

## 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 (Aktien-gesetz 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