

## SUPERVISORY BOARD REPORT

During the past financial year, the Supervisory Board fulfilled its duties according to statutory law, the articles of association and rules of procedure, including the continuous monitoring of the management activities of the Board of Management. The Supervisory Board 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 to the Company. This also included information relating to planning, business performance, compliance, the risk situation and risk management. Furthermore, the Supervisory Board was informed on a monthly basis and in writing by the Board of Management of the business situation and any deviations from current and planned business developments. The Chairman of the Supervisory Board and the Chairman of the Audit Committee automatically received all Internal Audit reports.

The 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 fundamental importance to the Company were discussed in detail by the Supervisory Board, based on reports from the Board of Management and were reviewed for plausibility. Thus, the Supervisory Board was well informed about all decisions of fundamental importance to the Company, as well as those decisions where the approval of the Supervisory Board is not requested.

During the 2014 financial year, the Supervisory Board held seven regular meetings. Two resolutions were approved by way of circulation. In addition, the Chairman of the Board of Management 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 all matters fundamental 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 discussed by the Supervisory Board during its regular meetings included planning of the Company, the Company's current business performance, the strategy, the "Biotest Next Level" project, the compliance system and selecting and appointing a new Chairman of the Board of Management.

At each meeting of the Supervisory Board the Supervisory Board discussed the status of investigations due to potential economic crimes and criminal offences relating to taxes in the Russia business. The Supervisory Board obtained information on current developments from the Board of Management on an on-going basis and discussed any questions directly and comprehensively with the Board of Management. Thus, the Supervisory Board always received the most current information. In this context, it was discussed with, among others, the Board of Management and the advisers, that to date there exists no evidence for the specified offences and that there was no evidence to doubt that the Board of Management acted diligently when handling the subject. It was agreed that the Board of Management and the Supervisory Board will continue to cooperate closely in this matter in future. The Supervisory Board encouraged the Management in its on-going support of the public prosecutor's office to dispel the accusations.

At the meeting held on 14 January 2014, which was specifically called to review in depth the Russia investigation, the Board of Management informed the Supervisory Board of the Biotest business in Russia, its economic development, the distribution channels and measures of complexity, risk, transparency and payment management. Furthermore, information about the existing compliance system was provided. The Supervisory Board suggested to continue the on-going monitoring of the functioning and validity of the compliance system.

In the course of the Supervisory Board meeting on 20 March 2014, the Supervisory Board received an overview of the development of the Company and was informed with respect to future growth and the possibilities to finance such growth.

At the meeting held on 21 March 2014, the Board of Management informed the Supervisory Board of the Group results until the end of February 2014. Furthermore, it set out the market potential of the monoclonal antibody indatuximab ravtansine (BT-062). The Supervisory Board received an updated overview on the clinical phase IIb study regarding the monoclonal antibody tregalizumab (BT-061) and the 2013 single entity and consolidated financial statements for the AG and the Group were discussed. The auditor and the Chairman of the Audit Committee reported in this regard. Furthermore, the agenda for the Annual Shareholders' Meeting on 7 May 2014 was adopted and the continuation of the Long Term Incentive Programme for the 2014 tranche approved. The Chairman of the Supervisory Board reported about the degree of achievement by the members of the Board of Management of the agreed targets. The Board of Management informed about the latest activities and the timetable for the "Biotest Next Level" project. Finally, various candidates for the office of Chairman of the Board of Management were introduced and discussed.

On 16 April, following in-depth discussions, the Supervisory Board unanimously and by way of circulation granted its consent to a resolution of the Board of Management for the acceptance of a “factual agreement” with the tax office to prevent long-lasting tax proceedings.

In the course of the meeting held on 7 May 2014, the Supervisory Board prepared for the Annual Shareholders’ Meeting. The Board of Management supplied the Supervisory Board with the Group’s updated business figures. The Chairman of the Supervisory Board reported on the status of the on-going process for the selection of a new Chairman of the Board of Management of Biotest AG. No decision on a new candidate was made. Finally, the Board of Management introduced a concept consisting of various HR activities to ensure that the increased personnel requirement for the “Biotest Next Level” project will be satisfied in due time.

On 26 June 2014, the Supervisory Board by way of circulation unanimously resolved the conditions upon which the Chairman of the Supervisory Board was allowed to present an offer for the position of Chairman of the Board of Management to Dr Bernhard Ehmer.

In its meeting of 9 July 2014, the Group results to the end of June 2014 and the further forecast for 2014 were discussed. The Board of Management informed about the developments with regard to the search for potential partners for the further development of monoclonal antibody indatuximab ravtansine (BT-062) and an alternative scenario suggesting funding of the development without any partners. Another topic was the current development with regard to the “Biotest Next Level” project. The Chairman of the Supervisory Board informed that Dr Ehmer had signed an employment contract in accordance with the conditions of offer as resolved by the Supervisory Board by way of circulation on 26 June 2014. The Supervisory Board approved the contractual agreements and the remuneration package and appointed Dr Ehmer as member of the Board of Management for the period of three years with effect as of 1 November 2014 and as Chairman of the Board of Management with effect as at 1 January 2015. Finally, the Board of Management presented the Supervisory Board with a ten-year-plan on the effects of the “Biotest Next Level” project on business figures, the balance sheet and the cash flow. The compliance practice at Biotest was discussed by means of a review and an outlook. At the end of the meeting, the Supervisory Board agreed that the efficiency assessment by the Supervisory Board should be performed by way of interviews by an experienced expert.

