying amount of the financial asset. All income and expenses arising from currency translation are recognised in the financial result. In accordance with IFRS 7, interest on financial instruments is also disclosed separately.

21 TAXES

Actual tax assets and tax liabilities for the current period and for earlier periods are to be measured at the amount of the expected refund from or payment to the tax authorities. The amount is calculated based on tax rates and tax legislation reflecting the respective national tax regulations of the countries in which Biotest Group companies operate.

Deferred taxes are recognised for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be offset.

The carrying amount of deferred tax assets is reviewed on each reporting date and reduced by the amount by which it is no longer probable that sufficient taxable income will be available to at least partially offset the deferred tax asset. In addition, unrecognised deferred tax assets are reviewed on each reporting date and recognised at the amount at which it has become probable that future taxable income will allow the deferred tax asset to be realised.

Current tax rates or rates already adopted by parliament are used to determine both current tax expense and deferred taxes.

Deferred tax assets and deferred tax liabilities are offset against each other if there are actionable claims for offsetting actual tax refund claims against actual tax liabilities and these claims apply to income taxes of the same tax subject levied by the same tax authority.

22 UNCERTAIN ESTIMATES AND JUDGMENTS

Preparation of the financial statements requires certain estimates to be made as part of the recognition and measurement of assets and liabilities under IFRS. These estimates affect the amount and disclosure of assets and liabilities as well as income and expenses recognised during the reporting period. Estimates and assumptions represent judgments by the management. These are reviewed on an ongoing basis. Changes are prospectively recognised in the reporting period or in future periods. Assumptions and estimates are made particularly in connection with the measurement of goodwill, provisions, allowances for bad debt and inventories, the write-off of receivables under factoring agreements, the measurement of share-based payments as well as the determination of fair values. One major judgment affects revenue recognition from the partnering agreement with AbbVie (a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott). Such estimate- and assumption-sensitive accounting practices may change over time and significantly impact the financial position, cash flows and results of operations of the Company.

In making judgments, the management relies on past experience, assessments by experts (lawyers, rating agencies, trade associations) and the results of a careful weighing of different scenarios. Developments that deviate from these assumptions and are beyond the management's control may cause actual amounts to differ from original estimates. If actual developments deviate from anticipated developments, assumptions and, if necessary, the carrying amounts of the assets and liabilities in question are adjusted accordingly. The management has indicated that future events often vary from forecasts and that estimates require routine adjustment.

The key assumptions and parameters underlying the estimates and judgments made are explained in the notes for each situation.

C. SEGMENT REPORTING

The information disclosed in the segment report has been prepared in accordance with IFRS 8 "Operating Segments". Segmentation at the Biotest Group is carried out on the basis of products and services in accordance with the internal reporting system. At Biotest AG, the chief operating decision maker within the meaning of IFRS 8 is the Board of Management.

Segment information made available to the chief operation decision maker in the course of the year is based on IFRS amounts and primarily comprises information up to and including operating profit (EBIT). Operating profit (EBIT) is used as a measure of segment performance.

Since the beginning of financial year 2012, the Biotest Group has been divided into the following segments: Therapy, Plasma & Services and Other Segments. Previous year figures have been adjusted accordingly. The segments were reorganised mainly to take advantage of synergies created by merging functionally interconnected parts of the business. This is now also formally reflected in our financial reporting.

The business segments of the Biotest Group are now as follows:

The **Therapy segment** essentially combines the previous Plasma Proteins and Biotherapeutics segments. It therefore comprises the development and production of blood plasma-based immunoglobulins, clotting factors and albumins, which are used in diseases of the immune system, haematological diseases and intensive care medicine. It also includes the pre-clinical and clinical development of monoclonal antibodies, indications for which include rheumatoid arthritis and multiple myeloma.

The **Plasma & Services segment** includes the areas of plasma sales and toll manufacturing.

Other Segments is a reporting segment divided into an operationally active Merchandise business segment and a non-operational Corporate segment. Expenses for the overall management of the Group as well as other income and expenses, which by their nature cannot be allocated to Therapy or Plasma & Services segments, are combined under Corporate.

The claim to the subsequent purchase price payment from the Merck KGaA Group, Darmstadt, Germany, is disclosed under **Discontinued Operation** in the current financial year. In the previous year, the sale of the Microbiological Monitoring division on 1 August 2011 to Merck KGaA was disclosed under the same category. The Biotest Group discloses the profit from the sale in 2011 separately under Discontinued Operation, to which the Microbiological Monitoring segment was assigned in 2010 upon the decision to sell the division.

The Biotest Group currently receives income from service and rental agreements with the Merck KGaA Group and Bio-Rad Medical Diagnostics GmbH, Dreieich, Germany, for previously sold business divisions. The income and expenses from these services and leases are disclosed in the current financial year under Other Segments.

SEGMENT INFORMATION BY BUSINESS SEGMENT*

In € thousand		Therapy	Plasma & Services	Other Segments	**Total Continuing Operations**	Discontinued Operation	Total
Revenue with third parties	2012	330,899	96,990	12,078	**439,967**	–	439,967
	2011	324,741	87,864	9,421	**422,027**	30,469	452,496
Operating profit (EBIT)	2012	26,246	18,370	37	**44,653**	10,524	55,177
	2011	24,938	18,763	–2,141	**41,560**	35,774	77,334
Investments in associates	2012	2,777	–	–	**2,777**	–	2,777
	2011	2,042	–	–	**2,042**	–	2,042
Capital expenditure	2012	31,861	2,611	33	**34,505**	–	34,505
	2011	24,992	1,614	110	**26,716**	635	27,351
Scheduled depreciation	2012	24,193	4,312	915	**29,420**	–	29,420
	2011	23,352	3,796	887	**28,035**	1,634	29,669
Impairment	2012	2,012	–	–	**2,012**	–	2,012
	2011	2,793	–	–	**2,793**	–	2,793

* The figures for financial year 2011 have been adjusted to reflect the new segmentation

RECONCILIATION OF TOTAL SEGMENT RESULTS TO EARNINGS AFTER TAXES OF THE BIOTEST GROUP

In € thousand	**2012**	2011
Operating profit (EBIT)	**44,653**	**41,560**
Financial income	20,589	21,052
Financial expenses	–29,788	–34,571
Income from associates	1,024	539
Earnings before taxes (EBT)	**36,478**	**28,580**
Income tax	–13,430	–9,850
Earnings after taxes from Discontinued Operation	10,373	29,419
Earnings after taxes (EAT)	**33,421**	**48,149**

SEGMENT INFORMATION BY REGION

	Revenue from third parties by customer headquarters		**Revenue from third parties by company headquarters**		**Non-current assets by company headquarters**	
In € thousand	**2012**	2011	**2012**	2011	**2012**	2011
Europe	249,917	258,347	374,673	349,605	173,022	170,574
Americas	58,398	74,955	65,294	72,422	141,864	142,238
Asia	121,816	77,583	–	–	–	–
Rest of world	9,836	11,142	–	–	–	–
Biotest Group	**439,967**	**422,027**	**439,967**	**422,027**	**314,886**	**312,812**
Thereof:						
Germany	89,385	96,892	292,608	262,613	170,141	163,306
Rest of World	350,582	325,135	147,359	159,414	144,745	149,506
Thereof: USA	52,461	69,542	65,247	72,422	141,431	139,460

No significant provision of supplies takes place between the individual segments.

D. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

1 REVENUE

In € thousand	2012	2011
Products of the Biotest Group	372,773	368,459
Toll manufacturing	38,118	25,730
Revenue from cooperation agreements	16,655	17,413
Merchandise	12,078	9,421
Other	343	1,004
	439,967	**422,027**

In financial year 2011, the Biotest Group generated revenue of the biotherapeutic drug Tregalizumab (BT-061) for the first time. This revenue results from an advance payment from the agreement regarding the worldwide development and marketing of the monoclonal antibody Tregalizumab (BT-061) with AbbVie (a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott). As the upfront payment of USD 85 million relates primarily to research activities still to be carried out, most of the amount was recognised as deferred revenue. Profit will be recognised on a straight-line basis over the expected duration of the first section of the partnership agreement through 30 June 2014. For research services provided in financial year 2012, the Biotest Group recognised € 16,655 thousand (previous year: € 17,413 thousand) through profit or loss.

Revenue from products of the Biotest Group includes revenue from the sale of plasma.

2 COST OF MATERIALS

In € thousand	2012	2011
Raw materials and supplies	145,543	148,432
Services purchased	22,334	16,645
	167,877	**165,077**

3 PERSONNEL EXPENSES

In € thousand	2012	2011
Wages and salaries	95,203	88,053
Social security contributions	16,199	15,649
Pension costs	4,692	2,962
	116,094	**106,664**

Personnel expenses include expenses resulting from the termination of employment in the amount of € 1,475 thousand (previous year: € 3,103 thousand).

The average number of employees, converted to full-time equivalents, in financial year 2012 was 1,707 (previous year in Continuing Operations: 1,652). As of 31 December 2012, the Biotest Group had 1,727 (previous year: 1,662) employees, converted to full-time equivalents.

In the previous year, Discontinued Operation had an average of 284 employees, converted to full-time equivalents, in the first seven months of financial year 2011. As of 31 December 2011, no employees (converted to full-time equivalents) were assigned to Discontinued Operation.

As of 31 December 2012, the Biotest Group had 1,870 employees (previous year: 1,774).

Employees are distributed across operating divisions as follows:

In full-time equivalents	2012	2011
Production	1,185	1,097
Distribution	190	202
Administration	208	206
Research and development	144	157
	1,727	**1,662**

4 RESEARCH AND DEVELOPMENT COSTS

Expenses for research and development in the amount of € 51,438 thousand (previous year: € 49,406 thousand) are recognised in full in the statement of income.

5 OTHER OPERATING INCOME

In € thousand	2012	2011
Income from service agreements	5,168	4,120
Derecognition of liabilities	1,692	3,388
Reversal of other provisions	1,457	2,227
Insurance reimbursements and other refunds	1,142	1,603
Reversal of pension provisions	868	20
Reversal of write-downs	118	79
Gains from the disposal of fixed assets	106	66
Reimbursements from the Employment Office for re-filling positions left vacant by partial retirement	82	98
Tax refunds	50	219
Other	942	1,610
	11,625	**13,430**

Income from service contracts relates primarily to contracts signed after the sale of the former Medical Diagnostics and Microbiological Monitoring divisions.

In financial year 2012, the Biotest Group recognised through profit or loss € 735 thousand (previous year: € 524 thousand) in government grants, including € 551 thousand (previous year: € 328 thousand) in research and development project grants, € 102 thousand (previous year: € 98 thousand) in wage subsidies and wage replacement benefits and € 82 thousand (previous year: € 98 thousand) in reimbursements from the Employment Office for re-filling positions left vacant by partial retirement. Grants for research and development projects are included in research and development costs.

In financial year 2012, the Biotest Group generated € 975 thousand in income from operating leases (previous year: € 719 thousand). Leases in effect on the reporting date which expire up to and including 2017 will result in future lease revenues in the amount of € 602 thousand for 2013 and € 253 thousand for the four subsequent financial years (2014 to 2017). No other lease income will accrue as from financial year 2018. Income from operating leases mainly result from the temporary leasing of currently non-operational land and buildings.

6 OTHER OPERATING EXPENSES

In € thousand	2012	2011
Expenses for the provision of services	4,140	3,881
Write-downs of receivables	3,584	730
Additions to provisions	2,320	985
Impairment	2,012	2,793
Losses from the disposal of fixed assets	920	113
Damages	346	38
Donations	336	314
Other	1,502	896
	15,160	**9,750**

Write-downs of receivables in the amount of € 3,584 thousand (previous year: € 730 thousand) relate to receivables that are no longer considered recoverable. This affects primarily receivables of Biotest Hellas MEPE from Greek end consumers.

Additions to provisions in this financial year relate mainly to provisions for other tax risks amounting to € 734 thousand, provisions for the closure of the Greek subsidiary Biotest Hellas MEPE amounting to € 412 thousand and litigation provisions amounting to € 289 thousand.

Impairment losses in the current financial year relate to € 1,301 thousand for impairment of goodwill and € 711 thousand for impairment of capitalised product registrations of the Brazilian company Biotest Farmaceutica Ltda. Impairment losses in the previous year relate primarily to depreciation and amortisation of advance payments at Biotest Pharmaceuticals Corporation, USA. For further explanations, please refer to the statements regarding intangible assets and property, plant and equipment.

7 FINANCIAL INCOME

In € thousand	2012	2011
Income from currency translation	19,704	16,424
Interest income	539	771
Gain on disposal of financial instruments	–	1,146
Write-ups of investments in associates	–	453
Other	346	2,258
	20,589	**21,052**
Thereof financial instruments of the measurement categories according to IAS 39:		
Loans and receivables (LaR)	535	1,680
Financial investments held to maturity (HtM)	–	1
Financial assets measured at fair value through profit and loss (FAFVtPL)	4	985
Financial liabilities measured at amortised cost (FLAC)	228	141
Financial assets held for trading (FAHfT)	1,222	1,377
Financial liabilities held for trading (FLHfT)	2,245	1,785

The 50 % impairment loss on the equity stake in BioDarou P.J.S. Co. was reversed in financial year 2011 as the reasons for the impairment ceased to exist. This resulted in financial income of € 453 thousand for the previous year. These are disclosed as additions to investments in associates.

Income from currency translation includes income from realised foreign exchange gains in connection with foreign currency receivables and payables, income from foreign currency hedging and income from the measurement of foreign currency positions on the reporting date.

8 FINANCIAL EXPENSES

In € thousand	2012	2011
Currency translation expense	22,120	16,498
Interest expense	3,639	5,218
Interest expense for pensions	2,294	2,328
Fair value measurement expense	–	8,335
Loss on disposal of financial instruments	657	785
Interest rate hedging costs	223	693
Other	855	714
	29,788	**34,571**
Thereof financial instruments of the measurement categories according to IAS 39:		
Financial assets measured at fair value through profit and loss (FAFVtPL)	657	7,987
Financial liabilities measured at amortised cost (FLAC)	3,192	4,967
Financial assets held for trading (FAHfT)	1,047	1,139
Financial liabilities held for trading (FLHfT)	2,177	2,734
Loans and receivables (LaR)	1,074	738

Expenses from currency translation include expenses from realised foreign exchange losses in connection with foreign currency receivables and payables as well as expenses from foreign currency hedging.

Reported interest rate hedging expenses include expenses from the measurement of interest rate hedges at fair value, payments on interest rate hedging transactions and fees incurred.

In the previous year, fair value measurement expenses relate primarily to the measurement of Greek government bonds disclosed under financial assets and claims to the issue of Greek government bonds in exchange for receivables due from Greek hospitals.

In 2012, after the mandatory exchange, all Greek government bonds were sold. This resulted in a financial expense of € 657 thousand for financial year 2012. The bonds were recognised on the reporting date of 31 December 2011 at a market value of € 4,453 thousand.

9 INCOME FROM ASSOCIATES

In financial year 2012, € 1,024 thousand (previous year: € 539 thousand) in income was earned from associates.

10 INCOME TAX

In € thousand	2012	2011
Current tax expense in respect of the financial year	18,245	14,161
Current tax income for previous years	–709	–527
Current tax	**17,536**	**13,634**
Deferred taxes	**–4,106**	**–3,784**
Income tax expense	**13,430**	**9,850**

Deferred tax income from items credited directly to equity totalled € 2,036 thousand (previous year: deferred tax expense charged to equity of € –263 thousand).

Applying the nominal income tax rate of 28.8% (2011: 28.8%), the expected tax expense for financial year 2011 differed from the actual amount as follows:

In € thousand	2012	2011
Earnings before taxes (EBT)	**36,478**	**28,580**
Expected tax expense	**10,506**	**8,231**
Effect of losses not recognised in the financial year	727	283
Effect from impairment of goodwill	404	–
Write-downs on deferred taxes	962	1,281
Tax refunds	–709	–527
Tax effect of adjustments to deferred taxes from previous years	–317	–480
Tax effect of capitalisation of tax credits	–224	–668
Tax effect of non-deductible expenses	3,232	1,908
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	–1,129	417
Tax effect of tax-free income	–58	–607
Other effects	36	12
Income tax recognised in the statement of income	**13,430**	**9,850**

The calculated tax rate of 28.8 % is based on a corporation tax rate of 15 %, a solidarity surcharge of 5.5 % and trade tax rate of the municipality of Dreieich (registered office of the parent company).

11 DISCONTINUED OPERATION

The decision made in 2010 to sell the Microbiological Monitoring division was implemented on 1 August 2011 upon execution of the purchase agreement with the Merck KGaA Group.

Amounts from Discontinued Operation were disclosed separately from those of Continuing Operations in the statement of income, the segment reports and the cash flow statement. In the statement of financial position, assets and liabilities held for sale were disclosed under assets of Discontinued Operation and liabilities of Discontinued Operation.

At the time of sale, a patent lawsuit was pending, in which heipha Dr. Müller GmbH was accused of infringing a patent of the plaintiff. Therefore, part of the purchase price was withheld by the buyer. The Bundesgerichtshof later declared the enforced patent legally null and void. The plaintiff then withdrew the action against heipha Dr. Müller GmbH, so that Biotest now has a claim to payment of the balance of the purchase price from the buyer of the sold division.

The results of the Discontinued Operation are as follows:

In € thousand	2012	2011
Income from Discontinued Operation	–	30,693
Expenses from Discontinued Operation	–	–26,761
Earnings before taxes from Discontinued Operation	**–**	**3,932**
Income tax from Discontinued Operation	–	–1,269
Earnings after taxes from Discontinued Operation	**–**	**2,663**
Results of the measurement/disposal of Discontinued Operation before tax	10,524	30,340
Tax on the results of measurement/disposal	–151	–3,584
Results from the measurement/disposal of Discontinued Operation after tax	**10,373**	**26,756**
Results of Discontinued Operation	**10,373**	**29,419**

The results from the sale of Discontinued Operation are as follows:

In € thousand	2012	2011
Sale proceeds net of selling costs	10,524	41,770
less tax on profits from the sale	–151	–3,585
less outgoing assets and liabilities	–	–17,451
plus outgoing minority interests	–	6,022
Results of the sale of Discontinued Operation	**10,373**	**26,756**

12 AUDITOR FEES

On 10 May 2012 the Annual Shareholders' Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the 2012 financial year.

