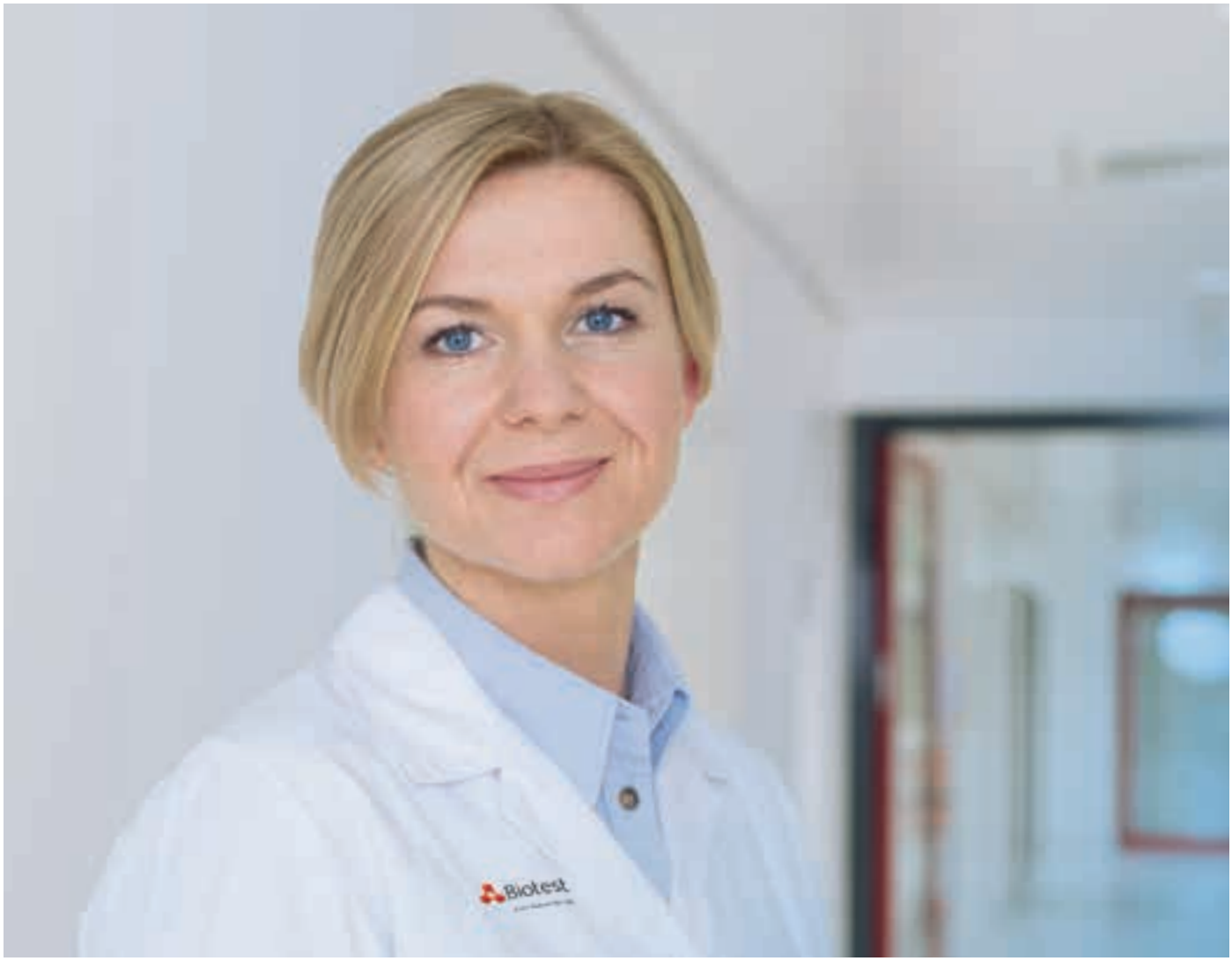
Biotest

From Nature for Life

VALUE. QUALITY. PROGRESS | Annual Report 2016



KEY FIGURES

BIOTEST GROUP		**2016***	2015*	Change in %
Revenue	in € million	**553.1**	534.6	3.5
thereof:				
Germany	in € million	**108.3**	123.3	–12.2
Rest of world	in € million	**444.8**	411.3	8.1
thereof:				
Therapy	in € million	**346.8**	359.6	–3.6
Plasma & Services	in € million	**199.3**	166.4	19.8
Other Segments	in € million	**7.0**	8.6	–18.6
EBITDA	in € million	**86.8**	59.3	46.4
Operating profit (EBIT)	in € million	**63.9**	37.3	71.3
EBIT in % of revenue	*%*	***11.6***	*7.0*	
Adjusted operating earnings (EBIT)**	in € million	**112.9**	110.7	2.0
Earnings before taxes	in € million	**52.7**	34.8	51.4
Earnings after taxes	in € million	**34.5**	27.0	27.8
Structure of expenses:				
Personnel expenses	in € million	**156.0**	138.0	13.0
Research and development costs	in € million	**48.5**	78.5	–38.2
Research and development costs in % of revenue	*%*	***8.8***	*14.7*	
Capital expenditure in property, plant and equipment and intangible assets	in € million	**152.5**	**109.9**	38.8
Financing:				
Cash flow from operating activities	in € million	**74.7**	55.8	33.9
Depreciation and amotisation	in € million	**22.9**	22.0	22.0
Equity (as of 31 December)	in € million	**360.7**	412.3	–12.5
Equity ratio (as of 31 December)	*%*	***38.7***	*42.8*	
Balance sheet total (as of 31 December)	in € million	**932.8**	962.7	–3.1
Employees (full-time equivalents as of 31 December)	amount	**2,527**	2,271	11.3
Earnings per share	€	**0.86**	0.67	28.4

* Continuing operations

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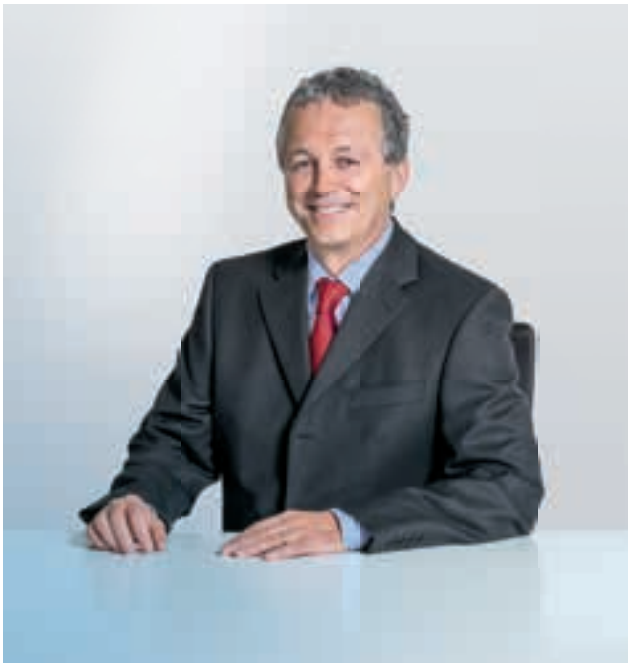

DR BERNHARD EHMER
Chairman of the Board of Management

DR MICHAEL RAMROTH
Chief Financial Officer

DR GEORG FLOß
Chief Operations Officer

DEAR SHAREHOLDERS,

in the 2016 financial year, Biotest systematically pursued the strategic reorientation initiated in the difficult year of 2015, and we reached important milestones. The reorientation of the Biotest Group is intended to achieve full focus on the core business and reduce risks to the furthest extent possible. Furthermore, we aim to make greater use of our expertise through partnerships and create additional options for our further strategic development.

After thorough consideration, we therefore decided to sell the US therapy business for an interest in ADMA Biologics Inc. of 50 % minus one share. This allows Biotest to continue to participate in the hyperimmunoglobulin business in the US. The partnership includes options to still receive access to new speciality products. In the medium term, we could sell these products in selected markets in Europe, the Middle East and Asia as well. In view of the current political situation, it is also helpful to have a local partner in the US.

We will maintain a strong presence in the US beyond the hyperimmunoglobulin business. Operatively, Biotest will continue to be active in the US with 22 plasma collection centres, and we will receive two more centres from ADMA as of 1 January 2019. This allows us to focus our resources even more strongly on the successful further development of our network of plasma stations and the expansion project Biotest Next Level (BNL) at our headquarters in Dreieich.

BNL is the key to the success and future growth of Biotest. Therefore, we are heavily investing in Dreieich through the year 2019 – spending € 112 million in 2016 alone. In the past financial year, these investments have resulted in important progress for Biotest Next Level: The production building was completed, interior construction is progressing, and the installation of the technical equipment has been started. After the planned commissioning in 2019, we will be able to process 2.7 million litres of plasma per year, compared to our current capacity of 1.3 million litres. With BNL, we further aim to improve yield, that is, to more effectively utilize the valuable raw material of plasma as well as to expand our product portfolio. In the long term, both factors should increase Biotest‘s profitability. For the new production plant, we will apply for certification by EU authorities as well as the US regulatory authority FDA. This certification will allow us to also sell the Dreieich products on the very attractive US market.

Our focus on the plasma business extends to research and development as well. After ongoing studies are completed, we will pursue activities regarding monoclonal antibodies exclusively in cooperation with outside partners in an effort to reduce our risks and costs. Our focus is clearly on developing products for the plasma business. In recent months, we have achieved good progress in this area: For example, in two clinical phase III studies of our product IgG Next Generation, the first patients were treated in the indications immune thrombocytopenia (ITP) and primary immunodeficiencies (PID). At the International Symposium on Intensive Care and Emergency Medicine (ISICEM), we presented positive new findings of the phase II study with IgM Concentrate in patients with severe community acquired pneumonia (sCAP). For Pentaglobin®, a study found a significant survival advantage for patients with severe infections caused by multiresistant bacteria. In addition, Pentaglobin® showed impressive study results in the treatment of donor-specific antibodies following lung transplantation. Intensive and focused research ensures that we will have a strong product portfolio in 2019 to efficiently utilize our production capacities.

The reorientation of the Biotest Group also characterized the operative development in 2016. Due to the US transaction, the therapy business and toll manufacturing outside the US as well as plasma collection in the US and Europe are Biotest's core business and are accounted as continuing operations in this Annual Report. Sales in this area rose by 3.5 % to € 553.1 million. Operating earnings before interest and taxes (EBIT) increased from € 37.3 million to € 63.9 million. The operating cash flow increased as well, from € 55.8 million in the previous year to € 74.7 million in 2016.

However, the development when taking into account the discontinued operations shows that we are not yet where we would like to be. In 2016, we had to report earnings after taxes (EAT) of € –45.7 million. The fact that this figure constitutes an improvement of € 36.8 million over the previous year but was clearly negative shows that the measures we took were indeed necessary.

Nevertheless, we consider the development in the core business a positive signal indicating that the Group is on the right path with the reorientation project. We also have the necessary resources to consistently pursue this path. You, dear shareholders, should benefit from this reorientation as well. Therefore, we will propose a dividend increase to € 0.05 per ordinary share and € 0.07 per preference share to the Annual Shareholders' Meeting.

Operatively, we expect that the Biotest Group's continuing operations will achieve sales increases by a low single-digit percentage in the 2017 financial year. Despite the costs of the BNL project – a further € 60-70 million will be spent in 2017 – and continued tension in crisis regions, especially the Middle East, we expect EBIT in the range of € 46 million to € 48 million.

The implementation of Biotest Next Level is a great challenge for all employees. This makes the results in our research and development projects and in many other departments all the more remarkable. They are not a matter of course and would be impossible to achieve without the great commitment of all of our employees. At this point, I want to thank our employees for their good work – also on behalf of my colleagues in the Board of Management, Dr Michael Ramroth and Dr Georg Floß. We are looking forward to taking the next steps in the further development of the Group together in 2017. For the current year, we are eagerly awaiting the completion of the installation of all production plants and the commissioning of the laboratories.

The Biotest Board of Management will systematically advance the strategic reorientation in the 2017 financial year. We thank our investors, customers, suppliers, partners and particularly you, dear shareholders, for your trust and would be very pleased if you accompanied us on our way to the next Level.

Cordially yours,

Dr Bernhard Ehmer
Chairman of the Board of Management

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

A. GROUP PRINCIPLES

I. BUSINESS MODEL OF THE GROUP

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

The Biotest Group is engaged in research and development in all three indication areas. Biotest covers all of the material steps in the value-added chain from preclinical and clinical development – conducted in some development projects in collaboration with international partners – through to global marketing.

A. CORPORATE STRUCTURE

The consolidated financial statements include the parent company Biotest AG and 16 other fully consolidated companies. All of Biotests's investments are listed in Section G10 of the notes to the consolidated financial statements. For detailed information regarding the corporate structure, management and controlling see the "Management Declaration" available on the company website www.biotest.com.

B. SEGMENTS OF THE BIOTEST GROUP

The Company's operations are divided into the following segments: Therapy, Plasma & Services and Other Segments. The Therapy segment includes products and development projects assigned to the three above-mentioned indication areas. Plasma sales and toll manufacturing are combined under the Plasma & Services segment. In Other Segments, Biotest reports on its merchandise business as well as any cross-divisional costs not allocated to the Therapy or Plasma & Services segments.

Until 30 September 2016, the activities of Biotest Pharmaceuticals Corporation, Boca Raton, USA, (BPC) in the Therapy segment and those in the area of toll manufacturing in the Therapy and Plasma & Services segments were included. Due to the decision to sell substantial parts of the assets of BPC that are associated with these activities in the fourth quarter of 2016, these activities are now presented as discontinued operations. The negotiations with the acquirer, which were begun in the 2016 financial year, resulted in a contract signing on 21 January 2017. BPC's plasma sales activities are not affected by this and will continue to be presented in the Plasma & Services segment.

Unless stated otherwise, the information and explanatory notes in this Annual Report refer to the continuing business divisions. The previous years' figures were adjusted accordingly.

C. VALUE CREATION

The Biotest Group covers the entire value-added chain for the production of its main products, plasma proteins, from the collection of the raw material of human blood plasma for production to marketing and sales. Production is located at the German headquarters in Dreieich. In addition, Biotest maintains its own distribution operations in seven European countries and in Brazil, which are responsible for marketing Biotest products in these countries. The Biotest Group is also active in over 70 countries in the world via local partnerships. The sales and distribution activities are centrally managed strategically from the Biotest headquarters in Dreieich.

Human blood plasma is the basis for manufacturing the marketed Biotest products. To obtain this raw material for its own production as well as for the purposes of selling some of it to contractual partners Biotest currently operates 35 of its own collection centres in Europe and in the USA. In these centres, blood

is taken from qualified and strictly monitored healthy donors, and the required blood plasma is separated by plasmapheresis (fractionation). This is then processed further into the respective Biotest preparations at the production site or is sold as intermediate product. In the area of monoclonal antibodies under development that are manufactured not from human blood plasma but using biotechnology methods, further progress of the projects and reaching milestones in clinical development is expected to generate value for Biotest. Biotest covers the essential elements of the value chain at its international locations. Furthermore, resources are supplemented via collaboration with renowned partners. In order to further strengthen the value chain and to exploit global growth potential, the Biotest Next Level project, the largest expansion plan in the Company's history, was started in 2013. By constructing further buildings and equipment at the Dreieich location, Biotest plans to expand the future product range while simultaneously considerably increasing yield and therefore profitability. In future, five instead of three product lines will be produced from the same amount of the raw material plasma. As part of the project, Biotest intends to double production capacities. Building work for BNL continued as planned in the past financial year.

D. PRODUCT PORTFOLIO

Biotest's product range is divided into the indication areas haematology, clinical immunology and intensive care medicine. The portfolio contains products that are already in the market as well as development products that are in various phases of product development. The following table provides an overview of the preparations and indications as well as the current development and marketing status.

PRODUCTS AND DEVELOPMENT PROJECTS OF BIOTEST

Product	Lead indication	Status as of 31 December 2016
Indication Area Haematology		
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)	Marketing in Europe, Asia, South America and Middle East
Haemonine®	Haemophilia B (acute therapy and prophylaxis)	Marketing in Europe and other regions
Indatuximab ravtansine (BT-062)*	Multiple myeloma	Clinical development; ongoing phase I/IIa study
	Solid tumours (breast cancer, bladder cancer)	Clinical development; ongoing phase I/IIa study
Indication Area Clinical Immunology		
Cytotect®	Prophylaxis of cytomegalovirus infection	Marketing in Europe, Asia and Africa
Fovepta®	Hepatitis B prophylaxis in newborns	Marketing in Asia and Africa
Hepatect®	Prophylaxis of hepatitis B reinfection	Marketing in Europe, South America and Asia
Intratect® 50 g/l (5 %)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Marketing in Europe, Asia and other regions
Intratect® 100g/l (10 %)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Marketing in Europe, Middle East and Asia. Application for marketing authorisation submitted in other countries
IgG Next Generation*	Primary immune deficiency (PID)	Clinical development; ongoing phase III study
	Immunothrombocytopenia (ITP)	Clinical development; ongoing phase III study
Varitect®	Prophylaxis and treatment of varicella zoster virus infection	Marketing in Europe, South America and Asia
Zutectra®	Prophylaxis of hepatitis B reinfection following liver transplantation	Marketing in Europe
BT-063*	Systemic lupus erythematosus (SLE)	Clinical development; ongoing phase IIa study
BT-094 (Cytotect 70)*	Prevention of cytomegalovirus (CMV) infection of the foetus during pregnancy of CMV-infected mother	Clinical development; ongoing phase III study

PRODUCTS AND DEVELOPMENT PROJECTS OF BIOTEST

Product	Lead indication	Status as of 31 December 2016
Indication Area Intensive Care Medicine		
Albiomin® (20 % and 5 %)	Blood volume depletion	Marketing in Europe, South America, Asia and Middle East
Biseko®	Volume and serum protein depletion	Marketing in Europe and Asia
Cofact®	Deficiency of clotting factors	Marketing in Germany and Austria
Fibrinogen*	Fibrinogen deficiency	Clinical development; ongoing phase I/III study in congenital fibrinogen deficiency
IgM Concentrate*	Severe community-acquired pneumonia (sCAP)	Clinical development; phase II study completed
Pentaglobin®	Severe bacterial infection	Marketing in South America, Asia, Europe and Middle East

* Preparations in the development phase (status as of 31 December 2016)

E. HUMAN RESOURCES

Change in number of employees

As of 31 December 2016, Biotest employed 2,527 persons expressed as full-time equivalents. This represents an increase of 11.3 % compared to 2,271 full-time equivalents at the end of 2015. The increase is due largely to the increased personnel requirements associated with expanding production capacities as a result of Biotest Next Level at the Dreieich location as well as the opening of 6 new plasma collection centres in the US and Hungary. As of 31 December 2016, 995 full-time equivalents (39.4 %, previous year: 40.6 %) were assigned to Biotest AG and another 1,086 full-time equivalents (43.0 %, previous year: 42.4 %) to BPC. About half of all employees (47.2 %) worked in Germany (previous year: 49.2 %).

Remuneration

The next tranche of the Long Term Incentive Programme for success-based remuneration of management staff was issued on 1 May 2016. This variable remuneration component is based on the achievement of predefined targets. The programme is described in detail in Section G1 (Long Term Incentive Programme) of the consolidated financial statements.

Human resources and organisational development

Due to the planned expansion of the production capacities at Dreieich, the requirements of specially trained and management staff will significantly increase over the next few years. To be prepared for the future in view of the increasingly difficult labour market, a talent pool was created for very good applicants. Numerous information and recruitment events held in 2016 served to make Biotest better known throughout the region as an attractive employer.

Collaboration with Johann Wolfgang Goethe University Frankfurt (Main) was continued in the past financial year. For instance, Biotest invited 50 pharmacy students from the University of Frankfurt to Dreieich to participate in an informational event including a tour of the plant. In this event the different areas and diverse career opportunities for pharmacists were presented, for instance in quality control, production, project management and regulatory affairs, and to generate interest in them.

In addition, Biotest participated in the job fair for scientists at the Johann Wolfgang Goethe University Frankfurt (Main) with job offers, a presentation on opportunities for entry-level jobs and career development as well as applicant advice.

Biotest offers job starters international entry-level programmes to ensure the retention of well-educated talents in the Company at an early stage. Among other initiatives, two university graduates are currently trained in the "Pharmaceutical Products" trainee programme.

Biotest is also continuing to provide incentives to employees to enrol in part-time studies through a targeted sponsorship of Bachelor's and Master's degree programmes. In 2016, a total of six employees were enrolled in scientific and technical degree programmes that Biotest initiated with the Bingen University of Applied Sciences and Provadis School of International Management and Technology AG, Frankfurt am Main, among others. Furthermore, Biotest supports the further development of its production employees. A total of eight employees in this area are enrolled in the „Industrial foreman in the chemical industry" („Industriemeister Chemie") continuing education programme.

As part of the planned expansion of production capacities, the importance of a shared concept of leadership, communication and collaboration on all management levels of Production is also taken into consideration. In 2016, following a kick-off event, a multi-level management development programme included 360° feedback for the first, second and third tier as well as coordinated leadership workshops with all managers of the sector.

Seventy-six project managers, project staff and managers in strategic projects participated in a workshop series on the performance factors of their cross-functional collaboration and networking. They developed a shared understanding of roles, interfaces and the management of changes.

For the first time for a global, interdisciplinary project team developed and discussed management and employee requirements at Biotest. The newly developed Biotest competence model includes general, management and expert competences that will in future be anchored in management and human resources instruments. At the end of the year, 40 top managers of Biotest familiarised themselves with the new management techniques in the international manager meeting „Be a Biotest Leader".

Promoting women in senior management positions

Appropriate representation of women among staff and particularly among management offers a significant added value for Biotest.

In accordance with the requirements of the German Act for the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), Biotest AG has defined targets for the participation of women and men in senior management positions to be fulfilled by 30 June 2017.

Women in the Supervisory Board
The Biotest Supervisory Board consists of six members, of which four are shareholder representatives and two are employee representatives. Since 2004, the Supervisory Board already includes two women, one as a shareholder representative and one as an employee representative. This means that the Company has met the legally required minimum quota of 30 % women in the composition of the Supervisory Board.

Women in the Board of Management
The current members of the Board of Management are appointed beyond 30 June 2017. Therefore, the Supervisory Board has specified a target of 0 % by 30 June 2017.

Women in the first and second tiers of management
The Board of Management of Biotest AG has set a target of 17 % for women in the first tier of management. As of 31 December 2016, women make up 18 % of managers on this tier. The target for the second tier of management was set at 38 %, which means that the 32 % share as of 31 December 2016 should be further increased. Women make up 41 % of Biotest AG employees (1,026 employees) as of 31 December 2016.

Traineeships

Biotest AG has also reinforced its commitment to vocational training over the past year. A total of 72 trainees (previous year: 66) were employed at Biotest in eight professions as of 31 December 2016. The quality of the Company's trainee programmes has been reflected for years in the very good final examination results of the graduates. In 2016, three of them were honoured by the Offenbach (Main) and Frankfurt (Main) Chambers of Industry and Commerce for their exceptional examination results.

Family-friendly company

In addition to offering flexible part-time work schemes, Biotest has significantly increased the opportunities for family-friendly work by offering a company day care centre. The day care centre is located in the immediate vicinity of the Company headquarters in Dreieich and provides places for up to 80 children between the ages of eight months and six years. With opening hours from 6:00 a.m. to 6:00 p.m. and no closures during school holidays – except for the week between Christmas and New Year – Biotest offers employees the opportunity to more easily balance career and family life.

F. EXTERNAL FACTORS INFLUENCING THE BUSINESS

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), Langen, Germany, as well as by the United States Food and Drug Administration (FDA) in the USA. These three organisations inspect the manufacturing sites to be built at the Dreieich location as part of the Biotest Next Level project. In the member states of the European Union, plasma proteins are approved under the centralised marketing authorisation procedure or by mutual recognition of national marketing authorisations. In the USA, market authorisations for Biotest preparations are subject to the provisions of the FDA. In the international environment, the marketing authorisations are issued by the respective national regulatory authorities. The regulatory authorities for monoclonal antibodies in both Europe and the USA are the same as those for plasma proteins. The legal and regulatory requirements for the marketing authorisation of Biotest preparations are subject to routine and event-driven changes. The marketing authorisation requirements are constantly being increased in the international

environment. In the 2016 financial year, these developments led to rising costs for audits in the context of marketing authorisation procedures with national and international authorities.

II. GROUP STRATEGY

The core element of Biotest's strategy is a clear focus on the marketing and the development of plasma proteins. In addition to continuously advancing its own research and development pipeline, the Company is focussing its activities with respect to registrations and marketing authorisations on internationalisation and diversification of its portfolio.

In order to continue participating in future global market growth, the Biotest Group has been expanding its production capacity at its headquarters at Dreieich since 2013. The product range will be expanded and production capacity will be doubled by 2019/2020 under the Biotest Next Level project. In future, five instead of three product lines will be obtained from the raw material of plasma while increasing yield simultaneously; this will further strengthen profitability and hence the competitiveness of the Company on global markets and thus lay the foundation for further profitable growth of the Group.

Furthermore, Biotest aims to enter into strategic alliances with suitable cooperation partners in selected areas. In terms of the monoclonal antibodies in the development phase, Biotest will continue its ongoing activities until the next milestone is reached and seek a partner to take over further development and later marketing. The data of the clinical study I/IIa with BT-062 in patients with multiple myeloma were presented in December 2016 at the meeting of the American Society of Hematology (ASH). The monoclonal antibody BT-063 is being developed in a phase IIa study in systemic lupus erythematosus. Further details are presented in the Research and Development chapter. Furthermore, Biotest is actively looking for development and/or marketing partnerships for selected plasma proteins as well.

For existing marketing authorisations, Biotest plans extensions of existing product indications, such as for Zutectra® in 2015. In December 2015, the European Commission granted Biotest approval for the early use of the hepatitis B hyperimmunoglobulin Zutectra® after liver transplantation. While previous treatment with Zutectra® could not begin previously until six months after a liver transplantation, Zutectra® can now be used as early as one week after the transplantation. In addition, the successful further development of Zutectra® strengthens the role of Biotest Group as the leading supplier of hepatitis B hyperimmunoglobulins. In November 2016, this extension of the indication was also approved in Switzerland.

The core element in implementing this company strategy is utilising internal resources to cover key parts of the value-added chain. These include research and development, plasma collection, production, quality assurance and distribution. The existing expertise, especially in the areas of plasma collection and fractionation, is used to offer available capacity in the market in the form of intermediate products as well as toll manufacturing.

To pursue the strategic direction even more efficiently and effectively, a global change process was started. It aims to further optimise collaboration with external customers as well as international and interdisciplinary teamwork, improve work processes and render them more efficient and to implement a consistent, participative leadership culture within the Company. In the first step, the management team was expanded by international members. Together with the Board of Management, it is responsible for the strategic decisions along the value chain.

III. BUSINESS PERFORMANCE MANAGEMENT

Biotest is managed using both financial and non-financial indicators, the development of which influence the enterprise value in different ways. Financial and non-financial performance indicators are measured continuously and are part of the monthly reports to the Board of Management. These reports include an analysis of actual figures and their deviations from plan and previous year figures by segment and company. Additional specific analyses are performed on an event-driven basis.

A. FINANCIAL PERFORMANCE INDICATORS

The indicators used to manage the business performance of the Biotest Group are shown in the table below:

KEY PERFORMANCE INDICATORS AT THE GROUP LEVEL

Indicator	Calculation method	Value as of 31 December 2016	Value as of 31 December 2015
Return on Capital Employed (RoCE)	EBIT/capital employed*	8.6 %	5.2 %
EBIT margin	EBIT/sales	11.6 %	7.0 %
EBT margin	EBT/sales	9.5 %	6.5 %
Contribution margin	(Sales-cost of sales)/sales	36.8 %	39.1 %
Cash flow from operating activities	See cash flow statement for a detailed calculation	€ 65.9 million	€ 38.1 million
Cost of sales ratio	Cost of sales/sales	63.2 %	60.9 %
Distribution expense ratio	Marketing and distribution costs/sales	9.5 %	11.1 %

* Capital employed is defined as total assets less the following items: liquid funds, medium- and long-term investments of funds, prepaid expenses, deferred taxes, trade payables and assets of discontinued operations.

At the segment level, operating profit (EBIT) is the primary performance indicator. Other indicators include sales and contribution margin by product and 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.

B. NON-FINANCIAL PERFORMANCE INDICATORS

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

C. MANAGEMENT OF R&D PROJECTS

A regular portfolio analysis of research and development projects is performed for the management. Development timelines, costs, probabilities of success, risks, strategic importance, market size as well as the commercial potential in the form of a net present value analysis are used for this. On the basis of the portfolio analysis, a company-wide prioritisation of the projects and hence a focus of the organisation on the strategically important projects is achieved.

IV. RESEARCH AND DEVELOPMENT (GENERAL)

Research and development are the foundations for future growth amongst others within the corporate strategy. In this area, the development of existing and new products offers significant potential. The focus in research and development projects is on plasma proteins. After completion of the current studies in the area of monoclonal antibodies, Biotest will pursue further activities only together with a partner. This is intended to reduce development risks and development costs.

A detailed schedule of the progress made in the research and development projects carried out in financial year 2016 is shown in the "Research and development" Section of the Economic Report.

For the 2016 financial year Biotest's research and development costs from continuing operations amounted to € 48.5 million for the 2016 financial year (previous year: € 78.5 million). Of this, € 37.3 million related to plasma proteins and € 11.2 million to monoclonal antibodies. The ratio of these costs to sales amounted to 8.8 % compared to 14.7 % in the previous year. The number of employees (converted to full-time equivalents) engaged in research and development was 189 as of 31 December 2016 and has again increased compared to 31 December 2015 (181 full-time equivalents).

B. ECONOMIC REPORT

I. BUSINESS AND GENERAL FRAMEWORK

In an economic report presented in December 2016, the Kiel Institute for the World Economy (Kieler Institut für Weltwirtschaft (IfW)) states that the world economy bottomed out in the course of 2016. It predicts a 3.1 % increase in the global production for 2016. For the next two years, an increase in global production of 3.5 % and 3.6 %, respectively, is predicted.[1] According to this analysis, the advanced economies should benefit from a continued expansive monetary policy, impulses of financial policy and more rapid wage rises. However, the fact that energy costs are no longer expected to drop and will therefore not cause any further increases in the purchasing power of consumers could have a dampening effect. In the emerging economies, the IfW expects a stimulation of economic expansion which, however, is unlikely to become very dynamic in view of relatively low raw material prices and in many areas unsolved structural problems.

