

## 2013 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 and discussed in particular the governance, the strategy and the planning of the Group. It regularly advised the Board of Management with regard to the management of the Company. The Board of Management always informed the Supervisory Board in a prompt and comprehensive manner, both orally and in writing, of any events and developments relevant for the Company. This also included information relating to planning, business performance, the risk situation and risk management. Furthermore, the Supervisory Board was informed by the Board of Management in writing on a monthly basis of the business situation and any deviations from current and planned business developments. The Chairman of the Supervisory Board and Chairman of the Audit Committee automatically received all Internal Audit reports.

Members of the Supervisory Board had ample opportunity to critically examine the reports submitted and the proposed resolutions of the Board of Management and to make their own suggestions. In particular, all business transactions of material importance to the Company were discussed in detail by the Supervisory Board based on reports from the Board of Management and reviewed for plausibility. The Supervisory Board was involved in all decisions of fundamental importance to the Company.

During the 2013 financial year the Supervisory Board held five regular meetings. Four resolutions were approved by way of circulation. The Chairman of the Board of Management also regularly informed the Chairman of the Supervisory Board outside the Supervisory Board meetings of current business developments and intentions and transactions that were of particular importance for the Company. The Supervisory Board was involved at an early stage in fundamental decisions for the Company. The Board of Management properly submitted detailed documentation on business transactions requiring approval by the Supervisory Board. 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 governance, strategy and planning of the Company, the Company's current business performance, the capital increase implemented in June as well as the "Biotest Next Level" project, its funding and current status of the Public Prosecutor's investigations in connection with the Russian business.

The Supervisory Board appointed Dr. Floß as a member of the Board of Management of Biotest AG on 9 January 2013 and made further decisions on Board of Management matters by circular resolution (see also "Changes to the Board of Management and Supervisory Board" below).

At the meeting held on 22 March 2013 the Supervisory Board, in addition to reviewing the current business performance, focused on Biotest AG's single entity financial statements and the consolidated financial statements for the 2012 financial year along with the auditors from Ernst & Young GmbH. Individual financial statement items were discussed in detail. Following these detailed discussions the single entity financial statements of Biotest AG and the consolidated financial statements for the 2012 financial year were 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 Supervisory and Corporate Governance reports. Proposed resolutions on the agenda for the Annual Shareholders' Meeting were adopted and a new instalment of the Long Term Incentive Programme for the Board of Management and corporate management was approved. The Chairman of the Supervisory Board reported on the targets met by the Board of Management members in the 2012 financial year and presented the agreed Board of Management targets for 2013. Furthermore, the Board of Management presented the "Biotest Next Level" project for the capacity expansion at Dreieich for the first time and explained the background, funding requirements and scope of the planned expansion in detail. The capital increase from the still available authorised capital and a promissory note were presented as the building blocks for the funding. The Supervisory Board agreed an amendment to the Board of Management employment contract of Dr. Floß so that his contract contains in future the same change-of-control provision as the contracts of the other members of the Board of Management.

At the Supervisory Board meeting of 8 May 2013 held immediately prior to the Annual Shareholders' Meeting, the Board of Management informed the Supervisory Board of the current business performance based on the figures for the first quarter of 2013. Furthermore, the Supervisory Board approved in principle the capital increase from authorised capital proposed by the Board of Management. Lastly, the Supervisory Board prepared for the Annual Shareholders' Meeting.

On 10 June 2013 the Supervisory Board took decisions by way of circulation regarding the approval to use the authorised capital, the subscription offer, timetable and pricing. On 26 June 2013 the Supervisory Board approved the final capital increase amount by another circular resolution.

At the meeting held on 4 July 2013 the Board of Management informed the Supervisory Board of the current business situation of the Group focusing on developments abroad, the successful implementation of the capital increase and the status of the "Biotest Next Level" project. In addition to the monthly report to the Supervisory Board, the Board of Management also reported to the Supervisory Board on the current status of the Public Prosecutor's investigations into allegations of breach of trust and bribery in connection with the Russian business. The Chairman of the Board of Management also provided an overview of the pipeline of current R&D projects. The Supervisory Board also discussed the strategy for the plasma business for the coming years.