Fees for the external auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, totalled € 371 thousand in financial year 2012 (previous year: € 273 thousand). These fees consist of € 271 thousand (previous year: € 234 thousand) for the financial statement audit (of which € 29 thousand was for the previous year), € 49 thousand (previous year: € 14 thousand) for other services (including € 8 thousand for the previous year), € 26 thousand (previous year: € 25 thousand) for tax consulting services (of which € 0 thousand was for the previous year) and € 25 thousand (previous year: € 0 thousand) for other assurance services (including € 8 thousand for the previous year).

E. EXPLANATION OF THE STATEMENT OF FINANCIAL POSITION

1 INTANGIBLE ASSETS

All intangible assets are allocated to non-current assets.

In € thousand	Goodwill	Patents, licenses and similar rights	Leased assets	Payments in advance	Total
Cost of purchase					
Status as of 31 December 2010	**28,984**	**57,260**	**9,626**	**–**	**95,870**
Additions	–	1,668	–	–	1,668
Additions to the consolidation group	1,571	937	–	–	2,508
Disposals	–	–268	–15	–	–283
Effect of foreign currency translation differences	583	1,271	–	–	1,854
Status as of 31 December 2011	**31,138**	**60,868**	**9,611**	**–**	**101,617**
Additions	–	889	–	290	1,179
Disposals	–	–2,267	–	–	–2,267
Book transfers	–	5	–	–	5
Effect of foreign currency translation differences	300	–912	–	–	–612
Status as of 31 December 2012	**31,438**	**58,583**	**9,611**	**290**	**99,922**
Accumulated depreciation					
Status as of 31 December 2010	**–**	**25,931**	**4,998**	**–**	**30,929**
Depreciation for the financial year	–	5,453	1,542	–	6,995
Impairment	–	388	–	–	388
Disposals	–	–268	–15	–	–283
Effect of foreign currency translation differences	–	755	–	–	755
Status as of 31 December 2011	**–**	**32,259**	**6,525**	**–**	**38,784**
Depreciation for the financial year	–	5,724	1,543	–	7,267
Impairment	1,301	711	–	–	2,012
Disposals	–	–2,262	–	–	–2,262
Effect of foreign currency translation differences	–	–477	–	–	–477
Status as of 31 December 2012	**1,301**	**35,955**	**8,068**	**–**	**45,324**
Carrying amount as of					
31 December 2011	31,138	28,609	3,086	–	62,833
31 December 2012	**30,137**	**22,628**	**1,543**	**290**	**54,598**

Additions to the scope of consolidation in 2011 concerned goodwill in the amount of € 1,571 thousand as well as patents, licenses and similar rights in the amount of € 937 thousand. This addition resulted from the acquisition of a 100 % interest in Marcos Pedrilson Produtos Hospitalares Ltda., Brazil (now Biotest Farmaceutica Ltda.), the former distributor for Biotest AG in Brazil. For further explanations, please refer to the statements in Section F2 Mergers.

Leased assets relate mainly to an ERP software.

Impairment losses in financial year 2012 in the amount of € 2,012 thousand (previous year: € 0 thousand) include an amount of € 1,301 thousand (previous year: € 0 thousand) relating to the goodwill of Biotest Farmaceutica Ltda. and an amount of € 711 thousand (previous year: € 0 thousand) relating to product registrations in Brazil. These values are allocated to the Therapy segment. Due to delays in the renewal and re-registration of

product approvals, product registrations were impaired by € 711 thousand and goodwill from the acquisition of the shares in the amount of € 1,301 thousand was impaired in full.

Impairment losses in the previous year of € 388 thousand include the impairment of the value of customer lists of Biotest Hellas MEPE, Greece, due to negative economic developments in Greece.

With the acquisition of the plasma protein division of Nabi Biopharmaceuticals in financial year 2007, two development projects were acquired and recognised in the consolidated financial statements as intangible assets. These included a project regarding the intravenous immunoglobulin Bivigam™, which received marketing authorisation in December 2012, as well as Civacir®, a drug designed to prevent re-infection in the case of necessary liver transplants due to hepatitis C. The Civacir project was not depreciated as scheduled in financial year 2012, as it remained under development and marketing authorisation had not yet been granted. Once production begins, the value of the projects will be depreciated over ten years on a straight-line basis. Marketing of Civacir® is expected to begin in financial year 2017. The start of marketing activities depends on authorisation from the relevant authorities. Scheduled depreciation and amortisation of Bivigam™ will begin upon market launch in February 2013.

An impairment test was also carried out for these projects, resulting in no impairment as was the case in the previous year.

The recoverable amount of the cash generating unit is determined by calculating the value in use based on cash flow forecasts. Finally, the carrying amount of the cash-generating unit was compared against the recoverable amount to determine any need for impairment.

Following the realignment of segmentation, goodwill was allocated to the new cash-generating units in accordance with IAS 36.87 on the basis of the relative value in use. The segments Therapy and Plasma & Services represent the cash-generating units for impairment testing of goodwill.

To test goodwill impairment for the Therapy segment, a pre-tax discount rate of 8.10 % based on the relevant WACC (Weighted Average Cost of Capital) was applied. In the Plasma & Services segment, a discount rate before tax of 6.55 % was used. Expected cash flows were calculated on the basis of five-year financial forecasts made by management. Cash flows from the year 2018 onward are extrapolated. Perpetual annuities are based on average values for the years 2013 to 2017. A growth rate of 1 % was applied to perpetual annuities.

The two projects were also subject to an impairment test. In this case, the after-tax discount rate used for the project Bivigam was 5.55 % (previous year: 9.67 %) and 7.00 % for the project Civacir (previous year: 9.67 %). These are also based on the relevant WACC (Weighted Average Cost of Capital). Expected cash flows for the years 2013 to 2023 were calculated on the basis of detailed financial forecasts. For the years 2024 to 2028 a growth rate of 2 % was assumed.

In sensitivity analyses, the impact of changes in the discount factor applied and a change in the assumed growth rate for the development projects was determined. No realistic change in the value of the parameters would lead to impairment of development projects or goodwill.

The carrying amounts of intangible assets subject to an impairment test relate to the following cash generating units:

Cash generating unit	Intangible asset	**Carrying amount as of 31 December 2012 in € thousand**	Carrying amount as of 31 December 2011* in € thousand
Segment Therapy	Goodwill	23,266	24,371
Segment Plasma & Services	Goodwill	6,871	6,767
Project	Patents, licenses and similar rights	10,510	10,717
		40,647	**41,855**

* Figures for the previous year are adjusted to new segmentation

Depreciation and amortisation and impairment losses on intangible assets for the financial year are included in the following items of the statement of income:

In € thousand	**2012**	2011
Production costs	4,452	4,136
Distribution costs	143	211
Administrative costs	2,607	2,571
Research and development costs	65	77
Other operating expenses	2,012	388
	9,279	**7,383**

2 PROPERTY, PLANT AND EQUIPMENT

All assets listed below are allocated to non-current assets.

In € thousand	Land and buildings	Technical equipment and machinery	Other facilities, office furniture and equipment	Leased assets	Payments in advance	**Total**
Cost of purchase / cost of sales						
Status as of 31 December 2010	**159,219**	**144,953**	**80,760**	**1,625**	**7,712**	**394,269**
Additions	743	1,113	4,289	–	18,903	25,048
Additions to the consolidation group	446	–	28	–	–	474
Book transfers	599	798	1,160	–22	–2,535	–
Disposals	–192	–1,920	–740	–203	–60	–3,115
Effect of foreign currency translation differences	1,616	1,314	60	–	95	3,085
Status as of 31 December 2011	**162,431**	**146,258**	**85,557**	**1,400**	**24,115**	**419,761**
Additions	9,931	5,945	5,252	–	12,198	33,326
Book transfers	7,953	14,828	2,456	–	–25,242	–5
Disposals	–1,637	–7,050	–13,754	–	–2,668	–25,109
Effect of foreign currency translation differences	–1,062	–792	–58	–	–154	–2,066
Status as of 31 December 2012	**177,616**	**159,189**	**79,453**	**1,400**	**8,249**	**425,907**
Accumulated depreciation						
Status as of 31 December 2010	**45,683**	**62,640**	**54,017**	**1,180**	**–**	**163,520**
Depreciation for the financial year	3,913	11,570	5,358	199	–	21,040
Impairment	–	–	–	–	2,405	2,405
Book transfers	–	15	4	–19	–	–
Disposals	–192	–1,779	–676	–201	–	–2,848
Effect of foreign currency translation differences	116	640	31	–	–	787
Status as of 31 December 2011	**49,520**	**73,086**	**58,734**	**1,159**	**2,405**	**184,904**
Depreciation for the financial year	3,945	12,159	5,808	241	–	22,153
Disposals	–1,632	–6,263	–13,398	–	–2,421	–23,714
Effect of foreign currency translation differences	–77	–382	–26	–	16	–469
Status as of 31 December 2012	**51,756**	**78,600**	**51,118**	**1,400**	**–**	**182,874**
Carrying amount as of						
31 December 2011	112,911	73,172	26,823	241	21,710	234,857
31 December 2012	**125,860**	**80,589**	**28,335**	**–**	**8,249**	**243,033**

Additions to the consolidation group in financial year 2011 in the form of land and buildings amounting to € 446 thousand relate to properties held by Biotest Farmaceutica Ltda. acquired under the merger.

Payments in advance in financial year 2012, as in the previous year, primarily include the expansion of the filling and packaging system at Biotest Pharma GmbH and the expansion of the production facility in Boca Raton, Florida, USA.

Government grants for the acquisition or production of assets reduce the acquisition cost or production cost. In financial year 2012, this resulted in a cumulative reduction of € 103 thousand (previous year: € 137 thousand) in the carrying amount of the assets.

Collateral for the syndicated loan agreement, in place since 2007 and extended in the reporting year, was provided in the form of a € 95 million lien on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor.

Depreciation of property, plant and equipment for the financial year is included in the following items on the statement of income:

In € thousand	2012	2011
Cost of sales	15,769	14,005
Administrative costs	4,829	4,764
Research and development costs	1,102	1,844
Distribution costs	453	427
Other operating expenses	–	2,405
	22,153	**23,445**

3 INVESTMENTS IN ASSOCIATES

Investments in associates refer to a 49 % stake held by Biotest Pharma GmbH in BioDarou P.J.S. Co. with registered offices in Tehran, Iran, measured using the equity method.

The purpose of the company is to collect plasma and have it processed into immunoglobulins, factors and human albumin via Biotest AG and sell the finished products in Iran.

The investors intend to gradually provide the company with up to € 4,000 thousand in equity capital. The shareholder resolutions required for this are adopted separately based on financial requirements. To date, Biotest Pharma GmbH has contributed € 1,593 in capital. The capital of BioDarou P.J.S. Co. at 31 December 2012 totals 37.5 billion rials (previous year: 37.5 billion rials) and is fully paid-in.

As no audited financial statements were available for BioDarou P.J.S. Co. when the consolidated financial statements were prepared, previous year figures for BioDarou P.J.S. Co. are reported as of 31 December 2011.

The forecast for BioDarou P.J.S. Co. for financial year 2012 continues to show a very positive performance, a result of the fact that the company has a high volume of collected plasma that can be efficiently processed into finished products on an industrial scale by Biotest AG and then sold in Iran.

The associate had the following assets and liabilities as of the 2011 reporting date:

On 31 December 2011, the value of non-current assets was € 2,784 thousand (previous year: € 2,706 thousand) and the value of current assets was € 9,602 thousand (previous year: € 8,593 thousand).

Non-current liabilities at 31 December 2011 were measured at € 209 thousand (previous year: € 401 thousand) with current liabilities at € 6,416 thousand (previous year: € 6,903 thousand).

In financial year 2011, sales revenue totalled € 11,078 thousand (previous year: € 10,989 thousand) and net profit for year was € 2,089 thousand (previous year: € 1,092 thousand).

In financial year 2012, the Company erected a third plasmapheresis centre, which was inspected and licensed by the German authorities.

In financial year 2011, BioDarou P.J.S. Co. along with other partners founded Plasma Gostar Pars (PJS), based in Tehran, Iran, with the aim of pooling together blood plasma for toll manufacturing. BioDarou P.J.S. Co. holds a 60 % interest in Plasma Gostar Pars (PJS).

The political situation in Iran in 2012 remained tense. The difficult payment situation also continued in financial year 2012 due to additional sanctions. The Biotest Group does not expect a permanent restriction on sales of pharmaceutical products in Iran.

4 OTHER FINANCIAL INVESTMENTS

In € thousand	2012	2011
Bond funds (Financial Assets at Fair Value through Profit and Loss)	148	151
Loans to associates (Loans and Receivables)	6	22
Greek government bonds (Financial Assets at Fair Value through Profit and Loss)	–	4,453
Fixed-interest securities (Held to Maturity)	–	26
Other	–	81
	154	**4,733**

In September 2010 in Greece, the Biotest Group exercised the option to exchange receivables from government hospitals from 2007 to 2009 for zero coupon government bonds with staggered maturities. Trade receivables from Greek government hospitals for the above years were closed out and Greek

bonds were recorded in other financial investments. In financial year 2012, the Biotest Group sold all its Greek government bonds, which (as of 31 December 2011) had a market value of € 4,453 thousand, for € 3,796 thousand and thereby realised a loss of € 657 thousand.

In the previous year, zero coupon Greek government bonds were categorised as Financial Assets at Fair Value through Profit and Loss. They were classified as "Financial Assets at Fair Value through Profit and Loss", as these financial assets were assessed and managed on the basis of fair value. This category also contains fund shares, the market value of which was reported by the custodian bank in writing as of the reporting date.

5 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities affect the following items on the statement of financial position:

	Assets		Equity and liabilities		Recognised through profit or loss	
In € thousand	**2012**	2011	**2012**	2011	**2012**	2011
Intangible assets	175	97	289	579	−361	−184
Property, plant and equipment	9	12	16,338	16,181	280	−1,416
Other financial investments	869	444	–	3	−429	−4,329
Inventories	11,498	6,424	80	51	−5,129	577
Trade receivables	151	103	1,371	2,568	−1,242	2,615
Other provisions	1,612	1,653	45	154	−88	−651
Financial liabilities	–	–	154	258	−104	−81
Pension provisions	5,750	4,232	–	–	518	−226
Other liabilities	859	1,356	1,104	17	1,571	565
Other financial position items	168	381	–	1	212	256
Tax credit claims	3,495	3,967	–	–	407	−1,456
Tax value of the recognised loss carried forward	1,009	1,274	–	–	259	546
Total deferred taxes	**25,595**	**19,943**	**19,381**	**19,812**	**−4,106**	**−3,784**
Less netting of deferred tax assets and liabilities	−11,790	−12,214	−11,790	−12,214		
Deferred tax assets and liabilities	**13,805**	**7,729**	**7,591**	**7,598**		

Within the Group, tax loss carryforwards in the amount of € 8,753 thousand (previous year: € 9,800 thousand) are available to various Group companies with and without time limitations. These may be offset against future taxable income of each company or other Group companies. Of the loss carryforwards measured, € 3,891 thousand (previous year: € 3,190 thousand) are attributable to tax categories with rates from 5 to 6 %.

Deferred taxes are not recognised for tax loss carryforwards of € 14,988 thousand (previous year: € 2,289 thousand), as the utilisation of these carryforwards is not sufficiently certain at this time. Of these unrecognised tax loss carryforwards, € 0 thousand (previous year: € 0 thousand) relate to domestic companies and € 14,988 thousand (previous year: € 2,289 thousand) relate to foreign companies. At present, loss carryforwards may be carried forward indefinitely in Germany. € 2,680 thousand (previous year: € 785 thousand) in foreign loss carryforwards may be carried forward indefinitely. Furthermore, € 0 thousand (previous year: € 1,068 thousand) may be carried forward for up to ten years and € 12,308 thousand (previous year: € 437 thousand) for up to five years.

Due to insufficient future taxable income, deferred taxes on portions of potential tax credits for research and development costs of Biotest Pharmaceuticals Corporation in the amount of € 2,880 thousand were not capitalised in the current financial year.

In some countries, the Biotest Group has not yet been issued a final tax assessment for several years. Adequate provisions for pending tax assessments have therefore been recognised.

At 31 December 2012, no deferred tax liabilities (previous year: € 0 thousand) were recognised for taxes on unremitted earnings of subsidiaries or associates of the Biotest Group. The Biotest Group has decided not to distribute any undistributed profits of its subsidiaries and associates in the foreseeable future. This is because the Biotest Group has entered an agreement under which the profits of associates will not be distributed until the Biotest Group has granted permission to do so. As of the reporting date, the parent company does not intend to grant such permission. Furthermore, an associate of the Group may only distribute its profits when it has received permission to do so from all shareholders.

Temporary differences relating to investments in subsidiaries and associates for which no deferred taxes are recognised amount to € 500 thousand (previous year: € 498 thousand).

6 INVENTORIES

In € thousand	2012	2011
Raw materials and supplies	45,980	45,689
Work in progress	101,153	73,034
Finished goods and merchandise	37,083	34,260
	184,216	**152,983**

As in the previous year, the Biotest Group had no inventories with a turnover of more than one year as of the reporting date.

Impairment losses on inventories as of the reporting date totalled € 13,507 thousand (previous year: € 9,693 thousand); after being written down to their net realisable value, the residual carrying amount of inventories was € 48,160 thousand (previous year: € 46,409 thousand).

The breakdown of impairment losses on inventories is as follows:

In € thousand	2012	2011
Balance as of 1 January	**9,693**	**9,370**
Disposals	–2,654	–4,606
Reversals	–3,112	–1,715
Additions	9,781	6,556
Effect of foreign currency translation differences	–201	88
Balance as of 31 December	**13,507**	**9,693**

Reversals of impairment losses on inventories in the financial year 2012 resulted primarily from the successful reworking of products that last year fell outside the specifications.

Reversals of impairment losses on inventories in the previous year were based on (1) the proportion of inventories originally designated for clinical research but used for production and (2) testing that revealed that a portion of the impaired inventories did in fact meet specifications and can be used for production.

