

2015 SUPERVISORY BOARD REPORT

The fiscal year 2015 was a very difficult year for the Biotest group. Not only was Biotest confronted with the challenges of the healthcare markets worldwide but also with the not significant result of the clinical phase II study of the product tregalizumab (BT-061), the monoclonal antibody against rheumatoid arthritis. As a consequence AbbVie terminated the cooperation agreement. Even bigger losses had to be recorded at the end of the third quarter. Declining sales of Bivigam®, the immunoglobulin produced and marketed in the US, led to substantial write-offs and to an impairment test of the bookvalue of the manufacturing plant of Biotest Pharmaceuticals Corp., BPC, in Boca Raton, Florida, USA. Here, too, an extraordinary write-down was necessary because not only the degree of utilized capacity of the plant became questionable by the reduced Bivigam® sales. In addition, the market prospects for the development product Civacir® had deteriorated significantly which should have been produced in the plant in Boca Raton. During the last financial year all those issues formed a substantial part of the fulfillment of the duties of the Supervisory Board 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. Besides the regular advising of the Board of Management with regard to the management of the Company, the Supervisory Board focussed on the joint discussion of the consequences of such extraordinary developments. The Board of Management informed the Supervisory Board in a prompt and comprehensive manner, both orally and in writing. The discussion on those extraordinary topics and on the setting of a new strategic direction as a consequence thereof was taking place together with the regular information relating to planning and business performance, to compliance, to risk situation and to 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 the 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 which had led to the losses in 2015 were discussed in detail by the Supervisory Board. In addition, the Supervisory Board reviewed the reports and information given by the Board of Management for plausibility and discussed necessary consequences. In general, the Supervisory Board was well informed about all decisions of fundamental importance to the Company, including those decisions where the approval of the Supervisory Board is not necessary.

During the 2015 financial year, the Supervisory Board held five regular meetings. All members of the Supervisory Board attended all meetings during all topics of the agenda. One resolution was approved by way of circulation and one meeting (strategy meeting) was attended solely by the shareholders' representatives. 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 Board of Management informed the Chairman of the Supervisory Board about the extra-ordinary write-offs which were necessary at the end of the third quarter in a personal meeting while the other Supervisory Board members had been informed in a telephone conference. The Supervisory Board was involved at an early stage in any other matters which were fundamental for the Company. The Board of Management properly submitted written 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 2015.

MAIN FOCUS OF SUPERVISORY BOARD DELIBERATIONS

In addition to the extraordinary topics already mentioned in the beginning subjects regularly discussed by the Supervisory Board during all its meetings included, among others, planning of the Company, the Company's current business performance, the strategy, the Biotest Next Level project and the current developments in Biotest Pharmaceuticals Corporation (BPC), in particular the stage of discussions with the Food and Drug Administration (FDA) regarding Bivigam®.

The Supervisory Board obtained information on the status of investigations in Russia, Italy and Germany due to potential economic crimes and criminal offences relating to taxes from the Board of Management on an on-going basis. Any arising questions were discussed directly and comprehensively. 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 again agreed that the Board of Management and the Supervisory Board will continue to cooperate closely in this matter in the future.

At the meeting held on 17 March 2015, the Group results until the end of February 2015 and the further forecast for the 2015 financial year were discussed. The Supervisory Board was informed in detail about the status of investigations in Russia and Italy. Furthermore, it has been resolved to reorganise the committees (see also under "Committees" below) and it has been decided to update the rules of procedure for the Board of Management, the Supervisory Board and the committees. The Board of Management informed the Supervisory Board on the 2014 single entity and consolidated financial statements and explained the balance sheet and the profit and loss account of Biotest AG. The auditor and the Chairman of the Audit Committee reported in this regard. Furthermore, the agenda for the 2015 Annual Shareholders' Meeting was adopted and the continuation of the Long Term Incentive Programme for the 2015 tranche approved. The Supervisory Board informed on the degree of achievement by the members of the Board of Management of the agreed targets, agreed on the targets for 2015 and discussed (in the absence of members of the Board of Management) the upcoming extension of the management contracts with Dr Floß and Dr Ramroth. The Board of Management presented the Environmental, Health and Security Report to the Supervisory Board.

At the meeting held on 7 May 2015 the Board of Management presented to the Supervisory Board the results of the Group until the end of April 2015. The Rules of Procedure for the Supervisory Board and for the new Governance Committee and the newly designated Personnel and Compensation Committee were resolved. The current status of the preparation of the upcoming Annual Shareholders' Meeting and the IT security issues were discussed.