On the basis of December 2016 figures, the IfW expects German gross domestic product (GDP) to grow by 1.9 % in 2016, 1.7 % in 2017 and 2.0 % in 2018.[2] Neither the Brexit nor the effects of the US presidential elections are expected to have a negative short-term effect. Therefore, exports are expected to increase, which could support the economic upturn. However, domestic growth drivers are likely to be more significant: construction investments could further increase due to favourable financing-conditions. Due to the favourable situation on the labour market and still relatively high rises in government transfer payments, private consumption will probably continue to grow considerably as well.

For the euro area, the IfW predicts a 1.7 % growth in GDP for each of the years 2016, 2017 and 2018.[3] The outlook is negatively impacted by unsolved structural problems in parts of the euro area: For instance, the rejection of the constitutional reform in Italy negatively impacts the likelihood of reforms to overcome the country's weak growth. High public debt and the crisis in the banking sector also negatively influence the economic outlook according to the IfW. Due to the parliamentary elections taking place in 2017 in some of the largest member states – including France and Germany – there is also considerable insecurity regarding the future economic policies. Private consumption is likely to be stimulated by continued improvements in the labour market. The IfW predicts a decrease in unemployment rate from 10.1 % in 2016 to 8.8 % in 2018. However, private consumption will no longer be stimulated by low energy prices, which may have a dampening effect in the entire euro area.

According to the IfW, the short-term negative effects of the Brexit vote will be less pronounced than originally expected. For the long term, however, there is currently great insecurity as regards the structuring of the future business relationships between Great Britain and the EU.[4]

For the US economy, the IfW predicts a growth in GDP by 1.6 % in 2016. In the following years, greater GDP growth is predicted with 2.5 % in 2017 and 2.7 % in 2018.[5] The change in US presidency may possibly have a stimulating effect on the US demand due to planned tax cuts and government spending programmes. Statements made during the election campaign give reason to assume, however, that the new government is critical toward further intensification of international trade.

In principle, the Biotest Group is only marginally dependent on economic cycles due to the high level of medical need for plasma protein products throughout the world. However, it cannot be ruled out that operating business will be impacted, particularly by local crises and exchange rate fluctuations.

II. INDUSTRY-SPECIFIC FRAMEWORK

Immunoglobulins and albumins, the best-selling products of the Biotest Group, show stable growth. This is true for the established markets such as the USA and Europe as well as for the other regions of the world. For example, industry experts expect the market for intravenous immunoglobulins (IVIG) to see a long-term global increase in demand of 6-7 % annually.[6] To meet this increased demand, the industry is increasingly collecting blood

1 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2016

2 Institute for the World Economy, Kiel Economic Reports, German Economy in Winter 2016

3 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2016

4 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2016

5 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2016

6 Biotest Market Research based on MRB (2016), PPTA (2016), Morgan Stanley (10 Oct 2016), UBS (Feb 2015)

plasma. For example, in the USA the volume of collected blood plasma rose by around 10 % during the first nine months of 2016 compared to the same period of the previous year.[7] The industry is increasing the plasma collection volume in preparation for the additional fractionation capacities that are being built worldwide at this time. Biotest Group will participate in this growth trend by doubling its capacity.

EU prices for intravenous immunoglobulins (IVIG) are still significantly lower than in the USA.[8] The market volume for immunoglobulins has increased slightly in the USA in the first half of 2016.[9] In Europe, the market volume expanded more strongly than in the USA in the first half of 2016.[10] The German market showed a positive development last year as well as in the sales volume – for physicians in private practice as well as for hospitals.[11] The average price in German hospitals showed a stable development in 2016.[12]

The long-term growth of the global albumin market is estimated around 5 % per year.[13]

Demand for plasmatic factor VIII products is also continuing to grow. This development is being driven in particular by factor VIII therapies becoming increasingly established in the emerging economies. In many of these countries, haemophilia patients do not yet have access to treatment with clotting factors. The global market for plasmatic factor VIII products is expected to grow by 2-3 % p. a. by 2020.[14] The recombinant segment is characterised by the introduction of new factor VIII products, which could intensify competition and thereby significantly increase price pressure in the market.

III. BUSINESS PERFORMANCE

A. BIOTEST IN 2016

2016 goals: Target-performance comparison

The Board of Management predicted an increase in sales in the low single-digit percentage range for 2016. In the 2016 financial year, the Biotest Group generated revenue in continuing and discontinued operations of € 610.4 million, after € 589.7 million in the previous year. This corresponds to a percentage change of 3.5 %.

EBIT of continuing and discontinued operations amounted to € –21.5 million in the 2016 financial year. In the beginning of 2016, the Board of Management had expected an EBIT of € 33 to 35 million for the 2016 financial year, and with this expectation, it raised the forecast stated in November 2015 (€ 30 million) by more than 10 %. The Biotest Group did not achieve this forecast. The failure to achieve the forecast was due to unplanned expenses resulting from the production problems at Biotest Pharmaceuticals Corp. in December 2016 and the measurement result from the planned sale of the assets of Biotest Pharmaceuticals Corp.'s therapy and toll manufacturing business to ADMA Biologicals Inc, Ramsey, USA, (ADMA). Adjusted for these unplanned expenses of € 22.3 million, which related primarily to write-downs on inventories, land and buildings and expected contractual penalties in connection with the non-performance of the distribution agreement with Kedrion Biopharma Inc., and for the effects of the measurement result of the assets to be sold of € 33.7 million, EBIT would have amounted to € 34.5 million and thus been at the upper end of the forecast range.

In the previous year, the Company predicted a return on capital employed (ROCE) of around 4 %. ROCE of continuing and discontinued operations amounted to –2.8 %. Adjusted for the above extraordinary items, ROCE would have been 4.6 %. Around € 5 million was forecasted for cash flow from operating activities. With € 65.9 million for continuing and discontinued operations, this forecast was significantly exceeded.

7 PPTA (2016)
8 UBS (Oct 2016)
9 PPTA (2016)
10 Insight Health (as of October 2016), IMS (as of October 2016), PPTA (2016)
11 IMS Health Germany (as of December2016), IMS (as of December 2016),
12 IMS Health Germany (as of December 2016)
13 Biotest Market Research based on MRB (2015)
14 Biotest Market Research based on MRB (2016)

The core business of the Biotest Group (adjusted EBIT from continuing operations) is above the figures of the previous year, and at € 112.9 million, it is clearly positive.

in € million	2016	2015
EBIT	**63.9**	**37.3**
Expenses for Biotest Next Level*	37.8	23.3
Expenses for monoclonal antibodies	11.2	50.1
Adjusted EBIT	**112.9**	**110.7**

* The research and development cost for products that can be produced only at the new plant were added to the costs for Biotest Next Level.

Group business strategy and implementation in the 2016 financial year

Internationalisation

In the past financial year the Biotest Group expanded its presence in important international markets, accessed new countries by obtaining additional market authorisations and thereby created an even stronger international basis for the Group. First sales with Intratect® 50 g/l (5 %) and Intratect® 100 g/l (10 %) were achieved in new markets. In Algeria, Haemonine® was sold for the first time in the context of a government tender. The hepatitis B immunoglobulins were introduced in some markets.

The Biotest Group continuously expanded its marketable product range with marketing authorisations and product launches and thereby increased overall sales. In 2016, the Biotest Group generated slightly higher sales than in the previous year. From January to December 2016, the Company had revenues from continuing operations of € 553.1 million. This equals a rise of 3.5 % compared to the same period in the previous year (€ 534.6 million).

Considerable increases in revenue from continuing operations were generated in the USA, in the region Other Asia and Pacific and in the region Rest of America in particular. In the USA, the revenues from January to December increased by 44.8 % to € 104.0 million. In the region Other Asia and Pacific, sales increased by 16.5 % to € 49.5 million. In the region Rest of America, annual revenues increased by 10.7 % to € 13.4 million.

Focus on the plasma business

With the largest project of its Company history, Biotest Next Level, Biotest plans to expand its future product range while simultaneously considerably increasing profitability. For product expansion, Biotest will in future focus on the plasma proteins business, a market with considerable growth and potential.

Cooperations

In future, Biotest will count even more on partnerships. From April 2017, Biotest will complete the haemophilia portfolio with a recombinant factor VIII preparation produced with a human cell line. The new product is suitable for the treatment and prevention of haemorrhage in children and adults with haemophilia A (congenital factor VIII deficiency). It is intended to offer patients deciding on a recombinant product a high quality alternative to the currently available recombinant factor VIII preparations. In studies with previously-treated patients, the 4th generation recombinant clotting factor proved to be safe, effective and tolerable. In Germany and from the fourth quarter 2017 onwards in Switzerland, Biotest sells the new Factor VIII preparation in the context of a cooperation agreement with Octapharma AG, Lachen, Switzerland.

With regard to monoclonal antibodies, Biotest will proceed with its ongoing pre-clinical and clinical activities until the next milestone and then plans on partnerships for the further development and marketing of the projects.

Research and development

In 2016, research and development costs from continuing operations declined by 38.2 % to € 48.5 million (previous year: € 78.5 million). Development projects with monoclonal antibodies accounted for 23.1 % of this amount (previous year: 63.8 %).

Indication Area Haematology

Indatuximab ravtansine (BT-062): In the ongoing phase I/IIa study (no. 983), in which the safety and efficacy of indatuximab ravtansine (BT-062) in combination with lenalidomide and dexamethasone are being investigated, recruitment of the total of 47 patients has been completed. In the extension arm of the study investigating the combination with pomalidomide and dexamethasone, all 17 patients were included, and recruitment has thus also been completed. In both treatment arms the treatment of patients is still ongoing. The results of the study to date have shown very good tolerability and efficacy for both combinations. The data of the clinical study were presented at the meeting of the American Society of Hematology (ASH) in December 2016.

In the phase I/IIa study (no. 989), in which patients with triple-negative metastatic breast cancer and patients with metastatic bladder cancer are treated with indatuximab ravtansine (BT-062), dose escalation was completed, the maximum tolerated dose was defined and recruitment was completed. In the study, a total of 39 patients were treated with indatuximab

ravtansine (BT-062), with the treatment phase already being completed but individual patients currently still in follow-up.

Indication Area Clinical Immunology

IgG Next Generation: The immunoglobulin G product IgG Next Generation is being developed to treat primary immune deficiencies, secondary antibody deficiency syndromes and several autoimmune diseases. A new production process was developed for this project with significantly higher yields and improved product properties. In the long term, IgG Next Generation will replace the existing product Intratect® as a global product and the "master product" for the new Biotest Next Level manufacturing facility. In 2016, two pivotal studies for IgG Next Generation were submitted to the authorities for approval in several countries: Firstly a phase III study (no. 991) on the treatment of patients with primary immune deficiencies (PID) and secondly a phase III study (no. 992) on the treatment of immune thrombocytopenia (ITP). In Study no. 991, the first of about 60 planned patients were included in the fourth quarter. In Study no. 992, patient recruitment was started at the end of 2016. In this study 40 patients are expected to be treated.

BT-063: In the ongoing phase IIa study (no. 990), the safety and tolerability of the monoclonal antibody BT-063 were studied in the lead indication of systemic lupus erythematosus (SLE), and initial data was collected on efficacy. Part I of the two-part study was completed with 18 patients recruited. According to the recommendations of the Data Safety Monitoring Board, additional 18 patients can now be included in part II of the study. SLE is an autoimmune chronic inflammatory disease that can affect various organs of the body with severe to very severe courses of disease. In various parts of the body, chronic inflammation that damage tissue can develop, leading in the medium term to very severe complications that are often associated with a reduced life expectancy.

Tregalizumab (BT-061): The phase IIb study (TREAT 2b – Tcell Regulating Arthritis Trial 2b) with tregalizumab (BT-061) in patients with moderate to severe rheumatoid arthritis did not meet the primary endpoint in 2015. Clinical development for rheumatoid arthritis was discontinued. The Company is currently using preclinical modelling systems to examine which alternative indications of tregalizumab (BT-061) could have potential, for instance severe allergic asthma. In case of success, potential additional development steps are then to be advanced in a partnership.

Zutectra®: Since 2009, the preparation Zutectra® has been authorised in the European Union for the indication of prevention of hepatitis B virus (HBV) reinfection in patients after liver transplantation due to HBV-induced liver failure. Worldwide, it is the first subcutaneously applied hepatitis B immunoglobulin in a prefilled syringe that is suitable for self-treatment at home. In December 2015, the European Commission granted approval for the early use of the hepatitis B hyperimmunoglobulin Zutectra® after liver transplantation. While previously, treatment with Zutectra® could not begin until six months after a liver transplantation, Zutectra® can be used as early as one week after the transplantation since 2016. The positive assessment of the agency is supported by the clinical results of the Zutectra Early Use Study (ZEUS), which show the effective use of Zutectra® in the early treatment phase. With the approval of the earlier application in December 2015, patients' treatment can be fine-tuned for self-treatment at home while they are still in hospital. This means an easier and patient-friendly treatment option overall. The successful further development of Zutectra® additionally supports the role of Biotest as the leading supplier of hepatitis B hyperimmunoglobulins.

Indication Area Intensive Care Medicine

IgM Concentrate: The completed phase II study (no. 982) published in late June 2015 on IgM Concentrate, an immunoglobulin preparation with high IgM, IgA and IgG content, showed encouraging results in life-threatening pneumonia in terms of artificial respiration period as well as reducing mortality. The randomised, double-blind, placebo-controlled phase II study was carried out with 160 patients with severe, community acquired pneumonia (CAP). This patient group has a high mortality rate and includes seriously ill patients in the intensive care unit. The study was carried out in Germany, Spain and the United Kingdom. The data of the study were presented in March 2016 at the ISICEM (International Symposium on Intensive Care and Emergency Medicine) in Brussels, Belgium. Full publication of the results is planned for 2017. A global phase III study with IgM Concentrate is currently in preparation.

Fibrinogen: Data is available from the clinical phase I/II study (no. 984) of fibrinogen in development (phase I/III). It looked at the effects of the product in the body of patients with congenital fibrinogen deficiency. In the next part of the study, patients will be treated as required, i. e. in the case of haemorrhage or when undergoing surgeries. In this second part of the study, tolerability and efficacy are examined. The Paul Ehrlich Institute approved the expansion of this study to a phase III study with the existing treatment plan and a higher number of patients. On the basis of the results of this study, the marketing authorisation of the drug can be applied for. For acquired fibrinogen deficiency, a phase III study is currently in preparation, which will include patients with severe haemorrhages during major surgeries.

Pentaglobin®: Pentaglobin® has been on the market for 30 years and is approved for the treatment of severe bacterial infections with the simultaneous application of antibiotics. In the past two years, various pre-clinical studies were performed on the efficacy of Pentaglobin® in antibiotic-resistant bacteria. These bacteria will be one of the biggest future challenges of healthcare systems. Both the „in vivo" and „in vitro" studies have delivered promising results. Furthermore, a retrospective study in Greece showed a significant survival advantage due to Pentaglobin® in patients with severe sepsis or septic shock caused by multiresistant bacteria. Multiresistant germs are currently one of the major discussion topics among the experts. Pentaglobin® also showed impressive results in the treatment of patients with donor-specific antibodies following lung transplantation. In lung transplantation, the development of donor specific antibodies (DSA) increases the mortality risk and the risk of organ rejection. A study performed by Medizinische Hochschule Hannover, Germany showed that patients with early DSA development after lung transplantation who were treated with Pentaglobin® exhibited a significantly higher survival rate than patients who were treated with therapeutic plasma exchange.

RI-002 RI-002 is a hyperimmunoglobulin made of human plasma with naturally occurring antibodies against the respiratory syncytial virus. The virus is responsible for most cases of acute bronchitis in infants and toddlers. Biotest has purchased from ADMA the sales licence for Europe and other selected international markets in order to participate in ADMA's potential research and development success. In the third quarter of 2015, after a successful phase III study, ADMA applied to the U.S. Food and Drug Administration (FDA) for marketing authorisation for RI-002. In July 2016, the FDA informed ADMA that it expects verification of the elimination of multiple concerns identified during inspections performed at BPC as the manufacturer of RI-002 and at other companies involved in the bottling and testing of RI-002. No concerns were expressed regarding clinical safety and efficacy data of RI-002, and no additional studies were required from ADMA before obtaining the marketing authorisation.

Marketing and distribution

Indication Area Clinical Immunology

Fovepta®, a hyperimmunoglobulin for newborns, is used immediately after birth and offers effective protection for babies of mothers suffering from hepatitis B. It was launched on the markets Saudi Arabia and Libya in May 2016. In the third quarter of 2016, Biotest received the marketing authorisation for Brazil. This will positively influence sales development.

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/study design	Number of study participants	Status as of 31 December 2016
Indication Area Haematology				
Indatuximab ravtansine (BT-062)				
Phase I/IIa Multiple myeloma	983	Repeated multiple dosing, intravenously on day 1, 8 and 15; every 28 days		
		Combination with lenalidomide and dexamethasone	47	Patient recruitment completed
		Combination with pomalidomide and dexamethasone	17	Patient recruitment completed
Phase I/IIa Breast cancer, bladder cancer	989	Repeated multiple dosing, intravenously on day 1, 8 and 15; every 28 days, dose escalation from 100 mg/m²	39	Patient recruitment completed

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/study design	Number of study participants	Status as of 31 December 2016
Indication Area Clinical Immunology				
BT-063				
Phase IIa Systemic lupus erythematosus (SLE)	990	Multiple doses, 3-months treatment duration, placebo-controlled	36 planned	Part I completed
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 about 25,000 pregnant women	Patient recruitment completed
IgG Next Generation				
Phase III Primary immune deficiencies (PID)	991	Multiple doses, 12-months treatment duration	60 planned	Study ongoing
Phase III Immune thrombocytopenia (ITP)	992	Multiple doses	40 planned	Study ongoing
Indication Area Intensive Care Medicine				
Fibrinogen				
Phase I/III Congenital fibrinogen deficiency	984	Single dose to determine pharmacokinetics, dosage and frequency of treatment of acute bleeds in the case of treatment individually according to patient	30 planned	Patient recruitment ongoing
IgM Concentrate				
Phase II Severe community-acquired pneumonia	982	Multiple doses following severe community-acquired pneumonia (sCAP); treatment for five days, i. v. application, placebo-controlled double-blind study	160	Study concluded

For Intratect® 50 g/l (5 %), Biotest received the marketing authorisation for the Brazilian market in 2016 as well. Sales in Libya started in May 2016, and after the market launch in Indonesia very good sales development was recorded in 2016 as well. In Argentina, collaboration with a distribution partner commenced. In July 2016, the market launch in Bulgaria took place, and initial sales were also generated in Slovenia.

For Intratect® 100 g/l (10 %), Biotest also received the marketing authorisation for Australia and Jordan in the past financial year. In Jordan, the first sales were made in April 2016. In June 2016, the preparation was launched on the Portuguese market.

The ZEUS (Zutectra Early Use Study) results were published in March 2016. The early use of Zutectra® was started in Germany shortly thereafter. In Italy, Biotest received the pricing approval for the early use of Zutectra® in August 2016. Sales figures in France continued to grow in 2016. In August 2016, Zutectra® received a marketing authorisation in Brazil.

Hepatect® received marketing authorisation for the Brazilian market in 2016.

In the 2016 financial year, Biotest received the marketing authorisation for the prophylactic use of Cytotect® following transplantation in the Netherlands.

Indication Area Intensive Care Medicine

For the Biotest products Albiomin® 20 % and Albiomin® 5 %, sales in Switzerland started in 2016.

Pentaglobin® was reintroduced to the Brazilian market in 2016 following the successful update of its registration.

Indication Area Haematology

With regard to the factor VIII preparation, the SIPPET study (Survey of Inhibitors in Plasma-Products Exposed Toddlers) showed a considerable advantage for plasmatic factor VIII products containing von Willebrandt factor over recombinant preparations in terms of inhibitor development.

In Algeria, the first revenues with Haemonine® were achieved in September 2016.

Plasma and Services

In 2016, Biotest opened four new plasma collection centres in the USA: in Brookings and Vermillion, South Dakota, Clemson, South Carolina and in Kearney, Nebraska. Including these four new centres, Biotest now operates a total of 22 plasma collection centres in the United States. Biotest plans to open additional plasma collection centres in 2017.

Social responsibility

With its products and their application areas, the Biotest Group operates in a highly ethical environment. Biotest's products help to save lives and confer a degree of normality on the daily lives of chronically ill patients. Furthermore, the Company is engaged in various scientific medical initiatives, research projects and measures taken by patient organisations. Biotest aims to improve the situation of patients with rare diseases who rely on plasma proteins. This involves the sharing of international expert knowledge as well as the availability of treatment options and preparations.

In addition, Biotest supports activities in the areas of education, science and health. For instance, the Company funds scholarships in the context of the „Germany stipend" of Johann Wolfgang Goethe University Frankfurt (Main) and is one of the sponsors of the Night of Science. In this evening event, the general population and students of other fields are acquainted particularly with scientific subjects.

Within the 2016 Inventor Laboratory, Biotest also supported outstanding upper secondary school pupils. In collaboration with Johann Wolfgang Goethe University Frankfurt (Main), a one-week workshop was held with the intention of interesting pupils in a MINT (mathematics, information technology, natural sciences and technology) career. The project gave pupils the opportunity to look behind the scenes of a pharmaceutical company and to do experimental work on challenging tasks.

Biotest enables young people holding a wide range of secondary school and university degrees to enter the workforce through internships, trainee programmes and full-time and part-time employment. Details are presented in the Human Resources chapter. This includes trainee programme opportunities for young people with difficulty accessing the trainee programme system.

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

A. RESULTS OF OPERATIONS

In the 2016 financial year, the Biotest Group generated sales of € 553.1 million in the 2016 financial year. This amounts to an increase of 3.5 % compared to the previous year, in which sales of € 534.6 million were achieved. At segment level, the Biotest Group increased its revenue primarily in the Plasma & Services segment, where sales rose by 19.8 % over the year as a whole from € 166.4 million to € 199.3 million. In the core segment Therapy, revenue fell slightly by 3.6 % from € 359.6 million to € 346.8 million. Sales in Other Segments declined by € 1.6 million from € 8.6 million in the previous year to € 7.0 million in the 2016 financial year.

SALES BY SEGMENT

in € million	2016	2015	Change in %
Therapy	346.8	359.6	–3.6
Plasma & Services	199.3	166.4	19.8
Other Segments	7.0	8.6	–18.6
Biotest Group	**553.1**	**534.6**	**3.5**

The Biotest Group is a globally acting business. In the 2016 financial year, 80.4 % of revenue was generated outside Germany. Sales growth was generated in particular in the USA, in the region Other Asia and Pacific and in the Other Americas. Growth of 44.8 % was achieved in the USA, which is primarily attributable to plasma sales. US sales amounted to € 104.0 million in the 2016 financial year, € 32.2 million up on the previous year's figure of € 71.8 million. In the region Other Asia and Paci-

fic, sales increased by 16.5 % to € 49.5 million in the reporting period. This can be attributed chiefly to a significant increase in sales of Albiomin®. An increase of 10.7 % was generated in the Other Americas region. This equates to a rise of € 1.3 million from € 12.1 million in the previous year to € 13.4 million in the 2016 financial year.

Declines in sales were recorded in the home market Germany (–12.2 %) and in the region Rest of Europe (–5.5 %). The negative development in Germany is primarily attributable to sales from non-recurring plasma sales included in the previous year's sales.

SALES BY REGION

in € million	**2016**	2015	Change in %
Germany	108.3	123.3	–12.2
Rest of Europe	157.6	166.7	–5.5
USA	104.0	71.8	44.8
Other Americas	13.4	12.1	10.7
Middle East and Africa	120.3	118.2	1.8
Other Asia and Pacific	49.5	42.5	16.5
Biotest Group	**553.1**	**534.6**	**3.5**

In discontinued operations, revenue of € 57.3 million (previous year: € 55.1 million) was generated in the past financial year. At 88.7 %, the major part was generated in the USA.

The cost of sales increased from € 325.7 million to € 349.6 million in the 2016 financial year. The increase in the cost of sales and in the cost of sales ratio to 63.2 % of sales (previous year: 60.9 %) was mainly due to the sharp increase in plasma sales with lower margins than the therapy business in the financial year and a decline in margins in toll manufacturing. Marketing and distribution costs declined year on year and amounted to € 52.7 million in the 2016 financial year (previous year: € 59.1 million). Their share in sales accordingly fell by 1.6 percentage points from 11.1 % in 2015 to 9.5 % in the 2016 financial year.

Administrative expenses increased from € 33.0 million to currently € 35.2 million. The administrative expense ratio therefore increased slightly to 6.4 % after 6.2 % in the previous year.

Research and development costs decreased considerably. They amounted to € 48.5 million in 2016 after € 78.5 million in the previous year. Their share in sales in the past financial year was 8.8 % (2015: 14.7 %). The main reason is that the 2015 financial year was heavily affected by the expenses from the termination of the research cooperation with Abbvie regarding tregalizumab (BT-061). In contrast, research and development costs in context with the Biotest Next Level project increased significantly in the 2016 financial year.

Other operating expenses doubled from € 3.6 million in the 2015 financial year to the current level of € 7.2 million. This is primarily attributable to additional allowances for bad debts from customers in the Middle East. Other operating income amounted to € 4.0 million in 2016 and was therefore higher than the previous year's € 2.6 million.

In particular due to the research and development costs that were not negatively affected by extraordinary items in 2016, operating profit (EBIT) increased to € 63.9 million after € 37.3 million in the previous year. The EBIT margin for 2016 therefore amounted to 11.6 % after 7.0 % in the previous year.

EBIT in the segment Therapy increased to € 31.0 million in 2016 after € 13.3 million in the previous year. It was influenced in particular by the significant decrease in research and development costs. In the segment Plasma & Services, EBIT rose from € 26.3 million in the previous year to € 34.5 million in 2016 as a whole. This was primarily due to the significant increase in plasma sales in the USA and sales from toll manufacturing in Iran. EBIT in Other Segments also developed positively in 2016 and amounted to € –1.6 million (2015: € –2.3 million). EBIT of discontinued operations was € –85.4 million in the 2016 financial year after € –109.1 million in the previous year.

PRIMARY COST POOLS OF THE BIOTEST GROUP*

in € million	**2016**	**% of sales**	2015	% of sales
Cost of sales	–349.6	63.2	–325.7	60.9
Marketing and distribution costs	–52.7	9.5	–59.1	11.1
Administrative expenses	–35.2	6.4	–33.0	6.2
Research and development costs	–48.5	8.8	–78.5	14.7
Other operating income and expenses	–3.2	0.6	–1.0	0.2
Financial result	–12.6	2.3	–4.5	0.8

* Costs/expenses are denoted with a negative sign

The financial result decreased to € –12.6 million in 2016 after € –4.5 million in the previous year. This was mainly due to interest expenses from tax payments for previous years in the 2016 financial year, which relate to Biotest AG's business in Russia. This resulted in earnings before taxes (EBT) of € 52.7 million for the Biotest Group's continuing operations compared to € 34.8 million in the previous year.

EBT of discontinued operations was € –85.4 million in the 2016 financial year after € –109.1 million in the previous year.

The tax expense in the financial year increased from € 7.8 million in the previous year to € 18.2 million. It was primarily influenced in the financial year by the non-recurring negative effects of the agreement reached with the tax authorities regarding tax payments for previous years of € 8.3 million in connection with Biotest AG's business in Russia.

Earnings after taxes (EAT) of continuing operations amounted to € 34.5 million in the past financial year after € 27.0 million in the previous year.

Earnings after taxes of discontinued operations before the measurement result increased by € 57.8 million compared to the 2015 financial year to € –51.7 million. The increase is due primarily to lower negative effects from impairment on intangible assets, property, plant and equipment and inventories of BPC's Therapy segment compared to the previous year. However, earnings will again be negatively affected in the 2016 financial year by depreciation and amortisation of the goodwill, property, plant and equipment and inventories of BPC's Therapy segment and by contractual penalties in connection with the distribution agreement with Kedrion Biopharma Inc. Including the measurement result of discontinued operations of € –28.5 million gives earnings after taxes of discontinued operations of € –80.2 million.

The Biotest Group's total earnings after taxes (EAT) therefore amounted to € –45.7 million in 2016 (previous year: € –82.5 million). This results in earnings per ordinary share of € –1.17 after € –2.10 in the previous year.

KEY PERFORMANCE FIGURES OF THE BIOTEST GROUP

in € million	**2016**	2015	Change in %
EBIT	63.9	37.3	71.3
EBT	52.7	34.8	51.4
EAT	34.5	27.0	27.8

B. FINANCIAL POSITION

As of 31 December 2016, total assets decreased by € 29.9 million from € 962.7 million as of 31 December 2015 to € 932.8 million.

On the asset side, non-current assets increased to € 465.6 million from € 375.9 million in the previous year. In particular, property, plant and equipment increased from € 317.2 million to € 414.9 million, which was attributable to further capital expenditure as part of the Biotest Next Level expansion project. Intangible assets fell by € 19.4 million from € 44.7 million as of 31 December 2015 to € 25.3 million as of 31 December 2016. The main reason was the reclassification of the intangible assets associated with Biotest Pharmaceuticals Corp.'s therapy business to assets fromdiscontinued operations. For the first time, undeveloped land of Biotest Pharmaceuticals Corp. is reported under investment property in the amount of € 6.6 million that is to be disposed of in the medium term after the sale of Biotest Pharmaceuticals Corp.'s manufacturing facilities at the Boca Raton site.

Current assets decreased by 20.4 % to € 467.2 million as at 31 December 2016 (31 December 2015: € 586.8 million). This was primarily due to the decline in other financial assets and inventories.

Inventories decreased by € 47.9 million to € 170.8 million (31 December 2015: € 218.7 million). The decline is due primarily to the inventories of Biotest Pharmaceuticals Corp. and resulted from the partial reclassification of the Company's inventories to assets of discontinues operations and the partial write-down of these inventories.

Trade receivables decreased to € 163.8 million as of 31 December 2016 (31 December 2015: € 173.9 million). The decline resulted primarily from lower sales in the Therapy segment in regions outside of Europe with longer payment period, especially in the fourth quarter of 2016.

Other current financial assets fell by € 108.6 million to € 12.2 million after € 120.8 million as of 31 December 2015. The main reason was the planned liquidation of these assets in connection with further capital expenditure as part of the Biotest Next Level project.

At the end of the year at € 72.9 million, cash and cash equivalents were € 19.1 million higher than the previous year's figure (31 December 2015: € 53.8 million).

Assets from discontinued operations amounted to € 25.1 million as of 31 December 2016. This mainly comprised land and buildings of Biotest Pharmaceuticals Corp. as well as inventories.

On the liabilities side, equity decreased to € 360.7 million (31 December 2015: € 412.3 million) due to the 2016 result of discontinued operations and due to actuarial losses from pension provisions. The equity ratio of 38.7 % was below the level of the previous year (31 December 2015: 42.8 %).