7 TRADE RECEIVABLES

Trade receivables are typically due within one year. As in the previous year, none of the total trade receivables of € 96,143 thousand (previous year: € 120,961 thousand) were classified as long-term. Trade receivables are allocated to the loans and receivables (LaR) category. They are broken down as follows:

In € thousand	2012	2011
Trade receivables (gross)	122,254	144,701
Sale of trade receivables	−21,116	−21,912
Allowance for bad debts	−4,995	−1,828
Trade receivables (net)	**96,143**	**120,961**

The provision for doubtful debts is calculated as the difference between the nominal amount of the accounts receivable and the estimated net recoverable amount. For this estimate the Biotest Group uses historical values relating to the payment behaviour of specific customers and knowledge about country-specific circumstances. When testing the impairment of trade receivables, account is taken of all changes in credit ratings since the payment target was granted and up to the reporting date. This applies to changes in country risk and specific customer risk. To calculate the allowance for bad debts for trade receivables, the Biotest Group uses only specific bad debt charges. A general allowance for bad debts is not applied.

Due to delayed payments from public hospitals and the lack of financial resources in public sector budgets, trade receivables were partially impaired.

As of the reporting date, Biotest AG has sold receivables totalling € 9,756 thousand (previous year: € 9,665 thousand) under factoring agreements. The factoring programme provides for the sale of domestic and foreign receivables of Biotest AG, whereby each customer has an individual credit limit. Provided that the receivables are legally valid, the factor carries the risk of the customer's inability to pay the receivables purchased.

Biotest Hellas MEPE had the option to sell receivables from public hospitals in Greece until the third quarter of 2011. As of the end of the year, this factoring was no longer in place. Thus, no receivables (previous year: € 458 thousand) have been sold as of the reporting date and no receivables are disclosed under other assets as receivables from factoring companies.

Biotest Italia S.r.l. sells some of its receivables from Italian customers. Provided that the receivables are legally valid, the factor carries the risk of the customer's inability to pay the receivables purchased (del credere). As of the reporting date, the Italian company had sold receivables totalling € 11,360 thousand (previous year: € 11,789 thousand). As in the previous year, these receivables were fully derecognised in accordance with IAS 39.

Trade receivables include receivables based on the percentage of completion method amounting to € 6,947 thousand (previous year: € 5,059 thousand). These relate to customer-specific production contracts valued at the corresponding production costs incurred plus a pro rata profit if it can be reliably estimated.

Changes in the allowance for bad debts for trade receivables were as follows:

In € thousand	2012	2011
Balance as of 1 January	**1,828**	**4,123**
Additions	3,584	263
Disposals	−326	−2,433
Reversals	−118	−79
Effect of foreign currency translation differences	27	−46
Balance as of 31 December	**4,995**	**1,828**

An analysis of the aging structure of trade receivables yields the following information:

In € thousand	2012	2011
Carrying amount	**96,143**	**120,961**
Unimpaired and current as of the reporting date	55,554	80,741
Unimpaired as of the reporting date but past due in the following time bands		
< 90 days past due	21,067	16,239
91 – 180 days past due	6,897	7,305
181 – 365 days past due	4,020	5,387
> 1 year past due	1,035	5,516

Of the overdue receivables of the Biotest Group in 2012, receivables totalling € 8,635 thousand (previous year: € 14,207 thousand) were due to Biotest Italia S.r.l., Italy, receivables totalling € 3,768 thousand (previous year: € 1,889 thousand) were due to Biotest Medical S.L.U., Spain, and receivables totalling € 2,681 thousand (previous year: € 3,730 thousand) were due to Biotest Hellas MEPE, Greece.

Net trade receivables are denominated in the following currencies:

In € thousand	**2012**	2011
EUR	72,334	84,472
USD	20,174	24,239
GBP	1,570	1,412
HUF	1,544	1,426
RUB	1	8,700
Other currencies	520	712
Trade receivables (net)	**96,143**	**120,961**

8 OTHER ASSETS

	2012		2011	
In € thousand	**Total**	**Non-current**	Total	Non-current
Value-added and other tax claims	2,438	2	2,379	–
Receivables from associated companies	2,052	–	2,347	–
Deferred items	2,013	44	2,199	80
Payments in advance	596	20	249	17
Derivatives	63	–	567	79
Receivables from factoring company	–	–	458	–
Purchase price claims for distribution rights	–	–	243	–
Other assets	1,045	453	1,490	442
	8,207	**519**	**9,932**	**618**

Impairment losses on other assets were as follows:

In € thousand	2012	2011
Balance as of 1 January	**964**	**964**
Consumption	–5	–
Balance as of 31 December	**959**	**964**

An analysis of the aging structure of trade receivables yields the following information:

In € thousand	2012	2011
Carrying amount	**8,207**	**9,932**
Unimpaired and current as of the reporting date	8,162	9,867
Unimpaired as of the reporting date but past due in the following time bands		
< 90 days past due	–	34
91 – 180 days past due	–	–
181 – 365 days past due	–	–
> 1 year past due	45	31

Other assets are denominated in the following currencies:

In € thousand	2012	2011
EUR	5,855	6,389
USD	1,829	2,117
GBP	115	43
HUF	253	1,171
Other currencies	155	212
	8,207	**9,932**

9 CASH AND CASH EQUIVALENTS

In € thousand	2012	2011
Bank balances	39,207	14,960
Short-term deposits	17,576	67,986
Cash in hand	458	253
	57,241	**83,199**

Please refer to the Biotest Group's cash flow statement for details regarding the changes in cash and cash equivalents.

Due to EU sanctions against Iran, cash and cash equivalents in the amount of € 4,004 thousand are subject to availability restrictions, as the necessary approvals from the Bundesbank in connection with EU sanctions against Iran had not been granted as of the reporting date. At the time the financial statements were prepared, the necessary approvals had been granted.

Short-term deposits are time deposits with original maturities of up to three months.

10 ASSETS AND LIABILITIES OF DISCONTINUED OPERATION

The claim to the subsequent purchase price payment described in Section D11 results in the following items on the statement of financial position:

In € thousand	2012	2011
Other assets	18,417	–
Assets from Discontinued Operation	**18,417**	–
Current income tax liabilities	152	–
Other liabilities	7,893	–
Liabilities from Discontinued Operation	**8,045**	–

11 TOTAL EQUITY

Subscribed capital is fully paid in and amounts to € 30,025,152.00 as of 31 December 2012 (ordinary shares: € 16,883,819.52; preference shares: € 13,141,332.48). As of 31 December 2012, it was divided into 6,595,242 ordinary no-par-value shares and 5,133,333 no-par-value preference shares without voting rights. Certification of shares is excluded. The theoretical par value of each share is therefore € 2.56 per share class. Profit distributions in any financial year are based on the net profit of Biotest AG as defined under the German Commercial Code.

In her letter dated 8 February 2008, Dr. Cathrin Schleussner advised us that her voting interest as of that date was 50.03 %. These voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner. Based on the new rules under Section 41 Paragraph 4d of the WpHG in effect from 1 February 2012, Dr. Martin Schleussner, Renate Schleussner and Dr. Hans Schleussner notified the Biotest Group on 22 February 2012 that, effective 1 February 2012, they each held a 50.27 % share in Biotest AG with voting rights reportable under Section 41 Paragraph 4d of the WpHG. As of the reporting date of 31 December 2012, Kreissparkasse Biberach held 24.36 % of the company's ordinary shares per its last notification.

Capital reserves in the amount of € 153,332 thousand are unchanged from the previous year and include premiums on the par value of shares issued.

The proposed appropriation of net profit for the year 2012 calls for dividend payments in the amount of € 6,172 thousand (previous year: € 5,469 thousand). Ordinary shares will receive a dividend of € 0.50/share (previous year: € 0.44/share) and preference shares will receive a dividend of € 0.56/share (previous year: € 0.50/share). In accordance with a resolution passed by the Annual Shareholders' Meeting regarding dividend payments, preference shares are entitled to a preference dividend of € 0.11 per share. Additionally, if holders of ordinary shares receive a dividend of more than € 0.11 per share, holders of preference shares receive an additional dividend of € 0.06 per share. If no dividend is paid on preference shares in one year, it shall be paid in the following year. If a dividend is not paid in the second year, preference shares shall receive voting rights (cf. Section 140 (2) of the German Stock Corporation Act (AktG)).

By resolution of the Annual Shareholders' Meeting of 6 May 2010, the Board of Management of Biotest AG was authorised to purchase ordinary and/or preference treasury shares under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 5 May 2015 at up to 10 % of the share capital of € 30,025 thousand at that time.

Furthermore, the Board of Management was authorised by resolution of the Annual Shareholders' Meeting of 6 May 2010 to increase the Company's share capital with approval from the Supervisory Board by 5 May 2015 through the issue of new preference bearer shares with no voting rights in return for cash contributions one or more times up to a total of € 3,742 thousand. The shareholders shall also be granted pre-emptive rights to these shares; legal pre-emptive rights may also be granted through the takeover of the new preference shares with no voting rights by one or more financial institutions with an obligation to offer them for sale to the shareholders of Biotest AG. The authorisation shall include permission to issue additional preference shares equal to previously issued preference shares with no voting rights upon the distribution of profits or company assets. Section 139 (2) of the AktG remains hereby unaffected. The Board of Management shall be further authorised, with approval from the Supervisory Board, to define additional share rights and share issue terms.

Diluted and basic earnings per share from Continuing Operations are calculated by dividing the profit attributable to shareholders of the parent company by the weighted average number of shares outstanding. Because no changes in ordinary or preference shares took place during the last two financial years at Biotest AG, diluted earnings equal basic earnings in each case.

In € thousand	**2012**	2011
Earnings after taxes (EAT)	23,035	18,722
Additional dividend on preference shares	–308	–308
Profit adjusted for additional dividend rights	**22,727**	**18,414**
Number of shares outstanding (weighted average)	11,728,575	11,728,575
Basic and diluted earnings per share in €	**1.94**	1.57
Additional dividend rights per preference share in €	**0.06**	0.06
Basic and diluted earnings per preference share in €	**2.00**	1.63

No other transactions involving ordinary shares or potential ordinary shares occurred in the period between the reporting date and the approval of the consolidated financial statements.

12 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Benefits are based on the employee's length of service and salary. Retirement benefit obligations relate mainly to employees of the Group's German companies. Similar obligations are foreign obligations payable in a lump sum on retirement and obligations of the Biotest pension savings plan.

Pension provisions and similar obligations consist of the following:

In € thousand	2012	2011
Pension benefits	54,823	48,902
Similar obligations	2,299	2,147
	57,122	**51,049**

The net value of pension provisions and similar obligations is calculated as follows:

In € thousand	2012	2011
Present value of retirement benefit obligations funded by provisions	**57,122**	**51,009**
Present value of retirement benefit obligations funded by pension liability insurance	2,258	93
Fair value of plan assets	–2,258	–53
Present value of retirement benefit obligations	**57,122**	**51,049**

Under a contractual trust arrangement (CTA), assets with a carrying amount of € 2,205 thousand were transferred in financial year 2012 to a trustee, Biotest Vorsorge Trust e.V., for external insolvency protection of parts of the company pension scheme. Since the transferred funds qualify as plan assets in accordance with IAS 19, provisions for pensions and similar obligations were netted with the transferred assets. As a result, provisions for pensions and similar obligations were reduced accordingly.

During the period under review the value of pension provisions at Group level changed as follows:

In € thousand	2012	2011
Pension provisions as of 1 January	**51,049**	**49,672**
Additions to plan assets	–2,205	–
Pension payments in the reporting period	–3,007	–2,784
Pension expense	5,136	5,069
Reversal of pension provisions due to plan curtailments	–868	–20
Actuarial losses recognised directly in equity (previous year: gains)	7,017	–888
Pension provisions as of 31 December	**57,122**	**51,049**

The defined benefit plans generated a total expense of € 5,136 thousand (previous year: € 5,069 thousand) in the reporting period. None of the total expenses were attributable to Discontinued Operation in either the current or the previous year.

Total expense for Continuing Operations consisted of the following components:

In € thousand	2012	2011
Current service cost	2,842	2,355
Retrospective service costs	–	386
Expected return on plan assets	–	–2
Interest expense	2,294	2,330
	5,136	**5,069**
Income from plan curtailments	–868	–20
	4,268	**5,049**

In financial year 2012, actuarial losses of € 7,017 thousand (previous year: gains of € 888 thousand) were recognised directly in equity. In total, actuarial losses and gains of € –16,978 thousand were recognised directly in equity.

Pension costs are included in the following items in the statement of income:

In € thousand	2012	2011
Cost of sales	1,465	1,371
Distribution costs	374	362
Administrative costs	511	496
Research and development costs	492	512
Financial expenses	2,294	2,328
	5,136	**5,069**
Other operating income	–868	–20
	4,268	**5,049**

The calculation is based on the following actuarial assumptions:

In € thousand	2012	2011
Discount rate as of 31 December	3.2 %	4.6 %
Expected returns on plan assets	0.3 %	2.0 – 4.2 %
Rate of increase for wages and salaries	3.4 %	3.4 %
Rate of increase for pensions	2.0 %	2.0 %
Employee turnover rate	0.0 – 6.6 %	3.0 – 6.9 %

With the exception of the discount rate, actuarial assumptions are based on empirical values.

The following table shows the reconciliation of the present value of the defined benefit obligation (DBO):

In € thousand	2012	2011
Defined benefit obligation as of 1 January	**51,102**	**49,814**
Current service cost	2,842	2,355
Interest expense	2,294	2,330
Actuarial losses (previous year: gains)	7,017	–887
Retrospective service costs	–	386
Pension benefits paid	–3,007	–2,876
Plan curtailments/settlements	–868	–20
Defined benefit obligation as of 31 December	**59,380**	**51,102**

The following table shows the reconciliation of the fair value of plan assets:

In € thousand	2012	2011
Fair value of plan assets as of 1 January	**53**	**142**
Expected income from plan assets	–	2
Actuarial gains	–	1
Employer contributions	2,205	–
Pension contributions paid	–	–92
Fair value of plan assets as of 31 December	**2,258**	**53**

Actual income from plan assets amounted to € 0 thousand in this financial year (previous year: € 3 thousand).

For financial year 2013, the Biotest Group expects to make payments totalling € 2,981 thousand to defined-benefit pension plans.

As of the reporting date, plan assets were invested in the following asset classes:

In € thousand	2012	2011
Reinsurance	53	53
Cash and cash equivalents	2,205	–
	2,258	**53**

IAS 19.120A (p) requires the disclosure of amounts for the current year period and the previous four years:

In € thousand	**2012**	2011	2010	2009	2008
Present value of defined benefit obligations (DBO)	59,380	51,102	49,814	49,007	44,127
Fair value of plan assets	2,258	53	142	720	739
Shortfall	57,122	51,049	49,672	48,287	43,388
Experience adjustments:					
a) plan liabilities	−1,469	−979	2,632	4,771	1,273
b) plan assets	1	−3	−2	−8	−2

Expenses for contribution-based pension plans totalled € 6,580 thousand (previous year: € 6,533 thousand) in the financial year.

Expenses for contribution-based pension plans are broken down as follows:

In € thousand	**2012**	2011
Contribution-based plans of the Company	916	721
Employer contributions to compulsory pension plans	5,664	5,812
	6,580	**6,533**

13 OTHER PROVISIONS

In € thousand	Partial retirement	Other staff-related provisions	Miscellaneous provisions	**Total**	Current
Status as of 31 December 2011	**684**	**10,637**	**11,211**	**22,532**	**19,340**
Additions	734	10,520	5,138	16,392	
Use of provisions	−1,093	−8,453	−4,747	−14,293	
Reversals	–	−274	−1,183	−1,457	
Effect of foreign currency translation differences	–	−21	−132	−153	
Accrued interest	52	89	−218	−77	
Status as of 31 December 2012	**377**	**12,498**	**10,069**	**22,944**	**18,998**

Under the collective bargaining agreement with the chemical industry employers' association (Bundesarbeitgeberverband Chemie e.V.) to promote partial retirement, which was in effect until 31 December 2009, a corresponding provision was established. The provision covers only obligations relating to ongoing partial retirement relationships (outstanding settlement amounts, top-up amounts and severance pay if applicable), as upon expiration of the collective bargaining agreement no further legal obligations to conclude new partial retirement agreements exist.

Other staff-related provisions consist primarily of provisions for profit-sharing, the Long Term Incentive Programme, anniversaries, severance pay and contributions to the employer's liability insurance association.

Miscellaneous provisions include provisions for guarantees, litigation risks and similar issues.

Additions in financial year 2012 consist mainly of additions to employee profit sharing of € 7,556 thousand (previous year: € 6,266 thousand), to the Long Term Incentive Programme in the amount of € 1,615 thousand (previous year: none), to other task risks in the amount of € 734 thousand (previous year: € 430 thousand) as well as severance pay in the amount of € 710 thousand (previous year: € 2,583 thousand).

Reversals of other provisions relate primarily to other tax risks in the amount of € 314 thousand (previous year: none) and litigation risks in the amount of € 253 thousand (previous year: € 1,556 thousand).

The total impact of changes in the discount rate on the previous year's present value was € 232 thousand (previous year: € 24 thousand).

14 FINANCIAL LIABILITIES

In € thousand	2012	2011
Non-current liabilities		
Collateralised liabilities to banks	63,726	90,283
Unsecured subordinated loans	6,250	7,500
Unsecured other loans	1,058	1,779
Liabilities from finance leases	–	1,781
	71,034	**101,343**
Current liabilities		
Collateralised liabilities to banks	26,303	23,449
Unsecured subordinated loans	11,250	9,955
Unsecured other loans	2,111	2,576
Short-term portion of liabilities from finance leases	1,781	1,710
	41,445	**37,690**

With the exception of the short-term portion of liabilities from finance leases, the amounts of current financial liabilities disclosed on the statement of financial position correspond approximately to market values due to their short maturities.

The syndicated loan agreement includes a short-term tranche of € 33 million, a remaining long-term tranche of € 29 million with full amortisation by 2014 as well as a bullet tranche of € 50 million due in 2015.

With effect from 4 November 2012, the short-term tranche of € 33 million was extended by a year. The additional € 5 million line of credit was extended to cover EUR-USD exchange rate risks in connection with a loan taken out by the Biotest Pharmaceuticals Corporation. This ensures that exchange rate fluctuations do not restrict available lines of credit, as long as their effect does not exceed € 5 million.