The Board of Management again informed the Supervisory Board in the Supervisory Board meeting of 18 September 2013 of the investigations in connection with the Russian business, the current business situation of the Group, the forecast for 2013 as well as the key points for the 2014 budget. The Chairman of the Board of Management reported on the strategy to drive forward the development of monoclonal antibodies as well as a IgM concentrate together with partners. The current status of the "Biotest Next Level" project was presented. The project manager detailed the progress made on the project and confirmed that the previous milestones within the budget plan and timetable had been achieved. Furthermore, the funding of the project over and above the proceeds from the capital increase was discussed. The Supervisory Board approved, amongst other things, the issuance of promissory notes. The Supervisory Board also approved a change in the organisational reporting line of the Compliance Officer directly to the Board of Management and addressed the succession planning for the Chairman of the Board of Management.

At the Supervisory Board meeting of 5 December 2013 the Board of Management informed the Supervisory Board of the Group results, current Compliance activities, the status of discussions with potential development partners for the monoclonal antibody BT-062 and the status of the businesses in Brazil and Iran. The Board of Management reported on the current status of the investigations in connection with the Russian business. The Supervisory Board also welcomed the proposal that Biotest AG wants to have a new day care centre operated in its name close to its business premises in order to be able to provide childcare places for the children of employees. The Board of Management also confirmed that the "Biotest Next Level" project is on plan. The Supervisory Board also approved the 2014 budget proposed by the Board of Management after a discussion. The Chairman of the Audit Committee reported to the Supervisory Board on the ten largest risks for the Company, the 2014 proposals for risk management as well as the main focus areas for the audit of the 2013 annual financial statements, which were determined in coordination with Ernst & Young GmbH. Finally, the Supervisory Board again discussed the demographic developments within the Group and approved the formation of subsidiaries in France and Turkey.

## COMMITTEES

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

The Personnel and Presiding Committee held two meetings together with the Board of Management in 2013 and two additional meetings, in which the Board of Management only participated for specific agenda items. At the meeting of 22 March 2013 the Committee approved amendments to the Board of Management employment contract of Dr. Floß. The targets achieved by the Board of Management for 2012 and the new targets for the Board of Management for 2013 were also discussed. The Committee confirmed that it endorses the continuation of the LTI programme under the present terms and conditions. At the second meeting held on 4 July 2013 the Personnel and Presiding Committee addressed the succession planning for certain senior management positions and the Chairman of the Board of Management. The succession planning for the CEO was initiated well in advance in a structured process including professional advice of an internationally renowned executive search company. This process, amongst other things, was again on the agenda of the meeting held on 18 September 2013. The succession planning for certain senior management persons was again the topic of the committee meeting held on 5 December 2013 as was the current assessment of the investigations in connection with the Russian business.

The Audit Committee held two meetings in 2013. The single entity and consolidated financial statements for the 2012 financial year as well as the findings of the auditors were the focus of the first meeting held on 18 March 2013. At the second meeting held on 4 December 2013 the Committee discussed, amongst other things, the focus areas for the audit of the 2013 annual financial statements and the fact that all impairment tests had been conducted without any negative impact. Part of the agenda were also the Internal Audit report and the adoption of the 2014 audit plan. The Committee also discussed the presentation of the risk management system and the ten largest risks.

## CORPORATE GOVERNANCE

The Supervisory Board continually monitored the further development of corporate governance standards within the Company in 2013. The Board of Management and 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 (AktG). In March 2014 the Board of Management and 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 Section 161 AktG.

## CHANGES TO THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As mentioned in the most recent Supervisory Board report, the Supervisory Board appointed Dr. Floß as a member of the Board of Management of 9 January 2013 and the term of office of Prof. Schulz was extended to 31 December 2014.

There were no other changes to the Board of Management and Supervisory Board.

## SINGLE ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH audited the single entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2013 together 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 17 March 2014 as well as at the meeting of the Supervisory Board on 21 March 2014. At both meetings, the auditors reported on the main 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 the 2013 financial year 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 the 2013 financial year.

Dreieich, 21 March 2014

The Supervisory Board



Dr. Alessandro Banchi,  
Chairman