Debt increased last year to € 572.1 million (31 December 2015: € 550.4 million).

Non-current liabilities increased only slightly from € 424.6 million to € 426.1 million. The Biotest Group currently has loans of € 326.6 million available over the long term. Pension provisions amounted to € 83.8 million as of 31 December 2016 after € 72.6 million in the previous year.

Current liabilities increased significantly from € 125.8 million to € 146.0 million. This was primarily due to a higher volume of current financial liabilities and trade payables as of 31 December 2016.

The capital available to the Company over the long term (equity, pension provisions and non-current financial liabilities) covered 83.0 % of total assets as of 31 December 2016 (previous year: 85.2 %). Net debt increased from € 170.9 million to € 263.3 million as of 31 December 2016.

C. CASH FLOW

Cash flow from operating activities of continuing operations increased from € 55.8 million in the previous year to € 74.7 million in the 2016 financial year, which is primarily attributable to the considerably improved earnings before taxes. Cash flow from changes in working capital increased to € 15.5 million after € 9.3 million in the previous year. Interest and taxes paid totalled € –31.1 million after € –21.4 million in the previous year. The increase in interest and taxes paid is primarily due to the tax payments for previous years and interest payments thereon in connection with Biotest AG's business in Russia.

Cash flow from investing activities of continuing operations amounted to € –32.5 million for the period between January and December 2016 compared to € –153.4 million in the previous year. Cash flow from investing activities adjusted for cash inflow and outflow from financial assets as part of short-term financial planning decreased from € –93.3 million to € –143.1 million.

In the 2016 financial year, the Biotest Group generated cash flow from financing activities of continuing operations of € –13.6 million compared to € –4.6 million in the previous year, taking the dividend payments of € 1.2 million in the 2016 financial year into account.

Cash and cash equivalents of continuing operations amounted to € 72.9 million at the end of 2016 compared to € 53.8 million as of 31 December 2015.

Financing strategy

The Biotest Group's financing strategy is designed to ensure that the liquidity of the Group is sufficient at all times, adequate options are available for financing growth in its operating business and all capital expenditure is financed. Biotest uses both equity and debt financing with the aim of maintaining a solid and conservative financing structure. The target equity ratio is at least 40.0 %. With an equity ratio of 38.7 % as of 31 December 2016, Biotest has temporarily fallen short of this target due to the losses from discontinued operations, but still has a solid basis for financing its future investments. In addition, since 2014 Biotest has taken out energy efficiency loans from the Kreditanstalt für Wiederaufbau (KfW) totalling € 160.5 million to support the financing of the projects to construct the new plasma goods receipt area and the new production facility at advantageous conditions. € 60 million of this will be paid out in the 2017 financial year. The total of equity and the non-current components of debt financing should cover non-current assets. The capital structure is described in Sections E14 and G6 of the Notes.

V. SUMMARY ASSESSMENT OF THE BUSINESS SITUATION OF THE COMPANY

The Biotest Group met its forecast for continuing operations in the 2016 financial year and closed the year with growth in sales and EBIT. Compared to the previous year, revenue was increased by 3.5 % to € 553.1 million and EBIT from € 37.3 million to € 63.9 million. In the reporting period, the Biotest Group generated positive operating cash flow of € 74.7 million in continuing operations.

The Group made vital progress with the important project Biotest Next Level and met all project targets for 2016. The exterior of the production building was completed at the end of December, further progress has been made on the interior construction and the first technical equipment has been installed. The project shall allow much more effective use of plasma as a raw material in the future, increase yields in the production process and thus improve profitability.

In addition, six new plasmapheresis centres were opened in the 2016 financial year, which considerably increased the plasma collection network. The Biotest Group is thereby securing the sufficient future supply of the most important raw material, human blood plasma.

The earnings after taxes (continuing and discontinued operations) in the amount of € –45.7 million (same period of the previous year: € –82.5 million) were reduced by one-time tax and interest expenses in connection with the agreement reached with the German tax authorities regarding the investigation proceedings concerning Biotest's business in Russia. On the basis of the agreement with the Frankfurt am Main public prosecutor's office, the proceedings are not expected to have any further significant negative effects for the Biotest Group.

The Biotest Group has the overall resources to drive forward the operating business and the research and development work as planned.

Additional profit potential is offered by already achieved or future market entries of plasma protein products into other profitable sales markets in additional regions.

C. SUPPLEMENTARY REPORT

On 21 January 2017, Biotest contractually agreed with ADMA Biologics Inc., New Jersey, USA (ADMA), that the US therapy and toll manufacturing business of the subsidiary Biotest Pharmaceuticals Corporation, Boca Raton, USA, (BPC) including the manufacturing plant in the USA, shall be sold to ADMA. In return, Biotest shall receive an interest in ADMA of 50 % minus one share and can thus participate in the future business performance of ADMA's product RI-002 and its other development projects in the USA.

The agreement arranges the transfer of BPC's manufacturing facilities, land and buildings at the site in Boca Raton, the therapy products previously sold by BPC and the toll manufacturing agreements, inventories and intermediates worth at least € 4.7 million (USD 5.0 million), and the employees of the US therapy business. As part of the transaction, Biotest will provide ADMA with cash funds of € 11.9 million (USD 12.5 million) and grant ADMA a loan of € 14.2 million (USD 15 million). The loan bears interest at a rate of 6 % and matures in five years. In addition, Biotest has undertaken to contribute up to € 11.9 million (USD 12.5 million) to a future capital increase at ADMA at the same conditions as third-party investors. In return, Biotest shall receive an interest in ADMA of 50 % minus one share. This interest gives Biotest 25 % of ADMA's voting rights. As of 1 January 2019, Biotest shall also receive two plasmapheresis centres, which are currently operated by ADMA, and a right of first offer to the distribution rights for all future ADMA products in Europe, the Middle East and selected Asian countries.

On 17 January 2017, BPC terminated the distribution agreement for Bivigam® with Kedrion Biopharma Inc., USA, due to unforeseeable delays in the contractually required increase in the production of Bivigam® at the production site in the USA. As a result of the termination, Kedrion Biopharma Inc. received a payment of € 16.6 million (USD 17.5 million).

The measurement result of discontinued operations is based in particular on the ADMA share price as of 31 December 2016. A change in the ADMA share price before the closing of the transaction could improve or worsen the measurement result of discontinued operations in the 2017 financial year. In addition, delayed closing of the transaction may lead to a deterioration in the expected results from discontinued operations in the 2017 financial year due to the current losses expected at BPC.

D. OUTLOOK, RISK AND OPPORTUNITIES REPORT

I. OUTLOOK

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

The Board of Management is predicting positive performance for the current 2017 financial year. The demand for plasma protein preparations is growing continuously throughout the world. In addition, the start of the marketing of existing as well as new products on current and new markets will create further sales potential over the short and medium terms. However, sustained price pressure on immunoglobulins in Europe, which is likely to continue in 2017, as well as the continued tense situation in the crisis regions of the world could present a challenge.

With the continuation of the research and development work and the further progress made in expanding production capacity at the Group headquarters in Dreieich, the essential foundation for the future development of the Group will be laid in 2017. In the opinion of the Board of Management, the Biotest Group will continue to remain on its growth path in the current financial year from this very strong base. However, the start-up costs associated with the investments will adversely impact results over the next three to four years.

B. DIRECTION OF THE GROUP IN THE 2017 FINANCIAL YEAR

The general direction of the Biotest Group in the 2017 financial year will not change. In the future, Biotest will focus on the plasma business and the Biotest Next Level expansion project already started as a central component of this strategy. Biotest Next Level aims to expand the product range, double capacity and considerably increase profitability through higher yields. Furthermore, Biotest aims to enter into strategic alliances with suitable cooperation partners in selected areas and specific business fields.

C. DEVELOPMENT IN THE MARKET ENVIRONMENT

Target markets

According to current studies, global demand for immunoglobulins (IgG) will continue to increase by 6 to 7 % annually over the coming years.[15] Although the prices of these preparations remained largely constant in the past year, some geographical areas and distribution channels are currently characterised by rising price pressure.[16] This is due partly to additional fractionation capacities arising at various plasma companies around the world and gradually coming to market.

The Biotest Group also expects the global market volume for plasmatic clotting factors to increase by around 2 to 3 % p. a. until 2020.[17]

The markets for monoclonal antibodies remain attractive and could offer growth potential. However, Biotest decided in 2016 to continue its own developments in this area only until the next milestone is reached. Further activities to tap this potential in the future will only be carried out together with a partner.

D. EXPECTED PERFORMANCE OF THE BIOTEST GROUP

Expected business and earnings situation of the Biotest Group

In the 2017 financial year, the Board of Management expects sales of continuing operations to increase by a low-single-digit percentage.

Earnings will be influenced by various factors in 2017. Besides the expected adverse effects from the Biotest Next Level expansion project of € 60 to 70 million including the associated research and development costs, the price pressure that is expected to persist in Europe in 2017 and the continued tense situation in the crisis regions, especially in the Middle East, could be noticable. In addition, costs for research and development in the field of monoclonal antibodies of around € 10 million will impact earnings in 2017. Due to the above

15 Biotest Market Research based on MRB (2016)

16 IMS Health (as of October 2016), Goldman Sachs (18 May 2015): Global: Medical Technology: Medical Supplies: Industry structure to support demand, pricing; Buy CSL, GRLS

17 Biotest Market Research based on MRB (2016)

influences, the Board of Management anticipates EBIT of continuing operations in the range of € 46 to 48 million. For EBIT adjusted for adverse effects from the Biotest Next Level project and monoclonal antibodies, the Board of Management expects an increase to between € 120 and 125 million. As a result, the Board of Management expects a return on capital employed (RoCE) of approx. 5 % and cash flow from operating activities of around € 40 million to be generated in 2017.

A loss of € 9 million is expected for discontinued operations.

Expected financial position and cash flows of the Biotest Group

The main focus of the Biotest Group will be on a balanced financing structure, both in terms of the ratio of debt to equity and the ratio of short-term to long-term debt financing. The Group will use a substantial portion of the cash and cash equivalents received over the last few years for the Biotest Next Level project to finance the expansion of capacity at Dreieich. Furthermore, the increase in current assets required for the sales growth must be financed. For the 2017 financial year capital expenditure of up to € 110 million is planned for the Biotest Group, of which a substantial portion is attributable to the Biotest Next Level project. However, further capital expenditure will be incurred for the expansion of existing and the building of new plasma centres in the USA and Europe.

In addition to the organic growth described above and the financing thereof, the in-licensing of market-ready products could represent a future strategic option. There are currently sufficient financial resources available for the investments as well as the increase in sales and the associated working capital.

Expected developments in the segments

Therapy segment

The following significant advances and developments are expected in the Therapy segment in the current 2017 financial year:

Indication area Haematology

Indatuximab ravtansine (BT-062): Data evaluation was concluded and the final clinical study report compiled for the phase I/II study (no. 975) of indatuximab ravtansine (BT-062) for monotherapy of multiple myeloma, a malignant disease of the bone marrow. Because of promising results, the phase I/IIa study (no. 983), in which the safety and efficacy of indatuximab ravtansine (BT-062) in combination with lenalidomide and dexamethason are being investigated, was expanded with a treatment arm in combination with pomalidomide and dexamethasone. Patient recruitment was completed and the treatment of patients continues. The data of the clinical study were presented at the meeting of the American Society of Hematology (ASH) in December 2016.

Biotest is also testing indatuximab ravtansine (BT-062) in CD138-positive solid tumours. In the clinical phase I/IIa monotherapy study (no. 989), patients with triple-negative metastatic breast cancer (these tumours do not react to treatment with oestrogen-, progesterone- or HER 2-directed therapies) and patients with metastatic bladder cancer were treated with indatuximab ravtansine (BT-062) and the product candidate was studied for efficacy and tolerability. The phase I part of the study was successfully completed with the determination of the maximum tolerated dose. The recruitment and treatment of the total of 39 patients was completed; individual patients are currently still in follow-up. The evaluation of the study will begin after the conclusion of the clinical phase at the end of 2017; the clinical study report is expected in the first half of 2018.

Indication area Clinical Immunology

IgG Next Generation: In 2016, two pivotal studies for IgG Next Generation were submitted to the authorities for approval in several countries: Firstly a phase III study (no. 991) on the treatment of patients with primary immune deficiencies (PID) and secondly a phase III study (no. 992) on the treatment of immune thrombocytopenia (ITP). In study 991, the first patients were

included in the fourth quarter. The recruitment of patients for this study will continue in 2017 until around 60 patients are included. Study 992 has been open for the recruitment of patients since the end of the year – patient recruitment will also continue in 2017 in this study.

BT-063: Part I of the phase IIa study (no. 990) of the treatment of patients diagnosed with systemic lupus erythematosus (SLE) was completed with the inclusion of 18 patients in 2016. In this study, which is being carried out in several European countries, a total of 36 SLE patients are to be treated with BT-063 or a placebo for three months. The aim of the study is to examine the safety and tolerability of the drug in SLE patients. In addition, initial data is collected on efficacy in SLE patients. On the basis of data from the interim analysis, the Data Safety Monitoring Board has recommended the continuation of the study with a further 18 patients in part II. Alongside the study, specialised pharmacological studies are being conducted in order to further characterise the mechanism of action of BT-063. Together with the patient data, such studies form the basis for effective and secure planning of subsequent clinical studies and thus for initial talks with potential partners.

Fovepta®: The market launch of Fovepta® is planned in numerous countries in Asia and the Middle East. The first marketing authorisation was obtained in India in 2015. Fovepta® is currently being marketed successfully in other Asian and African countries and in Saudi Arabia. Marketing authorisation is expected in other countries in 2017, especially in Asia and the Middle East.

Intratect® 100g/l (10 %): Intratect® 100g/l (10 %) was first introduced in Germany in 2013. Today, the product is marketed in numerous European countries and the Middle East. Applications for marketing authorisation were submitted in other countries.

Zutectra®: The phase III study (ZEUS – Zutectra Early Use, no. 987) was concluded as planned in 2014 and the study data were submitted in April 2015 to the European Medicines Agency (EMA) for expansion of marketing authorisation. After the Committee for Medicinal Products for Human Use (CHMP), the EMA's scientific committee, expressed a positive recommendation for the approval of the indication adjustment in November 2015, European marketing authorisation was granted in December 2015. With the European Union marketing authorisation received, Zutectra® can in future be used eight days after transplantation. This will allow the early use of Zutectra® and help Biotest strengthen its own position in a decreasing market. In November 2016, approval for this extension of the indication was also granted in Switzerland. Further growth is expected in France and Spain in 2017.

Indication area Intensive Care Medicine

Fibrinogen: The phase I/III study (no. 984) serves to collect pharmacokinetic parameters and the treatment of haemorrhages in patients with congenital Fibrinogen deficiency. The Paul Ehrlich Institute, as the national regulatory authority, approved the expansion of the current study into a phase III study. In the pharmacokinetic part of the study, patients were treated successfully with fibrinogen. Initial results have been obtained. The first patients have been treated in the second part of the study on the treatment of patients as required, e.g. in the case of haemorrhage or when undergoing surgeries. The inclusion and the treatment of patients in the study continue. For acquired fibrinogen deficiency, a phase III study will begin in 2017, which will include patients with severe haemorrhages during major surgeries.

IgM Concentrate: The results of the phase II study (no. 982) in the indication severe community-acquired pneumonia (sCAP) were encouraging. On the basis of this data, a suitable patient population was identified and the design of a phase III study developed. Consultation meetings with regulatory authorities in various countries have already taken place or are being prepared. The global phase III study is expected to be launched in the end of 2017.

Plasma & Services segment

Company strategy within the Plasma & Services segment aims to achieve maximum utilisation of the existing plasma production capacities. Any plasma not required is sold by Biotest to third parties. Due to the constant high demand for Biotest products and planned significant increase in production capacity as part of Biotest Next Level, it is expected that toll manufacturing will remain at about the same level as in 2016. With growing capacities in the Biotest Group, sales in the Plasma & Services segment will continue to grow in the medium term over the next few years, while profitability remains steady.

II. RISK REPORT

As a global Group in a highly advanced field of technology, Biotest is subject to a variety of risk factors that could negatively impact business activities and can therefore result in negative forecast and target variances. 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 Group's financial position and cash flows, may be negatively affected. The risk report describes the known risks to which Biotest is exposed, both as a Group and at the segment level. At the same time, it explains how the Group 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 described will materialise is given below.

A. RISK STRATEGY

As defined 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 Biotest Group's continued existence and enhancing its value sustainably and systematically. This is also reflected in the forecasts of the Board of Management that are based on the neutral occurrence of the risk events mentioned below.

B. 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. Risk management processes are documented in detail, and the relevant 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 with the rules. Furthermore, any risks identified are reduced, with the involvement of 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.

Major potential risks are elements of monthly internal reports. 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 strategic risks as well as the following operative risk areas: market risks, process and production risks, financial risks, personnel risks and organisational risks. The principal risks are regularly discussed with the Supervisory Board and the Audit Committee.

In the period between meetings of the Risk Management Committee managers brief the Board of Management at regularly held Board meetings on the current risk situation in their respective areas of responsibility in the period between meetings of the Risk Management Committee. At the same time the Board of Management is informed of the current risk situation as part of forecasts to the year end. In the event of a sudden change in the risk position, the Board of Management is notified at short notice and directly about this.

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. There are about 60 risk reporters within the Group who 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 procedures regularly for appropriateness and effectiveness. The last audit took place in 2015. 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.

C. 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 accounting standards and policies. The relevant guidelines are summarised in an organisational manual to which all employees have access.

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

The accounting and reporting at Biotest AG and all subsidiaries included in the consolidated financial statements are performed 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 using recognised systems. Internal control processes have been established in each Group company through organisational procedures and clear responsibilities, including separation of duties through the dual control principle.

Companies enter data for the consolidated financial statements into a standardised, detailed reporting system, the content of which is agreed upon 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 corrected 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 statement of income.

Confidential data and documents are protected against access by unauthorised persons. This applies to access to the company campus (access control) as well as the (accounting-related) IT systems (access rights, passwords).

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 established in the internal audit guidelines. Audits are conducted in accordance with an annual internal audit plan established by the Board of Management, the management team 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, the management team and the members of the Audit Committee.

D. RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Biotest uses derivative financial instruments to hedge currency and interest rate positions. The corresponding contracts are concluded taking due account of the defined risk limits. Section G4 of the Notes to the consolidated financial statements contains a detailed description of the risk management system with regard to financial instruments.

E. RISK ASSESSMENT AND DESCRIPTION OF SIGNIFICANT RISK CATEGORIES

The material risks known to the Biotest Group are described below together with an assessment of the respective risks by the Board of Management. However, Biotest may be exposed to additional risks and uncertainties that are still unknown or which are currently considered minor. These risks could also have an adverse effect on the financial position, cash flows and results of operations of the Biotest Group. Unless otherwise stated, the risks named hereinafter relate to all segments of the continuing operations. The order in which the risks below are listed is in no way indicative of the probability of their occurrence.

The significance of risks is determined by multiplying the expected possible negative effect on the financial position, cash flow and result of operations by its probability of occurrence. Regarding the probability of occurrence, the following classifications are differentiated:

PROBABILITY OF OCCURRENCE

Probability of occurrence	Explanation
< 25 %	Low
25 – 50 %	Moderate
50 – 75 %	High
> 75 %	Very high

The combination of the probability of occurrence and the financial effects on Biotest's Earnings after Tax (EAT) leads to the risk matrix listed below, which presents the derivation of the risk assessment.

Amount of damage	Probability of occurrence			
	Low	Moderate	High	Very high
> 5 Mio. €	M	H	H	H
2,5 bis 5 Mio. €	M	M	H	H
1,0 bis 2,5 Mio. €	L	M	M	H
< 1,0 Mio. €	L	L	M	M

H = high risk, M = moderate risk, L = low risk

In case that risk limiting measures have been taken, the residual risk is reported in consideration of the implemented actions.

Environmental and industry risks

Economic risks

Biotest would not be able 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 is 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. The Board of Management assesses this risk as having a moderate probability of occurrence and moderate negative effect on the result of operations, financial position and cash flows; therefore, Biotest classifies economic factors as a moderate risk.

Sales market risks

Sales market risks consist of risks associated with price, quantity, substitution and payment default. 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. Nevertheless, 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 sharp price decreases for plasma proteins has not increased based on the price trend of the past few years. However, it continues to be classified as high. Cost pressure is becoming increasingly important in highly developed health care markets. Countries are increasingly adopting enforcement measures in order to reduce drug prices. Examples of this are manufacturer discounts and price moratoria in Germany and Austria as well as mandatory discounts in Greece, Romania and Italy. In addition, efforts of countries to reduce prices in their own country by referring to countries with lower prices are increasing. These efforts also exist on the EU level. The increasing parallel imports from other European countries with lower prices, which are desired by the legislature, are also squeezing margins. Furthermore, in the Gulf States declining oil revenues may cause a decrease in demand. Overall, the Board of Management of Biotest AG classifies this associated risk as moderate.

Based on the observations of the Biotest Group, the relationship between globally used plasmatic and recombinant clotting factors has been largely stable, although the demand for plasmatic clotting factors is likely to grow less strongly over the next few years than that for recombinant factors. Nevertheless, the Board of Management currently still considers further substitution risks to be manageable and therefore representing a low risk.

Default risk continues to be high due to the lower credit standing of companies and governments in some regions. Biotest has set up an active receivables management system and takes necessary measures to minimise risk such as, for example, a delivery stop. Furthermore, credit insurance is taken out for many countries and customers. The Board of Management considers the default risk a low risk.

Political changes to the legal framework can also entail a sales market risk. Ceilings that were also below the previous year's amount were set for the first time in 2013 for the consumption of pharmaceutical drugs in Italy. Companies are thereby required to reimburse the health authority 100 % of the amount sold above the specified ceiling. Against this backdrop, Biotest Italia S.r.l. obtained a judicial declaration regarding the claims asserted by the Italian health authorities against it for the reimbursement of Zutectra® sales for the years 2011 to 2012. In January 2014, the position of Biotest Italia S.r.l. was confirmed in a first

instance ruling. The Italian health authorities have lodged an appeal against the decision. The risk reported in the previous year was limited to € 3.3 million through an agreement regarding the years 2011 to 2014 reached with the health authority in February 2017 in order to avoid lengthy court proceedings. This amount is covered by provisions in the consolidated financial statements.

Entry into a market is associated with high costs for marketing authorisations of products as well as infrastructure costs such as, for example, the formation of a subsidiary. If countries undergoing economic development change their regulatory framework and bureaucratic procedures, this can cause unexpected delays with regard to market entry. In this case, Biotest tries, with the involvement of experts in the relevant market, to assess the situation regarding the risks and to minimise these risks where necessary.

Procurement market risks

Biotest needs special raw materials and excipients to manufacture its biological and biotechnological medicines. If these materials were to become scarcer or increase substantially in price, Biotest's ability to manufacture or supply might be restricted. Biotest procures a large amount of its raw materials from its own sources, which are being gradually expanded. The Company has also entered into long-term supply agreements. Hence, the procurement market risks are very limited from the Company's perspective, and the Board of Management currently considers them low.

Political risks

Biotest generates a portion of its sales via tender 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 may 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 individual countries may be subject to destabilising effects. These may 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 several countries in the Near and Middle East has destabilised further in some cases in 2016. Because Biotest is represented in these countries, it is exposed to increased risk. An additional risk worth mentioning is that it remains difficult to collect payment for product deliveries currently excluded from embargo and sanction measures from countries that are otherwise subject to an embargo. Biotest is trying to minimise these difficulties through intensive contact with their banks and by explaining the underlying transactions. Biotest continuously monitors all political risks. The potential economic consequences of an occurrence of such risks are closely analysed in order to implement appropriate measures. Overall, the Board of Management considers political risks to be moderate.

Corporate strategy risks

Research and development risks

New drugs undergo several preclinical trials and clinical studies prior to marketing authorisation 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. As development programmes must be adjusted, where necessary, to take account of new information, the associated costs cannot always be exactly predicted – unexpected additional costs may be incurred. Changes to the market environment, particularly competitive developments or other external factors, such as provisions for marketing authorisation or the later reimbursement of new drugs, may influence development costs. For example, constantly increasing requirements to prove the additional benefits of new products compared to already existing products, or demonstrate health economic benefit, are playing an increasingly important role in the development of drugs. 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 sufficiently high price on the market to cover the costs of development. Since research and development projects are very long-term projects, the Board of Management currently considers the short-term risks of current projects as low.

The progress of development projects is constantly monitored through milestone planning. New data obtained from clinical and preclinical development is evaluated in regular interim analyses to create a reliable basis for decisions on the further course of these projects. As part of long-term risk management, development risks are systematically recorded, monitored and managed.

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 to plant and machinery. Personnel risks in production arise from possible deliberate or accidental misconduct by employees that might negatively affect production efficiency or safety.

Biotest 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. With extensive and precisely documented standards and operating procedures as well as regular training of staff, possible risks are combated. To combat possible risks, extensive, precisely documented standards and operating procedures are maintained, and staff members regularly attend training sessions.

Currently, the Board of Management considers this to be a moderate risk.

Supplier relationship risk

There is a risk that individual business or cooperation partners may fail to duly meet their obligations or may 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, and it considers the risks arising from supplier relationships to be low.

Risks relating to plasma as a raw material

There is a very low risk that plasma contaminated with currently known but undetected, or currently 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 marketing authorisation by the authorities. In addition, contamination caused by currently unknown bacteria, viruses, or prions could result in tighter legislative controls on plasma-based drugs. In the event of reports from the market of suspected contaminated end products, these will be entered and analysed as part of the pharmacovigilance system. In the very unlikely case of a confirmed contamination this would result in a risk-minimising measure being taken, e.g. recall of the batch. This is currently considered a low risk. The test procedures employed by Biotest are in line with the latest scientific standards. 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 contracts by granting or accepting undue advantages. The Biotest Group has further strengthened its compliance measures in the 2016 financial year in order to counteract this risk. The Compliance department was enlarged by one more compliance officer. An international compliance system, which takes country-specific features into account and is periodically adjusted in accordance with current requirements, has been established for this purpose in close collaboration with the Company's Compliance, Legal and Information Technology departments. Local compliance regulations as well as standard agreements and clauses were updated. The compliance creditor process, which was created in the 2014 financial year and expanded by a publication part in the 2015 financial year, was first used in June 2016 to publish the transparency data required by the transparency paragraph 28 of AKG e.V. (Arzneimittel und Kooperation im Gesundheitswesen - Organisation for Medicinal Products and Cooperation within the Health Sector) Code of Conduct. These data is published for the next three yeras on the Biotest website. Thus Biotest complies with the transparency rules within the meaning of the Code of Conduct of AKG e. V.

As in 2014 and 2015, a meeting of the compliance officers of the Biotest Group was held in 2016. At this meeting, national compliance officers reported on activities and working results in their countries.

Employees in all departments of the Biotest Group regularly receive training on current developments in the compliance field (e.g. transparency rules). All employees regularly receive basic training. A main training goal for 2016 was the newly introduced code of ethics and conduct of Biotest AG. This code was also provided to all distributors and agents, with confirmation of receipt.

The heads of Group companies may 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 only with the prior approval of the Group's Board of Management. For the distributors and agents, information events on compliance topics and on the code of ethics and compliance were held at the area meetings.

The Internal Audit department regularly reviews the compliance management system for appropriateness and effectiveness. The last audit took place in 2016.

In Italy, the Naples public prosecutor's office brought a charge of price fixing against 16 people. Two of the 16 accused are employees of Biotest Italia S.r.l. The proceedings are ongoing. The subsidiary is not the target of the investigations.

In September 2016, Biotest Italia S.r.l. was informed by the Florence public prosecutor's office that in the context of investigations against a third person on suspicion of bribery, investigations were initiated also against Biotest Italia S.r.l.

On 4 November 2016, the Finanzamt Offenbach am Main (tax office Offenbach am Main) delivered Biotest AG altered tax assessments for corporate tax, solidarity tax and trade tax for the years 2005 to 2008. The alterations relate to Biotest AG's Russia business. Compared to the tax assessments delivered on 3 August 2016, which have already been reported on by the Company, there is a decrease in tax and interest expenses of € 6.9 million. Whereas the original total claim of the tax office had been € 21.4 million, the tax and interest expenses now come to a total of € 14.5 million. Biotest AG has accepted these changed tax assessments as part of an agreement with the investigating authorities. As part of the agreement, Biotest AG also accepted a fine of € 1.0 million requested by the public prosecutor's office. The resulting financial burden is reflected by a provision in fiscal year 2016. With Biotest AG's waiver to file an appeal and payment of the sum, the fine will become final and the proceedings against Biotest AG will be concluded.

In the meantime, the authorities discontinued the investigations against several defendants from Biotest AG. According to information from the authorities, discontinuations of further investigations will follow. The authorities still investigate against three of the Company's managers.

Based on these developments, Biotest assumes that no further significant negative effects for the Company are to be expected from the Russian business.

The defence costs arising in connection with the proceedings ongoing are covered by appropriate provisions. Notwithstanding the ongoing proceedings, Biotest has continued to further expand its compliance management system. The compliance regulations were amended and updated as a result of changed regulations in the codes of conduct or new statutory regulations of different countries. Standard agreements and standard clauses were modified accordingly. Due to the significant expansion of compliance activities, the future risks are considered low.

Personnel risks

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

IT risks

Many production and other business processes at Biotest rely on IT support. The Group has been using an integrated standard business software package, SAP ERP Business Suite, since 2008. The security of the employed technology as well as business continuity are very high priorities. 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 increasing its already comprehensive use of IT systems and is enhancing the corresponding security systems in parallel in the same way. The system functionality is constantly being enhanced in the areas of production, quality control and quality assurance in order to reduce risks and ensure product quality. Wherever possible, individual areas are also secured by redundant systems. The proper handling of systems and data is governed by the working instructions and is ensured through appropriate training. Raising employees' awareness of constant new types of cyber-criminality is also becoming increasingly important. The Board of Management considers the information technology risks to be moderate.

Financial and currency risks

In 2014 and 2016, Biotest AG concluded energy efficiency loans with funds provided by the Kreditanstalt für Wiederaufbau (KfW). The loan note was issued without collateral and financial ratio covenants. The loan concluded in 2016 will not be utilised until the 2017 financial year. Financial risks can also result from the unexpected cancellation of credit lines. Biotest AG has entered into long-term agreements for a large part of its debt financing. A significant portion of the promissory notes issued in 2013 bears interest at a variable rate. Biotest AG has concluded long-term interest rate hedging transactions to limit the interest rate risk. In the 2018 financial year, the promissory note will be due for repayments in the amount of € 100 million, which must be refinanced. Additional repayments from the promissory note will be made in 2020 in the amount of € 100 million and in 2023 in the amount of €20 million. The Board of Management considers the financial risks to be moderate.