Of the lines of credit granted under the syndicated loan agreement, € 25,073 thousand (previous year: € 28,345 thousand) remained unused as of 31 December 2012. Further unused lines of credit totalled € 55,971 thousand (previous year: € 58,745 thousand).

Information on the hedging of exchange-rate and interest risks is given in Section F4 Financial risk management.

Unsecured subordinated loans consist mainly of a bullet loan taken out in connection with a profit participation agreement dated 25 November 2005 (nominal amount of € 10,000 thousand) in the amount of € 10,000 thousand (previous year: € 9,955 thousand), for which a letter of subordination was agreed. By resolution of the Annual Shareholders' Meeting of 8 July 2004, the Board of Management is authorised, subject to approval by the Supervisory Board, to issue profit participation rights with a nominal amount of up to € 50 million until 7 July 2009. This authorisation was exercised in financial year 2005 in the amount of € 10 million. On 25 November 2005, the Company set up a profit participation agreement lasting until January 2013 for the amount of €10 million, which was paid out on 5 December 2005 minus a discount of 3.4 %. The subordinated bullet loan with a variable and a fixed interest component was paid in full on its final maturity date of 15 January 2013. The variable component is dependent on the company's financial indicators.

Unsecured subordinated loans continue to include a long-term loan of € 7,500 thousand with a fixed interest rate of 3.6 %, which will be repaid on schedule beginning in 2013.

In connection with the syndicated loan agreement, Biotest AG is required to maintain certain financial ratios. In connection with the syndicated loan agreement, Biotest AG is required to maintain certain financial ratios, including net debt to EBITDA, net debt to liable equity and EBITDA to interest expense. These ratios are calculated quarterly at the end of the quarter based on the annual or quarterly consolidated financial statements. As was the case in the previous year, all required financial ratios were met in financial year 2012.

The pricing and repayment terms and the maturity profile of financial liabilities are set out below:

2012 (In € thousand)	**Total**	Residual maturity < 1 year	Residual maturity 1 to 5 years	Residual maturity > 5 years
Collateralised liabilities to banks:				
EUR – variable at 0.9%	49,941	312	49,629	–
USD – variable at 1.0%	36,806	25,053	11,753	–
EUR – fixed at 3.8%	3,282	938	2,344	–
Other loans:				
USD – fixed at 1.7 – 3.5%	2,618	1,682	936	–
EUR – fixed at 6.0%	485	414	71	–
EUR – variable at 4.5 to 4.8%	51	–	51	–
BRL – fixed at 0.0%	15	15	–	–
Liabilities from finance leases:				
EUR – fixed at 4.6%	1,781	1,781	–	–
Unsecured loans:				
EUR – variable at 6.9%	10,000	10,000	–	–
EUR – fixed at 3.6%	7,500	1,250	6,250	–
	112,479	41,445	71,034	–

The pricing and repayment terms and the maturity profile of the previous year's financial liabilities are set out below:

2011 (In € thousand)	**Total**	Residual maturity < 1 year	Residual maturity 1 to 5 years	Residual maturity > 5 years
Collateralised liabilities to banks:				
USD – variable at 1.1 to 2.3%	59,660	22,126	37,534	–
EUR – variable at 2.2 to 3.2%	49,741	273	49,468	–
EUR – fixed at 3.8%	4,331	1,050	3,281	–
Other loans:				
USD – fixed at 2.4 to 3.5%	2,717	1,084	1,633	–
EUR – variable at 4.3 to 4.6%	1,076	1,025	51	–
EUR – fixed at 6.0%	545	450	95	–
BRL – fixed at 0.0%	17	17	–	–
Liabilities from finance leases:				
EUR – fixed at 4.6%	3,491	1,710	1,781	–
Unsecured loans:				
EUR – variable at 1.4 to 6.9%	9,955	9,955	–	–
EUR – fixed at 3.6%	7,500	–	7,500	–
	139,033	37,690	101,343	–

Liabilities from finance leases are amortised as follows:

In € thousand	Payment	Interest	Principal repayments
2012			
Due in < 1 year	1,821	40	1,781
Due in 1 to 5 years	–	–	–
Due in > 5 years	–	–	–
	1,821	**40**	**1,781**
2011			
Due in < 1 year	1,825	115	1,710
Due in 1 to 5 years	1,821	40	1,781
Due in > 5 years	–	–	–
	3,646	**155**	**3,491**

Total future minimum lease payments on the reporting date of € 1,821 thousand (previous year: € 3,646 thousand) have a present value of € 1,781 thousand (previous year: € 3,491 thousand).

The Biotest Group has not entered into any lease agreements that could result in contingent rent payments.

Collateral for the syndicated loan agreement was provided in the form of a € 95 million lien on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as the third party assignor. Shares in the Biotest Pharmaceuticals Corporation were also pledged as collateral.

15 OTHER LIABILITIES

In € thousand	**2012**	2011
Commissions payable	12,139	9,323
Received down-payments	6,601	8,033
Deferred liabilities	2,918	3,547
Value added tax	1,317	1,020
Wage tax liabilities	1,110	1,238
Deferred items	844	169
Social security liabilities	785	1,465
Liabilities from derivative financial instruments	120	897
Other tax liabilities	47	92
Liabilities to non-consolidated associates	–	359
Other liabilities	1,368	349
	27,249	**26,492**

In the current financial year, other liabilities with a residual maturity of over one year totalled € 16 thousand (previous year: € 194 thousand).

16 LIABILITIES FROM SALES SETTLEMENT

On the reporting date the Biotest Group recognised liabilities from sales settlement of € 24,983 thousand (previous year: € 41,638 thousand) in connection with the agreement for the worldwide development and marketing of monoclonal antibody BT-061 with AbbVie (a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott). As the upfront payment of USD 85 million received in 2011 related primarily to research activities still to be carried out, most of the amount was recognised as deferred revenue. Profit will be recognised on a straight-line basis over the expected duration of the first section of the partnership agreement through 30 June 2014.

F. MISCELLANEOUS NOTES

1 LONG TERM INCENTIVE PROGRAMME

Biotest AG pursues a business policy focused on the interests of shareholders and based on a shareholder value principle that promotes long-term growth in the value of the Biotest Group. Therefore, in 2006 the Company introduced a Long Term Incentive Programme (LTIP), renewable annually subject to the approval from the Supervisory Board.

In 2009 a decision was made with the consent of the Supervisory Board to renew the Long Term Incentive Programme in 2009. The 2009 LTIP was increased in 2010, 2011 and 2012 through the addition of a second tranche. However, an additional personal investment by eligible participants was required for the 2009 LTIP. As with the previous LTIPs, the personal investment from the first tranche of 2009 may be applied to all later tranches.

The amounts reported for the 2009, 2010, 2011 and 2012 tranches relate to all employees eligible to participate in the programme.

2009 LONG TERM INCENTIVE PROGRAMME/ 2012 TRANCHE (LTIP 2012)

The programme began on 01 June 2012 and will run until 31 December 2014. The 2012 tranche is designed in a similar fashion to the 2009, 2010 and 2011 tranches and is identically structured.

Participation in the programme is subject to a personal investment by the participant in preference shares of Biotest AG. The personal investment consists of new preference shares to be acquired under the LTIP (new investment) as well as additional preference shares, the quantity of which depends on the investment in new shares (additional investment).

To take part in the 2012 LTIP, each eligible participant is required to make an additional investment of 50 % of the number of newly acquired preference shares. Eligible participants may contribute preference shares acquired or contributed under the 2009, 2010 and/or 2011 LTIP as part of their new and/or additional investment in the 2012 LTIP. Only the new investment is used to calculate the incentive payment under the 2012 LTIP.

The personal investment in preference shares is to be held in a custody account until the incentive payment is disbursed. For legal reasons based on the laws of the USA, participants from the subsidiary Biotest Pharmaceuticals Corporation are not required to make a personal investment. Accordingly, their incentive payments are 15 % lower than those of eligible Biotest AG participants.

On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2015; this cash payment will depend on the level of new investment, the fixed salary as of 1 October 2012 and the achievement of two performance targets. Performance targets are assigned factors by which the new investment is multiplied.

The amount of the incentive payment is calculated using the following formula:

$$\left(\text{New Investment} \times \text{Performance Factor 1} + \frac{\text{New Investment} \times \text{Performance Factor 2}}{100}\right) \times \text{annual fixed salary as of 1 October 2012} = \text{payment}$$

Performance factor values are based on the extent to which the Company has achieved its set performance targets.

Performance Target 1 refers to the performance of the share price against a relevant benchmark. In this case, the performance of Biotest AG preference shares is compared against the performance of stocks listed on the SDAX index.

Position in relation to the benchmark (SDAX stocks)	Performance Factor 1
Equal to or better than the third quartile and a minimum 15% absolute price increase over the benchmark	Maximal 0.05
Equal to or better than the third quartile	0.04
Equal to the median	0.02
Equal to first quartile or minimum 25% absolute price increase	0.01
Worse than the first quartile and less than a 25% absolute price increase	0.00

The key criterion for Performance Factor 1 is that in financial year 2014 the Group must achieve earnings before interest and tax (EBIT) of at least € 15,000 thousand. If EBIT is less than € 15,000 thousand in 2014, the factor is 0.

Performance Factor 2 refers to the average EBIT margin achieved at the Group level in 2012, 2013 and 2014. This is calculated by adding the annual EBIT margin for all three years and then dividing by three.

Performance Factor 2 is also linked to another key criterion. This factor applies only when the price of Biotest preference shares has outperformed the first quartile of SDAX stocks during the period or by at least 25 % in absolute terms. It is calculated in the same way as Performance Factor 1.

Average EBIT margin 2012 – 2014	Performance Factor 2
Better than 13.1 %	Maximum 0.05
Equal to 13.1 %	0.04
Equal to 11.1 %	0.02
Equal to 10.1 %	0.01
Less than 9.6 %	0.00

For targets achieved that lie between the values shown above, the factor is determined through linear interpolation.

If both performance criteria are met, on expiry of the performance period a minimum of 1 % and a maximum of 10 % of the annual fixed salary as of 1 October 2012 is paid if there is a new investment of 100 shares.

Including the members of the Board of Management, 110 employees of the Biotest Group participated in the 2012 Long Term Incentive Programme with a total new investment of 28,636 preference shares. 6,275 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

The valuation was performed by external experts (Towers Watson, Frankfurt/Main, Germany) using Monte Carlo simulation. In assessing both market and non-market conditions in accordance with IFRS 2 “Share-based Remuneration”, conditions affecting the incentive payment but not observable in the market are viewed separately from observable market conditions. Market conditions are determined through a fair value assessment. The fair value of the incentive payment based on the outperformance of the SDAX as of 31 December 2012 equals € 3.59 per 100 preference shares and € 100 of fixed salary. The fair value was € 2.52 at the time the incentive payment was made on 1 June 2012. Non-market conditions are taken into account by adding Performance Factor 2, which is calculated on the basis of budget forecasts. As of 31 December 2012, the sum of the two factors equalled 5.787 %.

All market parameters that are not directly observable are determined by means of statistical estimates. Empirical market data is used to estimate volatilities. The applicable risk-free market interest rate is determined based on the parameters published by the Deutsche Bundesbank using the Svensson method. To calculate the number of persons who are likely to drop out of the programme during its term, a 4.0 % turnover rate for eligible employees was assumed.

A pro rata provision amounting to € 260 thousand was made on 31 December 2012 based on the entire period ending 31 December 2014. This amount is also equal to the expense for the period in 2012.

2009 LONG TERM INCENTIVE PROGRAMME/ 2011 TRANCHE (2011 LTIP) AND 2010 TRANCHE (2010)

The 2011 LTIP began on 1 June 2011 and will run until 31 December 2013. The LTIP 2010 began on 1 June 2010 and will run until 31 December 2012. The 2011 and 2011 tranches are designed in a fashion similar to the 2009 LTIP and are identically structured. Its described content is identical to that of the 2012 LTIP. The different parameters applied are listed below.

Performance Factor 1 of the 2011 LTIP and 2010 LTIP is identical to Performance Factor 1 of the 2012 LTIP and is as follows:

Position in relation to the benchmark (SDAX stocks)	Performance Factor 1
Equal to or better than the third quartile and a minimum 15 % absolute price increase over the benchmark	Maximum 0.05
Equal to or better than the third quartile	0.04
Equal to the median	0.02
Equal to the first quartile	0.01
Worse than the first quartile	0.00

The key criterion for Performance Factor 1 is that in financial year 2013 or 2012 the Group must achieve earnings before interest and tax (EBIT) of at least € 15,000 thousand. If EBIT is less than € 15,000 thousand in 2013 or 2012, the factor is 0.

Performance Factor 2 is also linked to another key criterion. This factor applies only when the price of Biotest preference shares has outperformed the first quartile of SDAX stocks during the period. It is calculated in the same way as Performance Factor 1.

The following applies to the 2011 LTIP:

Average EBIT margin 2011 – 2013	Performance Factor 2
Better than 14.8 %	Maximum 0.05
Equal to 14.3 %	0.04
Equal to 12.3 %	0.02
Equal to 11.3 %	0.01
Less than 10.3 %	0.00

The following applies to the 2010 LTIP:

Average EBIT margin 2010 – 2012	Performance Factor 2
Better than 16.4 %	Maximum 0.05
Equal to 16.4 %	0.04
Equal to 14.2 %	0.02
Equal to 13.2 %	0.01
Less than 12.2 %	0.00

The amount of the incentive payment is calculated as described above for the 2012 LTIP; the annual fixed salary in the calculation formula is to be replaced with the respective fixed annual salary for the corresponding year.

Including the members of the Board of Management, 88 employees of the Biotest Group participated in the 2011 Long Term Incentive Programme with a total new investment of 23,540 preference shares. 3,025 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

Including the members of the Board of Management, 91 employees of the Biotest Group participated in the 2010 Long Term Incentive Programme with a total new investment of 23,560 preference shares. 5,800 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals

Corporation.

A pro rata provision amounting to € 845 thousand for the 2011 LTIP was made on 31 December 2012 based on the entire period ending 31 December 2013. The period expense for the 2011 LTIP was € 574 thousand in 2012. The sum of the factors thus changed as of 31 December 2012 from 3.2156 % (as of 31 December 2011) to 3.7380 %.

For the 2010 LTIP, a pro rata provision amounting to € 978 thousand was made on 31 December 2012 based on the entire period ending 31 December 2013. The period expense for the 2010 LTIP was € 455 thousand in 2012. The sum of the factors thus changed as of 31 December 2012 from 2.7530 % (as of 31 December 2011) to 3.0110 %.

2009 LONG TERM INCENTIVE PROGRAMME/ 2009 TRANCHE (LTIP 2009)

The 2009 tranche of the Long Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2009.

There were no payouts for the 2009 tranche in 2012 as targets were not met.

FURTHER GENERAL INFORMATION ABOUT THE LTIP

Entitlement to an incentive payment ceases for the programme and all tranches if employment within the Biotest Group ends for any reason (other than retirement, early retirement, partial retirement, occupational disability or invalidity).

Participants will receive a pro rata incentive payment in the event of a change of control in which at least 30 % of the voting rights are transferred to a shareholder who did not previously hold these voting rights, of a delisting from the stock market or of a merger or change in the legal status of the parent company, or of the exit of the company by which the participant is employed from the parent group.

2 MERGERS

There were no mergers in the current financial year. On 18 January 2011, Biotest AG acquired a 100 % interest in Marcos Pedrilson Produtos Hospitalares Ltda., Brazil (today: Biotest Farmaceutica Ltda.), the former distributor for Biotest AG in Brazil.

At the acquisition date, the fair value of the identified assets and liabilities of the Biotest Farmaceutica Ltda. was as follows:

	In € thousand
Assets	1,441
Liabilities	3,012
Total identified net assets at fair value	**–1,571**
Goodwill arising on acquisition	1,571
Total consideration	**–**

Recorded goodwill is assumed to be non-deductible for tax purposes. For further details, please refer to the statements in Section E1 Intangible Assets. The purchase price allocation was completed in the current financial year and no changes were made in financial year 2012.

Cash outflows in 2011 resulting from the acquisition were as follows:

	In € thousand
Analysis of cash outflow due to the acquisition	
Cash consideration	**–**
Transaction costs of the acquisition	–186
Net cash outflow due to acquisition	**–186**

3. FINANCIAL INSTRUMENTS

3.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Biotest Group classifies financial instruments in accordance with their recognition. They are differentiated on the basis of their measurement. Accordingly, financial assets and financial liabilities are divided into assets and liabilities recognised at amortised cost of purchase and asset and liabilities recognised at fair value. Cash and cash equivalents as well as derivatives constitute a separate class.

One class may contain several different financial position items. The Biotest Group classifies financial instruments as follows:

Class of financial instruments	Item on the statement of financial position	Measurement category
Cash and cash equivalents	Cash and cash equivalents	none
Assets recognised at amortised cost of purchase	Trade receivables	LaR
	Other financial investments	HtM
	Other assets	LaR
Assets recognised at fair value	Other financial investments	FAFVtPL
Liabilities recognised at cost	Financial liabilities	FLAC
	Trade payables	FLAC
	Other liabilities	FLAC
Liabilities recognised at cost	Liabilities from finance leases	none
Derivatives	Other assets	FAHfT
	Other liabilities	FLHfT

The measurement categories under IAS 39 are abbreviated as follows: Loans and receivables (LaR), investments held to maturity (HtM), financial assets at fair value through profit and loss (FAFVtPL), financial assets held for trading (FAHfT), financial liabilities held for trading (FLHfT) and financial liabilities at amortised cost (FLAC).

In financial year 2012, as in the previous year, no reclassification of financial instruments took place.