In the course of the Supervisory Board meeting of 17 September 2014, the Group results and the current development of Biotest Pharmaceuticals Corporation (BPC) were again discussed. The Board of Management also informed the Supervisory Board about the current status of the “Biotest Next Level” project and the larger R&D projects (Civacir<sup>®</sup>, tregalizumab (BT-061), indatuximab ravtansine (BT-062), BT-094 (Cytotect 70)). In addition, the strategy with respect to “emerging markets” was discussed based on an outlook to 2020. At the end, the Board of Management presented the forecast for the 2014 business figures, the keystones of the financial planning for 2015 and the current state of the compliance management system and related possibilities for improvement. In this context, the Chairman of the Supervisory Board clarified that the efficiency assessment by the Supervisory Board will also extend to formal aspects of the compliance management system and the role and responsibility of the Supervisory Board in this respect.

At the beginning of the meeting of 1/2 December 2014, the efficiency assessment by the Supervisory Board performed by way of interviews was evaluated. The expert's summary reads as follows: The efficiency and quality of the work of the Supervisory Board of Biotest AG correspond to "best practice" and good standard of listed German corporations (SDAX). Then, the Group results and the current developments of BPC were once more discussed. Furthermore, the Board of Management informed the Supervisory Board of the current developments regarding the "Biotest Next Level" project. The Supervisory Board approved the continuation of the project and the utilisation of additional funds for financing. Apart from that, the developments with respect to the haemophilia products and their prospects were presented. As a matter of best practice of good Corporate Governance the Rules of Procedure of the Audit Committee had been updated.

## COMMITTEES

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

In 2014, the Personnel and Presiding Committees met jointly in five meetings with the Board of Management and held three telephone conferences in which the Board of Management did not participate. One topic of the meeting held on 21 March 2014 was the current assessment of the investigations in the Russia business. Furthermore, the adjustments made to the financial year 2014 budget and the remuneration of the members of the Supervisory Board were discussed. Another discussion related to the targets met by the Board of Management members for the 2013 financial year and the new targets for the Board of Management for the financial year 2014. The Personnel Committee confirmed that it endorses the continuation of the LTI programme under the present terms and conditions. At the meetings of 7 May 2014 and 9 July 2014 as well as in the course of the three telephone conferences held on 28 May 2014, 4 June 2014 and 19 June 2014, the Personnel and Presiding Committees were concerned with the succession planning for the Chairman of the Board of Management. In the course of the meeting of 17 September 2014, the (time) schedule for the introduction of the prospective Chairman of the Board of Management as well as the investigations in the Russia business were discussed, in addition to the efficiency assessment by the Supervisory Board. The investigations were again the topic of the committee meeting held on 2 December 2014, where the related topic of compliance issues was also discussed. Furthermore, Dr Ehmer described to the committee his first impressions from the introductory phase in respect of his recently assumed position as a member of the Board of Management.

In 2014, the Audit Committee held two meetings. The single entity and consolidated financial statements for the 2013 financial year as well as the findings of the auditors were the focus of the first meeting held on 17 March 2014. At the second meeting held on 1 December 2014, the Committee discussed the status of investigations regarding the business in Russia and other Eastern European states and investigations in Italy and the resolution on the 2015 audit plan (including ad hoc audits). As part of the determination of the focus areas for the audit of the 2014 annual financial statements the audit committee asked the auditors to review in particular the contracts with distributors and agents abroad and the procedures and work flows related thereto. The Committee also discussed the risk management system of Biotest and the ten largest risks with a view to 2014.

## CORPORATE GOVERNANCE

In 2014, the Supervisory Board continually monitored the further development of corporate governance standards within the Company in 2014. 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 2015, 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 Section 161 AktG.

## CHANGES TO THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The mandate of Prof Dr Gregor Schulz as Chairman of the Board of Management ended at 31 December 2014. The Supervisory Board would like to thank Prof Schulz for many years of cooperation built on mutual trust. He led the Company successfully and shaped it with his outstanding professional expertise and strong personal commitment. Dr Ehmer was appointed member of the Board of Management with effect from 1 November 2014 for a three-year period and Chairman of the Board of Management with effect from 1 January 2015. There were no other changes to the Board of Management and the Supervisory Board.

## SINGLE ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, audited the single entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2014 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 16 March 2015 as well as at the meeting of the Supervisory Board on 17 March 2015. In 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 2014 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 2014 financial year.

Dreieich, 17 March 2015

The Supervisory Board



Dr. Alessandro Banchi  
Chairman