Biotest counteracts currency risks through the use of derivative financial instruments wherever advisable. Sales in US dollars continue to be offset by purchases in the same currency. However, despite these measures, the massive devaluation of individual currencies could impact consolidated results. Possible currency risks are therefore monitored continuously, and appropriate hedges are entered into where necessary. As a general rule, only underlying transactions already executed are hedged. If the business incurs losses as a result of a currency depreciation (e.g. in Russia and Turkey), those sales that can no longer be generated cannot be hedged. The Board of Management considers the currency risks to be moderate.

Other risks

Risks resulting from side effects or interactions, quality defects

Unexpectedly severe, more frequent or hitherto unknown side effects or interactions with other medicines can result when taking drugs. Inappropriate handling, storage or use of our products may also give rise to significant adverse effects for customers and patients. Furthermore, suspected cases of quality defects may emanate from the market. Reported suspected cases of side effects, interactions, or quality defects are recorded, investigated and analysed, and further risk-based measures to minimise risks are added as part of the pharmacovigilance system. The measures to be adopted in agreement with regulatory authorities for these cases range from supplements to the risk chapters to recalls of individual lots and restriction or withdrawal of the marketing authorisation. The Board of Management currently considers the risks in this area to be low.

Risks caused by defects in the pharmacovigilance system

The pharmacovigilance system ensures that national and international requirements (Good Vigilance Practice, GVP) for monitoring product use and drug safety are met as a prerequisite for the receipt and maintenance of marketing authorisations for drugs. The Corporate Drug Safety department is responsible for its implementation in the Company.

Defects in the pharmacovigilance system, especially the improper handling of suspected cases of side effects, interactions. or quality defects, could damage not only Biotest's reputation with the supervisory and regulatory authorities but also be subject to a fine for the territory of the EU (up to a maximum of 5 % of the annual sales in the EU per defect). Furthermore, they could result in the withdrawal of the drug marketing authorisation in severe, repeated cases. Biotest ensures a very high level of reliability in this area by continuously developing transparent processes and through cross-departmental, international training courses for staff who deal with these subjects. Our high reliability has been confirmed by routine inspections by international authorities. Moreover, intensive dialogue with clinics, doctors in private practice and pharmacists ensures that we are informed promptly about possible newly identified side effects and interactions. Therefore, the Board of Management considers the risks in this area to be low.

Risks arising from ongoing legal proceedings and tax risks

All identifiable risks from employment law and other ongoing proceedings are covered through provisions. Furthermore, tax risks could result from tax audits of previous years. This would be the case if the fiscal authorities assess tax items in a different way than that applied by Biotest companies. Currently, the Board of Management considers the risks in this area to be low.

F. GENERAL STATEMENT ON THE GROUP'S RISK POSITION

In the Board of Management's opinion, Biotest is not currently subject to any risks exceeding those that are an inevitable part of its business operations. All material risks are monitored continuously. Wherever possible and reasonable, the necessary precautions are taken to prevent any potential financial consequences. Although changing external and internal circumstances led to certain modifications concerning the assessment of individual risks in fiscal year 2016, the stableoverall risk assessment did not change significantly. There are currently no identifiable risks that might jeopardise Biotest's financial stability.

III. OPPORTUNITIES REPORT

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

The extension of the use of existing products or development projects to additional indications might open up further marketing potential for the Biotest Group with regard to both immunoglobulins and monoclonal antibodies.

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 be treated by the administration of immunoglobulins. Additional potential also results from the consistent product and life cycle management of existing products. By developing products already on the market, by establishing additional concentrations or pharmaceutical forms, among other things, the product portfolio will be further differentiated, thus enabling other market segments to be addressed. In addition to the development projects that result in new products or indication extensions, further projects to improve process yields and cost-reduction measures will also be carried out.

B. OPPORTUNITIES ARISING FROM CORPORATE STRATEGY

The Group's internationalisation strategy in particular offers potential for the future growth of the Company. Numerous new marketing authorisations in international markets confirm this development. In addition, other regions in Central and South America as well as in Asia are to be opened up. Furthermore, more funds are being provided for health care systems, health insurance is being introduced and patient care improved as a result in numerous emerging countries. This positive trend is noticable in Tunisia and Algeria as well as in Turkey and Central and South America – countries in which Biotest already operates and can benefit from these developments. This trend was previously also discernible in the Gulf States and especially Saudi Arabia, but has become uncertain at present due to decreasing oil revenue. Competitive advantages and therefore opportunities could also arise in the future from further strategic research and development as well as distribution cooperation agreements. Numerous opportunities that will raise the Biotest Group to a new level will result from the increase in productivity and the doubling of production capacity by 2019/20 planned as part of the Biotest Next Level project. In addition, hyperimmunoglobulins are an opportunity for Biotest to extend the application to other indications or to generate sales in additional countries. The selection depends on the requirements of the market and the regional conditions.

Another priority is the consistent focus on customer segments such as transplantation. This focuses on the use of Cytotect® in cooperation with leading experts in the field of transplantation.

C. PERFORMANCE-RELATED OPPORTUNITIES

Biotest has invested heavily in recent years in expanding its resources and expertise in the fields of drug development and marketing authorisation. In addition, the Group is moving into a new dimension through the planned doubling of production capacity. In the future, it will also maintain 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 in particular research and development projects more quickly and cost-effective and to improve the efficiency of production.

D. GENERAL STATEMENT ON THE GROUP'S OPPORTUNITIES SITUATION

Biotest sees significant opportunities in the increase in productivity and the expansion of capacity as part of Biotest Next Level and in the enhancement of the product portfolio. The assessment of the opportunities situation has not changed materially as compared to last year.

E. REMUNERATION REPORT

This remuneration report describes the remuneration system for the members of the Board of Management and Supervisory Board of Biotest. First the composition of the different remuneration components is addressed, and then the individual amounts are shown.

The remuneration report is based on the recommendations of the German Corporate Governance Code (GCGC) and contains information in accordance with the provisions of the German Commercial Code (HGB), the German Accounting Standards (DRS) and the International Financial Reporting Standards (IFRS). The remuneration report is an integral part of the Group Management Report.

Explanatory notes on the remuneration system for members of the Board of Management

The Supervisory Board determines the remuneration of the members of the Board of Management. It consists of a fixed salary, annual variable remuneration and a component incorporating a long-term incentive effect and risk features. Added to this are benefits in kind.

The criteria for determining appropriate remuneration take account of the duties of the individual Board Member, his personal performance, the economic situation, the success and future prospects of the Company as well as typical remuneration at peer companies and the remuneration structure that otherwise applies at the Company.

Non-performance-based remuneration components

Fixed remuneration

The non-performance-based remuneration of the Board of Management members consists of fixed salary and benefits in kind. The amount is based on the economic situation and future prospects as well as on remuneration levels paid by the competition. The annual fixed salary is set for the entire term of the respective employment contract and is payable in twelve monthly instalments.

Benefits in kind

Board of Management members receive benefits in kind in addition to the fixed salary. Board of Management members are covered professionally and privately under Biotest AG's collective accident insurance policy. They are also covered for personal liability under the existing employer's liability insurance policy. In addition, the Board of Management members receive an allowance towards their social security and direct insurance contributions.

Biotest AG has concluded a directors' and officers' liability insurance policy (D&O insurance) with an appropriate deductible. The deductible is 10 % of the insured event and is limited to 150 % of the fixed annual remuneration of the respective Board of Management member and meets the requirements of Section 93 (2) clause 3 of the German Stock Coporation Act (Aktiengesetz - AktG). All Board of Management members are provided with a top-of-the-range company car free of charge; personal use of the car is permitted.

Furthermore, lawyer's fees and income tax payable thereon incurred in connection with the ongoing investigation proceedings regarding Biotest AG were paid on behalf of a Board of Management member.

Performance-based remuneration components

Annual variable remuneration

The performance-based remuneration component is calculated based on the achievement of corporate and personal targets. In calculating bonuses, the EBIT and operating cash flow are each weighted at 25 %, return on capital employed (RoCE) at 10 % and the achievement of personal targets set in the past financial year at 40 %.

Remuneration component with long-term incentive effect and risk features

The remuneration component with a long-term incentive effect and risk features is based on Biotest AG's Long Term Incentive Programme (LTIP). In addition to Board of Management members, selected managers who have a significant impact on the Company's success due to their position in the Group, their leadership and actions also participate in the programme.

This programme is designed in accordance with established capital markets criteria for a system of this type 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 G1 of the Notes to the consolidated financial statements, including the process for calculating incentive payments. It is anticipated that the incentive component will be paid in May of the year following the expiry of the tranche.

Pension commitments

Board of Management members are covered by the company pension scheme of Biotest AG. Members have been given individual commitments in accordance with the terms of the Biotest AG pension plan. Provisions are recognised for these in accordance with IFRS. The amount of the entitlement is dependent on the length of service, pensionable salary and applicable benefits scale below and above the contribution limits of the Germany's statutory pension scheme.

The valuation is based on the actuarial reports prepared by an independent actuary in accordance with the projected unit credit method.

Commitments in connection with the termination of a Board Member's activities

The Board of Management employment contracts of all active Board of Management members contain a severance pay clause that becomes effective in the event of the early termination of such contract as a result of a clearly defined change of control. The severance payment includes the fixed remuneration up to the end of the term and is limited to a maximum of three times the annual fixed remuneration. Pro-rata variable remuneration components 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 also includes up to twice the annual fixed remuneration. In total, however, the severance payment does not exceed three times the annual fixed remuneration.

There shall be no entitlement if the Board of Management employment contract is terminated for good cause, illness, or incapacity to work or if the Board of Management member at the time of the termination has already reached the age of 60 or receives monetary or non-monetary benefits 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.

Remuneration for the current financial year

Total remuneration of the Board of Management members in office as of 31 December 2016

in € thousand	Dr Bernhard Ehmer				Dr Michael Ramroth				Dr Georg Floß			
	2015	**2016**	2016 minimum	2016 maximum	2015	**2016**	2016 minimum	2016 maximum	2015	**2016**	2016 minimum	2016 maximum
Non-performance-based												
Fixed remuneration	385	385	385	385	325	355	355	355	285	314	314	314
Benefits in kind	31	32	32	32	214	314	34	314	35	36	36	36
Total non-performance-based components	**416**	**417**	**417**	**417**	**539**	**669**	**389**	**669**	**320**	**350**	**350**	**350**
Performance-based												
Excluding long-term incentive effect (not share-based):												
Annual variable remuneration – cash portion	119	170	–	227	166	159	–	209	136	127	–	185
With long-term incentive effect (share-based):												
Variable remuneration (LTIP) – cash portion	**–**	**–**	**–**	**–**	**66**	**103**	**–**	**320**	**58**	**91**	**–**	**283**
Total performance-based components	**119**	**170**	**–**	**227**	**232**	**262**	**–**	**529**	**194**	**218**	**–**	**468**
Pension expense (service cost)	521	373	373	373	271	185	185	185	199	201	201	201
Total remuneration (DCGK)	**1,056**	**960**	**790**	**1,017**	**1,042**	**1,116**	**574**	**1,383**	**713**	**769**	**551**	**1,019**
Less pension expense (service cost)	521	373	373	373	271	185	185	185	199	201	201	201
Total remuneration (DRS 17)	**535**	**587**	**417**	**644**	**771**	**931**	**389**	**1,198**	**514**	**568**	**350**	**818**

This overview shows the calculation of the total remuneration for each Board of Management member together with the amounts granted in financial year 2016 for the different remuneration components.

The maximum amounts for performance-based remuneration show the maximum possible amount on the date such remuneration is granted. Depending on the share price this amount may be higher on the date such remuneration is received.

Total remuneration of Board of Management members is € 2,086 thousand (previous year: € 1,820 thousand) for financial year 2016 calculated on the basis of DRS 17. Pension expense is not included in this amount.

Remuneration received by Board of Management members in office at 31 December 2016

The following table provides an overview of the amounts received for the current financial year broken down by Board of Management members. Total remuneration is also broken down by the different remuneration components. This overview shows the multi-year variable remuneration that was granted in previous years and paid in this financial year.

in € thousand	Dr Bernhard Ehmer		Dr Michael Ramroth		Dr Georg Floß	
	2016	2015	**2016**	2015	**2016**	2015
Non-performance-based						
Fixed remuneration	385	385	355	325	314	285
Benefits in kind	32	31	314	214	36	35
Total non-performance-based components	**417**	**416**	**669**	**539**	**350**	**320**
Performance-based						
Excluding long-term incentive effect (not share-based):						
Annual variable remuneration – cash portion	119	17	98	135	88	104
With long-term incentive effect (share-based):						
Variable remuneration (LTIP 2013) – cash portion	–	–	–	–	–	–
Variable remuneration (LTIP 2012) – cash portion	–	–	–	316	–	130
Total multi-year variable remuneration	–	–	–	316	–	130
Total performance-based components	**119**	**17**	**98**	**451**	**88**	**234**
Pension expense (service cost)	–	–	–	–	–	–
Total remuneration (DCGK)	**536**	**433**	**767**	**990**	**438**	**554**

Overview of pension commitments for Board of Management members in office as of 31 December 2016

in € thousand	Present value of all pension commitments excluding deferred remuneration		Present value of deferred remuneration	
	Present value in **2016**	Present value in 2015	Present value in **2016**	Present value in 2015
Dr Bernhard Ehmer	1,343	684	–	–
Dr Michael Ramroth	3,269	2,360	443	365
Dr Georg Floß	2,444	1,729	–	–
	7,056	**4,773**	**443**	**365**

Assets amounting to € 1,248 thousand (previous year: € 1,186 thousand) were transferred to Biotest Vorsorge Trust e.V. for the purposes of protecting the pension entitlements against insolvency.

Remuneration system for former Board of Management members and their dependants

Contractually agreed pension benefits are paid to former Board of Management members and their dependants. Pension provisions of € 6,738 thousand (previous year: € 6,000 thousand) have been recognised for this. The pension provisions were measured in accordance with IAS 19 Employee Benefits.

In financial year 2016, no payments (previous year: € 487 thousand) were paid to former Board of Management members for employee profit-sharing or under the LTIP.

As of 31 December 2016, there were no provisions relating to the LTIP for former Board of Management members.

Long Term Incentive Programme for Board of Management members

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 shares)	**Fair value of options as of 31 December**	**Total cost of the stock option plan in the financial year**
2016 (2014, 2015 and 2016 tranches)			
Dr Bernhard Ehmer	–	–	–
Dr Michael Ramroth	1,800	43	–
Dr Georg Floß	1,800	38	1
	3,600	**81**	**1**
2015 (2013, 2014 and 2015 tranches)			
Dr Bernhard Ehmer	–	–	–
Dr Michael Ramroth	1,800	46	–126
Dr Georg Floß	1,800	40	–109
	3,600	**86**	**–235**

None of the Board of Management members (Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Georg Floß) received a payment from the 2013 tranche of the Long Term Incentive Programme, which was scheduled for disbursal in financial year 2016.

Explanatory comments on the remuneration system for Supervisory Board members

The remuneration of the Supervisory Board is laid down in the Articles of Association. Each Supervisory Board member receives an annual fixed remuneration of € 20 thousand (previous year: € 20 thousand). The Chairman of the Supervisory Board receives triple this amount and his/her deputy one-and-a-half times this sum. In addition, € 4 thousand is paid for any work carried out in a committee, the Chairman of the Audit Committee receives € 10 thousand and the Chairman of the other committees € 7.5 thousand. Biotest AG reimburses the value added tax payable on Supervisory Board remuneration. Supervisory Board members also receive a variable remuneration of € 1 thousand for every € 0.0033 by which the dividend paid for the financial year exceeds € 0.08. The variable remuneration is limited to a maximum amount 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 related insurance premiums for all Supervisory Board members. One Supervisory Board member also receives personal liability coverage under the existing employer's liability insurance. No other non-cash benefits are granted.

The amounts disclosed for the remuneration of the Supervisory Board include in some cases the reimbursement of value added tax payable on the Supervisory Board remuneration.

Remuneration for the current financial year

The Supervisory Board members received the following remuneration for their activities in financial year 2016:

in € thousand **2016**	Fixed salary	Variable remuneration	**Total remuneration**
Dr Alessandro Banchi	76	–	76
Dr Cathrin Schleussner	41	–	41
Kerstin Birkhahn	20	–	20
Thomas Jakob	24	–	24
Jürgen Heilmann	24	–	24
Dr Christoph Schröder	34	–	34
	219	**–**	**219**

The members of the Supervisory Board were paid the following remuneration for financial year 2015:

in € thousand 2015	Fixed salary	Variable remuneration	**Total remuneration**
Dr Alessandro Banchi	76	–	76
Dr Cathrin Schleussner	41	–	41
Kerstin Birkhahn	20	–	20
Thomas Jakob	24	–	24
Jürgen Heilmann	24	–	24
Dr Christoph Schröder	34	–	34
	219	**–**	**219**

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2016 and 2015 to employee council employee representatives on the Supervisory Board under their employment agreements were also recognised as an expense. These amounts were based on collective bargaining agreements and/or company pay rates for non-pay-scale employees.

F. MANAGEMENT DECLARATION

Management declaration according to Section 315 (5) of the German Commercial Code (Handelsgesetzbuch - HGB)

Biotest AG is a joint stock company under German law (Aktiengesellschaft - AG). Basis for its management, decision-making and control mechanisms are the Company's Articles of Association – together with the relevant statutory provisions. The latest version of the declaration according to Section 315 (5) of the German Commercial Code (HGB) is available for download on the Company's website (www.biotest.com).

Declaration of compliance according to Section 161 of the German Stock Corporation Act (AktG)

The latest version of the declaration of 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) is available for download on the Company's website (www.biotest.com). In addition to the latest version, earlier versions of the declaration of compliance can also be viewed and downloaded on the Biotest website. The Corporate Governance Report is published in the current Annual Report 2016.

G. INFORMATION CONCERNING TAKEOVERS 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 amounts to € 39,571,452.00. It is divided into 19,785,726 ordinary shares and 19,785,726 preference shares. The ordinary shares are bearer shares; the preference shares do not carry any voting rights.

OGEL GmbH 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, who is a member of Biotest AG's Supervisory Board. Based on the new rules under Section 41 (4d) of the German Securities Act (Wertpapierhandelsgesetz – WpHG) in effect from 1 February 2012, Dr Martin Schleussner and Ms Renate Schleussner announced on 22 February 2012 that effective 1 February 2012 they held a 50.27 % share of the voting rights in Biotest AG reportable under Section 41 (4d) of the WpHG.

Based on the new rule under Section 41 (4g) WpHG in effect from 1 July 2016, the district of Biberach notified us on 20 July 2016 that it holds a 15.17 % of the ordinary shares in Biotest AG. The ordinary shares are assignable to the district in accordance with Section 22 (1) Sentence 1, No. 1 of the WpHG and are held by the Kreissparkasse Biberach.

Furthermore, the Board of Management is not aware of any direct or indirect shareholdings in the Company exceeding 10 % of the voting rights. There are no holders of shares with special rights conferring 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 (AktG) and Section 7 (2) of the Articles of Association. In accordance with Section 179 (1) of the AktG any amendment to the Articles of Association requires a resolution of the Annual General Meeting (Section 133 AktG). Authorisation to amend the Articles of Association affecting only the wording thereof has been transferred to the Supervisory Board in accordance with Section 27 of the Articles of Association in accordance with Section 179 (1) Sentence 2 of the AktG.

Pursuant to the resolutions of the Annual Shareholders' Meeting of 7 May 2015 the Company is authorised to acquire under Section 71 (1) No. 8 of the AktG ordinary bearer shares and/or preference bearer shares up to 10 % of the share capital of € 33,767,639.04 outstanding at the time of the Annual Shareholders' Meeting. At no time may the shares acquired together 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 share capital. This authorisation is valid until 6 May 2020 and has not been made use of to date by the Company.

Biotest AG has entered into material arrangements with third parties regarding agreements for the long-term financing of Biotest AG and Biotest Pharma GmbH, and also the Group in this regard, which take effect in the event of a change of control. The financial agreements give the right to the creditors under the loan note and the lending banks to terminate the agreement in the event of a change of control, if, in their view, this change of control would make the continuation of the contract unacceptable.

A supplementary agreement to the Board of Management employment contract of all Board of Management members contains a severance pay clause that becomes effective in the event of the early termination of such contract as a result of a clearly defined change of control. The severance payment includes the fixed remuneration up to the end of the term and is limited to a maximum of three times the annual fixed remuneration. 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 also includes up to twice the annual fixed remuneration in so far as the total severance payment does not exceed three times the annual fixed remuneration.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

of the Biotest Group for the period from 1 January to 31 December 2016

in € million	Note	2016	2015
Revenue	D 1	553.1	534.6
Cost of sales		–349.6	–325.7
Gross profit		**203.5**	**208.9**
Other operating income	D 5	4.0	2.6
Marketing and distribution costs		–52.7	–59.1
Administrative expenses		–35.2	–33.0
Research and development costs	D 4	–48.5	–78.5
Other operating expenses	D 6	–7.2	–3.6
Operating profit		**63.9**	**37.3**
Financial income	D 7	24.0	38.4
Financial expenses	D 8	–36.6	–42.9
Financial result		**–12.6**	**–4.5**
Income from joint ventures	D 9	1.4	2.0
Earnings before taxes		**52.7**	**34.8**
Income taxes	D 10	–18.2	–7.8
Earnings after taxes from continuing operations		**34.5**	**27.0**
Earnings after taxes from discontinued operations	F	–80.2	–109.5
Earnings after taxes		**–45.7**	**–82.5**
Attributable to:			
Equity holders of the parent		**–45.8**	**–82.5**
of which from continuing operations		34.4	27.0
of which from discontinued operations		–80.2	–109.5
Non-controlling interests		**0.1**	**–**
of which from continuing operations		0.1	–
of which from discontinued operations		–	–
Earnings per ordinary share in €	E 11	**–1.17**	**–2.10**
of which from continuing operations		0.86	0.67
of which from discontinued operations		–2.03	–2.77
Additional dividend rights per preference share in €	E 11	**0.02**	**0.02**
of which from continuing operations		0.02	0.02
of which from discontinued operations		–	–
Earnings per preference share in €	E 11	**–1.15**	**–2.08**
of which from continuing operations		0.88	0.69
of which from discontinued operations		–2.03	–2.77

The notes are integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of the Biotest Group for the period from 1 January to 31 December 2016

in € million	2016	2015
Consolidated profit for the period	**–45.7**	**–82.5**
Exchange difference on translation of foreign operations	0.6	17.6
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	**0.6**	**17.6**
Actuarial losses (previous year: gains) from defined benefit pension plans	–7.4	7.6
Income tax effect	2.1	–2.3
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods	**–5.3**	**5.3**
Other comprehensive income, net of tax	**–4.7**	**22.9**
Total comprehensive income, net of tax	**–50.4**	**–59.6**
of which from continuing operations	29.8	49.9
of which from discontinued operations	–80.2	–109.5
Attributable to:		
Equity holders of the parent	**–50.5**	**–59.6**
of which from continuing operations	29.7	49.9
of which from discontinued operations	–80.2	–109.5
Non-controlling interests	**0.1**	–
of which from continuing operations	0.1	–
of which from discontinued operations	–	–

The notes are integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the Biotest Group as of 31 December 2016

in € million	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets	E 1	25.3	44.7
Property, plant and equipment	E 2	414.9	317.2
Investment property	E 3	6.6	–
Investments in joint ventures	E 4	4.3	3.5
Other assets	E 9	0.5	1.0
Other financial assets	E 5	1.4	0.8
Deferred tax assets	E 6	12.6	8.7
Total non-current assets		**465.6**	**375.9**
Current assets			
Inventories	E 7	170.8	218.7
Trade receivables	E 8	163.8	173.9
Current income tax assets		5.7	5.8
Other assets	E 9	16.7	13.8
Other financial assets	E 5	12.2	120.8
Cash and cash equivalents	E 10	72.9	53.8
		442.1	**586.8**
Assets from discontinued operations	F	25.1	0.0
Total current assets		**467.2**	**586.8**
Total assets		**932.8**	**962.7**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		39.6	39.6
Share premium		219.8	219.8
Retained earnings		146.9	235.3
Share of profit or loss attributable to equity holders of the parent		–45.8	–82.5
Equity attributable to equity holders of the parent	E 11	**360.5**	**412.2**
Non-controlling interests		0.2	0.1
Total equity	E 11	**360.7**	**412.3**
Non-current liabilities			
Provisions for pensions and similar obligations	E 12	83.8	72.6
Other provisions	E 13	7.9	6.6
Financial liabilities	E 14	330.0	335.5
Other liabilities	E 15	1.9	2.2
Deferred tax liabilities	E 6	2.5	7.7
Total non-current liabilities		**426.1**	**424.6**
Current liabilities			
Other provisions	E 13	35.6	27.5
Current income tax liabilities		3.5	4.3
Financial liabilities	E 14	16.2	9.1
Trade payables		62.8	53.1
Other liabilities	E 15	27.9	31.8
Total current liabilities		**146.0**	**125.8**
Total liabilities		**572.1**	**550.4**
Total equity and liabilities		**932.8**	**962.7**

The notes are integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

of the Biotest Group for the period from 1 January to 31 December 2016

in € million	Note	2016	2015
Earnings before taxes		52.7	34.8
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	E 1, E 2	22.9	22.0
Other non-cash income and expense items		0.8	6.5
Income from joint ventures	D 9	–1.4	–2.0
Losses from the disposal of fixed assets		0.4	0.7
Changes in pension provisions	E 12	2.3	1.4
Financial result		12.6	4.5
Operating cash flow before changes in working capital		**90.3**	**67.9**
Changes in other provisions	E 13	8.8	2.5
Changes in inventories, receivables and other assets		24.6	29.8
Changes in liabilities from deferred revenue		–	–2.5
Changes in trade payables and other liabilities		–17.9	–20.5
Cash flow from changes in working capital		**15.5**	**9.3**
Interest paid		–10.6	–6.1
Taxes paid		–20.5	–15.3
Cash flow from operating activities from continuing operations		**74.7**	**55.8**
Cash flow from operating activities from discontinued operations		–8.8	–17.7
Cash flow from operating activities		**65.9**	**38.1**
Cash received on the disposal of fixed assets		–	0.1
Payments for investments in fixed assets		–143.9	–94.0
Cash received on the disposal of other financial assets		110.6	–
Payments for investments in other financial assets		–	–60.1
Interest received		0.8	0.6
Cash flow from investing activities from continuing operations		**–32.5**	**–153.4**
Cash flow from investing activities from discontinued operations		–1.5	–6.7
Cash flow from investing activities		**–34.0**	**–160.1**
Dividend payments for the previous year	E 11	–1.2	–8.3
Payments into cash and cash equivalents from discontinued operations		–11.9	–
Proceeds from the assumption of financial liabilities	E 14	9.9	10.5
Payments for the redemption of financial liabilities	E 14	–10.4	–6.8
Cash flow from financing activities from continuing operations		**–13.6**	**–4.6**
Cash flow from financing activities from discontinued operations		11.9	-
Cash flow from financing activities		**–1.7**	**–4.6**
Cash changes in cash and cash equivalents		30.2	–126.6
Exchange rate-related changes in cash and cash equivalents		0.8	1.0
Cash and cash equivalents on 1 January	E 10	53.8	179.4
Cash and cash equivalents on 31 December	E 10	**84.8**	**53.8**
Less cash and cash equivalents at end of period from discontinued operations	E 10	11.9	–
Cash and cash equivalents at end of period from continuing operations	E 10	**72.9**	**53.8**

The notes are integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of the Biotest Group for the period from 1 January 2015 to 31 December 2016

in € million	Subscribed capital	Share premium	Accumulated differences from currency translation	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance on 31 December 2014	**33.8**	**225.6**	**19.4**	**201.3**	**480.1**	**0.1**	**480.2**
Gains/losses recognised directly in equity	–	–	17.6	5.3	22.9	–	22.9
Profit for the period	–	–	–	–82.5	–82.5	–	–82.5
Total comprehensive income	**–**	**–**	**17.6**	**–77.2**	**–59.6**	**–**	**–59.6**
Dividend payments	–	–	–	–8.3	–8.3	–	–8.3
Capital increase from company funds	5.8	–5.8	–	–	–	–	–
Balance on 31 December 2015	**39.6**	**219.8**	**37.0**	**115.8**	**412.2**	**0.1**	**412.3**
Gains/losses recognised directly in equity	–	–	0.6	–5.3	–4.7	–	–4.7
Profit for the period	–	–	–	–45.8	–45.8	0.1	–45.7
Total comprehensive income	**–**	**–**	**0.6**	**–51.1**	**–50.5**	**0.1**	**–50.4**
Dividend payments	–	–	–	–1.2	–1.2	–	–1.2
Balance on 31 December 2016	**39.6**	**219.8**	**37.6**	**63.5**	**360.5**	**0.2**	**360.7**

The notes are 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 in the Commercial Register of 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 ranges from pre-clinical and clinical development to worldwide sales, Biotest has specialised primarily in the indication areas of clinical immunology, haematology and intensive care medicine.

The Biotest Group is divided into the following segments: Therapy, Plasma & Services and Other Segments.

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

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.

The Biotest Group's US activities in the Therapy segment and in toll manufacturing, which were previously conducted by Biotest Pharmaceuticals Corporation (BPC), are presented as of 31 December 2016 as discontinued operations. In particular, these include the products Bivigam® and Nabi HB® produced by BPC and the Civacir® product under development. The Biotest Group made the decision to sell in the fourth quarter of 2016. The negotiations with the acquirer, which were begun in the 2016 financial year, resulted in a contract conclusion on 21 January 2017. The discontinued operations are expected to be transferred to ADMA Biologics Inc. in the second quarter of 2017.

The Biotest Group employed 2,732 staff worldwide as of the reporting date (previous year: 2,443).

The 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 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 accounts of the Biotest Group are prepared in accordance with IFRS that are mandatory for financial years beginning on 1 January 2016.

In their present version, the consolidated financial statements comply with the provisions of Section 315a of the German Commercial Code (Handelsgesetzbuch, 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 million euros (€ million). The financial statements have been prepared in euros.

Unless otherwise noted, the amounts stated in the consolidated financial statements relate exclusively to continuing operations. The figures for the previous year in the statement of income and the cash flow statement were adjusted accordingly in line with IFRS 5.

In the reconciliations from 31 December 2015 to 31 December 2016, the previous year figures for the US part of the Therapy segment are presented as reclassification to discontinued operations.

The Board of Management of Biotest AG will submit the consolidated financial statements to the Supervisory Board on 10 March 2017. The Supervisory Board will decide on the release of the consolidated financial statements for publication on 21 March 2017.