3.2 RECONCILIATION OF FINANCIAL POSITION ITEMS TO MEASUREMENT CATEGORIES AS WELL AS THEIR VALUATION BASIS AND FAIR VALUES

In € thousand			Measurement basis in the statement of financial position under IAS 39				
Item on the statement of financial position	Measurement category under IAS 39	Carrying amount as of 31 December 2012	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17
Assets							
Trade receivables	LaR	96,143	96,143	–	–	–	–
Other assets							
Other receivables	LaR	8,144	8,144	–	–	–	–
Derivatives not designated as a hedging instrument	FAHfT	63	–	–	–	63	–
Other financial investments							
Pension funds (previous year: Greek government bonds/ pension funds)	FAFVtPL	148	–	–	–	148	–
Fixed income investments	HtM	–	–	–	–	–	–
Advances to associates	LaR	6	6	–	–	–	–
Other	AfS	–	–	–	–	–	–
Equity and liabilities							
Trade payables	FLAC	47,373	47,373	–	–	–	–
Financial liabilities							
Collateralised liabilities to banks	FLAC	90,029	90,029	–	–	–	–
Unsecured liabilities to banks	FLAC	17,500	17,500	–	–	–	–
Liabilities from finance leases	n.a.	1,781	–	–	–	–	1,781
Other unsecured loans	FLAC	3,169	3,169	–	–	–	–
Other liabilities							
Primary financial liabilities	FLAC	27,129	27,129	–	–	–	–
Derivatives not designated as a hedging instrument	FLHfT	120	–	–	–	120	–

Cash and cash equivalents with a carrying amount of € 57,241 thousand (previous year: € 83,199 thousand) are not included in the above table, as these financial instruments are not assigned to an IAS 39 measurement category.

Fair value as of 31 December 2012	Measurement category under IAS 39	Carrying amount as of 31 December 2011	Measurement basis in the statement of financial position under IAS 39				Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2011
			Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss		
96,143	LaR	120,961	120,961	–	–	–	–	120,961
8,144	LaR	9,365	9,365	–	–	–	–	9,365
63	FAHfT	567	–	–	–	567	–	567
148	FAFVtPL	4,604	–	–	–	4,604	–	4,604
–	HtM	26	26	–	–	–	–	26
6	LaR	22	22	–	–	–	–	22
–	AfS	81	81	–	–	–	–	81
47,373	FLAC	34,678	34,678	–	–	–	–	34,678
90,217	FLAC	113,731	113,731	–	–	–	–	113,935
18,126	FLAC	17,456	17,456	–	–	–	–	18,238
1,926	n.a.	3,491	–	–	–	–	3,491	3,743
3,101	FLAC	4,355	4,355	–	–	–	–	4,355
27,129	FLAC	25,595	25,595	–	–	–	–	25,595
120	FLHfT	897	–	–	–	897	–	897

3.3 AGGREGATION OF THE MEASUREMENT CATEGORIES INCLUDING THEIR MEASUREMENT BASIS AND FAIR VALUES

In € thousand			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category per IAS 39	Carrying amount as of 31 December 2012	Amortised acquisition cost	Acquisition cost	Directly in equity at fair value	Fair value recognised in income through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2012
Loans and receivables	LaR	104,293	104,293	–	–	–	–	104,293
Financial investments held to maturity	HtM	–	–	–	–	–	–	–
Financial assets recognised at fair value	FAFVtPL	148	–	–	–	148	–	148
Financial assets held for trading	FAHfT	63	–	–	–	63	–	63
Financial liabilities measured at amortised cost	FLAC	185,200	185,200	–	–	–	–	185,946
Financial liabilities held for trading	FLHfT	120	–	–	–	120	–	120

In € thousand			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category per IAS 39	Carrying amount as of 31 December 2011	Amortised acquisition cost	Acquisition cost	Directly in equity at fair value	Fair value recognised in income through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2011
Loans and receivables	LaR	130,348	130,348	–	–	–	–	130,348
Financial investments held to maturity	HtM	26	26	–	–	–	–	26
Financial assets recognised at fair value	FAFVtPL	4,604	–	–	–	4,604	–	4,604
Financial assets held for trading	FAHfT	567	–	–	–	567	–	567
Financial liabilities measured at amortised cost	FLAC	195,815	195,815	–	–	–	–	196,801
Financial liabilities held for trading	FLHfT	897	–	–	–	897	–	897

Most trade receivables and other accounts receivable have times to maturity of less than a year. Therefore, carrying amounts as of the reporting date roughly correspond to fair values.

In the case of other non-current receivables and investments held to maturity with times to maturity of more than one year, fair values correspond to present values of payments relating to the assets taking into account current interest rate parameters reflecting market- and partner-specific changes in terms and expectations.

Trade payables as well as other liabilities normally have times to maturity of less than one year. Therefore, in this case as well, carrying amounts correspond approximately to fair values.

The fair values of liabilities to banks and other financial liabilities are measured as the present values of payments relating to the debt based on the respective applicable yield curve as well as the analysed credit spread curve for each currency.

As of 31 December 2012, the Biotest Group held no material investments categorised as available for sale in its portfolio.

The financial instruments recognised at fair value in the statement of financial position are to be assigned under IFRS 7.27A to a three-level fair value measurement hierarchy. The level reflects the closeness to the market of the data used to calculate fair value. Fair value hierarchy levels are described below:

Level 1: quoted prices for identical assets or liabilities in active markets,

Level 2: information other than quoted prices that is directly (such as prices) or indirectly (such as derived from prices) observable, and

Level 3: information on assets and liabilities that is not based on observable market data**.**

In the case of derivative financial assets or liabilities (currency transactions) the mark-to-market measurement performed is based on quoted exchange rates and yield curve structures obtainable on the market. Fair value classification takes place in hierarchy level 2.

The fair value of the pension fund is allocated to hierarchy level 1.

3.4 NET RESULT BY MEASUREMENT CATEGORIES

The net result for financial year 2012 by measurement category is as follows:

In € thousand		From subsequent measurement				
Categories	From interest	At fair value	Currency translation	Impairment	From disposal	Net result 2012
Loans and receivables	535	–	–1,074	–3,466	–	–4,005
Financial investments held to maturity	–	–	–		–	–
Financial assets recognised at fair value	4	–	–	–	–657	–653
Financial assets held for trading	–	175	–	–	–	175
Financial liabilities held for trading	–	68	–	–	–	68
Financial liabilities measured at amortised cost	–3,165	–	201	–	–	–2,964
Total	**–2,626**	**243**	**–873**	**–3,466**	**–657**	**–7,379**

The net result for the previous financial year by measurement category is as follows:

In € thousand		From subsequent measurement				
Categories	From interest	At fair value	Currency translation	Impairment	From disposal	Net result 2011
Loans and receivables	770	–	587	–184	–415	758
Financial investments held to maturity	1	–	–	–	–	1
Financial assets recognised at fair value	5	–7,987	–	–	980	–7,002
Financial assets held for trading	–	238	–	–	–	238
Financial liabilities held for trading	–	–949	–	–	–	–949
Financial liabilities measured at amortised cost	–4,709	–	–117	–	–	–4,826
Total	**–3,933**	**–8,698**	**470**	**–184**	**565**	**–11,780**

All components of net earnings are recorded under other financial expenses or other financial income, except for bad debt provisions for trade receivables, which are disclosed under other operating expenses.

The subsequent measurement of financial instruments assigned to the category financial assets and liabilities held for trading resulted in a gain of € 243 thousand (previous year: loss of € 711 thousand) including interest rate as well as currency effects.

3.5 CASH FLOW IN PERIODS

The tables below show the contractually agreed, undiscounted interest payments and principal repayments relating to primary financial liabilities and derivative financial instruments with positive and negative fair values. The second table contains comparative values for cash flows in specific periods based on the previous financial year.

All instruments held in the portfolio as of the reporting date for which payments were already contractually agreed are included. Forecast figures for future new liabilities are not included. Foreign currency amounts are translated at the exchange rate as of the reporting date. Variable interest payments on financial instruments are calculated using the last fixed interest rate prior to 31 December 2012. Financial liabilities repayable at any time are always assigned to the earliest time period.

In € thousand		Cash flows in 2013			Cash flows in 2014		
Financial position items	Carrying amount as of 31 December 2012	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−107,529	−364	−699	−37,553	−250	−506	−15,191
Liabilities from finance leases	−1,781	−40	–	−1,781	–	–	–
Other interest-bearing liabilities	−3,169	−63	–	−2,111	−26	–	−967
Trade payables	−47,373	–	–	−47,373	–	–	–
Other liabilities	−27,129	–	–	−27,129	–	–	–
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−120	–	–	−120	–	–	–
Financial asset derivatives:							
Currency derivatives not designated as a hedging instrument	63	–	–	63	–	–	–

In € thousand		Cash flows in 2012			Cash flows in 2013		
Financial position items	Carrying amount as of 31 December 2011	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−131,187	−411	−2,307	−33,449	−364	−1,653	−27,188
Liabilities from finance leases	−3,491	−115	–	−1,710	−40	–	−1,781
Other interest-bearing liabilities	−4,355	−41	−44	−2,576	−66	–	−1,127
Trade payables	−34,678	–	–	−34,678	–	–	–
Other liabilities	−25,595	–	–	−25,401	–	–	−171
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−874	–	–	−874	–	–	–
Interest rate derivatives not designated as a hedging instrument	−23	–	–	–	–	–	–
Financial asset derivatives:							
Currency derivatives not designated as a hedging instrument	488	–	–	488	–	–	–
Interest rate derivatives not designated as a hedging instrument	79	–	–	–	–	–	–

Cash flows in 2015			Cash flows in 2016			Cash flows in 2017			Cash flows after 2017		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
−125	−422	−53,438	−16	–	−1,719	–	–	–	–	–	–
–	–	–	–		–						
–	–	−92	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
				–		–	–	–	–	–	–
				–		–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

Cash flows in 2014			Cash flows in 2015			Cash flows in 2016			Cash flows after 2016		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
−250	−1,230	−15,971	−124	−1,120	−53,438	−16	–	−1,719	–	–	–
–	–	–	–	–	–	–		–			
−46	–	−617	−1	–	−35	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	−17	–	–	−6	–	–	–	–	–	–
							–		–	–	–
							–		–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–		–	–	–	–	–		–			
–	–	–	–	–	–	–	–	–	–	–	–
–		–	–	–	–	–		–			

4 FINANCIAL RISK MANAGEMENT

In the course of its ordinary operations and due to existing international trade relationships, Biotest is exposed to currency and interest rate risks.

To hedge currency positions, Biotest uses derivative financial instruments to minimise risks inherent in exchange rate fluctuations. In addition, Biotest also used interest rate hedging instruments during the financial year. Derivative financial instruments are generally subject to changes in market prices.

Biotest is not in full compliance with the formal requirements of IAS 39 for hedge accounting. Consequently, all gains and losses arising from market valuation of derivative financial instruments used to hedge interest rate and currency risks are recognised through profit or loss.

Financial instruments are recognised at the time that the corresponding contracts are concluded. They are initially recognised at cost of purchase and then measured at their respective market values as of the reporting date. Financial instruments are derecognised once contractual obligations have been fulfilled by both parties or upon the closing out of the instrument.

The market values of derivative financial instruments are disclosed in the statement of financial position under other assets or other financial liabilities. As of 31 December 2012, € 63 thousand (previous year: € 567 thousand) are disclosed under other assets and € 120 thousand (previous year: € 897 thousand) under other liabilities.

CREDIT RISKS

A credit risk is the financial risk that a contractual partner will not meet his payment obligations. Biotest counters default risk through the continuous management of receivables. Credit terms and other conditions are based on the customer's credit rating. In addition, portions of domestic receivables and selected foreign receivables are sold to factoring companies or banks.

As of the reporting date, receivables from Greek customers were impaired by € 2,700 thousand (previous year: € 0 thousand). Countries that account for more than 10% of the total receivables value are Italy and Iran. In Italy, receivables amounting to € 613 thousand (in the previous year € 431 thousand) were impaired. As in the previous year, loans to customers in Iran were not impaired.

For certain customers in selected countries, credit insurance has been obtained from various companies. A deductible of up to 10% was agreed in the existing credit insurance policy.

Specific bad debt allowances are made for potential default risks in connection with primary financial instruments.

To present the maximum default risk of financial assets, the corresponding carrying amount is used as an equivalent for the maximum default risk:

In € thousand	2012	2011
Trade receivables	96,143	120,961
Other assets	8,207	9,932
Other financial investments	154	4,652

Other financial investments in the previous year include Greek government bonds in the amount of € 4,453 thousand. In 2012 all Greek government bonds were sold.

MARKET RISKS

Market price risks result from changes in market prices. These lead to fluctuations in fair values or future cash flows from financial instruments. Market risks comprise foreign exchange risks, interest rate risks and other price-related risks.

FOREIGN CURRENCY RISKS

The Biotest Group is exposed to currency risks that arise mainly from an imbalance in global cash flows. This imbalance is due primarily to higher sales in USD offset by lower purchases in USD. The Biotest Group protects itself as a matter of principle against identifiable future currency risks whenever it anticipates such exposure. In addition, the Group selectively hedges risks in the statement of financial position. The Biotest Group makes use of opportunities to offset currency risks naturally and to use currency futures to manage currency risks.

The Biotest Group holds the following positions in foreign currencies that are material to the Group:

Foreign currency risk	USD		GBP		HUF		RUB	
In € thousand	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Cash reserves	1,250	1,586	518	465	224	520	12,362	1,225
Trade receivables	20,174	24,239	1,570	1,412	1,544	1,426	1	8,700
Other primary financial assets	1,829	2,117	70	40	253	827	–	–
Other derivative financial assets	–	–	45	3	–	344	18	66
Trade payables	−9,166	−6,532	−186	−199	−47	−84	−171	–
Liabilities to financial institutions	−39,423	−62,377	–	–	–	–	–	–
Other primary financial liabilities	−5,935	−4,760	−36	−28	−344	−235	−26	−25
Other derivative financial liabilities	−60	−451	–	−366	–	–	−60	−56
Net disclosure	**−31,331**	**−46,178**	**1,981**	**1,327**	**1,630**	**2,798**	**12,124**	**9,910**

As of the reporting date, the following currency option contracts and currency futures were in place:

In € thousand	Nominal amount		Market values	
	2012	2011	**2012**	2011
Currency options	–	2,500	–	74
Currency futures	70,610	51,309	−57	−460

The following times to maturity were applicable to currency futures (nominal amounts: USD 75,000 thousand, GBP 1,300 thousand, RUB 495,349 thousand) as of the reporting date

In € thousand	**Total**	Residual maturity < 1 year
31 December 2012	70,610	70,610
31 December 2011	53,809	53,809

See Section B3 for information about principal exchange rates during the reporting period.

INTEREST RATE RISKS

Due to changes in the yield curve, the present values of payment flows change whenever discount rates change. A change in the present value of an individual financial instrument may result from a shift in the risk-free interest rate curve (swap curve) or a change in credit-based premiums (spread risks) included in the prices of the financial instruments.

The Biotest Group is exposed to interest rate risks on existing loans (see also section E14 Financial Liabilities). To minimise these risks, interest rate hedging was used in the previous year; these hedges were reversed early in the current financial year.

In the previous year the following interest rate hedges were in place

In € thousand	Nominal amount 2011	Market values 2011
Interest rate caps	70,000	79
Interest rate swaps	20,000	–23
	90,000	**56**

The nominal amount is the sum of all purchase and sale amounts for derivative financial transactions. The market values of interest rate hedging instruments are determined by the corresponding banks. They result from the measurement of outstanding positions at market prices without consideration of contrary performance from underlying transactions. They correspond to expenses or income for the realisation of derivative contracts on the reporting date.

LIQUIDITY RISKS

Liquidity risk is the risk that a company will be unable to meet its financial commitments to a sufficient extent. A shortage of financial capital may result in an increase in financing costs.

The Biotest Group manages its liquidity by maintaining sufficient liquid funds and credit lines with banks in addition to cash flows from business operations.

As of 31 December 2012 the Biotest Group had access to the following contractually established credit lines:

	2012		2011	
In € thousand		Drawn down		Drawn down
Credit lines granted (freely available)	191,743	110,699	218,533	134,518
Fixed loan commitments received (subject to specific terms and conditions)	5,000	5,000	5,268	1,025
	196,743	**115,699**	**223,801**	**135,543**

The individual corporate divisions supply the central Treasury with the necessary information for creating a liquidity profile. All financial assets, financial liabilities and expected cash flows from planned transactions are included.

A maturity overview illustrating how cash flows from liabilities as of 31 December 2012 impact the Group's liquidity position is provided in Section F3.5.

The available liquidity, short- and long-term credit lines and the option of generating cash flows by securitising receivables give the Biotest Group sufficient flexibility in covering its funding needs. Due to the diversification of funding sources and liquid funds, the Biotest Group is not exposed to a concentration of risk in terms of liquidity.

5 SENSITIVITY ANALYSIS PURSUANT TO IFRS 7.40

The Biotest Group is exposed to market risks comprising foreign currency risks and interest rate risks.

By using sensitivity analyses, the effects of any changes in the relevant risk variables on profit or loss and on equity as of the reporting date are determined for each type of risk.

FOREIGN CURRENCY RISKS

For the analysis of foreign currency risks, a sensitivity analysis is performed for specific currencies that pose a significant risk to the Biotest Group. The following major currencies are analysed: USD, GBP, HUF and RUB.

If the euro had appreciated by 10 % against all currencies as of 31 December 2012, the financial result would have been € 5,165 thousand higher (previous year: € 2,995 thousand higher).

If the euro had depreciated by 10 % against all currencies as of 31 December 2012, the financial result would have been € 4,743 thousand lower (previous year: € 2,854 thousand lower).

Specifically, the hypothetical impact on profit or loss of € 5,165 thousand or € −4,743 thousand results from the following currency sensitivities:

In € thousand	Appreciation of the EUR by 10 %	Depreciation of the EUR by 10 %
EUR to USD	4,908	−4,736
EUR to GBP	124	−116
EUR to HUF	–	–
EUR to RUB	122	−123
EUR to other currencies	11	−14
	5,165	**−4,743**

It should be noted that the sensitivity analysis required by IFRS 7 only takes into account exchange rate risk on financial assets and liabilities but not translation risk. Taking into account translation risk would have different effects.

INTEREST RATE RISKS

For interest rate risks, a sensitivity analysis serves to illustrate the effects of changes in market interest rates on interest income and expenses, other income components and, where applicable, equity.

Changes in the market interest rates of primary financial instruments with fixed interest rates only impact income if recognised at fair value. Financial instruments with fixed interest rates measured at amortised cost are therefore not exposed to interest rate risks as defined by IFRS 7.

Changes in the market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps and interest rate caps) that do not form part of a hedging relationship under IAS 39 impact other financial income (measurement result from the adjustment of financial assets to fair value) and are therefore incorporated in income-related sensitivity calculations.

Currency derivatives and changes in their value due to interest rate changes were not taken into account in calculating interest rate sensitivities.