The meeting on 10 July 2015 has been held in form of a strategy workshop (strategy meeting) with the representatives of shareholders in the Supervisory Board and members of the Board of Management. The Board of Management explained the representatives of shareholders in the Supervisory Board, among others, the current business strategy and business development of the Group. The data from the current study regarding tregalizumab (BT-061) has been presented and the consequences of the not significant result of the clinical phase II study and the subsequent termination of the development co-operation by AbbVie had been discussed. Also the results of the CIGMA 982 study regarding IgM Concentrate and the conduct of further development tests on this basis were discussed. Furthermore, the new results of the study on the examination of the effects of Civacir® on the hepatitis C virus were presented. The Board of Management informed the Supervisory Board on the current status of the investigations in Germany and Italy. Furthermore, the change of the Chief Executive Officer (CEO) of BPC as well as the business plan for the financial years 2015 until 2024 were discussed.

In the Supervisory Board meeting on 15 September 2015 the Chairman of the Supervisory Board informed about the results of the Strategy Meeting. The Board of Management presented to the Supervisory Board the Group results until end of August 2015 and explained the forecast for the (remaining) year 2015. At the request of the Supervisory Board, the Board of Management presented the effects of the developments in 2015 financial year on the milestones of the budget planning for 2016. As part of the risk management system, the Board of Management presented a list of material risks. The Board of Management informed about the compliance activities in 2015 and the current status of investigations in Russia and Italy. Dr Schleussner reported on the last meeting of the Governance Committee. The Supervisory Board decided to limit the membership in the committees (with the exception of certain shareholders) to two terms of office with a term of five years, respectively, and to offer to the members the possibility to participate at least once a year in a training on the tasks of a supervisory board. At the end, the Rules of Procedure for the Board of Management were resolved. Finally, the necessity of compliance with gender quotas by the Company was discussed. Biotest has complied with the legally required target quota for female members of the supervisory board of 30 % since 2004. The proposal of the Supervisory Board to determine a fixed gender quota target for the Board of Management until 30 June 2017 has not been implemented since the employment contracts of all members of the Board of Management of Biotest AG have the terms going beyond the year 2017. The Board of Management presented its quota targets for the proportion of women of 17 % and 38 %, respectively, for the two highest management levels below the Board of Management in the year 2017.

In the meeting held on 26/27 October 2015 the Board of Management presented to the Supervisory Board the Group results until the end of September 2015 and explained in detail the reasons for the impairment test and the write-offs at the end of the third quarter, the resulting strategic adjustments and the actions needed to improve the profitability of BPC in the US. Also, the business planning for the year 2016 has been discussed. Finally, the Board of Management discussed in detail the development of profitability of the Company and possible cooperation with various cooperation partners and the current status of the respective negotiations. Finally, the key parameters of the budget for 2016 were presented and the issues relevant for the financing of the Group in the years 2016 until 2023 were discussed.

In the meeting on 3 December 2015 the Group results until end of October 2015 and the preliminary sale numbers for November 2015 were discussed. The Board of Management informed the Supervisory Board about the possible cooperation on fostering the business development. The budget for 2016 and the business planning 2016/2017 were discussed. The Chairman of the Audit Committee, Dr Schröder, provided an overview of the activities of the Audit Committee. As part of the following discussion, the Supervisory Board made it clear that no breach of compliance rules will be tolerated within the company. Furthermore, general and strategic risks in relation to compliance were discussed. In addition, it has been reported on the environmental, health and security issues. In addition, the Board of Management reported to the Supervisory Board on the current developments in investigations of economic crimes and criminal offences relating to taxes in Russia and Italy. Dr Schleussner presented the results of the last meeting of the Governance Committee. The Chairman of the Supervisory Board informed that his term will end with the General Shareholders' Assembly in May 2017 and that according to the Rules of Procedure of the Supervisory Board he will not be available for reelection.

By way of circulation, the Supervisory Board on 30 December 2015 unanimously approved the conclusion of an agreement between BPC and Kedrion Biopharma Inc. regarding the sale and distribution of Bivigam® by Kedrion in the USA.

COMMITTEES

The Supervisory Board was assisted in its work by the committees formed by it. In March 2015 the Supervisory board rearranged the committees and their tasks.

The Audit Committee remained unchanged. The Presiding Committee has been replaced by a new Governance Committee, consisting of Dr Schleussner as Chairwoman and Dr Banchi and Dr Schröder as further members. The Personnel Committee has been renamed to the Personnel and Compensation Committee without personnel changes.