CHANGES IN RECOGNITION AND MEASUREMENT METHODS

The accounting and measurement methods applied are the same as those of the previous year, with the exception of the standards presented below that were applied for the first time and the change in the presentation of investments in associates.

Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments specify the principle contained in IAS 16 and IAS 38 that revenue reflects the operation of a business (of which an asset is a part) and not the consumption of an asset's economic benefits. As a result, a revenue-based method cannot be applied for the depreciation of property, plant and equipment, but solely – and only in very limited circumstances – for the amortisation of intangible assets. The amendments are applicable prospectively for financial years beginning on or after 1 January 2016. The first-time adoption of the amendments had no impact on the presentation of the Group's financial position, results of operations and cash flows.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements constitute more of a clarification than a significant change to the existing requirements of IAS 1. The amendments specify the following:

- The materiality considerations in IAS 1.
- Certain items in the statement of income, the statement of comprehensive income and the statement of financial position can be disaggregated.
- Entities can choose freely in what order to present the disclosures in the notes.

The share of associates and joint ventures accounted for using the equity method in other comprehensive income shall be presented as single line items based on whether or not it will subsequently be reclassified to the statement of income. In addition, the amendments clarify which provisions apply for the presentation of additional subtotals in the statement of financial position, the statement of income and in other comprehensive income. The Group applied the amendments for the first time as of 1 January 2016. These amendments essentially comprise clarifications of concepts and had no material effects on the consolidated financial statements.

Improvements to IFRSs (2012 – 2014)

IFRS Improvements Cycle 2012 – 2014 is a collective standard, which was published in September 2014 and addresses amendments made to different IFRSs. The improvements from this project are applicable for the first time for financial years beginning on or after 1 January 2016. The first-time application of the collective standard in the 2016 financial year had no material effects on the consolidated financial statements

Change to the presentation of investments in associates

A further review of the classification of the investment in BioDarou P.J.S. Co., based in Tehran, Iran, revealed that it is a joint venture as defined by IFRS 11. The item names in the consolidated statement of financial position and the consolidated statement of income were adapted accordingly. The change had no effect on accounting.

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.

IFRS 9 Financial Instruments

The IASB issued IFRS 9 Financial Instruments in July 2014. IFRS 9 introduces a single approach to the classification and measurement of financial assets. The standard takes as its basis cash flow characteristics and the business model according to which they are managed. In addition, it provides for a new impairment model based on expected credit losses. IFRS 9 also includes new rules for the application of hedge accounting in order to better present an entity's risk management activities, especially with regard to the management of non financial risks. The new standard must be applied for financial years beginning on or after 1 January 2018; earlier application is permitted. Biotest will adopt IFRS 9 for the first time to the 2018 financial year and is currently assesing the impacts this will have on the Company's consolidated financial statements. Besides immaterial modifications with regard to the value adjustment of financial assets, the Group does not expect an effect on the Company's accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a five-step model for accounting for revenue from contracts with customers. According to IFRS 15, revenue is recognised in the amount of the consideration an entity can expect in exchange for the transfer of goods or services to a customer (the transaction price according to IFRS 15). The new revenue standard will supersede all current IFRS provisions on revenue recognition. For financial years beginning on or after 1 January 2018, the standard prescribes either full retrospective application or modified retrospective application. Early adoption is permitted. Biotest will apply IFRS 15 for the first time to the 2018 financial year. The Group has started to analyse its income streams in accordance with the requirements of IFRS 15. On the basis of the analyses conducted, it is to be expected that the service contracts currently recognised according to the percentage-of-completion method will not meet the criteria for revenue recognition over time. In addition, the Company expects additional quantitative and qualitative disclosures in the notes.

IFRS 16 Leases

The IASB issued the new standard on accounting for leases in January 2016. IFRS 16 abolishes the former classification of leases as operating leases or finance leases on the lessee's side. Instead, IFRS 16 introduces a single lessee accounting model, according to which lessees are obliged to recognise assets (for right of use) and lease liabilities for leases with a term of more than twelve months. This means that previously unrecognised leases will have to be accounted for in the future – in a manner largely similar to the current recognition of finance leases. IFRS 16 must be applied for financial years beginning on or after 1 January 2019; earlier application is permitted if IFRS 15 is already applied. Biotest will apply IFRS 16 for the first time to the 2019 financial year. It is estimated that a significant proportion of the future rental, lease and operating lease contracts disclosed in Section G8 will be recognised with a balance sheet extending effect in the middle two digit million range. Thus, key figures will adjust accordingly, especially the equity ratio. However, the exact extent of the effects is still to be determined.

B. MATERIAL RECOGNITION AND MEASUREMENT PRINCIPLES

1 SCOPE OF CONSOLIDATION

The consolidated financial statements of Biotest AG include all material subsidiaries, which consist of three (previous year: three) domestic and 13 (previous year: 13) foreign companies, in which Biotest AG directly or indirectly holds the majority of voting rights.

BioDarou P.J.S. Co., with its registered offices in Tehran, Iran, is included in the consolidated financial statements as a joint venture and recognised at equity.

The investments of Biotest AG as defined under Section 313 (2) of the German Commercial Code (HGB) are listed in Section G10 Participating interests.

2 CONSOLIDATION METHODS

The closing date for Biotest AG and all companies included in the financial statements is 31 December 2016. The financial statements of the consolidated companies were prepared using uniform accounting and measurement methods as prescribed by Biotest AG.

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

The expenses and income of discontinued operations are presented in accordance with IFRS 5 and IFRS 10 after the elimination of income and expenses. Neither IFRS 5 nor IFRS 10 includes specific rules for this elimination of income and expenses. One option is – in line with the customary consolidation approach – the elimination of intra-group income in the business providing the goods or services and the elimination of associated expenses at the receiving business (approach 1). Alternatively, the journal entries – taking the future supply and service relationships of the Group into account – may also be allocated to one of the businesses (continuing operations or discontinued operations) (approach 2: substance over form). The Group intends to continue the (previously intra-Group) supply and service relationship with the discontinued operations after its final disposal. The Group has therefore applied approach 2, as this approach results in a more meaningful presentation of the financial effects in the statement of comprehensive income.

The Group controls an investee if and only if it has all of the following elements:

- power over the investee (i.e. the Group has the ability on the basis of existing rights to direct those activities of the investee that significantly affect its returns),
- exposure, or rights, to variable returns from its involvement with the investee, and
- ability to use power over the investee to affect the amount of the investor's returns.

If the Group does not hold a majority of the voting rights or similar rights in the investee, it takes all facts and circumstances into account in assessing whether it has power over this investee. These include:

- contractual arrangements with other holders of voting rights,
- rights arising from other contractual arrangements,
- voting rights and potential voting rights of the Group.

A subsidiary is consolidated from the date on which the Group acquires control of the subsidiary. It is deconsolidated if the Group loses control of the subsidiary. Assets, liabilities, income and expense of a subsidiary acquired or disposed during the reporting period are recognised in the statement of financial position and statement of comprehensive income from the date on which the Group acquires control of the subsidiary until the date on which control is lost.

Any change in the ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. If a parent loses control of a subsidiary, the following steps are carried out:

- derecognition of the assets (including goodwill) and liabilities of the subsidiary,
- derecognition of the carrying amount of the non-controlling interests in the former subsidiary,
- derecognition of the cumulative exchange differences recognised directly in equity,
- recognition of the fair value of the consideration received,
- recognition of the fair value of the investment retained,
- recognition of surpluses and deficits through profit or loss,
- Reclassification to profit or loss, or transfer directly to retained earnings, of the components of other comprehensive income attributable to the parent as would be required if the Group had directly disposed of the related assets and liabilities.

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 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. Non-controlling interests are disclosed as a separate item in the statement of income and the statement of financial position.

Investments in joint ventures are recognised using the equity method in accordance with IAS 28. Under the equity method, investments in joint ventures 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 profit or loss of the joint venture is reported separately in the profit for the period. Changes disclosed directly in the equity of the joint venture are recognised by the Group in the amount of its share and, if applicable, in the statement of changes in equity. Goodwill arising on the acquisition of a joint venture 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 joint ventures. On each reporting date, the Group determines whether objective evidence exists that the investments in joint ventures 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 consolidated statement of income as an impairment loss.

According to IAS 28 Investments in Associates and Joint Ventures, the amount recognised for the 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 prevailing as of the reporting date, and income and expense are translated at the average annual rate. The resultant accumulated differences are recognised directly in a separate item in equity, which is disclosed under retained earnings in the statement of financial position.

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, goodwill as asset of the economically independent foreign subsidiaries is translated using the closing rate.

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

	Average exchange rates		Closing rates	
1 euro equals	**2016**	2015	**31.12.2016**	31.12.2015
US dollar	1,1066	1,1096	1,0541	1,0887
UK pound	0,8189	0,7260	0,8562	0,7340
Russian ruble	74,2224	68,0068	64,3000	80,6736
Swiss franc	1,0902	1,0676	1,0739	1,0835
Hungarian forint	311,46	309,90	309,83	315,98
Brazilian real	3,8616	3,6916	3,4305	4,3117

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 closing rate. Income and expense resulting from currency translation are reported as financial expense or financial income.

4 INTANGIBLE FIXED ASSETS

A) GOODWILL

Goodwill arises in 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. These groups of cash-generating units are equivalent to the segments and projects of the Biotest Group. 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.

An impairment loss is recognised through profit or loss if the recoverable amount of the asset or the cash-generating unit is below the carrying amount. The recoverable amount is the maximum of fair value, less selling costs 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). Any write-downs required are determined by comparing the carrying amount of the cash-generating-unit with the recoverable amount. An appropriate valuation model based on the discounting of future cash flows is used to determine fair value less selling costs. 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 assets acquired are recognised at cost and divided into assets with a finite useful life and assets with an indefinite useful life. Assets with a finite 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 finite useful life are reviewed at the end of each financial year at least. 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 finite 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 finite 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). Any write-downs required are determined by comparing the carrying amount of the cash-generating-unit with the recoverable amount.

5 PROPERTY, PLANT & EQUIPMENT

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
Operating and office 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 LEASES

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, impairment losses are 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.

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.

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.

The pension commitments for senior managers of Biotest AG were adjusted in the financial year. The adjustment applies to senior managers who had not yet received an individual commitment on the date of the conversion. The amount of the later pension benefit results from the annual pension contributions that Biotest makes for the duration of the employee's employment as a senior manager. The pension contribution made in one year is determined by applying a fixed percentage rate to the employee's eligible income, which comprises the fixed salary and the contractual performance-based bonus. No other income components are included. The pension benefits are granted as a lifetime annuity, but the beneficiary may also request a one-time payment or a payment in instalments instead. For employees who were already senior managers on the date of the conversion, a transitional arrangement was found that provides an amount of pension entitlement similar to that of the old system when the employment relationship is terminated upon reaching the statutory retirement age. The conversion resulted in past service cost in the 2016 financial year.

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 forecasted 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.

All actuarial gains and losses are recognised directly in equity in accordance with IAS 19.

Past service cost arising during a financial year as a result of a retroactive change to pension commitments is recognised immediately and in full.

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.

In the case of an interest subsidy the financial liability is recognised at its net present value without taking the interest subsidy into account. The difference is accrued and amortised over the term in accordance with IAS 20.

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, promissory notes and derivative financial instruments.

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

Derivative financial instruments are measured at fair value. The measurement takes both the counterparty default risk and the Group's own default into account. The market value is calculated on the basis of the market information valid and available on 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 OPERATIONS

According to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, non-current assets are reclassified as current assets if the asset has been classified as held for sale and the carrying amount is therefore realised through sale and not continued use. As a condition for this classification, IFRS 5 states that the sale must be planned and executable within the next twelve months.

In the 2016 financial year, the Biotest Group commenced negotiations for the sale of the activities of Biotest Pharmaceuticals Corporation, USA, in the therapy and toll manufacturing business areas. The sale agreement regarding parts of the assets attributable to these activities was signed on 21 January 2017 (signing date). The closing of the sale agreement is expected in the second quarter of 2017 (closing date).

In accordance with the requirements of IFRS 5, the assets held for sale were deemed part of discontinued operations. In the statement of financial position, these items are recognised under assets of discontinued operations. All affected assets have since been classified as current. Liabilities relating to these activities will not be transferred to the acquirer.

The assets held for sale are measured at the lower of carrying amount and fair value less the expected costs to sell. Depreciation and amortisation of these assets are suspended. These assets and the results of discontinued operations are presented as separate items in the statement of financial position and statement of income respectively.

Discontinued operations are presented separately in the statement of financial position, the statement of income, the cash flow statement and the segment report and explained in the notes. The figures for the previous year, except the statement of financial position, were adjusted accordingly.

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 by write-downs or provisions.

Revenue from non-repayable fees for providing technology, fees for the use of technology and licence fees is accounted for using the percentage of completion method.

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 essentially 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 entirely. Development expenses incurred after approval is received by the authorities are not material.

19 GOVERNMENT GRANTS

Government grants are recognised if there is reasonable assurance that the grant will be received and the entity will comply with any attached conditions. Cost-based grants are recognised systematically as income over the same period as the related costs intended to compensate them. Grants for an asset are recognised through profit and loss over the estimated useful life of the related asset.

20 FINANCIAL INCOME AND FINANCIAL EXPENSES

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 uses the rate that discounts the future cash flows 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, so far 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 so far 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 to the amount to 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 enforceable 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 DETERMINATION OF FAIR VALUE

The Group measures financial instruments, for example derivatives, at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are shown in Section G3 Determination of fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction on the measurement date. In determining the fair value it is assumed that the transaction under which the asset is sold or the liability is transferred occurs in either

- the principal market for the asset or liability, or
- the most advantageous market for the asset or liability in the absence of a principal market.

The Group must have access to the principal market or most advantageous market.

The fair value of an asset is measured based on assumptions that market participants would use when pricing the asset or liability. This assumes that market participants act in their best economic interests.

The measurement of a non-financial asset must reflect the market participant's ability to generate economic benefits through the highest and best use of the asset or through its sale to another market participant who finds the highest and best use for the asset.

The Group uses valuation techniques that are appropriate in the prevailing circumstances and for which sufficient data is available for determining the fair value. The use of crucial observable inputs is to be kept as high as possible and that of unobservable inputs as low as possible.

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 proximity 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 assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether reclassifications between the hierarchy levels have occurred by reviewing the classification (based on the input parameter of the lowest level that is material as a whole for measurement at fair value) at the end of each reporting period.

In order to meet the fair value disclosure requirements, the Group has established groups of assets and liabilities based on their nature, characteristics and risks as well as on the fair value hierarchy levels explained above.

23 UNCERTAIN ESTIMATES AND JUDGEMENTS

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 and income and expenses recognised during the reporting period. Estimates and assumptions represent judgements 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, assets of the discontinued operations, pension provisions and other provisions, allowances for bad debt and inventories, the derecognition of receivables under factoring agreements, the measurement of share-based payments as well as the determination of fair values.

In making judgements, the management relies on past experience, assessments by experts (lawyers, rating agencies, trade associations) and the results of a careful weighting 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. In connection with the planned sale of the US therapy and toll manufacturing business the management exercised discretion to such an extent that this business unit is disclosed as discontinued operations although a significant stake will remain within the Group after the sale.

The key assumptions and parameters underlying the estimates and judgements 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.

The Biotest Group is divided into the following segments: Therapy, Plasma & Services and Other Segments.

Until 30 September 2016, the activities of Biotest Pharmaceuticals Corp., Boca Raton, USA, in the Therapy segment and those in the area of toll manufacturing were included in the Therapy and the Plasma & Services segments. On the basis of the sale agreement concluded on 21 January 2017 on substantial parts of the assets of BPC that are associated with these activities, these activities are now presented separately as "discontinued operations" in accordance with IFRS 5. BPC's plasma sales activities are not affected by this and will continue to be included in the Plasma & Services segment. The previous year's figures were adjusted accordingly.

The business segments of the Biotest Group are as follows:

The **Therapy segment** essentially combines the plasma proteins and biotherapeutics segments. It therefore comprises the development, production and sales of blood plasma-derived immunoglobulins, clotting factors and albumins, which are used for diseases of the immune system, haematological diseases and in intensive care medicine. It also includes the preclinical and clinical development of monoclonal antibodies.

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

SEGMENT INFORMATION BY BUSINESS SEGMENT

in € million		Therapy	Plasma & Services	Other Segments	Total from continuing operations	Discontinued operations	Total
Revenue with third parties	2016	346.8	199.3	7.0	553.1	57.3	**610.4**
	2015	359.6	166.4	8.6	534.6	55.1	**589.7**
Operating profit (EBIT)	2016	31.0	34.5	–1.6	63.9	–85.4	**–21.5**
	2015	13.3	26.3	–2.3	37.3	–109.1	**–71.8**
Investments in joint ventures	2016	4.3	–	–	4.3	–	**4.3**
	2015	3.5	–	–	3.5	–	**3.5**
Capital expenditure*	2016	141.8	10.7	–	152.5	1.5	**154.0**
	2015	108.7	1.2	–	109.9	–	**109.9**
Depreciation and amortisation**	2016	17.4	3.9	1.6	22.9	2.1	**25.0**
	2015	16.9	0.9	1.4	19.2	10.1	**29.3**
Impairment	2016	–	–	–	–	5.0	**5.0**
	2015	2.8	–	–	2.8	62.1	**64.9**

* Defined as the sum of investments in intangible assets and property, plant and equipment

** Defined as the sum of scheduled depreciation on intangible assets and property, plant and equipment

RECONCILIATION OF TOTAL SEGMENT RESULTS TO EARNINGS AFTER TAX OF THE BIOTEST GROUP (CONTINUING AND DISCONTINUED OPERATIONS)

in € million	**2016**	2015
Operating profit (EBIT) (continuing and discontinued operations)	**–21.5**	**–71.8**
Financial income	24.0	38.4
Financial expenses	–36.6	–42.9
Income from joint ventures	1.4	2.0
Earnings before taxes (EBT) (continuing and discontinued operations)	**–32.7**	**–74.3**
Income taxes (continuing and discontinued operations)	–13.0	–8.2
Earnings after taxes (EAT)	**–45.7**	**–82.5**

SEGMENT INFORMATION BY REGION (CONTINUING OPERATIONS)

	Revenue with third parties based on customer's geographical location		**Revenue with third parties based on company's headquarters**	
in € million	**2016**	2015	**2016**	2015
Europe	265.9	290.0	406.3	421.1
Americas	117.4	83.9	146.8	113.5
Other Asia & Pacific	49.5	42.5	–	–
Middle East and Africa	120.3	118.2	–	–
Biotest Group	**553.1**	**534.6**	**553.1**	**534.6**
Thereof:				
Germany	108.3	123.3	328.2	345.3
Rest of world	444.8	411.3	224.9	189.3
Thereof: USA	104.0	71.8	145.1	112.7

There is no significant trade between the individual segments.

D. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1 REVENUE

in € million	2016	2015
Products of the Biotest Group	492.0	482.7
Toll manufacturing	54.0	40.8
Merchandise	7.0	8.5
Revenue from cooperation agreements	–	2.5
Other	0.1	0.1
	553.1	**534.6**

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

2 COST OF MATERIALS

in € million	2016	2015
Raw material and supplies	178.3	190.0
Services purchased	31.3	32.4
	209.6	**222.4**

3 PERSONNEL EXPENSES

in € million	2016	2015
Wages and salaries	124.5	112.5
Social security contributions	26.5	20.5
Pension costs	5.0	5.0
	156.0	**138.0**

Personnel expenses include expenses resulting from the termination of employment in the amount of € 1.2 million (previous year: € 2.3 million).

The average number of employees, converted to full-time equivalents, is 2,416 in the 2016 financial year (previous year: 2,224). The Biotest Group employs 2,527 staff, converted to full-time equivalents, as of 31 December 2016 (previous year: 2,271).

The Biotest Group had 2,732 employees as of 31 December 2016 (previous year: 2,443).

Employees are allocated to the operating divisions as follows:

in full time equivalents	2016	2015
Production	1,877	1,612
Administration	249	265
Distribution	212	213
Research and development	189	181
	2,527	**2,271**

4 RESEARCH AND DEVELOPMENT COSTS

Expenses for research and development totalling € 48.5 million (previous year: € 78.5 million) are recognised in full in the statement of income.

5 OTHER OPERATING INCOME

in € million	2016	2015
Income from service agreements	1.6	1.6
Reversal of write-downs	0.7	0.1
Insurance reimbursements and other refunds	0.6	0.3
Reversal of other provisions	0.4	0.2
Other	0.7	0.4
	4.0	**2.6**

Income from service agreements relates primarily to a contract signed after the sale of the former Medical Diagnostics division.

In the 2016 financial year, the Biotest Group recognised through profit and loss government grants of € 0.3 million (previous year: € 0.4 million), of which € 0.3 million (previous year: € 0.3 million) relate to wage subsidies and wage replacement benefits and € 0.0 million (previous year: € 0.1 million) to grants for research and development projects. Grants for research and development projects are included in research and development costs.

The Biotest Group as lessor generated € 0.0 million in income from operating leases in the 2016 financial year (previous year: € 0.2 million). The lease agreements in force on the reporting date will give rise to no material income in the future.

6 OTHER OPERATING EXPENSES

in € million	2016	2015
Write-downs of receivables	3.4	–
Expenses incurred in connection with service agreements	3.2	2.2
Donations	0.2	0.4
Other	0.4	1.0
	7.2	**3.6**

In particular, write-downs of receivables include value adjustments for receivables from customers in Iran.

7 FINANCIAL INCOME

in € million	2016	2015
Income from currency translation	23.0	36.7
Interest income	0.6	1.3
Other	0.4	0.4
	24.0	**38.4**
Thereof financial instruments of measurement categories according to IAS 39:		
Loans and receivables (LaR)	2.1	11.3
Financial liabilities measured at amortised cost (FLAC)	0.2	1.2
Financial assets held for trading (FAHfT)	4.6	1.5
Financial liabilities held for trading (FLHfT)	1.1	3.3

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 as of the reporting date.

8 FINANCIAL EXPENSES

in € million	2016	2015
Currency translation expenses	22.7	33.4
Interest expenses	11.1	7.3
Net interest expenses – for pensions	1.7	1.3
Interest rate hedging costs	0.5	0.6
Other	0.6	0.3
	36.6	**42.9**
Thereof financial instruments of measurement categories according to IAS 39:		
Financial liabilities measured at amortised cost (FLAC)	7.5	10.2
Financial assets held for trading (FAHfT)	0.3	0.8
Financial liabilities held for trading (FLHfT)	6.0	5.2
Loans and receivables (LaR)	2.1	5.6

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.

Interest expenses of fiscal year 2016 include interest on tax payments for previous years in the amount of € 4.4 million (previous year: € 0.0 million).

9 INCOME FROM JOINT VENTURES

Income of € 1.4 million (previous year: € 2.0 million) was generated from joint ventures in the 2016 financial year.

10 INCOME TAXES

in € million	2016	2015
Current tax expenses related to the financial year	11.6	7.6
Current tax expenses related to previous years	8.3	2.2
Current taxes	**19.9**	**9.8**
Deferred taxes	**–1.7**	**–2.0**
Income tax expense	**18.2**	**7.8**

Deferred tax income arising on items credited directly to equity amounted to € 2.1 million (previous year: expenses of € 2.3 million).

Current tax expenses related to previous years result primarily from retrospective tax payments due to the agreement reached with the fiscal authorities with regard to the business in Russia.

Applying the nominal income tax rate of 29.0 % (previous year: 29.0 %), the expected tax expense for the 2016 financial year differs from the effective amount as follows:

in € million	2016	2015
Earnings before taxes	**52.7**	**34.8**
Expected tax expense	**15.3**	**10.1**
Effect of losses not recognised in the financial year	0.1	0.1
Unrecognised deferred tax assets from temporary differences	–	1.4
Offsetting with tax losses of discontinued operations	–9.1	–6.8
Write-downs of deferred tax assets	0.1	0.1
Current tax expenses related to previous years	8.3	2.2
Tax effect of adjustments to deferred taxes from previous years	–0.8	–0.5
Tax effect of non-deductible expenses	0.9	1.7
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	1.8	0.1
Tax effect of tax-free income	0.6	–0.5
Other effects	1.0	–0.1
Income tax disclosed in the statement of income	**18.2**	**7.8**

The calculated tax rate of 29.0 % is based on a corporation tax rate of 15 %, a solidarity surcharge of 5.5 % and the weighted trade tax rates of the municipalities of Biotest AG's business premises.

11 AUDITOR'S FEES

On 12 May 2016, the Annual General Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2016 financial year.

Fees payable to the external auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, totalled € 0.4 million for the 2016 financial year (previous year: € 0.5 million), of which € 0.1 million (previous year: € 0.1 million) relate to the previous year. € 0.4 million (previous year: € 0.5 million) of the fees relate to the financial statement audit, of which € 0.1 million (previous year: € 0.1 million) relates to the previous year.

E. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 INTANGIBLE ASSETS

All intangible assets are allocated to non-current assets.

in € million	Goodwill	Patents, licenses and similar rights	Leased assets	Payments in advance	**Total**
Cost of purchase					
Balance as of 31 December 2014	**33.8**	**62.9**	**9.6**	**2.9**	**109.2**
Additions	–	1.1	–	2.5	3.6
Disposals	–	–0.2	–	–	–0.2
Book transfers	–	1.1	–	–1.2	–0.1
Effect of foreign currency translation differences	3.5	5.2	–	–	8.7
Balance as of 31 December 2015	**37.3**	**70.1**	**9.6**	**4.2**	**121.2**
Reclassification to discontinued operations	–20.2	–34.2	–	–	–54.4
Additions	–	1.0	–	0.9	1.9
Disposals	–	–2.4	–	–	–2.4
Book transfers	–	0.7	–	–0.7	0.0
Effect of foreign currency translation differences	0.7	0.7	–	–	1.4
Balance as of 31 December 2016	**17.8**	**35.9**	**9.6**	**4.4**	**67.7**
Accumulated depreciation					
Balance as of 31 December 2014	**1.1**	**48.3**	**9.6**	**–**	**59.0**
Depreciation for the financial year	–	1.8	–	–	1.8
Disposals	–	–0.1	–	–	–0.1
Impairment	–	12.0	–	–	12.0
Effect of foreign currency translation differences	–0.3	4.1	–	–	3.8
Balance as of 31 December 2015	**0.8**	**66.1**	**9.6**	**–**	**76.5**
Reclassification to discontinued operations	–	–34.2	–	–	–34.2
Depreciation for the financial year	–	1.5	–	–	1.5
Disposals	–	–2.3	–	–	–2.3
Effect of foreign currency translation differences	0.2	0.7	–	–	0.9
Balance as of 31 December 2016	**1.0**	**31.8**	**9.6**	**–**	**42.4**
Carrying amount as of					
31 December 2015	36.5	4.0	–	4.2	44.7
31 December 2016	**16.8**	**4.1**	**0.0**	**4.4**	**25.3**

Two development projects were acquired in connection with the purchase of the plasma protein division of Nabi Biopharmaceuticals in the 2007 financial year 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 reinfection in the case of liver transplantations made necessary due to hepatitis C. Both intangible assets were impaired in the 2015 financial year by the full amount of € 12.0 million.

The impairment was due firstly to the worse market prospects for the hepatitis C product Civacir®, which is under development. Although the interim analyses of the phase III study for Civacir® were promising and the objectives of the study had been achieved so far, Biotest anticipated considerably reduced market prospects at the end of 2015. In the meantime, highly effective virostatics had been introduced that lowered reinfection rates after a liver transplantation to well below 30 % and were also permitted to be used much sooner after a transplantation. Both developments therefore reduced the potential applications for Civacir®. Secondly, impairment also resulted from a significant decline in revenue from the product Bivigam® in the months following better-than-expected development in the first half of 2015. Bivigam® is a polyvalent immunoglobulin of the subsidiary Biotest Pharmaceuticals Corporation, Boca Raton, USA, (BPC) which was produced and marketed exclusively in the USA. Due to the weak sales development, stocks of the product with shorter shelf-lives were impaired. These products originated from the pre-production for the US market entry that Biotest expected three years ago. As a consequence of the reduced sales, Biotest had already reduced the production of Bivigam® at the time and expected it to take longer for the manufacturing plant to be working at capacity. Civacir® was supposed to be produced in the same plant. As significantly lower demand was expected here, Civacir® production would also have been unable to utilise the plant to capacity in the short term. Therefore, Biotest had to impair the manufacturing plants, parts of the buildings and the intangible assets in the 2015 financial year.

In connection with the sale of the US therapy business to ADMA Biologics Inc., Ramsey, USA, Biotest reclassified the goodwill from the Therapy segment at BPC to discontinued operations in 2016, where it was impaired to € 0.0 million within the measurement result. An impairment test was performed on the remaining goodwill at Biotest AG for the Therapy segment and for the Plasma & Services segment.

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

A discount rate before tax of 10.77 % (previous year: 10.30 %) was applied for the impairment test of the goodwill of the Therapy segment, which is based on the relevant WACC (weighted average cost of capital). A discount rate before tax of 9.85 % (previous year: 8.15 %) was used for the Plasma & Services segment. Expected cash flows were calculated on the basis of five-year financial forecasts made by management. Cash flows from the year 2022 onward are extrapolated. Perpetual annuities are based on average values for the years 2017 to 2021. A growth rate of +0.5 % (previous year: +0.5 %) for the Therapy segment and –0.5 % (previous year: +0.5 %) in the Plasma & Services segment was applied to perpetual annuities.

The results of the impairment test depend essentially on the revenue growth rates and the EBIT margin assumed in business planning. In the detailed planning period, average revenue growth of 2.9 % p.a. with an average EBIT margin of 20.0 % were assumed for the Therapy segment. Average revenue growth of 2.4 % p.a. and an average EBIT margin of 15.5 % were assumed for the Plasma & Services segment in the detailed planning period.

The impact of changes in average revenue growth, the EBIT margin, the growth rate and the discount factor applied was determined by means of sensitivity analyses. No realistic change in the value of the parameters would lead to impairment of goodwill.