The sensitivity analysis is based on the net effect of interest-bearing liabilities and bank balances. If the market interest rate level as of 31 December 2012 had been 100 basis points higher, the fair values of the financial instruments would have been € 0 thousand (previous year: € 1,392 thousand) higher. The hypothetical effect on earnings of € 396 thousand (previous year: € 669 thousand) arises from the potential effects of interest rate derivatives of € 0 thousand (previous year: € 945 thousand) and non-derivative financial liabilities of € 396 thousand (previous year: € 276 thousand).

Given the low reference interest rates as of the reporting date, no sensitivity analysis for downward changes in market interest rates was conducted on de minimis grounds. The figures for the previous year are based on 70 basis points. If the market interest rate level as of 31 December 2011 had been 70 basis points lower, the fair values of the financial instruments would have been € 791 thousand lower. The hypothetical effect on earnings of € −273 thousand was based on the potential effects of interest rate derivatives of € −469 thousand and non-derivative financial liabilities of € 193 thousand.

If the market interest rate level as of 31 December 2012 had been 100 basis points higher or 0 basis points lower, equity would have remained unchanged.

MARKET RISKS

The figures for the sensitivity analysis in accordance with IFRS 7.40 (b) include both fair value risk and cash flow risk. Since these values were determined simultaneously using computer models, no specific, differentiated statements can be made with regard to the individual values.

OTHER PRICE-RELATED RISKS

As part of the presentation of market risks, IFRS 7 also requires information about how hypothetical changes in risk variables affect the prices of financial instruments. Possible risk variables are, in particular, stock market prices or indices.

Other price-related risks have no material impact on the prices of financial instruments held by the Biotest Group.

6 CAPITAL MANAGEMENT

The primary objective in managing capital is to ensure an attractive overall rating for investors and to maintain adequate capital ratios in order to guarantee the strategic business development of the Biotest Group.

The equity of the Biotest Group – that is the focus of capital structure optimisation efforts – is the equity disclosed on the statement of financial position which is attributable to the owners of Biotest AG as the parent company. Share capital consists of 6.6 million ordinary voting shares and 5.1 million non-voting preference shares. Non-controlling interests play only a minor role in capital management due to the low volume. The subordinated bullet loans received strengthen the Company's long-term financial strength in terms of liability, but are managed as part of the Company's borrowed capital.

Strategic capital management analyses are based on long-term forecast calculations, which are used to determine the corresponding future values and indicators. In the short term, budget forecasts for the following year serve as the basis for financial indicators.

As part of its strategy, the Biotest Group seeks to main an equity ratio of at least 40 %. The equity ratio of the Biotest Group as of 31 December 2012 was 54.1 % (previous year: 50.8 %). In addition, both long-term and special quarterly financial data, as defined by the underwriting banks, are used for analysis and control purposes. One of the key indicators here is the leverage factor, calculated as the ratio of net debt to EBITDA.

In financial year 2012, no changes were made to the objectives or processes for managing capital.

The Biotest Group has various options at its disposal for achieving its capital management objectives. These include capital increases through the issue of new shares with or without preemptive rights, dividend policies and the repurchase of shares. Efforts to optimise capital structure are also supported through debt reduction measures and active management of working capital.

7 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a potential asset that arises from past events and whose existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the Company.

Contingent liabilities are potential commitments resulting from past events. Their existence must be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not within the full control of the Company. However, contingent liabilities may also stem from current commitments resulting from past events that are not recorded because either the outflow of resources plus losses in economic benefit is not probable or the amount of the commitment cannot be estimated with sufficient reliability.

The Biotest Group has contingent liabilities from guarantees in the amount of € 21,715 thousand (previous year: € 13,464 thousand). These relate materially to guarantees for goods and services, in which the probability of a claim against the Biotest Group is considered low.

In Italy, there is a risk that the Italian health authorities will request reimbursement from the launch of Zutectra® in 2010 with respect to additional revenues generated by Zutectra® in 2011 and 2012 in the retail market. Biotest classifies this claim as not justified, as the overall market for hepatitis B immunoglobulins in 2011 and 2012 remained more or less at the same level as in 2010 and the Italian public health system experienced no disadvantages but only advantages through the launch of Zutectra®. For this reason, no provision for the claim was recognised in the consolidated financial statements. The risk is estimated to be in the low single-digit millions.

8 OTHER FINANCIAL COMMITMENTS

In € thousand	in 2013	2014 to 2017	as of 2018	Total
Obligations under long-term service agreements	10,626	37,942	8,346	56,914
Future payments for rental and operating lease contracts	3,881	7,644	2,541	14,066
Obligations for the acquisition of property, plant and equipment	4,356	–	–	4,356
Obligations for the acquisition of intangible assets	1,391	–	–	1,391
Other financial obligations	218	208	–	426
Status as of 31 December 2012	**20,472**	**45,794**	**10,887**	**77,153**

Payments for approved investments in fixed assets will be made within one year.

Obligations under long-term service agreements relate to purchase commitments under two toll manufacturing agreements for the period from 2013 to 2018 totalling € 56,914 thousand (previous year: € 67,851 thousand).

The Biotest Group rents or leases operating equipment as a lessee. Operating leases include vehicle and office equipment with a base rental term of two to five years. In financial year 2012 expenditure on rental and operating lease contracts amounted to € 4,208 thousand (previous year: € 5,051 thousand).

Some rental, lease and operating lease agreements in connection with plasma stations run by Plasma Service Europe GmbH include clauses allowing price adjustments based on the German consumer price index.

9 RELATIONSHIPS TO RELATED COMPANIES AND PERSONS

The Biotest Group maintains reportable relationships with the associate BioDarou P.J.S. Co., Tehran, Iran, and its subsidiary Plasma Gostar Pars P.J.S., Tehran, Iran, with the members of the Board of Management and the Supervisory Board and related parties as well as with shareholders with significant influence over Biotest AG.

A) ASSOCIATES

In the reporting year, BioDarou P.J.S. Co. acquired goods and services from the Biotest Group companies totalling € 1,568 thousand (previous year: € 4,677 thousand). The resulting receivables from associates totalled € 1,928 thousand on the reporting date (previous year: € 2,527 thousand).

B) OTHER RELATED PARTIES

Dr. Cathrin Schleussner notified the Biotest Group that, as of 19 December 2007, her voting rights in the Company totalled 50.03 %. These voting rights are held via OGEL GmbH, Frankfurt/Main, Germany. OGEL GmbH is controlled by Dr. Cathrin Schleussner.

The members of Dr. Hans Schleussner's family are also deemed related parties as defined by IAS 24. Expenses for other related parties in the Schleussner family amounted to € 18 thousand (2009: € 18 thousand). Shareholder loans did not give rise to interest expense in financial years 2012 or 2011.

As a related party of the Biotest Group, Kreissparkasse Biberach maintains employee custody accounts for the Long Term Incentive Programme. The Biotest Group received interest income through 31 December 2012 of € 56 thousand (previous year: € 504 thousand) on a no longer existing term deposit in the amount of € 20,000 thousand.

In the reporting year, Plasma Gostar Pars P.J.S. acquired goods and services from the Biotest Group companies in the amount of € 9,842 thousand (previous year: € 3,644 thousand). The resulting receivables from the subsidiary of the associate totalled € 7,989 thousand (previous year: € 3,644 thousand) as of the reporting date.

C) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Board members

As of 31 December 2012, the members of the Supervisory Board and the Board of Management also served on statutory supervisory boards and comparable controlling bodies of commercial enterprises as follows:

Supervisory Board

Dr. Alessandro Banchi,
former Management Board spokesman
for the Boehringer Ingelheim Group, Milan, Italy,
Chairman of the Supervisory Board, Enel S.p.A., Rome, Italy
(Supervisory Board Chairman since 10 May 2012)

Dr. Cathrin Schleussner,
CEO of OGEL GmbH, Neu-Isenburg, Germany,
Deputy Chairperson

Dr. Christoph Schröder,
Partner and Managing Director
of the investment firm Odewald & Compagnie, Berlin, Germany,
Pritidenta GmbH, Leinfelden-Echterdingen, Germany,
Oberberg Kliniken GmbH, Berlin, Germany
(Supervisory Board member since 10 May 2012)

Kerstin Birkhahn,
engineer, Langen, Germany

Thomas Jakob,
businessman, Ulm, Germany,
Deputy Chairman of the Management Board
of Kreissparkasse Biberach, Biberach, Germany,
Aktiengesellschaft für Umsatzfinanzierung S.A.,
Senningerberg, Luxembourg

Jürgen Heilmann,
administrative staff member, Dreieich, Germany

Supervisory Board remunerations

The remuneration of the Supervisory Board for financial year 2012 is laid down in the Articles of Association that were valid until 10 May 2012. The amendments to the Articles of 10 May 2012 enter into effect on 1 January 2013. Each Supervisory Board member receives an annual fixed remuneration of € 15 thousand. The Chairman of the Supervisory Board receives twice this amount and his/her deputy one-and-a-half times this sum. An additional € 3 thousand is paid for work performed on a Supervisory Board committee, with the committee chairman receiving € 5 thousand. Biotest AG reimburses the value added tax payable on Supervisory Board remuneration. Members of the Supervisory Board also receive a variable remuneration of € 1 thousand for every € 0.01 by which the dividend paid for the financial year exceeds € 0.24. This variable remuneration is limited to a maximum of € 10 thousand. The members of Biotest AG's Supervisory Board are, like members of the Board of Management, covered by the Group's professional indemnity insurance (D&O liability insurance).

Biotest pays the insurance premiums for all members of the Supervisory Board. The members of the Supervisory Board also receive personal liability coverage in addition to the existing employer's liability insurance. No other non-cash benefits were granted.

The Supervisory Board members received the following compensation for their activities in financial year 2012:

In € thousand 2012	Fixed remuneration	Variable remuneration	**Total compensation**
Dr. Alessandro Banchi (Chairman) (since 10 May 2012)	33	16	49
Dr. Thorlef Spickschen (Chairman) (until 10 May 2012)	18	9	27
Dr. Cathrin Schleussner (Deputy Chairperson)	29	15	44
Kerstin Birkhahn	15	10	25
Thomas Jakob	21	10	31
Jürgen Heilmann	18	10	28
Dr. Christoph Schröder (since 10 May 2012)	15	6	21
Prof. Dr. Marbod Muff (until 10 May 2012)	8	4	12
	157	**80**	**237**

The members of the Supervisory Board were paid the following compensation for financial year 2011:

In € thousand 2011	Fixed remuneration	Variable remuneration	**Total compensation**
Dr. Thorlef Spickschen (Chairman)	51	25	76
Dr. Cathrin Schleussner (Deputy Chairperson)	28	15	43
Barbara Arnold-Schlosser (until 1 August 2011)	10	6	16
Kerstin Birkhahn	15	10	25
Thomas Jakob	18	10	28
Jürgen Heilmann (since 22 September 2011)	5	3	8
Prof. Dr. Marbod Muff	23	10	33
	150	**79**	**229**

In addition to the listed Supervisory Board compensation, additional amounts paid in financial years 2012 and 2011 to employee council employee representatives on the Supervisory Board under their employment agreements were also expensed. These amounts were based on collective bargaining agreements and/or company pay rates for non-pay-scale employees.

Board of Management

Prof. Dr. Gregor Schulz,
Umkirch, Germany,
Chairman of the Board of Management

Dr. rer. pol. Michael Ramroth,
Mörfelden-Walldorf, Germany,
Chief Financial Officer

Total remuneration of active members of the Board of Management in financial year 2012 amounted to € 1,018 thousand (previous year: € 1,141 thousand).

Of this total, Prof. Dr. Gregor Schulz received a fixed salary of € 340 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling € 46 thousand. His performance-related remuneration amounted to € 158 thousand.

Dr. Michael Ramroth received a fixed salary of € 300 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling € 35 thousand. His performance-related remuneration amounted to € 139 thousand.

The Board of Management agreement signed by both members of the Board of Management includes a supplementary agreement regarding severance pay in the event of the early termination of the Board of Management agreement due to circumstances clearly defined as a change of control. Severance pay includes fixed compensation through the end of the term of the contract and is limited to a maximum of three times the annual fixed salary. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the Company vehicle provided are also paid. In addition to these entitlements, the severance payment shall also include a sum equal to twice the annual fixed salary. In total, however, the severance payment may not exceed three times the annual fixed salary.

There shall be no entitlement if the Board of Management agreement is terminated for good cause, illness or incapacity to work, or if the Board of Management member in question has reached the age of 60 or 65, respectively, at the time of termination or received remuneration or benefits from a third party in connection with the change of control.

No other one-off or recurring commitments exist in the event of termination of a Board of Management assignment.

Participation by members of the Board of Management in the Long Term Incentive Programme is not included in total remuneration and is as follows:

In € thousand	Personal investment in preference shares (in number of share)	Fair value of options as of 31 December	Total cost of the stock option plan in the financial year
2012 (2010, 2011 and 2012 tranches)			
Prof. Dr. Gregor Schulz	1,800	673	216
Dr. Michael Ramroth	1,800	593	190
	3,600	**1,266**	**406**
2011 (2009, 2010 and 2011 tranches)			
Prof. Dr. Gregor Schulz	1,800	280	55
Dr. Michael Ramroth	1,800	246	49
	3,600	**526**	**104**

The Long Term Incentive Programme/2009 tranche was not paid out in financial year 2012 as targets were not met.

Pension entitlements for the current members of the Board of Management total € 4,195 thousand (previous year: € 3,005 thousand). Of this amount, € 2,517 thousand (previous year: € 1,908) was attributable to Prof. Dr. Gregor Schulz and € 1,678 thousand (previous year: € 1,097 thousand) to Dr. Michael Ramroth. For insolvency protection of pension entitlements, assets in the amount of € 1,471 thousand were transferred to Biotest Vorsorge Trust e.V. on 31 December 2012.

Provisions of € 4,234 thousand (previous year: € 3,975 thousand) were recognised for pension commitments to former members of the Board of Management and their dependents. As of the reporting date, there were no loans outstanding to members of the Company's management bodies.

In financial year 2012 pension payments of € 415 thousand (previous year: € 415 thousand) were made to former members of the Board of Management.

10 PARTICIPATING INTERESTS

The following is a list of the companies in which Biotest AG holds a direct or indirect participating interest in accordance with Section 313 (2) of the German Commercial Code (HGB). All amounts were calculated for the purposes of the consolidated financial statements in accordance with IASB rules.

Company name	Company headquarters	Total equity in € million	Share of equity in %	Earnings after taxes in € million
Biotest Pharma GmbH	Dreieich, Germany	103.1	100.00	1.3
Biotest Grundstücksverwaltungs GmbH*	Dreieich, Germany	5.4	98.00	0.6
Biotest (UK) Ltd.	Birmingham, UK	2.1	100.00	0.4
Biotest Italia S.r.l.	Milan, Italy	9.3	100.00	0.4
Biotest Austria GmbH	Vienna, Austria	2.1	100.00	0.5
Biotest (Schweiz) AG	Rupperswil, Switzerland	1.4	100.00	0.4
Biotest Hungaria Kft.	Budapest, Hungary	3.7	100.00	0.4
Biotest Farmaceutica Ltda.	São Paulo, Brazil	−0.1	100.00	−3.0
Biotest Hellas MEPE	Athens, Greece	−8.3	100.00	−0.2
Biotest Medical S.L.U.	Barcelona, Spain	0.2	100.00	0.1
Plasmadienst Tirol GmbH*	Innsbruck, Austria	0.4	100.00	0.0
Plasma Service Europe GmbH*/**	Dreieich, Germany	0.4	100.00	0.0
Biotest Pharmaceutical Corporation*	Boca Raton, USA	75.1	100.00	−8.2
Biotest US Corporation	Boca Raton, USA	77.4	100.00	0.0
Plazmaszolgálat Kft.*	Budapest, Hungary	0.4	100.00	0.1
BioDarou P.J.S. Co.*	Tehran, Iran	5.8	49.00	2.1
Biotest Pharma OOO***	Moscow, Russia	0.0	100.00	0.0
Biotest Seralc° N.V.***	Mechelen, Belgium	0.0	100.00	0.0

* Indirect interest
** After assumption of profit under the HGB by Biotest Pharma GmbH
*** Non-consolidated company

11 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 640 thousand (previous year: € 1,429 thousand) were recognised for pending and imminent legal proceedings as of the reporting date.

12 EVENTS AFTER THE REPORTING DATE

After the reporting date, the Supervisory Board of Biotest AG appointed Dr. Georg Floß to the Board of Management. As Chief Operations Officer (COO), a newly created position, Dr. Floß is responsible for the areas of Production and Operations. Dr. Floß has been employed with Biotest in a management capacity since 2008.

13 CORPORATE GOVERNANCE

The Board of Management and the Supervisory Board of Biotest AG have issued the Declaration of Compliance required under Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the Company's website.

Dreieich, Germany, 7 March 2013

Prof. Dr. Gregor Schulz
Chairman of the Board of Management

Dr. Michael Ramroth
Member of the Board of Management

Dr. Georg Floß
Member of the Board of Management

DECLARATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH SECTION 37Y NO. 1 OF THE GERMAN SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH SECTION 297 (2) SENTENCE 4 AND SECTION 315 (1) SENTENCE 6 OF THE GERMAN COMMERCIAL CODE (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Dreieich, 7 March 2013

Biotest Aktiengesellschaft

Management Board

Prof. Dr. Gregor Schulz
Chairman of the Board of Management

Dr. Michael Ramroth
Member of the Board of Management

Dr. Georg Floß
Member of the Board of Management

AUDIT OPINION

We have audited the consolidated financial statements prepared by Biotest Aktiengesellschaft, Dreieich, comprising statement of income, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with (German) principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, 7 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kretschmer
German Public Auditor

Kaefer
German Public Auditor

SUPERVISORY BOARD REPORT

During the past financial year, the Supervisory Board fulfilled its duties in accordance with the law, the Articles of Association and rules of procedure. It supervised and advised the Board of Management regularly and carefully. The Board of Management regularly, promptly and comprehensively informed the Supervisory Board, both orally and in writing, of all issues of fundamental importance to the Company. These included issues relating to planning, business performance, further development, the risk situation and risk management. Wherever the business did not perform as projected, the Board of Management explained these deviations in detail and worked closely with the Supervisory Board to coordinate and implement the strategy within the Company.