In 2015, the Audit Committee held two meetings with the Board of Management. At the meeting on 16 March 2015 the Board of Management presented to the Committee the single and consolidated financial statements for the 2014 financial year as well as the findings of the auditor. Then the Board of Management explained the results of the audit regarding the management of business partners by the auditor and the measures already taken or resolved on this basis. Furthermore, the proposal regarding the execution of a share split and a share buy-back programme as well as a conclusion of a domination and profit and loss transfer agreement by Biotest AG with Biotest Pharma GmbH as transferring company were discussed. At the meeting held on 2 December 2015, the Board of Management explained the underperformance of the market and production numbers for Bivigan® and why the market prospects for Civacir® had been assessed much lower than before. In consequence, the reduced production planning led to an impairment test of the bookvalue of the manufacturing facility in Boca Raton, Florida, resulting in the write-down of the bookvalue. The procedure regarding impairment test for assets of the Biotest Group was presented in detail and the scope and strategy regarding the upcoming audits were explained and subsequently discussed by the Audit Committee with the Board of Management. The current status of investigations in Russia and Italy and the status quo of compliance management at Biotest were discussed. Finally, the summary of the internal audits in 2015 has been dealt with and the Audit Committee agreed on the Audit Plan for 2016.

The Presiding Committee held one meeting with the Board of Management in 2015. At this meeting, which took place on 16 March 2015, the planned restructuring/renaming of the committees of the Supervisory Board and the planned update of the Rules of Procedure of the Supervisory Board and its committees were discussed. The Committee has then been informed on the current status of the ongoing investigations in Russia and Italy. The proposals regarding the execution of a share split and a share buy-back programme as well as conclusion of a domination and profit and loss transfer agreement by Biotest AG with Biotest Pharma GmbH as transferring company were discussed.

The new Governance Committee held two meetings with the Board of Management. At the first meeting on 15 September 2015 the necessity of the compliance with gender quota within the company has been discussed. The planned new version of the Rules of Procedure for the Board of Management to be presented to the Supervisory Board was discussed. Furthermore, the adjustment of the risk management system regarding mid- and long-term risks was discussed. Furthermore, the Committee dealt with the changes of the Corporate Governance Code, among others with respect to the number and term of the term of office of members of the supervisory board and the measures necessary to effectively implement those changes. Finally, the overview of the activities of the Supervisory Board in the last twelve months was discussed. In the last meeting in the year on 2 December 2015 the overview of the decisions of the Supervisory Board was again discussed and finalised. Finally, the size of the Supervisory Board starting from the year 2017 and the qualification of its future members were discussed.

The Personnel or, as the case may be in the course of the year the Personnel and Compensation Committee, held two meetings in 2015. In the first meeting on 17 March 2015 the Committee discussed the realisation of the targets by the Board of Management members for the 2014 financial year. The new targets for the Board of Management for the 2015 financial year were agreed. Then the new tranche of the Long Term Incentive Programme for the years 2015 until 2017 was discussed. Finally, the Committee prepared a proposal for the extension of service contracts for the members of the Board of Management, Dr Floß and Dr Ramroth. In its last meeting during the year, on 2 December 2015, the head of the Human Resource Department presented to the Committee and the Board of Management the key issues in the personnel area in 2015 and the upcoming tasks in this area in the year 2016. The current remuneration model was discussed and it was decided that no changes are necessary. The targets for the Board of Management in 2016 were discussed and finally agreed.

CORPORATE GOVERNANCE

In 2015, the Supervisory Board continually monitored the further development of corporate governance standards within the Company. 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 2016, 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 appointment as members of the Board of Management and the management contracts of the members of the Board of Management, Dr Floß and Dr Ramroth, were extended. Dr Ramroth has been reappointed as member of the Board of Management from 1 January 2016 until 31 December 2020 and received a respectively adjusted service contract. The same applies to Dr Floß whose new term of office lasts from 9 January 2016 until 8 January 2021. The Supervisory Board would like to thank Dr Ramroth and Dr Floß for the successful cooperation so far built on mutual trust and is looking forward to further cooperation. 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 2015 together with the management report and Group management report and issued an unqualified opinion.


The above mentioned 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 14 March 2016 as well as at the meeting of the Supervisory Board on 15 March 2016. In both meetings, the auditor 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 2015 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 hard work in the 2015 financial year which has been difficult for the Biotest Group.

Dreieich, 15 March 2016

The Supervisory Board



Dr Alessandro Banchi
Chairman