Parameter	**Therapy segment**		**Plasma & Services segment**	
	Planning	Scenario	Planning	Scenario
Revenue growth	2.9 %	1.9 %	2.4 %	1.4 %
EBIT margin	20.0 %	19.0 %	15.5 %	14.5 %
Discount factor after taxes	7.7 %	8.7 %	6.1 %	7.1 %
Growth rate	0.5 %	–0.5 %	–0.5 %	–1.5 %

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

Cash-generating-unit	Intangible asset	**Carrying amount as of 31.12.2016 in € million**	Carrying amount as of 31.12.2015 in € million
Therapy segment	Goodwill	8.2	28.2
Plasma & Services segment	Goodwill	8.6	8.3
		16.8	**36.5**

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

in € million	**2016**	2015
Cost of sales	0.2	0.4
Marketing and distribution costs	0.1	0.1
Administrative expenses	1.1	1.1
Research and development costs	0.1	0.1
	1.5	**1.7**

2 PROPERTY, PLANT AND EQUIPMENT

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

in € million	Land and buildings	Technical equipment and machinery	Other facilities, office furniture and equipment	Leased assets	Payments in advance	**Total**
Cost/production cost						
Balance as of 31 December 2014	**200.1**	**184.7**	**88.0**	**0.8**	**32.4**	**506.0**
Additions	11.5	4.2	6.1	3.8	80.7	106.3
Book transfers	8.3	3.3	4.4	–	–15.9	0.1
Disposals	–0.8	–0.2	–1.2	–	–	–2.2
Effect of foreign currency translation differences	6.9	7.1	1.8	–	0.3	16.1
Balance as of 31 December 2015	**226.0**	**199.1**	**99.1**	**4.6**	**97.5**	**626.3**
Reclassification to discontinued operations	–60.9	–65.2	–2.9	–	–1.8	–130.8
Additions	4.0	4.0	4.9	–	137.7	150.6
Book transfers	2.9	5.9	6.2	–	–15.0	0.0
Disposals	–9.3	–2.1	–3.2	–	–	–14.6
Effect of foreign currency translation differences	0.3	0.1	0.5	–	–	0.9
Balance as of 31 December 2016	**163.0**	**141.8**	**104.6**	**4.6**	**218.4**	**632.4**
Accumulated depreciation						
Balance as of 31 December 2014	**60.2**	**106.0**	**56.7**	**0.8**	**–**	**223.7**
Depreciation for the financial year	4.7	15.0	7.4	0.1	0.3	27.5
Disposals	–0.3	–0.1	–1.1	–	–	–1.5
Impairment	29.0	20.6	0.7	–	2.6	52.9
Effect of foreign currency translation differences	1.4	4.5	0.6	–	–	6.5
Balance as of 31 December 2015	**95.0**	**146.0**	**64.3**	**0.9**	**2.9**	**309.1**
Reclassification to discontinued operations	–37.0	–63.5	–2.4	–	–2.9	–105.8
Depreciation for the financial year	4.2	9.5	7.5	0.2	–	21.4
Disposals	–2.7	–2.0	–3.0	–	–	–7.7
Effect of foreign currency translation differences	0.1	0.1	0.3	–	–	0.5
Balance as of 31 December 2016	**59.6**	**90.1**	**66.7**	**1.1**	**0.0**	**217.5**
Carrying amount as of						
31 December 2015	131.0	53.1	34.8	3.7	94.6	317.2
31 December 2016	**103.4**	**51.7**	**37.9**	**3.5**	**218.4**	**414.9**

Payments in advance in the financial year 2016 mainly include capital expenditure incurred as part of the expansion of capacity at Dreieich.

Investments for the expansion of production capacity (Biotest Next Level) amounted to € 112.0 million in the financial year 2016 (previous year: € 69.9 million). Additions to property, plant and equipment include borrowing costs in the amount of € 0.5 million (previous year: € 0.1 million). The disposals during the fiscal year include € 6.6 million due to a reclassification as investment property.

The Biotest Group had entered into commitments to acquire fixed assets of € 78.6 million as of 31 December 2016 (previous year: € 141.0 million).

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

in € million	2016	2015
Cost of sales	14.7	13.5
Marketing and distribution costs	0.4	0.6
Administrative expenses	5.7	5.6
Research and development costs	0.6	0.6
	21.4	**20.3**

The previous year's depreciation of property, plant and equipment in the continuing operations includes impairment of € 2.8 million.

3 INVESTMENT PROPERTY

in € million	2016	2015
Balance as of 1 January	–	–
Additions	6.6	–
Balance as of 31 December	**6.6**	**–**

The Biotest Group's investment property comprises an undeveloped plot of land in Boca Raton, USA. In the previous year, it was presented under property, plant and equipment as part of the Biotest Pharmaceuticals Corp. production site and was reclassified as investment property this year because the disposal of the undeveloped plot of land is planned in the medium term following the sale of the manufacturing facilities at the Boca Raton site to ADMA Biologicals Inc.

In the Biotest Group, there are no restrictions on the realisability of investment property and no contractual obligations to purchase or develop investment property.

In the 2016 financial year, no expenses were incurred and no income was generated in connection with investment property.

Investment property is measured at amortised cost. As of 31 December 2016, the historical cost equalled fair value. The fair value is determined according to hierarchy level 3.

4 INVESTMENTS IN JOINT VENTURES

Investments in joint ventures relate to a 49 % shareholding held by Biotest Pharma GmbH in BioDarou P.J.S. Co., whose registered office is in Tehran, Iran, and accounted for using the equity method.

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

The investors intend to gradually provide the company with up to € 4.0 million of equity capital. The shareholder resolutions required for this are adopted separately based on financial requirements. To date, Biotest Pharma GmbH has contributed € 1.6 million in capital. The capital of BioDarou P.J.S. Co. amounts to 37.5 billion rials as of 31 December 2016 (previous year: 37.5 billion rials) and is fully paid-in.

As no audited financial statements of BioDarou P.J.S. Co. were available when the consolidated financial statements were

prepared, BioDarou P.J.S. Co.'s previous-year figures as of 31 December 2015 are reported.

The appreciation of the rial resulted in a foreign currency valuation of € 0.7 million (previous year: € 0.5 million), which was recognised in other comprehensive income.

The joint venture had the following assets and liabilities as of the 2015 reporting date:

The value of non-current and current assets amounted to € 1.1 million (previous year: € 1.0 million) and € 24.5 million (previous year: € 21.6 million) respectively on 31 December 2015.

Non-current and current liabilities were measured at € 0.4 million (previous year: € 0.3 million) and € 16.4 million (previous year: € 15.2 million) respectively on 31 December 2015.

Sales revenue amounted to € 29.1 million (previous year: € 27.5 million) and net income of the company was € 2.8 million (previous year: € 4.2 million) for the 2015 financial year.

BioDarou P.J.S. Co. holds a 60 % share of Plasma Gostar Pars (PJS) based in Tehran, Iran.

The political situation in Iran calmed somewhat in 2016 with the relaxing of sanctions. The difficult payment situation improved only slightly in the 2016 financial year despite the relaxing of sanctions. The Biotest Group does not expect a permanent restriction on sales of pharmaceutical products in Iran, especially since the sanctions were lifted on 16 January 2016.

5 OTHER FINANCIAL ASSETS

	2016		2015	
in € million	**Total**	**Non-current**	Total	Non-current
Time deposits (loans and receivables)	10.0	–	65.0	–
Financial assets as part of the short-term financial disposition (loans and receivables)	–	–	34.9	–
Promissory notes (loans and receivables)	–	–	20.0	–
Loans to joint ventures (loans and receivables)	–	–	0.7	0.7
Receivables from joint ventures (loans and receivables)	2.2	1.3	0.5	–
Derivative financial instruments (financial assets held for trading)	1.3	–	0.4	–
Pension fund (financial assets at fair value through profit and loss)	0.1	0.1	0.1	0.1
	13.6	**1.4**	**121.6**	**0.8**

The loans and receivables category contains non-current promissory notes, time deposits, loans to joint ventures and financial assets as part of short-term financial disposition, which are recognised at acquisition cost. The financial assets at fair value through profit and loss category includes fund units, whose market value as of the reporting date is notified in writing by the custodian bank.

6 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets		Equity and liabilities		Recognised through profit or loss	
in € million	**2016**	2015	**2016**	2015	**2016**	2015
Intangible assets	–	–	–	5.2	–	2.1
Property, plant and equipment	–	–	8.0	8.6	–0.6	–3.1
Other financial assets	1.2	1.2	–	–	–	–0.1
Inventories	11.5	9.9	0.1	0.1	–1.7	1.5
Trade receivables	0.1	0.1	12.8	11.7	1.2	0.2
Other provisions	1.2	1.1	–	–	–0.1	0.5
Financial liabilities	4.1	3.6	0.2	0.2	–0.5	–2.5
Pension provisions	11.1	8.5	0.1	0.1	–0.5	–0.5
Other liabilities	2.3	2.9	0.9	0.9	0.6	0.1
Other financial position items	0.7	0.4	–	–	–0.3	–0.2
Tax value of the recognised loss carried forward	–	0.1	–	–	0.2	–
Total deferred taxes	**32.2**	**27.8**	**22.1**	**26.8**	**–1.7**	**–2.0**
Less netting of deferred tax assets and liabilities	–19.6	–19.1	–19.6	–19.1		
Deferred tax assets / liabilities	**12.6**	**8.7**	**2.5**	**7.7**		

The Group has tax loss carryforwards of € 0.5 million (previous year: € 0.8 million), which are available to various Group companies with and without time limits and can be offset against expected future taxable income of this company or other Group companies. € 0.5 million of the loss carryforwards recognised are attributable to a tax rate of 9 % (previous year: € 0.3 million to tax categories with a tax rate of 10 % and € 0.5 million to tax categories with a tax rate of 31.4 %).

Deferred taxes are not recognised for tax loss carryforwards of € 57.1 million (previous year: € 37.2 million), as the utilisation of these carryforwards is not sufficiently certain at this time. The unrecognised tax loss carryforwards relate solely to foreign companies. Foreign loss carryforwards of € 3.7 million (previous year: € 2.6 million) may be carried forward indefinitely.

Furthermore, € 2.4 million (previous year: € 2.4 million) may be carried forward for up to five years and € 51.0 million (previous year: € 32.2 million) for over five years.

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

As in the previous year, no deferred tax liabilities were recognised as of 31 December 2016 for taxes on non-distributed earnings of subsidiaries or joint ventures of the Biotest Group. Temporary differences relating to investments in subsidiaries and joint ventures for which no deferred taxes are recognised amount to € 1.3 million (previous year: € –0.5 million).

7 INVENTORIES

in € million	2016	2015
Raw material and supplies	24.1	25.8
Work in progress	86.5	103.8
Finished goods and merchandise	60.2	89.1
	170.8	**218.7**

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

Impairment losses recognised on inventories amounted to € 26.4 million (previous year: € 39.1 million); the residual carrying amount of the related inventories was € 40.3 million (previous year: € 81.3 million) after being written down to their net realisable value.

8 TRADE RECEIVABLES

Trade receivables are typically due within one year. As in the previous year, none of the receivables totalling € 163.8 million (previous year: € 173.9 million) were classified as non-current. Trade receivables are allocated to the loans and receivables (LaR) category. They are broken down as follows:

in € million	2016	2015
Trade receivables (gross)	179.1	188.2
Sale of trade receivables	–9.1	–10.7
Allowance for bad debts	–6.2	–3.6
Trade receivables (net)	**163.8**	**173.9**

The allowance for bad 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 empirical values relating to the payment behaviour of specific customers and knowledge about country-specific circumstances. When testing the impairment of trade receivables, every change in credit ratings is taken into account since the payment target was granted and up to the reporting date. This applies to changes in country risk and specific customer risk. The Biotest Group only uses specific bad debt charges for determining the allowance for bad debts for trade receivables. A general allowance for bad debts is not recognised.

As of the reporting date, Biotest AG has sold trade receivables totalling € 7.8 million (previous year: € 8.6 million) under factoring agreements. The factoring programme provides for the sale of domestic and foreign receivables of Biotest AG, with each customer having 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 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). Receivables of the Italian company totalling € 1.3 million (previous year: € 2.1 million) had been sold as of the reporting date. As in the previous year, these receivables were fully derecognised in accordance with IAS 39.

Trade receivables include receivables accounted for the percentage of completion method amounting to € 30.8 million (previous year: € 30.8 million). These relate to service businesses valued at the related production costs incurred plus a pro rata profit provided that it can be reliably estimated.

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

in € million	2016	2015
Balance as of 1 January	**3.6**	**2.2**
Additions	3.2	1.5
Utilisation	–	–0.1
Releases	–0.6	–
Balance as of 31 December	**6.2**	**3.6**

An analysis of the ageing structure of trade receivables shows the following picture:

in € million	2016	2015
Carrying amount	**163.8**	**173.9**
Unimpaired and non-past due as of the reporting date	131.7	153.8
Unimpaired as of the reporting date and past due in the following time bands		
< 90 days past due	22.4	14.5
91 – 180 days past due	1.9	3.0
181 – 365 days past due	0.8	1.2
> 1 year past due	0.1	0.6

The past due receivables of the Biotest Group in the 2016 financial year mainly comprise of receivables due to Biotest AG of € 12.5 million (previous year: € 8.9 million), receivables due to Biotest Pharmaceuticals Corp. USA, of € 9.1 million (previous year: € 4,4 million), receivables due to, Biotest Italia S.r.l., Italy of € 1.2 million (previous year: € 2.0 million), receivables due to Biotest Medical S.L.U., Spain,of € 1.1 million (previous year: € 2.5 million) receivables due to Biotest (UK) Ltd., UK, of € 0.9 million (previous year: € 0.8 million) and to Biotest Hungaria Kft., Hungary, of € 0.3 million (previous year: € 0.5 million).

Net trade receivables are denominated in the following currencies:

in € million	**2016**	2015
EUR	101.6	90.2
USD	58.1	77.4
GBP	2.2	2.1
HUF	1.1	1.3
RUB	–	1.6
Other currencies	0.8	1.3
Trade receivables (net)	**163.8**	**173.9**

9 OTHER ASSETS

	2016		2015	
in € million	**Total**	**thereof Non-current**	Total	thereof Non-current
Value-added and other tax receivables	10.5	–	6.6	–
Deferred items	3.8	0.1	3.9	0.2
Payments in advance	1.1	–	1.4	0.2
Other assets	1.8	0.4	2.9	0.6
	17.2	**0.5**	**14.8**	**1.0**

As in the previous year, allowances for bad debts were not recognised on other assets in the 2016 financial year.

An analysis of the ageing structure of other assets shows the following picture:

in € million	**2016**	2015
Carrying amount	**17.2**	**14.8**
Unimpaired and not-past due as of the reporting date	17.2	14.7
Unimpaired as of the reporting date and past due in the following time bands		
< 90 days past due	–	0.1
91–180 days past due	–	–
181–365 days past due	–	–
> 1 year past due	–	–

Other assets are denominated in the following currencies:

in € million	**2016**	2015
EUR	10.5	9.3
USD	3.5	4.6
GBP	1.2	0.1
HUF	1.5	0.5
Other currencies	0.5	0.3
	17.2	**14.8**

10 CASH AND CASH EQUIVALENTS

in € million	**2016**	2015
Bank balances	51.7	33.6
Short-term deposits	21.0	20.0
Cash in hand	0.2	0.2
	72.9	**53.8**

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

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

11 EQUITY

Subscribed capital is fully paid in and amounts to € 39,571,452 on 31 December 2016 (previous year: € 39,571,452), comprising ordinary shares of € 19,785,726 (previous year: € 19,785,726) and preference shares of € 19,785,726 (previous year: € 19,785,726). As of 31 December 2016 it was divided into 19,785,726 no-par value ordinary shares and 19,785,726 no-par value preference shares without voting rights. Certification of shares is excluded. The theoretical par value of each share is therefore € 1.00 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 12 February 2008, Dr Cathrin Schleussner advised the Biotest Group that her voting rights 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 rule under Section 41 (4d) of the German Securities Act (Wertpapierhandelsgesetz, WpHG) in effect from 1 February 2012, Dr Martin Schleussner and Ms Renate Schleussner notified the Biotest Group on 22 February 2012 that effective 1 February 2012 they held a 50.27 % share of the voting rights in Biotest AG reportable under Section 41 (4d) WpHG. Based on the new rule under Section 41 (4g) WpHG in effect from 1 July 2016, the district of Biberach notified us on 20 July 2016 that it held a 15.17 % of the ordinary shares in Biotest AG. The ordinary shares are assignable to the district in accordance with Section 22 (1) Sentence 1, No. 1 WpHG and are held by the Kreissparkasse Biberach.

The proposed appropriation of net profit for the year 2016 provides for dividend payments of € 2.4 million (previous year: € 1.2 million). A dividend of € 0.05 per share (previous year: € 0.02 per share) will be paid on the ordinary shares and a dividend of € 0.07 per share (previous year: € 0.04 per share) on the preference shares. In accordance with a resolution passed by the Annual General Meeting regarding dividend payments, preference shares are entitled to a preference dividend of € 0.04 per share. Additionally, if holders of ordinary shares receive a dividend of more than € 0.03 per share, holders of preference shares receive an additional dividend of € 0.02 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 (Aktiengesetz, AktG)).

By resolution of the Annual General Meeting of 7 May 2015, the Board of Management of Biotest AG was authorised to purchase ordinary and/or preference shares under Section 71 (1) No. 8 AktG until 6 May 2020 up to 10 % of the then share capital of € 33.8 million.

The share premium amounts to € 219.8 million (previous year: € 219.8 million).

Diluted and basic earnings per share are calculated by dividing the profit from continuing operations attributable to shareholders of the parent company by the weighted average number of shares outstanding. Diluted earnings are equivalent to basic earnings at Biotest AG.

in € million	**2016**	2015
Earnings after taxes of continuing operations	34.5	27.0
Additional dividend on preference shares	–0.4	–0.4
Profit adjusted for additional dividend rights (continuing operations)	**34.1**	**26.6**
Number of shares outstanding (weighted average)	39,571,452	39,571,452
Basic and diluted earnings per ordinary share in € (continuing operations)	**0.86**	0.67
Additional dividend rights per preference share in €	**0.02**	0.02
Basic and diluted earnings per preference share in €	**0.88**	0.69

No additional 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. These plans are voluntary pension plans not subject to statutory or legal obligations. The amount of the pension obligations is dependent on interest rate movements and life expectancy of the participants.

Assets of € 2.6 million (previous year: € 3.1 million) were held by a trustee, Biotest Vorsorge Trust e.V., during the 2016 financial year under a contractual trust arrangement (CTA) as external insolvency insurance for portions of the occupational 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.

The net defined benefit liability comprises the following:

in € million	2016	2015
Net present value of defined benefit obligations		
Pension plans	80.5	71.0
Similar obligations	6.9	5.6
	87.4	**76.6**
Fair value of plan assets		
Pension plans	2.5	2.4
Similar obligations	1.1	1.6
	3.6	**4.0**
Net defined benefit liability		
Pension plans	78.0	68.6
Similar obligations	5.8	4.0
	83.8	**72.6**

The costs for the defined benefit plans consist of the following components:

in € million	2016	2015
Current service cost	3.9	4.3
Past service cost	1.1	0.7
Net interest expenses	1.6	1.3
Total expense recognised in profit and loss	**6.6**	**6.3**
Actuarial losses/gains due to experience adjustments	1.1	–1.6
Actuarial losses/gains due to changes in financial assumptions	6.3	–6.1
Return on plan assets (excluding amounts included in net interest expenses)	–	0.1
Revaluations recognised directly in the statement of comprehensive income	**7.4**	**–7.6**
Defined benefit costs	**14.0**	**–1.3**

Actuarial losses of € 7.4 million (previous year: gains of € 7.6 million) were recognised directly in equity in the 2016 financial year. Actuarial losses totalling € 32.6 million (previous year: € 25.2 million) have to date been recognised directly in equity.

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

in € million	2016	2015
Net present value of defined benefit obligation as of 1 January	**76.6**	**81.3**
Current service cost	3.9	4.3
Past service cost	1.1	0.7
Interest expense	1.7	1.4
Expenses recognised in the consolidated statement of income	**6.7**	**6.4**
Actuarial losses/gains due to experience adjustments	1.1	–1.6
Actuarial losses/gains due to changes in financial assumptions	6.3	–6.1
Revaluations recognised directly in the statement of comprehensive income	**7.4**	**–7.7**
Pension benefits paid	–3.3	–3.4
Net present value of defined benefit obligation as of 31 December	**87.4**	**76.6**

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

in € million	2016	2015
Fair value of plan assets as of 1 January	**4.0**	**3.8**
Interest income	0.1	0.1
Expenses recognised in the consolidated statement of income	**0.1**	**0.1**
Return on plan assets (excluding amounts included in net interest expense)	–	–0.1
Revaluations recognised directly in the statement of comprehensive income	**–**	**–0.1**
Employer contributions	–	0.2
Payments from plan assets	–0.5	–
Fair value of plan assets as of 31 December	**3.6**	**4.0**

The following benefits are expected to be paid in subsequent years based on the existing pension obligations:

in € million	2016	2015
In the next 12 months	3.8	3.4
Between 2 and 5 years	14.6	14.5
Between 5 and 10 years	23.5	21.5
After 10 years	84.5	79.9
Total expected payments	**126.4**	**119.3**

The weighted average term of the defined benefit plans is 13.6 years (previous year: 13.2 years) as of 31 December 2016.

Plan assets were invested in the following asset classes as of the reporting date:

in € million	2016	2015
Reinsurance	1.0	0.9
Cash and cash equivalents	1.2	2.8
Fund units	1.4	0.3
	3.6	**4.0**

The calculation is based on the following actuarial assumptions:

in %	2016	2015
Discount rate as of 31 December	1.5–1.9	1.8–2.6
Expected return on plan assets	1.9	2.6
Rate of increase for wages and salaries	3.0	3.4
Rate of increase for pensions	1.8	1.8
Employee turnover rate	0.0–7.5	0.0–7.3

Actuarial assumptions are based on empirical values with the exception of the discount rate. The rate of increase for pensions was adjusted to 1.8 % in the previous year due to persistently low interest rates and the emerging price increases (consumer price index).

Under IAS 19.145, the effect of any changes to parameters for the underlying assumptions used to calculate the pension obligations must be disclosed in the sensitivity analysis. Only changes that are realistically expected to occur in the following financial year are to be considered.

The actuarial rate of interest, salary trend, pension trend and life expectancy are regarded as material assumptions. These parameters are shown in the following overview together with information on the parameter changes and their impact on the net present value calculation as of 31 December 2016.

Parameter	Parameter change	Impact on the pension obligation in € million
Rate of interest	Increase by 50 basis points	–5.6
Rate of interest	Decrease by 50 basis points	6.2
Salary trend	Increase by 50 basis points	1.4
Salary trend	Decrease by 50 basis points	–1.3
Pension trend	Increase by 100 basis points	7.5
Pension trend	Decrease by 100 basis points	–6.3
Life expectancy	Increase by one year	4.1

€ 8.3 million (previous year: € 8.2 million) was recognised as expense for defined contribution plans in the financial year and are broken down as follows:

in € million	2016	2015
Defined contribution plans of the Company	0.8	1.4
Employer contributions to statutory insurance scheme	7.5	6.8
	8.3	**8.2**

13 OTHER PROVISIONS

in € million	Staff-related provisions	Litigation risks	Provisions for sales agreements	Miscel-laneous provisions	Total	Of which current
Balance as of 31 December 2015	**9.5**	**4.0**	**5.2**	**15.4**	**34.1**	**27.5**
Additions	12.0	0.2	12.2	3.2	27.6	
Utilisation	6.1	0.7	4.5	2.9	14.2	
Releases	1.8	0.2	0.1	3.3	5.4	
Book transfers	–	–	–	–	–	
Effect of foreign currency translation differences	0.2	–	0.3	1.0	1.5	
Accrued interest	–0.1	–	–	–	–0.1	
Balance as of 31 December 2016	**13.7**	**3.3**	**13.1**	**13.4**	**43.5**	**35.6**

The 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. The provisions under the Long Term Incentive Programme are explained in detail in Section G1.

The provisions for litigation risk are explained in detail in Section G12.

The provisions for sales agreements include provisions for outstanding bonuses, rebates, credit notes and a provision for contractual penalties from the distribution agreement with Kedrion Biopharma Inc., USA.

Miscellaneous provisions include provisions for guarantees and similar items as well as provisions for rent relief and rent adjustments for operating leases for plasma collection centres.

Additions to provisions in the 2016 financial year mainly comprise additions of € 10.6 million (previous year: € 6.5 million) for profit sharing and for the LTI programme, € 5.9 million (previous year: € 0.0 million) for contractual penalties in connection with the distribution agreement with Kedrion Biopharma Inc. as well as provisions for reimbursements caused by higher proceeds from Zutectra® in Italy in the amount of € 3.3 million (previous year: € 0.0 million).

Reversals of other provisions mainly comprise € 1.2 million (previous year: € 0.0 million) relating to risks from the VAT treatment of plasma deliveries and € 1.2 million (previous year: € 1.7 million) relating to the employees' profit-sharing and LTI programme.

14 FINANCIAL LIABILITIES

in € million	2016	2015
Non-current liabilities		
Promissory notes	220.4	218.9
Unsecured non-subordinated loans	106.2	112.9
Long-term portion of liabilities from finance leases	3.4	3.7
	330.0	**335.5**
Current liabilities		
Promissory notes	0.4	0.3
Unsecured non-unsubordinated loans	14.3	4.3
Unsecured subordinated loans	–	1.3
Unsecured other loans	1.3	3.1
Short-term portion of liabilities from finance leases	0.2	0.1
	16.2	**9.1**

The promissory notes originally issued in the amount of € 210 million in October 2013 and comprising the following tranches formed the financing core at the reporting date:

Promissory notes	Currency	Term	Interest rate
Tranche 1	EUR	5 years	Fixed interest rate
Tranche 2	EUR	5 years	Variable interest rate
Tranche 3	USD	5 years	Variable interest rate
Tranche 4	EUR	7 years	Fixed interest rate
Tranche 5	EUR	7 years	Variable interest rate
Tranche 6	EUR	10 years	Fixed interest rate

Loans granted by the Kreditanstalt für Wiederaufbau (KfW) totalling € 121.1 million (previous year: € 118.5 million) were a further component of the financing arrangements.

The Biotest Group has also received a commitment from the KfW for five energy efficiency loans totalling € 60 million. These loans had not been used as of the 31 December 2016 reporting date.

€ 107.5 million (previous year: € 99.3 million) of the committed bilateral credit lines remained unused as of 31 December 2016.

Information on the hedging of exchange-rate and interest risks is given in Section G4 Financial risk management.

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

2016 (in € million)	**Total**	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Promissory notes:				
Euro – fixed at 2.3 to 3.8 %	104.8	0.3	84.5	20.0
Euro – variable at 1.0 %	68.5	–	68.5	–
USD – variable at 1.2 %	47.5	0.1	47.4	–
Other loans:				
USD – fixed at 1.2 to 5.8 %	1.1	1.1	–	–
Euro – fixed at 4.0 to 6.0 %	0.2	0.2	–	–
Unsecured non-subordinated loans:				
Euro – fixed at 0.6 to 3.8 %	120.5	14.3	63.8	42.4
Liabilities from finance leases:				
Euro – fixed at 2.5 %	3.6	0.2	0.7	2.7
	346.2	16.2	264.9	65.1

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

2015 (in € million)	**Total**	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Promissory notes:				
Euro – fixed at 2.3 to 3.8 %	104.8	0.3	84.5	20.0
Euro – variable at 1.0 %	68.5	–	68.5	–
USD – variable at 1.2 %	45.9	–	45.9	–
Other loans:				
USD – fixed at 1.2 to 5.8 %	2.9	2.9	–	–
Euro – fixed at 4.0 to 6.0 %	0.2	0.2	–	–
Unsecured subordinated loans:				
Euro – fixed at 3.6 %	1.3	1.3	–	–
Unsecured non-subordinated loans:				
Euro – fixed at 0.6 to 3.8 %	117.2	4.3	58.2	54.7
Liabilities from finance leases:				
Euro – fixed at 2.5 %	3.8	0.1	0.7	3.0
	344.6	9.1	257.8	77.7

The liabilities from finance leases are redeemed as follows:

in € million	**2016**			2015		
	Payment	Interest	Principal repayments	Payment	Interest	Principal repayments
Due in < 1 year	0.3	0.1	0.2	0.2	0.1	0.1
Due in 1 to 5 years	0.9	0.3	0.6	1.0	0.3	0.7
Due in > 5 years	3.3	0.5	2.8	3.5	0.5	3.0
	4.5	**0.9**	**3.6**	**4.7**	**0.9**	**3.8**

The sum of future minimum lease payments as of the reporting date of € 4.5 million (previous year: € 4.7 million) equates to a present value of € 3.6 million (previous year: € 3.8 million).

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

No collateral was pledged nor were financial indicators agreed for any of the loans existing as of the reporting date.

Net debt amounted to € 263.3 million (previous year: € 170.9 million) as of the reporting date and is derived as follows:

in € million	**2016**	2015
Financial liabilities to financial institutions	342.6	340.8
Liabilities from finance leases	3.6	3.8
	346.2	**344.6**
Cash and cash equivalents	72.9	53.8
Other current financial assets	10.0	119.9
	82.9	**173.7**
Net debt	**263.3**	**170.9**

Surplus liquidity, which was invested for three to twelve months with terms matching the investment plan, is reported in other current financial assets.

15 OTHER LIABILITIES

in € million	2016	2015
Liabilities for commissions payable	19.7	21.8
Deferred liabilities	2.6	1.5
Social security liabilities	1.7	2.1
Wage tax liabilities	1.6	0.2
Liabilities from derivative financial instruments	1.1	2.2
Deferred income	1.0	1.8
Value added tax	0.6	1.9
Payments received in advance	0.4	0.4
Payments received in advance from joint ventures	–	1.7
Other liabilities	1.1	0.4
	29.8	**34.0**

Other liabilities with a time to maturity of over one year amounted to € 1.9 million (previous year: € 2.2 million) as of the reporting date.

F. DISCONTINUED OPERATIONS

In the 2016 financial year, the decision was made to sell BPC's US activities in the Therapy segment and in toll manufacturing. The negotiations with the potential acquirer commenced in the 2016 financial year and resulted in a contract conclusion in January 2017.

Due to the decision to sell, all affected assets of the US activities in the Therapy segment and their toll manufacturing are treated as discontinued operations as per IFRS 5. In the statement of income, the segment report and the cash flow statement, the figures relating to discontinued operations in the current financial year and the previous year are presented separately from the continuing operations. Held-for-sale assets are disclosed only in the current financial year in the item assets of discontinued operations.

As a consequence of presentation according to IFRS 5, the current earnings of BPC's US activities in the Therapy segment and their toll manufacturing are reclassified to the current earnings of discontinued operations.

The earnings after taxes of discontinued operations are as follows:

in € thousand	2016	2015
Income from discontinued operations	57.3	55.1
Expenses from discontinued operations	–109.0	–164.2
Earnings before taxes of discontinued operations	**–51.7**	**–109.1**
Income taxes from discontinued operations	–	–0.4
Earnings after taxes of discontinued operations	**–51.7**	**–109.5**
Measurement result from discontinued operations before taxes	–33.7	–
Taxes on measurement result	5.2	–
Measurement result from discontinued operations after taxes	**–28.5**	**–**
Earnings after taxes from discontinued operations	**–80.2**	**–109.5**

For the value adjustment of assets of discontinued operations, impairment of € –33.7 million was recognised. This includes expenses from the write-down of the Therapy goodwill of BPC amounting to € –19.9 million.