During financial year 2012 the Supervisory Board held six regular meetings. In addition to the Supervisory Board meetings, the Chairman of the Board of Management regularly informed the Chairman of the Supervisory Board about current business developments and major business transactions. Business transactions of material importance to the Company were discussed in detail based on reports by the Board of Management. The Supervisory Board was involved in decisions from an early stage. The Board of Management duly submitted detailed documentation on business transactions requiring approval by the Supervisory Board. In addition to discussing the topics indicated below at Supervisory Board and committee meetings as well as the written and oral explanations given by the Board of Management, the Supervisory Board received monthly reports in writing on the business situation and business developments. These reports also included explanations of any deviations from current or planned developments. In addition, the Chairman of the Supervisory Board and the Chairman of the Audit Committee automatically received all Internal Audit reports. No conflicts of interest involving members of the Board of Management and Supervisory Board, which must be immediately disclosed to the Supervisory Board and reported to the Annual Shareholders' Meeting, arose during the reporting year.

MAIN FOCUS OF SUPERVISORY BOARD DELIBERATIONS

Topics regularly discussed by the Supervisory Board included planning and the Company's current business performance as well as its strategic direction, various transactions and financial position. Another topic of focus was the marketing authorisation procedure for Bivigam™ in the US.

At the meeting held on 20 March 2012, the Supervisory Board reviewed the current business performance, discussed Biotest AG's single-entity financial statements and the consolidated financial statements for financial year 2011 together with the auditors from Ernst & Young GmbH and addressed individual financial statement items in detail. The single-entity financial statements of Biotest AG and the consolidated financial statements for financial year 2011 were subsequently approved. The annual financial statements were thereby adopted. Other agenda items included a resolution regarding the appropriation of net profit and the adoption of the Corporate Governance and Supervisory Board reports. Also, proposed resolutions were added to the agenda for the Annual Shareholders' Meeting and a new instalment of the Long Term Incentive Programme for the Board of Management and corporate management members was approved. The Chairman of the Supervisory Board reported on the target attainment by the Board of Management members in financial year 2011 and presented the agreed Board of Management targets for 2012. The Board

of Management also reported on the current status of the marketing authorisation procedure for Bivigam™ in the US and on the market for polyspecific immunoglobulins. The Board of Management and Supervisory Board further discussed environmental protection efforts at Biotest as well as the expansion of the policy concerning environment, health and safety.

In a Supervisory Board meeting held on 10 May 2012 directly prior to the Annual Shareholders' Meeting, the Supervisory Board discussed the search of the Company's business premises conducted by the Frankfurt public prosecutor's office. The search resulted from an anonymous tip alleging embezzlement and bribery by Biotest AG employees among others, in business dealings in Russia. The Supervisory Board and Board of Management decided to hire a law firm to examine Biotest business dealings in Russia from a compliance perspective, independently of the public prosecutor's investigation. The results of this examination will be reported directly to the Chairman of the Supervisory Board. The Board of Management also reported on the current status of the marketing authorisation procedure for Bivigam™ in the US. Furthermore, the Board of Management provided information on the current state of the business based on performance figures for Q1 2012 as well as on potential partnerships with regard to the monoclonal antibody BT-062. Finally, the Supervisory Board prepared for the Annual Shareholders' Meeting.

Directly following the 2012 Annual Shareholders' Meeting, the Supervisory Board held its first constitutive meeting on 10 May 2012. The Supervisory Board appointed Dr. Alessandro Banchi as Chairman of the Supervisory Board and Dr. Cathrin Schleussner as Deputy Chairperson. In the same meeting, the members of the Personnel, Presiding and Audit Committees were selected. The committee members are listed in the section Changes in the Board of Management and Supervisory Board.

In the Supervisory Board meeting of 28 June 2012, the Board of Management informed the Supervisory Board of the company's current business outlook. The CEO of Biotest Pharmaceuticals Corp., Boca Raton, Florida, USA, then reported on the current status of the expansion of the facilities in Boca Raton and the status of the marketing authorisation procedure for Bivigam™. In addition, the Board of Management gave an overview of the current status of the investigation for embezzlement and bribery in business dealings in Russia. That same day, the contracted attorney notified the Personnel and Presiding Committees of the results of his examination regarding the business of Biotest in Russia. The Board of Management also reported on the market for plasma proteins, Biotest's performance versus its competitors and the Company's strategy. The Board of Management discussed revisions to the environmental, health and safety policy.

In the Supervisory Board meeting of 19 September 2012, the Board of Management reported on the current business outlook of the Company, in particular on its outstanding accounts payable. The Board of Management also reported on possible participation in a tender process in Russia. After discussing the opportunities and risks, the Supervisory Board approved participation in the tender. The Board of Management also discussed the timing and status of the marketing authorisation procedure for Bivigam™. The Board of Management provided an overview of the "Centers of Excellence". These expert teams will be tasked with determining future requirements for specific indication areas, licensing new products and initiating suitable business acquisitions

before they are officially implemented by the Board of Management. The head of each "Center of Excellence" reported on potential business acquisitions, partnerships and licensing in the respective indication area. The Supervisory Board discussed the presented projects in detail and proposed further examination by appropriate experts. During this meeting, the Supervisory Board also discussed the key elements of the five-year plan and the budget for 2013.

In the Supervisory Board meeting of 5 December 2012, which took place at the subsidiary Biotest Pharmaceutical Corp. in Boca Raton, Florida, USA, the Board of Management reported on current business performance, including the expected figures for the 2012 financial year and the status of the marketing authorisation procedure for Bivigam™ in the US. The Board of Management further reported on the signing of new marketing agreements in China and Greece. The Board of Management discussed the expected growth in demand for immunoglobulins, the Biotest strategy and proposed measures for expanding Biotest's capacity. The Supervisory Board discussed the ideas presented by the Board of Management and supported further internal growth. The Board of Management also presented its initial thoughts on a medium-term financing plan, including financing of possible acquisitions and capacity expansions. The Supervisory Board discussed the presented financing plan in detail. A decision on the financing plan will be made at the next Supervisory Board meeting in March 2013. Finally, the budget for financial year 2013 was discussed. The Supervisory Board approved the budget. The Board of Management also discussed risk management and the ten largest risks. The Chairman of the Audit Committee confirmed the results of the risk management review. The main focus areas for the audit of the 2012 financial statements were also established in coordination with Ernst & Young.

COMMITTEES

The Supervisory Board was assisted in its work by the committees formed by it: the Personnel and Presiding Committee and the Audit Committee.

The Personnel and Presiding Committees held two meetings with the Board of Management plus two additional meetings without the Board of Management. In the meeting of 20 March 2012, the Board of Management reported on the status of the marketing authorisation procedure for Bivigam™ in the US, the continuation of the Long Term Incentive Programme and the restructuring of payout criteria. The upcoming Supervisory Board appointments, the target attainment by the Board of Management in 2011 and the new Board of Management targets for 2012 were also discussed. In the second meeting on 28 June 2012, the status of the investigation by the public prosecutor's office regarding embezzlement and bribery in business dealings in Russia was discussed, as were the status of the internal examination and the findings of the retained attorney to date. In the meetings of 19 September 2012 and 4 December 2012 which were not attended by the Board of Management, ideas for the future management structure of Biotest AG were discussed.

The Audit Committee met on two occasions in 2012. In the first meeting held on 15 March 2012, it discussed the single-entity and consolidated financial statements for financial year 2011 as well as the findings of the auditors. In the second meeting on 30 November 2012, the Committee defined the focus areas for the 2012 annual financial statement audit, reviewed the Internal Audit report, adopted the 2013 audit plan, explained the risk management system and examined the ten largest risks.

CORPORATE GOVERNANCE

The Supervisory Board monitored the development of corporate governance standards within the Company in 2012 on a continual basis. The Board of Management and the Supervisory Board reported on corporate governance in accordance with Section 3.10 of the German Corporate Governance Code in the Corporate Governance Report, which was published along with the declaration of conformity with the recommendations of the government commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz or AktG). In March 2013, the Board of Management and the Supervisory Board of Biotest AG issued a declaration of conformity with the recommendations of the government commission on the German Corporate Governance Code in accordance with AktG Section 161.

CHANGES IN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Supervisory Board appointed Dr. Floss as a member of the Board of Management by circular resolution on 9 January 2013. Dr. Floss will serve a three-year term and was granted full representative authority. In addition, the Supervisory Board approved the extension of Professor Schulz's term through 31 December 2014.

In light of the expiration of the term of all Supervisory Board members at the conclusion of the Annual Shareholders' Meeting on 10 May 2012, both the Annual Shareholders' Meeting of 10 May 2012 and the employees appointed new members to the Supervisory Board. Dr. Alessandro Banchi, Dr. Cathrin Schleussner, Dr. Christoph Schröder and Thomas Jakob were appointed as shareholder members of the Supervisory Board. The employees appointed Kerstin Birkhahn and Jürgen Heilmann as their representatives. Dr. Thorlef Spickschen and Professor Marbod Muff will be departing the Supervisory Board. The Chairman of the Supervisory Board would like to thank the departing members for their longstanding loyal collaboration.

In the first constitutive meeting of the Supervisory Board following the 2012 Annual Shareholders' Meeting on 10 May 2012, the Supervisory Board appointed Dr. Alessandro Banchi as Chairman of the Supervisory Board. Dr. Cathrin Schleussner was appointed Deputy Chairperson. During the same meeting, the Supervisory Board appointed the members of the committees. The Presiding Committee members are Dr. Alessandro Banchi (Chairman), Dr. Cathrin Schleussner and Dr. Christoph Schröder. The Personnel Committee consists of Dr. Alessandro Banchi (Chairman), Dr. Cathrin Schleussner and Thomas Jakob. Appointed to the Audit Committee were Dr. Christoph Schröder (Chairman), Dr. Alessandro Banchi and Jürgen Heilmann.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the single-entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2012 along with the management report and Group management report and issued an unqualified opinion. The abovementioned documents, the auditor's report and the Board of Management's proposal on the appropriation of net profit were submitted to all members of the Supervisory Board in a timely manner. They were discussed in detail at the meeting of the Audit Committee on 18 March 2013 as well as at the meeting of the Supervisory Board on 22 March 2013. In both meetings, the auditors reported on the material results of the audit and were on hand to answer questions and provide additional information.

After reviewing and discussing the single-entity and consolidated financial statements, the management report and Group management report and the Board of Management's proposal on the appropriation of the net profit, the Supervisory Board raised no objections and approved the auditor's report. The Supervisory Board approved the single-entity and consolidated financial statements for financial year 2012 as prepared by the Board of Management. The annual financial statements are thereby adopted. The Supervisory Board approved the Board of Management's proposal on the appropriation of net profit.

The Supervisory Board would like to thank the Board of Management and all employees for their commitment and successful work in financial year 2012.

Dreieich, Germany, 22 March 2013

The Supervisory Board

Dr. Alessandro Banchi
Chairman

CORPORATE GOVERNANCE REPORT

JOINT REPORT BY THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD OF BIOTEST AG IN ACCORDANCE WITH SUBPARAGRAPH 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

Corporate governance principles

The management and control practices of Biotest AG are aimed at securing the Company's long-term success. The Board of Management and the Supervisory Board work closely together and base their actions on internationally recognised standards of good corporate governance. The Company's management and control practices meet all applicable legal requirements and the recommendations (prescribed targets) of the German Corporate Governance Code except where expressly indicated in the Declaration of Compliance. Amended and expanded many times over recent years, the recommendations and suggestions of the Code represent a high standard in our view, including at an international level.

Notes regarding the GCGC

The government commission on the German Corporate Governance Code, in its plenary session on 15 May 2012, adopted changes to the Code. Since the changes came into force during the fiscal year 2012, the following declaration of compliance applies to both the old version of 26 May 2010 as well as the new version of 15 May 2012.

DECLARATION OF COMPLIANCE

Declaration by the Board of Management and the Supervisory Board of Biotest AG on the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

Since the last Declaration of Compliance dated 20 March 2012, which referred to the German Corporate Governance Code as amended on 26 May 2010, Biotest AG has complied with all of the recommendations of the German Corporate Governance Code as amended on 26 May 2010 with the following exceptions:

- Biotest AG has not followed the recommendation in section 3.8 (3) of the German Corporate Governance Code to set a deductible on D&O insurance for the members of the Supervisory Board in the amount prescribed in AktG section 93 (2) sentence 3 for members of the Board of Management. Biotest AG has established in its view an appropriate deductible for members of its Supervisory Board. However, this does not meet the deductible amount for Supervisory Board members required by law. In Biotest's view, an increase in the deductible set would be out of proportion with current remuneration for Supervisory Board duties.
- Biotest AG has not followed the recommendation in section 5.3.3 of the German Corporate Governance Code to form a Supervisory Board nomination committee. Biotest AG's Supervisory Board comprises only four shareholder representatives. Biotest AG considers the formation of a committee from the small number of shareholder representatives to be unnecessary. The improvement in transparency of the selection procedure at which the recommendation is aimed is also ensured at Biotest AG in full meetings of the Supervisory Board.
- Section 5.4.1 of the German Corporate Governance Code recommends that the Supervisory Board set specific targets with regard to its composition, taking into account the international activities of the Company, potential conflicts of interest, an age limit for Supervisory Board members (to be defined) and diversity in light of the Company's specific situation. These specific targets should include adequate female representation. The Supervisory Board must take these targets into account when making recommendations to the selection committees. The targets and the status of their implementation are to be published in the Corporate Governance Report. The Supervisory Board of Biotest AG has already set a specific target with regard to the maximum age of its members. In addition, female members make up one-third of the Supervisory Board. An internal analysis found that, in the case of Biotest AG, due to past and also future above-average participation by women on the Supervisory Board, no express targets are required. To this extent, an exemption from section 5.4.1 (2) of the German Corporate Governance Code is declared. Accordingly, corresponding statements in the Corporate Governance Report cannot be made. Therefore, an exemption from section 5.4.1 (3) of the German Corporate Governance Code is also declared.

The Board of Management and Supervisory Board further declare their compliance with all the recommendations of the German Corporate Governance Code as amended on 15 May 2012, with the following exceptions:

- Biotest AG will continue not to follow the recommendation in section 3.8 (3) of the German Corporate Governance Code to set a deductible on D&O insurance for the members of the Supervisory Board in the amount prescribed in AktG section 93 (2) sentence 3 for members of the Board of Management. The reasons explained above remain valid.

- Biotest AG will also continue not to follow the recommendation in section 5.3.3 of the German Corporate Governance Code to form a Supervisory Board nomination committee. The reasons explained above remain valid.
- The revisions to the German Corporate Governance Code of 15 May 2012 include new recommendations under section 5.4.1 paragraphs 2 and 3 of the German Corporate Governance Code, which state that the Supervisory Board is to establish specific targets with regard to its composition, taking into account the international activities of the Company, potential conflicts of interest, the number of independent Supervisory Board members per section 5.4.2 of the German Corporate Governance Code, an age limit for Supervisory Board members (to be defined) and diversity in light of the Company's specific situation. These specific targets should include adequate female representation. The Supervisory Board must take these targets into account when making recommendations to the selection committees. The targets and the status of their implementation are to be published in the Corporate Governance Report. The Supervisory Board of Biotest AG was reappointed in May 2012. It continues to consist one-third of female members and, with the new Chairman of the Supervisory Board, who is an Italian citizen, reflects the international activities of the company.

  Based on the above considerations regarding the exemption from section 5.4.1 of the German Corporate Governance Code as amended on 26 May 2010, Biotest AG will continue not to follow the recommendations in section 5.4.1 (2) and (3) of the German Corporate Governance Code as amended on 15 May 2012.

  Biotest AG will not follow the new recommendation to set a target for the number of independent Supervisory Board members. The Articles of Association includes a clause giving OGEL GmbH the right to appoint members to the Supervisory Board. In addition, one Supervisory Board member has a business relationship with Kreissparkasse Biberach as a major shareholder. The Supervisory Board is convinced, that the number of independent persons is sufficient for the Supervisory Board of Biotest AG. In addition has an internal analysis shown that, under its current situation and shareholder structure, Biotest AG is not required to set specific targets for Supervisory Board membership.
- Section 5.4.6 (2) of the German Corporate Governance Code has been amended. It recommends that performance-based remuneration granted to members of the Supervisory Board be based on the long-term performance of the company. This is generally understood as a multi-year basis for calculating performance-based remuneration. Biotest AG will not follow this recommendation. Pursuant to section 16 (1) (b) of the Articles of Association, the members of the Supervisory Board of Biotest AG will receive annual variable remuneration for each past financial year based on the amount of the dividends paid. Biotest AG is of the opinion that the currently specified variable remuneration for the Supervisory Board is appropriate as a calculation basis and in its amount. If, as part of its regularly scheduled review of the remuneration system, the Company comes to the conclusion that the performance-based remuneration system should be adjusted, it will take into account the recommendation of section 5.4.6. (2) of the German Corporate Governance Code in its analysis.
- The recommendation of Section 5.4.6 (3) has been amended to the effect that the remuneration of the Supervisory Board no longer needs to be disclosed in the Corporate Governance Report but rather in the notes to the financial statements or the management report. The Company will continue to disclose Supervisory Board remuneration in the Corporate Governance Report. However, the latter is part of the management report of Biotest AG, so that there is no exemption from the recommendation in 5.4.6 (3) to report.

Dreieich, Germany, 22 March 2013

For the Board of Management

Prof. Dr. Gregor Schulz

Dr. Michael Ramroth

Dr. Georg Floß

For the Supervisory Board

Dr. Alessandro Banchi

CORPORATE GOVERNANCE IN THE FINANCIAL YEAR

The Annual Shareholders' Meeting of Biotest AG took place on 10 May 2012 in Frankfurt/Main, Germany. 89.71 % of the voting capital (ordinary share capital) was represented. All resolutions submitted (appropriation of net profit, approval of the actions of the members of the Board of Management and Supervisory Board, selection of the external auditors, appointment of (new) members to the Supervisory Board, adjustment of Supervisory Board remuneration and miscellaneous changes to the Articles) were approved by a clear majority.

DIRECTORS' DEALINGS (REPORTED TRANSACTIONS BY MEMBERS OF MANAGEMENT PURSUANT TO WPHG § 15A)

In financial year 2012 the following reportable share purchase and sale transactions were undertaken by members of executive bodies and other senior executives of Biotest AG:

Date:	Reporting Party	Role	Transaction Type and Venue	Financial Instrument	ISIN	Number of Units	Price in €	Transaction volume in €
11 May 2012	Dr. Michael Ramroth	Chief Financial Officer	Purchase / OTC	Preference shares	DE0005227235	500	40.3600	20,180.00
5 June 2012	Dr. Martin Reinecke	Head of Plasma Business Division, Alliances and Protein Supply	Purchase / Xetra	Preference shares	DE0005227235	300	37.5000	11,250.00
17 August 2012	Ogel GmbH	Closely related company	Purchase / OTC	Ordinary shares	DE0005227201	2,843	41.8317	118,927.52
16 November 2012	Ogel GmbH	Closely related company	Purchase / Xetra	Ordinary shares	DE0005227201	3,000	46.9620	140,886.00
23 November 2012	Ogel GmbH	Closely related company	Purchase / Xetra	Ordinary shares	DE0005227201	1,288	46.9609	60,485.63

REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

An explanation of the structure of the remuneration system and of the remuneration paid to active members of executive bodies in 2012 as part of the Corporate Governance report.

The remuneration report also forms part of the Group management report.

Board of Management remuneration

The Supervisory Board determines the remuneration of members of the Board of Management. It consists of a fixed salary, a bonus and a component that entails a long-term incentive effect and risk elements. Added to this are benefits in kind.

The criteria for determining appropriate remuneration take into account the duties of the individual Board of Management member, his/her personal performance, the economic situation, the success and future prospects of the Company, the typical remuneration paid at peer companies and the remuneration structure that otherwise applies at the Company. In accordance with subparagraph 4.2.3 of the GCGC, the following is an outline of the Company's remuneration structure for Board of Management members, including non-monetary components.

Fixed remuneration

The non-performance-related fixed remuneration of members of the Board of Management is composed of their fixed salary plus benefits in kind. The amount is based on Biotest's financial situation and future prospects and on the level of remuneration paid in the competitive environment. The annual fixed salary is specified for the entire term of the respective contract of employment and paid in twelve monthly instalments.

Benefits in kind

In addition to their fixed salary, members of the Board of Management receive benefits in kind. Board members Prof. Dr. Gregor Schulz and Dr. Michael Ramroth are covered professionally and personally by Biotest AG's collective accident insurance policy. In addition to the existing employer's liability insurance, they also receive personal liability coverage. Furthermore, the members of the Board of Management receive an allowance towards their social security and direct insurance contributions.

In accordance with the statutory regulations, Biotest AG has obtained directors and officers (D&O) liability insurance coverage for the members of the Board of Management with an appropriate deductible. The deductible equals 10 % of the insured event and is limited to 150 % of the fixed annual remuneration of each member of the Board of Management and meets the requirements of Section 93 (2) sentence 3 of the AktG. Both members of the Board of Management are provided with a top-of-the-range company vehicle free of charge; personal use of the vehicle is permitted.

Bonuses

The performance-related remuneration component (bonuses) is based on the achievement of corporate and personal targets. In calculating bonuses, EBIT and return on capital employed (ROCE) are each weighted at 30 % and achievement of personal targets set in the previous financial year at 40 %. A separate bonus for the achievement of targets of particular significance may also be determined by the Supervisory Board's Presiding Committee.

Remuneration component with a long-term incentive effect and risk elements

The remuneration component with a long-term incentive effect and risk elements is based on the Long-Term Incentive Programme (LTIP) of Biotest AG. In addition to the members of the Board of Management, selected managers who have a significant impact on the success of the company through their position within the Group, their decisions, leadership and actions also participate in the programme.

The programme is designed in accordance with established capital market criteria for systems of this kind and complies with the requirements of the GCGC. Participation in the programme requires a personal investment by the participant in the form of a purchase of preference shares of Biotest AG. The programme is described in detail in Section F1 of the notes to the consolidated financial statements, including the process for calculating incentive payments. It is anticipated that participants will be paid the incentive component in May of the year following expiry of the tranche.

Total remuneration paid to the Board of Management

For their work in financial year 2012 the active members of the Board of Management in 2012 were paid a total remuneration of € 1,018 thousand (2011: € 1,141 thousand). Of this total, Prof. Dr. Gregor Schulz received € 544 thousand and Dr. Michael Ramroth received € 474 thousand.

The fixed salary of Prof. Schulz in 2012 totalled € 340 thousand plus benefits in kind valued at € 46 thousand and a bonus of € 158 thousand. In financial year 2012 Dr. Ramroth was paid a fixed salary of € 300 thousand and fringe benefits worth € 35 thousand. His bonus amounted to € 139 thousand.

In addition, LTIP amounts not yet paid out over the entire period totalled € 394 thousand for Prof. Schulz and € 347 thousand for Dr. Ramroth as of the 31 December 2012 reporting date. No loans or advances were granted to the members of the Board of Management in financial year 2012. In the previous financial year, no member of the Board of Management received payments or services or any such commitments from a third party in respect of his work as a member of the Board of Management.

Pension entitlements

The Board of Management is covered under Biotest AG's company pension scheme. Members have been given individual commitments in accordance with the terms of the Biotest AG pension plan. For this purpose, provisions are recognised in accordance with IFRS. As of the reporting date, pension entitlements amounted to € 4,195 thousand, of which € 1,471 thousand were reinsured. The amount of the entitlement is dependent on the length of service, eligible salary and applicable benefits scale above and below the contribution limits of Germany's statutory pension scheme.

€ 184 thousand has been set aside under the current deferred compensation programme in place at Biotest.

Measurement is based on actuarial reports prepared by an independent actuary and calculated in accordance with the projected unit credit method. For a more detailed explanation see Section B12 of the Notes to the consolidated financial statements.

Assets in the amount of € 1,471 thousand were transferred to Biotest Vorsorge Trust e.V. for the insolvency protection of pension entitlements.

Change of control

In the event of the premature termination of the contracts of the members of the Board of Management due to a clearly defined change of control, both contracts include a severance payment provision. This provision is described in the Notes to the financial statements in accordance with Section 315 (4) of the German Commercial Code (HGB).

Remuneration system for former members of the Board of Management and their surviving dependants

Former Board of Management members and their surviving dependants receive contractually agreed pension benefits. Pension entitlements amount to € 5,112 thousand, of which € 878 thousand are reinsured. Pension provisions are measured in accordance with IAS 26.

Supervisory Board remuneration

The remuneration of the Supervisory Board for financial year 2012 is laid down in the Articles of Association that were valid until 10 May 2012. The amendments to the Articles of 10 May 2012 enter into effect on 1 January 2013. Members receive an annual fixed remuneration of € 15 thousand each. The Chairman of the Supervisory Board receives twice this amount and his/her deputy one-and-a-half times this sum. An additional € 3 thousand is paid for work performed on a Supervisory Board committee, with the committee chairman receiving € 5 thousand. Biotest AG reimburses the value added tax payable on Supervisory Board remuneration. Members of the Supervisory Board also receive a variable remuneration of € 1,000 for every € 0.01 by which the dividend paid for the financial year exceeds € 0.24. This variable remuneration is limited to a maximum of € 10,000.

The members of Biotest AG's Supervisory Board are, like members of the Board of Management, covered by the Group's professional indemnity insurance (D&O liability insurance).

Biotest pays the insurance premiums for all members of the Supervisory Board. The members of the Supervisory Board are insured for personal liability under the existing public liability insurance. No other non-cash benefits were granted. Supervisory Board remuneration, including reimbursement of value added tax payable in some cases, is listed by individual in the following table.

€ thousand 2012	Fixed renumeration	Variable renumeration	Total
Dr. Alessandro Banchi (since 10 May 2012)	33	16	49
Kerstin Birkhahn	15	10	25
Jürgen Heilmann	18	10	28
Thomas Jakob	21	10	31
Prof. Dr. Marbod Muff (up to 10 May 2012)	8	4	12
Dr. Cathrin Schleussner	29	15	44
Dr. Christoph Schröder (since 10 May 2012)	15	6	21
Dr. Thorlef Spickschen (up to 10 May 2012)	18	9	27
Total	**157**	**80**	**237**

GLOSSARY / TECHNICAL TERMS

A

ALBUMIN (OR HUMAN ALBUMIN)
Protein produced in the liver that acts to maintain the colloid osmotic pressure of the blood and as a transport vehicle for many physiological and pharmacological substances.

ANTIBODIES
Proteins in the blood plasma that are produced by special cells of the immune system as a defence reaction against various disease pathogens.

ANTIBODY DEFICIENCY SYNDROME
The body's inability to react to an antigen stimulus with sufficient antibody production. A distinction is made between primary (congenital) and secondary (acquired) antibody deficiency syndromes.

AUTOIMMUNE DISEASE
Activity of the immune system directed against tissues and cells of one's own body.

B

B-CELLS
A subclass of the white blood cells, which play a key role in combating foreign pathogens by the immune system.

BIOTHERAPEUTIC(S)
Biotechnologically manufactured drugs.

C

CLOTTING FACTORS
Proteins responsible for blood coagulation. The 13 different clotting factors are designated with the Roman numerals I to XIII.

CYTOMEGALY/CYTOMEGALOVIRUS (CMV)
Usually harmless infection caused by cytomegalovirus (CMV). If it occurs during pregnancy, it can cause serious damage to the unborn child. One of the most common virus infections in organ transplantation, which can lead to loss of the transplant.

D

DEXAMETHASONE
A drug that is used, among other things, in combination with lenalidomide to treat multiple myeloma and in the treatment of various tumours. Dexamethasone has an anti-inflammatory action and a dampening effect on the immune system.

F

FIBRINOGEN
Protein produced in the liver that plays a central part in blood clotting. During clotting, it is converted to fibrin, which acts like a glue in the blood for sealing wounds. A fibrinogen deficiency is one possible cause of blood clotting disorders.

H

HAEMATOLOGY
The branch of medicine that involves the blood and diseases of the blood.

HAEMOPHILIA
A blood clotting disorder resulting from defective or missing coagulation factors VIII or IX (type A or B haemophilia).

HEPATITIS
Inflammation of the liver, which can be attributed to various causes, especially virus infections and autoimmune diseases. It leads to damage and death of liver cells and to impairment or even cessation of the liver's metabolic functions. Liver transplantation is often necessary.

HYPERIMMUNOGLOBULINS
Immunoglobulin (antibody) preparations that contain defined antibody specificity in a higher and standardised concentration.

I

IMMUNE SYSTEM
Totality of all factors responsible for recognising and defending against infectious agents, and which exercise control over self-destructive processes.

IMMUNGLOBULIN M (IGM)
Largest antibody molecule in the plasma. In conjunction with the complement system (a system of plasma proteins activated as part of the immune response), it destroys bacteria and neutralises bacterial toxins.

IMMUNOCONJUGATE
The result of the binding of an antibody to a second functional molecule. In the case of BT-062, the immunoconjugate consists of the monoclonal antibody and a highly active toxin.

IMMUNOGLOBULINS
Immunoglobulin (antibody) preparations that contain defined antibody specificity in a higher and standardised concentration.

IMMUNOLOGY
The science of immune defence and immune regulation to maintain the body's integrity, i.e. distinguishing self from non-self.

INDICATION
The therapeutic use for which an active substance or medication can be developed and approved.

INTENSIVE CARE MEDICINE
The branch of medicine that deals with the diagnosis and treatment of life-threatening conditions.

INTRAMUSCULAR ADMINISTRATION
Administration of a medication by injection into a muscle.

INTRAVENOUS
Administration of a medication by injection into a vein.

L

LENALIDOMIDE
A drug that is used in combination with dexamethasone especially for the treatment of multiple myeloma; one of its actions is to inhibit the division of certain tumour cells.

M

METHOTREXATE
A drug for the treatment of rheumatoid arthritis and other autoimmune diseases (for example, psoriasis and multiple sclerosis) and various tumours.

MONOCLONAL ANTIBODIES (mAb)
Antibodies whose production can be traced back to a single cell and which each specifically recognise and bind only a certain antigen.

MULTIPLE MYELOMA
Malignant plasma cell growth in the bone marrow.

MULTIPLE SCLEROSIS
Chronic inflammatory disease of the central nervous system, which can lead to abnormalities of the nervous system, such as difficulty walking or disturbances of vision.

P

PAUL EHRLICH INSTITUTE (PEI)
The German federal agency for serums and vaccines. The PEI is responsible, among other things, for the approval of clinical trials, the authorisation of vaccines and preparations derived from human plasma, and for the release for sale of production batches.

PHARMACODYNAMICS
The sum of all processes caused by the action of a medication in the body, from the description of the activity profile and the dose-response relationship to the mechanism of action.

PHARMACOKINETICS
The sum of all processes that a medication undergoes in the body, from absorption of the medication to its distribution in the body, biochemical conversion and breakdown, and elimination of the substance (release, absorption into the blood stream, distribution in the body, metabolism, elimination).

PLACEBO
A dummy medication. Medicinally inactive substance that is used to meet a subjective need for drug therapy. In many clinical trials, a control group is treated with placebo. The results are compared with those of the participants who have received the trial drug.

PLASMA PROTEINS
Collective term for the proteins that occur most commonly in the blood plasma.

PLASMA PROTEIN THERAPEUTICS ASSOCIATION (PPTA)
Association of the world's leading manufacturers of plasma proteins.

PLASMAPHERESIS
Obtaining of plasma from donated blood. The cellular components are returned to the donor. This leaves blood plasma, a clear yellowish fluid, which contains the blood's soluble protein components.

PLACEBO
A dummy medication. Medicinally inactive substance that is used to meet a subjective need for drug therapy. In many clinical trials, a control group is treated with placebo. The results are compared with those of the participants who have received the trial drug.

PRIMARY IMMUNE DEFICIENCY (PID)
Congenital defect of the immune system that leads to a deficiency of antibodies.

PRIONS
Proteins that can occur in both normal and pathogenic structures in the human or animal body.

PSORIASIS
Scaly patches. Chronic skin disease.

R

RECOMBINANT
Recombinant proteins are produced with the aid of genetically modified micro-organisms or cell lines.

RHEUMATOID ARTHRITIS
Chronic inflammatory disease of the joints.

S

SEPSIS
Generalised inflammatory response of the body to infection cause by disease pathogens.

SERUMPROTEINE
Name given to proteins contained in blood serum.

SUBCUTANEOUS ADMINISTRATION (SC)
Administering a drug by injecting it beneath the skin.

SUBSTITUTION THERAPY
Medicinal use of a substance that is not being produced sufficiently by the body itself.

SYSTEMIC LUPUS ERYTHEMATOSUS (SLE)
Autoimmune disease that often starts with fever; patients usually have rheumatoid arthritis-like joint pains. Erythema (redness of the skin due to dilation of the capillaries) occurs. Other organs can also be affected by this disease.

T

THROMBOGENIC ACTIVITY
Increased thrombogenic activity, that is, an increased content of thrombogenic factors in a medication, can increase the risk of thrombosis in treated patients

Z

ZOSTER VIRUS (VARICELLA ZOSTER VIRUS)
A virus belonging to the herpesvirus family. Initial infection usually causes chickenpox. Reactivation, for example when the immune system is weakened, can lead to shingles.

GLOSSARY / FINANCIAL TERMS

A

ASSOCIATED COMPANY
A Group company that is not fully consolidated (participating interest < 50 %) and that is significantly influenced by the parent company.

C

CASH FLOW
Actual movement of cash into or out of the company in a period (inflows and outflows). An indicator of a company's internal financing ability.

CONTRIBUTION MARGIN
A category used in cost accounting. The difference between revenue and variable costs.

CURRENCY OPTIONS
Derivative financial instruments used to hedge against risks from exchange rate fluctuations. The buyer of a currency option acquires the right, but not the obligation, to buy or sell a currency at a specific exchange rate on a specified date.

D

D&O INSURANCE
Directors and Officers Liability Insurance. Professional liability insurance cover that is taken out by a company for its directors (Board of Management and Supervisory Board members, for example) and executives.

DEFERRED TAXES
Income taxes payable or receivable in the future, which do not yet constitute actual receivables or liabilities as of the reporting date.

DERIVATIVE
A financial instrument, the price of which is generally based on market-related factors. Used among other things to hedge against fluctuations in value.

DIRECTORS' DEALINGS
Transactions in securities issued by a listed company undertaken by the company's management or by related companies or parties.

DISAGIO
A discount from the par value of a security; the opposite of agio (premium).

E

EBIT
Earnings before interest and taxes.

EBT
Earnings before taxes.

F

FACTORING
A financial service. The factor acquires a company's accounts receivable due from the company's debtors.

FAIR VALUE
A rational and unbiased estimate of the potential market price of an asset.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FAFVTPL)
A financial instrument category as defined under IFRS 7.

FORWARD FOREIGN EXCHANGE TRANSACTION
Binding agreement to exchange one currency for another on a specific date at a specified rate.

H

HEDGE ACCOUNTING
Accounting technique. Creates hedging relationships between underlying transactions and derivative financial instruments used for hedging purposes.

HELD TO MATURITY (HTM)
A financial instrument category as defined under IFRS 7.

L

LOANS AND RECEIVABLES (LAR)
A financial instrument category as defined under IFRS 7.

LONG TERM INCENTIVE PROGRAMME
A variable, success-based compensation system.

M

MONTE-CARLO-SIMULATION
Stochastic process in which probability theory is used in an attempt to obtain numerical solutions to problems that are difficult or impossible to solve analytically.

P

PROFIT PARTICIPATION RIGHTS
Under a profit participation agreement, the holder of the participation rights agrees to make a certain amount of capital available to the issuer of the rights. In return, the holder is granted asset rights to which shareholders of the issuer are also typically entitled (such as a share of the issuer's profits, a share of its liquidation proceeds or option rights).

R

RETURN ON CAPITAL EMPLOYED (ROCE)
A measure of the return that a company realises on its capital.

S

SENSITIVITY ANALYSIS
Used to determine the impact of specific factors on certain performance indicators.

SWAP
Exchange of receivables and payables in the same or a foreign currency with the aim of obtaining a debt, interest rate or yield advantage.

SYNDICATED LOAN
Loan provided to a single borrower by a group of banks.

W

WORKING CAPITAL
Short-term tied-up capital.

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13 AUGUST 2013
Q3 2013 Report

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