The measurement result from the discontinued operations is based on ADMA Biologic Inc.'s share price at 31 December 2016 (USD 5.12 per share).

The assets of discontinued operations relate to land and buildings of € 5.5 million, inventories of € 6.4 million, other assets of € 1.3 million and cash of € 11.9 million.

G. 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 with the LTIP 2009. The LTIP established in 2009 was increased by a tranche in each of the subsequent years (2010 to 2016). 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 2014, 2015 and 2016 tranches relate to all employees eligible to participate in the programme.

LONG TERM INCENTIVE PROGRAMME 2009/ TRANCHES 2014, 2015 AND 2016 (LTIP 2014, 2015 AND 2016)

Participation in the programme requires a personal investment by the participant in the form of a purchase of preference shares of Biotest AG. The personal investment consists of the summation of new preference shares to be acquired under the LTIP ("new investment") and a number of additional preference shares to be contributed dependent on the new investment ("additional investment").

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

The entire 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; this cash payment will depend on the level of new investment, the fixed salary as of 1 October of the year the tranche started 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:

$$\frac{\text{New investment x performance factor 1} + \text{New investment x performance factor 2}}{100} \times \text{annual fixed salary as of 1 October} = \text{payment}$$

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

Performance target 1 is identical in all tranches and 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.

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

The key criterion for performance factor 1 is that the Group must achieve earnings before interest and taxes (EBIT) of at least € 15.0 million in the financial year in which the tranche expires. If EBIT is less than € 15.0 million, the factor applied is 0 in any event.

Performance factor 2 refers to the average EBIT margin achieved at Group level in the years during the terms of the tranches. This is calculated by adding the annual EBIT margin for all three years and then dividing it 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 risen by at least 25 % in absolute terms. It is calculated in the same way as performance factor 1.

Performance factor 2	Average EBIT margin 2014–2016 (LTIP 2014)	Average EBIT margin 2015–2017 (LTIP 2015)	Average EBIT margin 2016–2018 (LTIP 2016)
Maximum 0.05	Better than 14.4 %	Better than 12.0 %	Better than 8.00 %
0.04	Equal to 13.5 %	Equal to 11.0 %	Equal to 7.20 %
0.02	Equal to 12.25 %	Equal to 9.13 %	Equal to 6.51 %
0.01	Equal to 11.95 %	Equal to 8.73 %	Equal to 6.19 %
0.00	Less than 11.60 %	Less than 8.39 %	Less than 5.88 %

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 of the year the tranche started is paid if there is a new investment of 100 shares.

Participation in the tranches of LTIP 2009 including members of the Board of Management is as follows:

	LTIP 2014	LTIP 2015	LTIP 2016
Number of participants	90	100	129
New investment in preference shares	23,505	23,100	25,480
Number of preference shares virtually allocated to BPC employees	4,400	4,600	7,225

The valuation was performed by external experts (Towers Watson, Frankfurt/Main) using the 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.

All market parameters that are not directly observable are determined by means of statistical estimates. Historical market data is used to estimate volatilities. The applicable risk-free market interest rate is determined based on parameters using the Svensson method as published by the Deutsche Bundesbank. To calculate the number of persons who are likely to drop out of the programme during its term, a 4 % turnover rate for eligible employees was assumed. Non-market conditions are taken into account by adding performance factor 2, which is calculated on the basis of budget forecasts.

The performance factors per 100 preference shares and € 100 of fixed salary are as follows:

	LTIP 2014	LTIP 2015	LTIP 2016
Fair value as of grant date	2.080	1.124	2.202
Fair value as of reporting date	–	–	1.608
Sum of performance factors in the financial year	–	–	3.108
Sum of performance factors in the previous year	1.000	1.000	–

The distribution of the total expenses of each tranche over its term results in the following provisions and expenses for the financial year:

in € million	LTIP 2014	LTIP 2015	LTIP 2016
Provision as of the reporting date	–	–	0.4
Expenses for the financial year	–0.3	–0.1	0.4

In the 2016 financial year, 31 employees with a new or virtual investment of 6,810 preference shares left the Biotest Group. This resulted in income of € 34 thousand.

LONG TERM INCENTIVE PROGRAMME 2009/ TRANCHE 2013 (LTIP 2013)

The 2013 tranche of the Long Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2013.

No payment was made in the 2016 financial year in respect of the 2013 tranche.

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 FINANCIAL INSTRUMENTS

2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Biotest Group classifies financial instruments in accordance with their accounting treatment. 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 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 of the statement of financial position	Measurement category
Cash and cash equivalents	Cash and cash equivalents	None
Assets recognised at amortised cost	Trade receivables	LaR
	Other financial assets	LaR
Assets recognised at fair value	Other financial assets	FAFVtPL
Liabilities recognised at amortised cost	Financial liabilities	FLAC
	Trade payables	FLAC
	Other liabilities	FLAC
Liabilities recognised at amortised cost	Liabilities from finance leases	None
Derivatives	Other financial 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).

As in the previous year, financial instruments were not reclassified in the 2016 financial year.

2.2 RECONCILIATION OF STATEMENT OF FINANCIAL POSITION ITEMS TO MEASUREMENT CATEGORIES AS WELL AS THEIR MEASUREMENT BASIS AND FAIR VALUES

in € million			Measurement basis in the statement of financial position under IAS 39				
Item of the statement of financial position	Measurement category under IAS 39	Carrying amount as of 31 December 2016	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	163.8	163.8	–	–	–	–
Other financial assets							
Promissory notes / other financial investments	LaR	10.0	10.0	–	–	–	–
Derivatives not designated as hedging instruments	FAHfT	1.3	–	–	–	1.3	–
Receivables from joint ventures	LaR	2.2	2.2	–	–	–	–
Bond fund	FAFVtPL	0.1	–	–	–	0.1	–
Equity and liabilities							
Trade payables	FLAC	62.8	62.8	–	–	–	–
Financial liabilities							
Unsecured liabilities to banks	FLAC	341.3	341.3	–	–	–	–
Other unsecured loans	FLAC	1.3	1.3	–	–	–	–
Liabilities from finance leases	n.a.	3.6	–	–	–	–	3.6
Other liabilities							
Original financial liabilities	FLAC	28.7	28.7	–	–	–	–
Derivatives not designated as hedging instruments	FLHfT	1.1	–	–	–	1.1	–

Cash and cash equivalents with a carrying amount of € 72.9 million (previous year: € 53.8 million) are not included in the above table, as these financial instruments are not assigned to an IAS 39 measurement category.

			Measurement basis in the statement of financial position under IAS 39					
Fair value as of 31 December 2016	Measurement category under IAS 39	Carrying amount as of 31 December 2015	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	Fair value as of 31 December 2015
163.8	LaR	173.9	173.9	–	–	–	–	173.9
10.0	LaR	120.6	120.6	–	–	–	–	120.7
1.3	FAHfT	0.4	–	–	–	0.4	–	0.4
2.2	LaR	0.5	–	–	–	–	–	0.5
0.1	FAFVtPL	0.1	–	–	–	0.1	–	0.1
62.8	FLAC	53.1	53.1	–	–	–	–	53.1
320.0	FLAC	337.7	337.7	–	–	–	–	343.7
1.3	FLAC	3.1	3.1	–	–	–	–	3.1
3.6	n.a.	3.8	–	–	–	–	3.8	3.8
28.7	FLAC	31.1	31.1	–	–	–	–	31.1
1.1	FLHfT	2.2	–	–	–	2.2	–	2.2

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

in € million			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2016	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	Fair value as of 31 December 2016
Loans and receivables	LaR	176.0	176.0	–	–	–	–	176.0
Financial assets recognised at fair value	FAFVtPL	0.1	–	–	–	0.1	–	0.1
Financial assets held for trading	FAHfT	1.3	–	–	–	0.4	–	1.3
Financial liabilities recognised at amortised cost	FLAC	434.1	434.1	–	–	–	–	412.8
Financial liabilities held for trading	FLHfT	1.1	–	–	–	1.1	–	1.1

in € million			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2015	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	Fair value as of 31 December 2015
Loans and receivables	LaR	295.1	295.1	–	–	–	–	295.1
Financial assets recognised at fair value	FAFVtPL	0.1	–	–	–	0.1	–	0.1
Financial assets held for trading	FAHfT	0.4	–	–	–	0.4	–	0.4
Financial liabilities recognised at amortised cost	FLAC	425.0	425.0	–	–	–	–	431.0
Financial liabilities held for trading	FLHfT	2.2	-	–	–	2.2	–	2.2

2.4 NET GAIN OR LOSS BY MEASUREMENT CATEGORY

The net gain or loss for the 2016 financial year by measurement category is as follows:

in € million		From subsequent measurement				
Categories	From interest	At fair value	Currency translation	Impairment	From disposal	Net gain/loss 2016
Loans and receivables	0.1	–	0.3	–3.0	–	–2.6
Financial investments held to maturity	–	–	–	–	–	–
Financial assets recognised at fair value	–	–	–	–	–	–
Financial assets held for trading	–	4.3	–	–	–	4.3
Financial liabilities held for trading	–	–4.9	–	–	–	–4.9
Financial liabilities recognised at amortised cost	–6.0	–	–1.3	–	–	–7.3
Total	**–5.9**	**–0.6**	**–1.0**	**–3.0**	**–**	**–10.5**

The net gain or loss for the previous financial year by measurement category is as follows:

in € million		From subsequent measurement				
Categories	From interest	At fair value	Currency translation	Impairment	From disposal	Net gain/loss 2015
Loans and receivables	0.4	–	5.3	–1.5	–	4.2
Financial investments held to maturity	–	–	–	–	–	–
Financial assets recognised at fair value	–	–	–	–	–	–
Financial assets held for trading	–	0.7	–	–	–	0.7
Financial liabilities held for trading	–	–1.9	–	–	–	–1.9
Financial liabilities recognised at amortised cost	–6.5	–	–2.5	–	–	–9.0
Total	**–6.1**	**–1.2**	**2.8**	**–1.5**	**–**	**–6.0**

All components of the net gain or loss are recorded under other financial expenses or other financial income, except for allowances for bad debts, which are disclosed under other operating expenses.

A loss of € 0.6 million (previous year: loss of € 1.2 million) comprising both interest rate and currency effects is included in the result from the subsequent measurement of financial instruments falling under the valuation category assets and liabilities held for trading.

2.5 CASH FLOW BY TIME BAND

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 of the reporting date. Variable interest payments on financial instruments are calculated using the last fixed interest rate prior to 31 December 2016. Financial liabilities repayable at any time are always assigned to the earliest time band.

in € million		Cash flow in 2017			Cash flow in 2018		
Item of the statement of financial position	Carrying amount as of 31 December 2016	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	–341.3	–4.0	–1.9	–15.8	–4.1	–2.0	–116.7
Liabilities from finance leases	–3.6	–0.1	–	–0.2	–0.1	–	–0.2
Other interest-bearing liabilities	–1.3	–	–	–1.3	–	–	–
Trade payables	–62.8	–	–	–62.8	–	–	–
Other liabilities	–28.7	–	–	–28.7	–	–	–
Derivative financial liabilities:							
Interest rate derivatives not designated as a hedging instrument	–1.1	–0.5	–	–	–0.5	–	–
Derivative financial assets:							
Currency derivatives not designated as a hedging instrument	1.3	–	–	1.3	–	–	–

in € million		Cash flow in 2016			Cash flow in 2017		
Item of the statement of financial position	Carrying amount as of 31 December 2015	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	–337.6	–5.4	–0.8	–5.9	–5.2	–0.9	–13.6
Liabilities from finance leases	–3.8	–0.1	–	–0.1	–0.1	–	–0.2
Other interest-bearing liabilities	–3.2	–	–0.1	–3.2	–	–	–
Trade payables	–53.1	–	–	–53.1	–	–	–
Other liabilities	–31.8	–	–	–31.1	–	–	–
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	–0.7	–	–	–0.7	–	–	–
Interest rate derivatives not designated as a hedging instrument	–1.5	–0.5	–	–	–0.5	–	–
Derivative financial assets:							
Currency derivatives not designated as a hedging instrument	0.4	–	–	0.4	–	–	–

Cash flow in 2019			Cash flow in 2020			Cash flow in 2021			Cash flows after 2021		
Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments
–3.2	–0.7	–15.7	–3.0	–0.7	–115.5	–1.2	–	–15.7	–2.0	–	–61.9
–0.1	–	–0.2	–0.1	–	–0.2	–0.1	–	–0.2	–0.5	–	–2.6
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–0.2	–	–	–0.2	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

Cash flow in 2018			Cash flow in 2019			Cash flow in 2020			Cash flows after 2020		
Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments
–5.2	–1.0	–114.0	–3.7	–0.7	–14.7	–3.2	–0.7	–114.7	–3.4	–	–74.7
–0.1	–	–0.2	–0.1	–	–0.2	–0.1	–	–0.2	–0.5	–	–2.9
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–0.5	–	–	–0.2	–	–	–0.1	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

3 DETERMINATION OF FAIR VALUE

Most trade receivables and other assets have times to maturity of less than a year. Carrying amounts as of the reporting date therefore approximate fair values. Impaired trade receivables are to be assigned solely to level 3 with regard to the assessment of default/credit risk, as the input factors are based primarily on an internal evaluation of the respective receivables. These are partially attributable to the ageing cluster of the receivable, origin of the debtor ("country risk") and a combination of the factors. These are derived from historical experience. The evaluation is also partially based on individual factors such as the knowledge that the customer concerned is insolvent. The allowance for bad debts ratio is up to 100 % depending on the cluster.

For other non-current receivables and investments held to maturity with times to maturity of more than one year, fair values are equivalent 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.

No market prices are directly observable for financial assets disclosed under other assets that are measured at fair value. These items are measured on the basis of observable market information at the time of issue and standard yield curves. Fair value classification is assigned to hierarchy level 2.

Trade payables as well as other liabilities regularly 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. Fair value classification is assigned to hierarchy level 2.

The Biotest Group held no major investments categorised as available for sale in its portfolio as of 31 December 2016.

In the case of derivative financial assets or liabilities (interest rate caps, interest rate swaps and currency transactions) the mark-to-market measurement performed is based on quoted exchange rates and yield curve structures obtainable on the market. Fair value is assigned to hierarchy level 2.

The fair value of the pension funds is assigned to hierarchy level 1.

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 financial assets or other liabilities. € 1.3 million (previous year: € 0.4 million) is disclosed under other financial assets and € 1.1 million (previous year: € 2.2 million) under other liabilities as of 31 December 2016.

CREDIT RISK

A credit risk is the financial risk that a contractual partner will not meet his payment obligations. Default risk is countered through the continuous management of receivables. The customer's credit rating is assessed and subsequently credit terms and other conditions are defined. In addition, portions of domestic receivables and selected foreign receivables are sold to factoring companies or banks.

Countries that account for more than 10 % of total receivables are the USA and Iran. Allowances for bad debts of € 2.7 million (previous year: € 0.6 million) were recognised for receivables from customers in Iran.

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

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

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

in € million	**2016**	2015
Trade receivables	163.8	173.9
Other financial assets	13.6	121.6

MARKET RISK

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

CURRENCY RISKS

The Biotest Group operates internationally and is therefore exposed to foreign currency risk based on the exchange rates of different foreign currencies, chiefly the US dollar. Foreign currency risks arise from expected future transactions, recognised assets and liabilities and net investments in foreign operations. The Biotest Group protects itself as a matter of principle against identifiable future currency risk whenever it anticipates such exposure. In addition, risks in the statement of financial position are hedged selectively. The Biotest Group makes use of opportunities to offset currency risk naturally and to use currency futures to manage currency risk.

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

Foreign currency risk	**USD**		**GBP**	
in € million	**2016**	2015	**2016**	2015
Cash reserves	5.9	6.8	0.1	0.6
Trade receivables	58.1	77.4	2.2	2.1
Other original financial assets	1.6	4.9	1.1	0.1
Other derivative financial assets	0.2	0.3	1.1	–
Trade payables	–26.9	–24.7	–0.2	–0.2
Liabilities to financial institutions	–48.7	–48.9	–	–
Other original financial liabilities	–2.2	–7.7	–	–0.1
Other derivative financial liabilities	–	–0.7	–	–
Net position	**–12.0**	**7.4**	**4.3**	**2.5**

The following currency futures for the sale of USD, GBP and RUB were held as of the reporting date:

in € million	Nominal amount		Market values	
	2016	2015	**2016**	2015
Currency futures	55.8	69.6	1.3	–0.3

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

INTEREST RATE RISK

The Biotest Group's interest rate risk arises from non-current financial liabilities. Loans with variable interest rates expose the Group to interest-related cash flow risks. Fixed-rate loans give rise to an interest-related risk from changes in fair value.

The Biotest Group is exposed to interest rate risk resulting from existing loans (see also section E14 Financial liabilities). In order to minimise a portion of the interest-related cash flow risk, interest rate swaps are used to convert a variable rate into a fixed rate. Such interest rate swaps hedge the interest-related cash flow risk.

The following interest rate hedges were in place during the 2016 financial year:

in € million	Nominal amount		Market values	
	2016	2015	**2016**	2015
Interest rate swaps	30.0	30.0	–1.1	–1.5

The interest rate hedging transactions have terms to 10 September 2018 and 23 September 2020 and bear a fixed interest rate of 1.45 % and 1.8175 % respectively. These interest rate hedging transactions were also outstanding as of the reporting date of the previous year.

The nominal amount is the sum of all purchase and sale amounts for derivative financial transactions. The market values result from the measurement of open positions at market prices without taking into account the opposite change in value of the underlying transactions. They correspond to the income or expense that would result if the derivative contracts were closed out as of 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.

The Biotest Group had access to the following contractually established credit lines as of 31 December 2016:

in € million	**2016**	2015
Loans drawn down	343.8	340.8
Loans not drawn down	169.2	111.9

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

A maturity overview illustrating how cash flows from liabilities as of 31 December 2016 impact the Group's liquidity position is provided in Section G2.5.

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 risk comprising foreign currency risk and interest rate risk.

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

CURRENCY RISKS

A sensitivity analysis is performed for specific currencies that pose a significant risk to the Biotest Group for the purposes of analysing foreign currency risk. The following major currencies are analysed: USD and GBP.

If the euro had appreciated by 10 % against all currencies as of 31 December 2016, the financial result would have been € 7.6 million higher (previous year: € 8.3 million higher).

If the euro had depreciated by 10 % against all currencies as of 31 December 2016, the financial result would have been € 8.1 million lower (previous year: € 8.5 million lower).

The hypothetical impact on profit or loss of € 7.6 million or € 8.1 million results from the following currency sensitivities:

in € million	Appreciation of the EUR by 10 %	Depreciation of the EUR by 10 %
EUR to USD	6.6	–7.1
EUR to GBP	1.0	–1.0
	7.6	**–8.1**

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. If translation risk had been taken into account, the effect would have been different.

INTEREST RATE RISK

For interest rate risk, 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 risk 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, bank balances and current financial assets. If the market interest rate level as of 31 December 2016 had been 100 basis points higher, the fair values of the financial instruments would have been € 0.5 million (previous year: € 0.9 million) higher. The hypothetical impact on profit or loss of € 0.2 million (previous year: € 1.5 million) arises from the potential effects from interest rate derivatives of € 0.5 million (previous year: € 0.9 million) and primary financial liabilities of € –0.3 million (previous year: € 0.6 million).

Given the low reference interest rates as of the reporting date, no sensibility analysis for downward changes in market interest rates was conducted on de minimis grounds.

If the market interest rate level as of 31 December 2016 had been 100 basis points higher or 0 basis points lower, equity would have remained unchanged. Please see the remarks in Section E12 for changes in equity due to actuarial gains and losses from pension plans.

MARKET RISK

The figures for the sensitivity analysis prepared in accordance with IFRS 7.40b 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 RISK

As part of the presentation of market risk, 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 risk has 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 19,785,726 ordinary voting shares and 19,785,726 non-voting preference shares. Non-controlling interests play only a minor role in capital management due to the low volume.

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 maintain an equity ratio of at least 40 %. The equity ratio of the Biotest Group was 38.7 % as of 31 December 2016 (previous year: 42.8 %). In addition, both long-term and quarterly special financial ratios are used for analysis and management purposes. One of the key indicators here is the leverage factor, calculated as the ratio of net debt to EBITDA.

No fundamental changes were made to the objectives or processes for managing capital in the 2016 financial year. An adequate organisational structure and defined work flows and monitoring processes were implemented for the necessary controlling of the Biotest Next Level project and related required financial resources.

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 supported by the active management of working capital.

Biotest AG carried out a capital increase in June 2013. The maximum possible number of 1,461,909 new preference shares were acquired at a price of € 52 per share by existing shareholders through exercising their subscription rights or placed with institutional investors. New no-par value bearer preference shares conveying a pro-rata interest in the share capital of € 2.56 per share were issued generating gross issue proceeds of € 76 million.

In the 2013 financial year, Biotest AG privately placed promissory notes with an equivalent value of € 210 million on the capital markets. EUR tranches with a maturity of 5, 7 and 10 years and a USD tranche with a maturity of 5 years were underwritten. The tranches with a maturity of 5 and 7 years have fixed and variable interest rates. The tranche with a maturity of 10 years has a fixed rate coupon.

In the 2014 financial year, the Biotest Group took up loans totalling € 100.5 million under the KfW energy efficiency programme. These have a term of 10 years with a grace period of two years and bear interest at a fixed rate.

In the 2015 financial year, the Biotest Group took up loans totalling € 7.4 million with a term of ten years and a fixed rate of interest under the KfW innovation programme.

In the 2016 financial year, the Biotest Group contractually agreed loans totalling € 60.0 million under the KfW energy efficiency programme. The loans will be drawn in 2017. These loans have a term of 10 years with a grace period of two years and bear interest at a fixed rate.

The proceeds from the promissory note, capital increase and loans taken up under the energy efficiency programme are being used in particular for the expansion of the facilities at Dreieich and also for general financing of the Company.

7 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Biotest Group has contingent liabilities under guarantees in the amount of € 16.6 million (previous year: € 14.5 million). These relate mainly to guarantees for the delivery of goods and the performance of services, in which the probability of a claim against the Biotest Group is considered low.

Contractual penalties claimed by the contractual partner in Saudi Arabia due to alleged infringement of delivery conditions relating to tender business result in a contingent liability of € 1.1 million. The amount that Biotest considers justified is covered by a provision of € 0.5 million.

As in the previous year, no contingent receivables existed at balance sheet date.

8 OTHER FINANCIAL COMMITMENTS

in € million	in 2017	2018 to 2021	as of 2022	Total
Obligations under long-term service agreements	21.0	35.6	–	56.6
Purchase commitments for property, plant and equipment	78.6	0.1	–	78.7
Future payments under rental and operating lease contracts	7.5	21.1	15.7	44.3
	107.1	**56.8**	**15.7**	**179.6**

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

Obligations under long-term service agreements mainly relate to purchase commitments under two toll manufacturing agreements for the period from 2017 to 2019 totalling € 43.1 million (previous year: € 43.5 million).

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 the 2016 financial year, expenses under rental and operating lease agreements amounted to € 6.8 million (previous year: € 6.5 million).

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 consumer price index in Germany.

9 RELATED PARTIES

The Biotest Group maintains reportable relationships with the joint venture 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) JOINT VENTURES

BioDarou P.J.S. Co. acquired goods and services from Biotest Group companies totalling € 1.8 during the year (previous year: none). The receivables from joint ventures amounted to € 2.2 million on the reporting date (previous year: € 1.2 million). In the previous year, there were also liabilities to BioDarou PJ.S. Co. on the reporting date from payments in advance on future goods deliveries amounting to € 1.7 million.

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 family members of Dr Cathrin Schleussner are also considered related parties within the meaning of IAS 24. As in the previous year, expenses incurred by related parties of the Schleussner family were low in 2016.

As a related party of the Biotest Group, Kreissparkasse Biberach maintains employee custody accounts for the Long Term Incentive Programme.

Plasma Gostar Pars P.J.S. acquired goods and services from Biotest Group companies totalling € 15.5 million during the year (previous year: € 12.6 million). The resulting receivables from the subsidiary of the joint venture amounted to € 8.8 million as of the reporting date (previous year: € 9.9 million).

C) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Board members

As of 31 December 2016, 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,
Milan, Italy

Former speaker of the Management Board for Boehringer Ingelheim, Ingelheim/Rhein, Germany

Chairman of the Supervisory Board of Biotest AG

Consigliere di amministrazione of Enel S.p.A., Rome, Italy

Dr Cathrin Schleussner,
Neu-Isenburg, Germany

Managing director of OGEL GmbH, Frankfurt/Main, Germany

Deputy chairperson of the Supervisory Board of Biotest AG

Dr Christoph Schröder,
Berlin, Germany

Managing director of OMOS Equity Partners GmbH, Berlin, Germany

Thomas Jakob,
Ulm, Germany

Businessman

Deputy chairman of the Board of Management of Kreissparkasse Biberach, Biberach, Germany (until 31 January 2017)

Member of the Administrative Board of Aktiengesellschaft für Umsatzfinanzierung S.A., Senningerberg, Luxembourg

Kerstin Birkhahn,
Langen, Germany

Engineer

Employee representative

Jürgen Heilmann,
Dreieich, Germany

Administrative staff member

Employee representative

Supervisory Board remuneration

Members of the Supervisory Board were paid a total of € 219 thousand in the current financial year (previous year: € 219 thousand), of which € 219 thousand (previous year: € 219 thousand) is attributable to fixed remuneration components and € 0 thousand (previous year: € 0 thousand) to variable remuneration components.

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2016 and 2015 to 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.

A detailed description of the Supervisory Board remuneration and the individual amounts are set out in the Remuneration Report in the Corporate Governance Report of this Annual Report.

Board of Management

Dr Bernhard Ehmer,
Heidelberg, Germany

Chairman of the Board of Management

Dr Michael Ramroth,
Mörfelden-Walldorf, Germany

Member of the Board of Management

Dr Georg Floß,
Marburg, Germany

Member of the Board of Management

Remuneration of the Board of Management

Total remuneration of current members of the Board of Management amounted to € 2,086 thousand for the 2016 financial year (previous year: € 1,820 thousand). The Board of Management remuneration is broken down into non-performance-based components of € 1,436 thousand (previous year: € 1,275 thousand) and performance-based components of € 650 thousand (previous year: € 545 thousand).

Participation of members of the Board of Management in the Long Term Incentive Programme is included in the performance-based component at the fair value of the LTIP tranche set up in the respective financial year as of the date granted.

Participation by members of the Board of Management in the

Long Term Incentive Programme is as follows:

in € thousand	Personal investment in preference shares (in number of shares)	Fair value of options as of 31 December	Total costs of the stock option plan in the financial year
2016 (2014, 2015 and 2016 tranches)			
Dr Bernhard Ehmer	–	–	–
Dr Michael Ramroth	1,800	43	–
Dr Georg Floß	1,800	38	1
	3,600	**81**	**1**
2015 (2013, 2014 and 2015 tranches)			
Dr Bernhard Ehmer	–	–	–
Dr Michael Ramroth	1,800	46	–126
Dr Georg Floß	1,800	40	–109
	3,600	**86**	**–235**

None of the Board of Management members (Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Georg Floß) received a payment from the 2013 tranche of the Long Term Incentive Programme, which was scheduled for disbursal in the 2016 financial year.

Pension entitlements for current members of the Board of Management total € 7,499 thousand (previous year: € 5,138 thousand). Assets in the amount of € 1,248 thousand (previous year: € 1,186 thousand) were transferred to Biotest Vorsorge Trust e.V. as of 31 December 2016 for insolvency protection of the pension entitlements.

A supplementary agreement to the Board of Management employment contract of all active Board of Management members contains a severance pay clause that becomes effective in the event of the early termination of such contract as a result of a clearly defined change of control. The severance payment includes the fixed remuneration up to the end of the term and is limited to a maximum of three times the annual fixed remuneration. Pro-rata variable remuneration components 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 also includes up to twice the annual fixed remuneration. In total, however, the severance payment must not exceed three times the annual fixed remuneration.

There shall be no entitlement if the Board of Management employment contract is terminated for good cause, illness, or incapacity to work or if the Board of Management member at the time of the termination has already reached the age of 60 or receives monetary or non-monetary benefits 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.

Provisions of € 6,738 thousand (previous year: € 6,000 thousand) were recognised for pension commitments to former members of the Board of Management and their dependants. There were no loans outstanding to members of the Company's management bodies as of the reporting date.

Pension payments of € 477 thousand (previous year: € 541 thousand) were made to former members of the Board of Management in the 2016 financial year. In addition, € 0 thousand (previous year: € 487 thousand) was paid to former Board of Management members in the 2016 financial year for employee profit-sharing or under the LTIP 2013.

As of 31 December 2016, there were provisions relating to the LTIP for former Board of Management members of € 0 thousand (previous year: € 40 thousand).

A detailed description of the Board of Management remuneration and the individual amounts are set out in the Remuneration Report in the Group Management Report of this Annual Report.

10 PARTICIPATING INTERESTS

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

Company name	Company headquarters	Equity in € million	Share of equity in %	Earnings after taxes in € million
Biotest Pharma GmbH**	Dreieich, Germany	123.8	100.00	–0.4
Biotest Grundstücksverwaltungs GmbH*	Dreieich, Germany	8.5	98.00	0.8
Biotest France SAS	Paris, France	0.2	100.00	0.0
Biotest (UK) Ltd.	Birmingham, UK	3.4	100.00	0.4
Biotest Italia S.r.l.	Milan, Italy	6.1	100.00	0.6
Biotest Austria GmbH	Vienna, Austria	2.9	100.00	0.4
Biotest (Schweiz) AG	Rupperswil, Switzerland	2.2	100.00	0.1
Biotest Hungaria Kft.	Budapest, Hungary	4.0	100.00	0.6
Biotest Farmacêutica Ltda.	São Paulo, Brazil	–0.1	100.00	–0.3
Biotest Hellas MEPE	Athens, Greece	–7.9	100.00	0.0
Biotest Medical S.L.U.	Barcelona, Spain	0.8	100.00	0.2
Plasmadienst Tirol GmbH*	Innsbruck, Austria	0.3	100.00	0.0
Plasma Service Europe GmbH*/***	Dreieich, Germany	2.3	100.00	–1.6
Biotest Pharmaceuticals Corporation*	Boca Raton, USA	22.0	100.00	–54.5
Biotest US Corporation	Boca Raton, USA	200.4	100.00	0.0
Plazmaszolgálat Kft.*	Budapest, Hungary	3.8	100.00	1.4
BioDarou P.J.S. Co.*/*****	Tehran, Iran	9.2	49.00	3.0
Biotest Pharmaceuticals Ilac Pazarlama Anonim Sirketi****	Istanbul, Turkey	0.0	100.00	0.0

* Indirect interest
** After assumption of HGB profit by Biotest AG
*** After assumption of HGB profit by Biotest Pharma GmbH
**** Non-consolidated company
***** Information as of 31 December 2015

11 EXEMPTION OPTION ACCORDING TO SECTION 264 (3) OF THE GERMAN COMMERCIAL CODE (HGB)

For the separate financial statements of Biotest Pharma GmbH and Plasma Service Europe GmbH, both Dreieich, Germany, the exemption option according to Section 264 (3) of the German Commercial Code (HGB) is exercised for the 2016 financial year as in the previous year to the extent that no management reports are prepared for the individual entities and the annual financial statements are not published.

12 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 3.3 million (previous year: € 4.0 million) were recognised for pending and imminent legal proceedings as of the reporting date.

The provision for litigation risk mainly includes the expected costs of defending employees in connection with the public prosecutor's investigations into Biotest AG's business in Russia and other Eastern European countries, the fine requested by the public prosecutor's office in this context and the costs expected from a legal dispute with a supplier.

On 4 November 2016, the Finanzamt Offenbach am Main (tax office Offenbach am Main) issued altered tax assessments to Biotest AG for corporate tax, solidarity tax and trade tax for the years 2005 to 2008. The alterations relate to Biotest AG's Russia business. Compared to the tax assessments delivered on 3 August 2016, which have already been reported on by the Company, there is a decrease in tax and interest expenses of € 6.9 million. Whereas the original total claim of the tax office had been € 21.4 million, the tax and interest expenses now come to a total of € 14.5 million. Biotest AG has accepted these changed tax assessments as part of an agreement with the investigating authorities. As part of the agreement, Biotest AG also accepted a fine of € 1.0 million, which was requested by the public prosecutor's office. The resulting liability is covered by a provision in the 2016 financial year. Due to the waiver of legal remedies as declared by Biotest AG and with the payment of the amount, the penalty notice is legally binding and the proceedings against Biotest AG will be terminated. In the meantime, the authorities discontinued the investigations into several defendants from Biotest AG. According to information from the authorities, discontinuations of further investigations will follow. The authorities are still investigating three of the Company's managers. Based on these developments, the Company assumes that no further significant negative effects for the Company are to be expected from the Russian business.

13 EVENTS AFTER THE REPORTING DATE

On 21 January 2017, Biotest contractually agreed with ADMA Biologics Inc., New Jersey, USA (ADMA), that the US therapy and toll manufacturing business of the subsidiary Biotest Pharmaceuticals Corp., Florida, USA, including the manufacturing plant in the USA, shall be sold to ADMA. In return, Biotest shall receive an interest in ADMA of 50 % minus one share and can thus participate in the future business development of ADMA's product RI-002 and its other development projects in the USA. The closing of the transaction is expected in the second quarter of the calendar year 2017.

The agreement arranges the transfer of the BPC's manufacturing facilities, land and buildings at the site in Boca Raton, the therapy products previously sold by BPC and the toll manufacturing agreements, inventories and intermediates worth at least € 4.7 million (USD 5.0 million), and the employees of the US therapy business. As part of the transaction, Biotest will provide ADMA with cash funds of € 11.9 million (USD 12.5 million) and grant ADMA a loan of € 14.2 million (USD 15.0 million). The loan bears interest at a rate of 6 % and matures in five years. In addition, Biotest has undertaken to contribute up to € 11.9 million (USD 12.5 million) to a future capital increase at ADMA at the same conditions as third-party investors. In return, Biotest shall receive an interest in ADMA of 50 % minus one share. This interest gives Biotest 25 % of ADMA's voting rights. As of 1 January 2019, Biotest shall also receive two plasma centres, which are currently operated by ADMA, and a right of first offer for the distribution rights for all future ADMA products in Europe, the Middle East and selected Asian countries.

On 17 January 2017, BPC terminated the distribution agreement for Bivigam® with Kedrion Biopharma Inc., USA, due to unforeseeable delays in the contractually required increase in the production of Bivigam® at the production site in the USA. As a result of the termination, Kedrion Biopharma Inc. received a payment of € 16.6 million (USD 17.5 million).

The measurement result from the discontinued operations is based especially on ADMA's share price at 31 December 2016. Changes in ADMA's share price in the period until closing of the transaction may result in an improvement or in a deterioration of the discontinued operations' measurement result in the fiscal year 2017. Furthermore, a delayed closing of the transaction may result in a deterioration of the expected result of the discontinued operations in fiscal year 2017 due to BPC's expected current losses.

14 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, 8 March 2017

Dr Bernhard Ehmer
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, 8 March 2017

Biotest Aktiengesellschaft

Management Board

Dr Bernhard Ehmer
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 Model Company, Location, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, the cash flow statement, and the statement of changes in equity and segment reporting, together with the group management report for the fiscal year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EUR, 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 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, complies with the legal requirements 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, 8 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kretschmer	Eichenauer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SUPERVISORY BOARD REPORT 2016

In 2016 the Supervisory Board‘s discussions were characterised by considerations for further strategic focus of the Biotest Group by concentrating on the project Biotest Next Level while simultaneously reducing risks. Legal proceedings against the Company in relation to its Russia business could be concluded amicably with the public prosecutor‘s office in Frankfurt am Main as well as with the tax authorities. In addition, the Company prepared the sale of the therapy business of its American subsidiary Biotest Pharmaceuticals Corp., Boca Raton, USA, (BPC) to ADMA Biologics, Inc., Ramsey, USA, (ADMA) which was contractually agreed in January 2017. As a result, the US Business was strategically re-focussed while limiting operational risks. These were the issues which, amongst others, the Supervisory Board addressed alongside performing its duties and responsibilities as required by law, statute and rules of procedure including the constant monitoring of the Board of Management (the „Board“). The Board kept the Supervisory Board updated in writing in a timely and comprehensive manner. In addition to advising the Board on management matters, the joint discussion of the consequences stemming from special developments was a key focus. The discussion of these special issues took place in parallel to regular updates concerning business planning and development as well as regarding compliance, risk and risk management. In addition, the Board kept the Supervisory Board updated in writing on a monthly basis regarding business and deviations of current and planned developments. The chairman of the Board and the chairman of the Supervisory Board automatically received all internal audit reports.

Members of the Supervisory Board received sufficient opportunity to critically assess all reports and draft resolutions provided by the Board. In debates, all members of the Supervisory Board had the opportunity to include their own suggestions respectively. The Supervisory Board reviewed all reports and information given by the Board for plausibility and discussed the required consequences. As a principle, the Supervisory Board was well informed on all matters of fundamental importance to the Company including those decisions where approval of the Supervisory Board is not necessary.

The Supervisory Board convened for six regular sessions in the financial year 2016. All members of the Supervisory Board attended all meetings during all topics of the agenda. Two resolutions were taken by circulation procedure. The chairman of the Board, sometimes together with the other Board members, kept the chairman of the Supervisory Board informed on current developments regarding the business situation as well as aims and business transactions that held great importance to the Company. The Supervisory Board was involved early in all fundamental matters of the Company. The Board properly submitted written documentation on business transactions requiring approval by the Supervisory Board. Conflicts of interests involving members of the Board and members of the Supervisory Board that would have required immediate disclosure to the Supervisory Board and would have required informing the Annual Shareholder´s Meeting did not arise in the reporting year 2016.

FOCUS AT SUPERVISORY BOARD DELIBERATIONS

Besides the previously mentioned strategically oriented topics, the Supervisory Board deliberated in its regular sessions amongst other issues the planning and current business progress of the Company, development and future planning for the US therapy business of BPC, potential impairment risks as well as research and development projects within the framework of Biotest Next Level.

Moreover, the Supervisory Board obtained continuous reports from the Board on the state of the investigations and procedures regarding the Russia business. Any questions were discussed comprehensively and without delay. Thereby, the Supervisory Board kept up to date at all times. Following the pronouncement of judgement on one of its former employees, the Supervisory Board again commissioned an independent investigation of the facts as well as a legal assessment by a law firm. The Board and the Supervisory Board will continue to cooperate closely concerning this matter.

At the meeting held on 15 March 2016, the business results of up to the end of February 2016 as well as the further prognosis for the remaining year 2016 were discussed. The Board informed the Supervisory Board on the single entity and consolidated financial statements for 2015 and explained the balance sheet as well as the profit and loss account for Biotest AG. The auditor and the chairman of the Audit Committee gave their reports in this regard. The accounts 2015 for the Biotest Group and Biotest AG were adopted and recorded. The agenda for the Annual Shareholders' Meeting 2016 was adopted. The continuation of the Long Term Incentive Programmes for the tranche 2016 – 2018 was agreed. The Supervisory Board reported on the Board members' attainment of agreed goals and agreed on the targets for the business year 2016. Additionally, the Supervisory Board was extensively updated on the status of the criminal proceeding against one of its former employees regarding the Russia business. The Supervisory Board discussed a possible strategy for the reorganisation of the US therapy business and approved it. The Board was tasked with continuing the project in accordance with this decision.

In the meeting on 12 May 2016 the Board presented to the Supervisory Board the business report for up until the end of April 2016. The rules of procedure for the Audit Committee were updated. The current level of preparation of the upcoming Annual Shareholder's Meeting as well as new developments at BPC were discussed including the new communication with the US Food and Drug Administration (FDA) regarding Bivigam® and the recent state of discussion with ADMA. Further, the developments regarding the legal proceedings against Biotest AG in relation to its Russia business were discussed including any possible claims for damages against

employees or executive bodies. Additionally, the 2017 elections on the Supervisory Board were a subject of discussion.

The meeting on 4/5 July 2016 was held as a strategy session including all members of the Supervisory Board as well as all members of the Board. The developments regarding the worldwide market for plasma protein products in recent years as well as the current competitive situation was explained to the Supervisory Board. This was followed by a discussion concerning the future positioning of Biotest AG as well as the risks and opportunities for the Company and the strategy of the Group. Further, possible alternatives for the future of the US therapy business were discussed.

On 18 August 2016 the Supervisory Board, by circular resolution, approved the resolutions of the Board to assess claims for damages against a former employee regarding the Russia business.

In the meeting on 9 September 2016 the Board presented to the Supervisory Board the consolidated results up until the end of July 2016 and provided an update on the developments concerning the US therapy business as well as the progression of project „Biotest Next Level" (BNL). Further, the Supervisory Board deliberated the ruling of the district court of Darmstadt (Landgericht Darmstadt) against a former employee and the amended tax assessments for the years 2005 - 2008 as well as possible consequences concerning personnel. The Board explained the 10-year planning and the basic parameters of the budget for the 2017 financial year. The Supervisory Board also discussed the new developments in the negotiations with ADMA. Finally, the Board received an overview on partnering opportunities for biotherapeutics and on the current state of the business partner compliance–assessment.

In a circular resolution on 22 September 2016 the Supervisory Board approved the proposed resolutions for a final conclusion of the tax and administrative offence proceedings against the Company.

In the meeting on 18 October 2016 the Board explained to the Supervisory Board the consolidated results up until the end of September 2016 and again gave an overview of the developments in the US therapy business. Representatives of the Governance Committee reported on the discussions concerning the upcoming elections to the Supervisory Board in the next Annual Shareholders' Meeting. The clinical development of the new IgG Next Generation was also part of the discussion. Finally, the Supervisory Board discussed in depth the options for the strategic development of the Company as well as the progress of the negotiations with ADMA. Ultimately, a concept for the so-called corporate sustainability report (CSR Report) as drawn up by other companies, was debated. The Supervisory Board adopted the Board's resolution to carry out a test run in 2016/2017.

At the meeting held on 6 December 2016, the business results of up until the end of October 2016 as well as an outlook for the remainder of the year were discussed. The Budget 2017 was approved. After that, the Supervisory Board debated the Company‘s strategic options. After the positive progress in the negotiations with ADMA had been presented, the Board agreed to pursue the negotiations with the goal to sign a contract. The Board gave an overview of the most important issues from the meeting with the Audit Committee whereby the reports of the compliance officer and the internal audit took precedence. The chairwoman of the Governance Committee gave an overview on the current state of the negotiations of the upcoming elections of the Supervisory Board. Additionally, the Supervisory Board adopted a new pension plan for senior management.

COMMITTEES

The Supervisory Board was supported in its work by the committees as established. There have been no changes in personnel in the Audit Committee, the Personnel and Compensation Committee or the Governance Committee.

The Audit Committee met with the Board for two meetings in 2016. In the meeting on 14 March 2016, the Board presented to the Committee the single entity and consolidated financial statements for the 2015 financial year as well as the findings of the auditor. Further, the developments regarding the criminal proceedings at the district court of Darmstadt (Landgericht Darmstadt) and special compliance measures at Biotest were discussed. In the meeting on 5 December 2016 the Board debated new tasks of the Audit Committee based on a new European framework for auditors. Additionally, the Audit Committee approved the audit plan for the year 2016. Finally, the current state of compliance management at Biotest and new developments at the business partner compliance-assessment were discussed.

The Governance Committee met for two meetings. In the first meeting on 15 March 2016, the Governance Committee together with the Board discussed the developments in the US therapy business and a possible sale to ADMA. Furthermore, the Governance Committee adopted the Corporate Governance Declaration 2015. In the meeting on 18 October 2016, the Governance Committee debated the elections to the Supervisory Board in the next Annual Shareholders‘ Meeting and a list of transactions requiring the approval which should be presented to the Supervisory Board.

The Governance Committee met for three further meetings together with the Personnel and the Compensation Committee. In the meeting on 15 April 2016, the Committees addressed

the requirements of the Supervisory Board regarding the investigations and current legal proceedings concerning the Russia business. Focus of the discussion in the joint meeting on 11 May 2016 once again were the investigations and legal proceedings regarding the Russia business and furthermore the results of the efficiency audit (Effizienzprüfung), which the Supervisory Board had conducted with the support of an external advisor in March 2016. The third joint meeting on 6 December 2016 saw a discussion regarding the upcoming elections to the Supervisory Board as well as the extension of the service contract with Dr Ehmer on the agenda.

The Personnel and Compensation Committees met on 9 September 2016 and discussed the corrections to the pension agreement of Dr Ehmer, the elections of the Supervisory Board and the possible consequences in personnel resulting from the investigations regarding the Russia business.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored the further development of corporate governance standards within the Company again in 2016. The Board and the Supervisory Board reported on the corporate governance of the Company in the corporate governance report in accordance with clause 3.10 of the German Corporate Governance Code which was published together with the declaration of conformity regarding 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 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 AND THE SUPERVISORY BOARD

There were no changes to the Board or the Supervisory Board.

SINGLE ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, audited the consolidated and the end of year statement of Biotest AG by 31 December 2016 as well as the status report and the group management report and provided an unqualified opinion.

The aforementioned accounting records, the auditors audit report as well as the Board's proposal on the appropriation of net profit was presented to all members of the Board in a timely manner. They were debated in detail at the meeting of the Auditing Committee on 20 March 2017 as well as the Supervisory Board on 21 March 2017. In both meetings the auditor reported on the key findings of the audit and was available for questions and to provide further information.

Following a detailed examination and discussion of single entity and consolidated financial statements, the status report, the group management report as well as the Board's proposal on the appropriation of net profits, the Supervisory Board resolved that it was not to raise objections and approved the auditor's findings. The Supervisory Board adopted the single entity and consolidated financial statements as prepared by the Board for the financial year 2016. The annual financial statements are thereby approved. The Supervisory Board approved the Board's proposal on the appropriation of net profit.

The Supervisory Board would like to thank the Board and all employees for their work and dedication in the 2016 financial year which has been challenging for Biotest.

Dreieich, 21 March 2017

The Supervisory Board

Dr Alessandro Banchi
Chairman

CORPORATE GOVERNANCE REPORT

JOINT REPORT OF 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 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 GCGC, except where expressly indicated in the Declaration of Compliance. The recommendations and suggestions, which have been amended and expanded many times over recent years, represent a high standard in our view, including at the international level.

Notes regarding the GCGC

The government commission on the German Corporate Governance Code adopted amendments to the Code in its plenary session last on 5 May 2015. The following information applies to the current version of the Code of 5 May 2015.

DECLARATION OF COMPLIANCE

Declaration of the Board of Management and the Supervisory Board of Biotest AG on the recommendations of the GCGC in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

Since the last Declaration of Compliance dated 15 March 2016, which referred to the German Corporate Governance Code as amended on 24 June 2014 and 5 May 2015, the Corporate Governance Code has not been amended and Biotest AG has complied with all recommendations of the German Corporate Governance Code in its current version with the following exceptions:

- Biotest AG continues 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 Section 93 (2) clause 3 of the AktG for members of the Board of Management. As explained in the last Declaration of Compliance a deductible equivalent to the deductible for members of the Board of Management would be out of proportion to the current remuneration levels for Supervisory Board duties. Biotest AG has set in its view an appropriate deductible for its Supervisory Board members.
- The recommendation set forth in Section 4.2.3 (2) of the German Corporate Governance Code requires that an upper limit be set for the remuneration amount in total and variable remuneration components for the Board of Management. The contracts entered into with Board of Management members do not contain any explicit upper limit amounts for the remuneration in total. However, a limit is specified for the maximum amount of each and every remuneration component. The Supervisory Board is of the opinion that it is not necessary to additionally set an explicit upper limit amount for the remuneration in total.
- The recommendation set forth in Section 4.2.3 (3) requires the Supervisory Board to determine the targeted level of benefits – also based on the length of time served on the Board of Management – and to take into account the annual expense for the Company derived from this. The Board of Management members are included in the company pension scheme of Biotest AG. They each have been given an individual commitment. The corresponding benefits are not derived from a pre-defined level of benefits so that the recommendation set forth in Section 4.2.3 (3) is currently not complied with. The Supervisory Board does not intend at the present time to change what it considers to be an appropriate pension system for the Board of Management members of Biotest AG.
- Biotest AG did not follow the recommendation set forth in Section 5.3.3 of the German Corporate Governance Code to form an own Supervisory Board Nomination Committee. The tasks of such a nomination committee are assumed by Biotest's Governance Committee.
- Section 5.4.1 (2) and (3) of the German Corporate Governance Code requires that the Supervisory Board set specific targets with regard to its composition that take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2 of the German Corporate Governance Code, a defined age limit for Supervisory Board members and a regular limit of length of membership as well as diversity, all in light of the Company's specific situation. The Supervisory Board must take these targets into account when making recommendations to the election bodies. The targets and the status of their implementation are to be published in the Corporate Governance Report. Biotest AG has not followed the recommendations.

The reasons which were presented in the last Declarations of Compliance are still valid. In line with the Law on Equal Participation of Women and Men in Private-Sector and Public-Sector Management Positions dated 24 April 2015, Biotest AG has complied with the target quota for female members of the supervisory board of 30 % since 2004.

The Supervisory Board of Biotest AG has already set a specific target for the maximum age of its members. The Company's international activities are covered by the Chairman of the Supervisory Board, who is an Italian citizen. Biotest AG does not follow the recommendation that a target be established for the number of independent Supervisory Board members. The right of OGEL GmbH to appoint a member to the Supervisory Board is laid down in the Articles of Association. A Supervisory Board member has a business relationship with Kreissparkasse Bieberach as a major shareholder. An internal analysis found that the setting of specific targets for the composition of the Supervisory Board is not necessary under the existing specific circumstances and shareholder structure.

With non-compliance with the recommendation of Section 5.4.1 (2) of the German Corporate Governance Code, accordingly, the relevant statements cannot be made in the Corporate Governance Report. Therefore, an exception is also declared in respect of Section 5.4.1 (3) of the German Corporate Governance Code.

- Under Section 5.4.6 (2) of the German Corporate Governance Code, performance-based remuneration is to be paid to Supervisory Board members based on the sustained performance of the company. This is generally understood as a multi-year basis for calculating performance-based remuneration. Biotest AG does not comply with this recommendation. Pursuant to Section 16 (1) (b) of the Articles of Association the Supervisory Board members receive an annual variable remuneration for each past financial year based on the amount of the dividend paid. Biotest AG is of the opinion that the currently determined variable remuneration of the Supervisory Board is appropriate with regard to the calculation basis and amount. In the event that the Company comes to the conclusion in its regularly scheduled review of the remuneration system that the performance-based remuneration should be adjusted, the recommendation set forth in Section 5.4.6 (2) of the German Corporate Governance Code will be incorporated into its analysis.
- Section 6.2 of the German Corporate Governance Code requires that shares or related financial instruments held by the Board of Management and the Supervisory Board members now are disclosed separately in the Corporate Governance Report by the Board of Management and the Supervisory Board, if it directly or indirectly holds more than 1 % of the shares issued. Dr. Schleussner, Deputy Chairwoman of the Supervisory Board, controls OGEL GmbH, which, to the knowledge of the Company, holds approx. 50.03 % of the issued ordinary shares of the Company. She therefore indirectly holds 50.03 % of the ordinary shares of Biotest AG. Information regarding this can be found in the Group Management Report under "Explanatory notes in accordance with Section 315 (4) of the German Commercial Code (HGB)". The combined total of the shares held by other members of the Supervisory Board as well as by Board of Management members is below 1 % of the ordinary shares issued by the Company. The Company does not consider it necessary to repeat the information contained in the Group Management Report in the Corporate Governance Report. It does not follow the recommendation in this respect.

Dreieich, 21 March 2017

For the Board of Management

Dr Bernhard Ehmer

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 was held on 12 May 2016 in Frankfurt am Main. 74,4 % 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, election of the annual auditors) were approved by a clear majority.

DIRECTORS' DEALINGS (NOTICE ON TRANSACTIONS BY PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES AND PERSONS CLOSELY ASSOCIATED WITH THEM PURSUANT TO ARTICLE 19 OF REGULATION (EU) NO 596 / 2014 (MARKET ABUSE REGULATION – MAR))

In the financial year 2016 the following reportable purchases and transactions were executed by persons discharging managerial responsibilities and persons closely associated with them.

Date	Person obliged to report	Function / Matter	Kind and place of the transaction	Financial instrument	ISIN	Number of shares	Price in €	Business volume in €
11.02.2016	Dr Michael Ramroth	CFO	Purchase/ Frankfurt	Preference shares	DE0005227235	1,500	11.474	17,211.00
30.03.2016	OGEL GmbH	Legal person closely associated to a person performing managerial responsibilities	Purchase/ outside a trading venue	Ordinary shares	DE0005227201	10,000	16.6082	166,082.00
23.08.2016	OGEL GmbH	Legal person closely associated to a person performing managerial responsibilities	Acquisition/ Outside a trading venue	Ordinary shares	DE0005227201	10,000	16.99670	169,967.00
27.10.2016	Dr Cathrin Schleussner	Member of the supervisory body	Other/Outside a trading venue; Acquisition due to a settlement of a community of heirs	Ordinary shares	DE0005227201	48,135	0.00	0.00

GLOSSARY / TECHNICAL TERMS

A

ALBUMIN (OR HUMAN ALBUMIN)
Protein produced in the liver that serves to maintain plasma volume and acts as a transport vehicle for many physiological and pharmacological substances.

ANTIBODIES
Proteins produced by special cells of the immune system as a defence reaction against various disease pathogens.

ANTIBODY DEFICIENCY SYNDROME
The body's inability to produce sufficient antibodies. 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

BLADDER CANCER
General term for malignant tumours that spread from the bladder.

C

CHRONIC INFLAMMATORY DEMYELINATING POLYNEUROPATHY (CIDP)
Chronic inflammatory demyelinating polyneuropathy (CIDP) is a rare inflammatory disease of the peripheral nervous system, starting with an increasing weakness in legs and somtimes arms. The increasing state of weakness develops over a period of two or more months. This is the main diagnostic criterion for differentiating CIDP from Guillain-Barre syndrome. The disease is caused by a damage of the myelin sheath that encases the nerve fibres.

CLOTTING FACTORS
Proteins responsible for blood coagulation.

CYTOMEGALOVIRUS (CMV)
Usually harmless infection caused by cytomegalovirus (CMV). If it occurs during pregnancy, it can cause severe damage to the unborn child. As the viruses stay permanently in the body after an infection, there can be serious consequences in case of reactivations or new infections in the event of a suppressed immune system. One of the most common virus infections in organ transplantation, which can lead to loss of the transplant.

D

DATA SAFETY MONITORING BOARDS
An independent group of experts who monitor patient safety and treatment efficacy data while a clinical trial is ongoing.

DEXAMETHASONE
A drug 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.

DOSE ESCALATION
Increase in the dosage of a drug.

F

FACTOR VIII
The coagulation factor VIII or anti-hemophilic globulin A is an essential element of blood clotting. A lack results in hemophilia A. An excess can cause thrombus formation combined with an increased risk of venous thrombosis and pulmonary embolisms.

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.

FOOD AND DRUG ADMINISTRATION (FDA)
US-American agency responsible for monitoring foods and licensing drugs.

FRACTIONATION (PLASMA FRACTIONATION)
Process for obtaining proteins from human blood plasma.

H

HAEMATOLOGY
Branch of medicine that involves blood and diseases of the blood.

HAEMOPHILIA
A blood clotting disorder resulting from defective or missing coagulation factors VIII (type A haemophilia) or IX (type B haemophilia).

HEPATITIS
Inflammation of liver, which can be attributed to various causes, especially virus infections and autoimmune diseases. It leads to death or damage of liver cells and to impairment or even cessation of the liver's metabolic functions. Liver transplantation is often necessary.

HER 2
The HER 2 protein is a receptor molecule located on the surface of body cells. The protein is classified as a member of a family of certain epidermal growth factor receptors. The HER 2 protein can be found in higher numbers on many tumour cells than on healthy cells.

I

IMMUNE SYSTEM
Totality of all factors responsible for recognising and defending against infectious agents in the body and which exercise control over self-destructive processes.

IMMUNE THROMBOCYTOPENIA
Idiopathic Thrombocytopenic Purpura (ITP) belongs to the group of autoimmune diseases. Its main characteristic is the destruction of thrombocytes in the spleen. As the full-blown disease (including internal bleedings; purpura) is rare, today the term Immune Thrombocytopenia is more often used.

IMMUNOGLOBULINS
Synonymous with antibodies. They recognise and bind disease pathogens, facilitating their destruction by cells of the immune system.

IMMUNOGLOBULIN A (IGA)
Immunoglobulin A accounts for approximately 10 % of the antibodies in human plasma. Its main purpose is to develop a defense function against pathogens in the body liquids (saliva, breast milk, intestinal secretion, urogenital secretion).

IMMUNOGLOBULIN G (IGG)
IgG are the most important group of immunoglobulins as they account for approximately 80 % of all immunoglobulins. They circulate in human plasma and exist in body secretions.

IMMUNOGLOBULIN M (IgM)
Largest antibody molecule in the plasma. In conjunction with the complement system (a system of plasma proteins that is activated as part of the immune response), it destroys bacteria and neutralises bacterial toxin.

IMMUNOLOGY
The study of immune defences and immune regulation that enables the body to fight disease pathogens.

INDICATION
The area of therapeutic use for which a substance or medication can be developed and authorised.

INTENSIVE CARE MEDICINE
Medical specialty that deals with the diagnosis and treatment of life-threatening conditions.

INTRAVENOUS (I.V.)
Administration of a medication through an injection into a vein.

L

LENALIDOMIDE
Lenalidomide is a drug substance of the group of immune modulators and is used in combination with dexamethasone especially for the treatment of multiple myeloma. Lenalidomide is structurally related to Thalidomide and Pomalidomide.

LIVER INSUFFICIENCY
Also called liver failure, meaning that the liver ceases to function.

M

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.

MULTIPLES MYELOM
Hematological disease; malignant plasma cell growth in the bone marrow.

O

OESTROGEN
Most important female sex hormone, one of the steroid hormones.

P

PAUL EHRLICH INSTITUTE (PEI)
German Federal Institute for Vaccines and Biomedicines. The PEI examines and evaluates benefits and risks of biomedical drugs and 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.

PHARMACOKINETICS
The sum of all processes that a medication undergoes in the body, from its absorption into the bloodstream to its distribution in the body, biochemical conversion and breakdown, and elimination of the substance (release, absorption into the bloodstream, distribution in the organism, metabolization, elimination).

PHARMACOVIGILANCE
Systematic monitoring of a drug's safety to identify undesirable effects and take appropriate risk minimisation measures.

PLACEBO
A dummy medication. Medically inactive substance that is used to meet a subjective need for drug therapy. In many clinical studies, a control group is treated with placebo. The results are compared with those of the participants who have received the trial drug (verum).

PLASMAPHERESIS
Obtaining of plasma from whole blood. The cellular components are returned to the donor by centrifugation. This leaves blood plasma, a clear yellowish fluid, which contains the blood's soluble protein components.

PLASMA PROTEINS
Collective term for blood proteins that occur most commonly in the blood plasma.

PLASMA PROTEIN THERAPEUTICS ASSOCIATION (PPTA)
Association of the world's leading manufacturers of plasma proteins.

POMALIDOMIDE
Pomalidomide belongs to the group of immunomodulators. Combined with low doses of Dexamethasone it is used for the treatment of multiple myeloma. It is applied to patients who do not longer respond to Lenalidomide or Bortezomib.

PRIONS
Proteins that can occur in both normal and pathogenic structures in the human and animal body.

PRIMARY IMMUNE DEFICIENCY (PID)
Congenital defect in the immune system that results in a deficiency of antibodies.

PROGESTERONE (CORPUS LUTEUM HORMONE)
Forms the female sex hormones together with oestrogen. Progesterone prepares the uterus for pregnancy and maintains the pregnancy.

R

RECOMBINANT
Produced with the aid of genetically modified micro-organisms or cell lines.

RHEUMATOID ARTHRITIS
Chronic inflammatory disease of the joints.

S

sCAP (SEVERE COMMUNITY ACQUIRED PNEUMONIA)
Spread of the inflammation from the lung to the body often results in complications such as sepsis, septic shock or organ failure.

SEROCONVERSION
Development of specific antibodies against antigens of a foreign body due to infection or vaccination or a change in antibody class in the course of an infection from IgM (early antibodies) to IgG (later antibodies).

SUBCUTANEOUS (S.C.)
In anatomical terms, the layer of tissue beneath the skin. This consists mainly of connective tissue and fat. The subcutaneous application of a drug is an injection under the skin.

SUBSTITUTION THERAPY
Medicinal use of a substance that is not produced sufficiently by the body itself.

SYSTEMIC LUPUS ERYTHEMATOSUS (SLE)
SLE is an autoimmune disease that can affect various organs. Chronic inflammations in numerous organs and tissues can result in potentially severe organ damage.

V

VARICELLA ZOSTER VIRUS
A virus belonging to the herpes virus family. The first infection usually leads to chickenpox. Reactivation, for instance if the immune system is weakened, can lead to shingles.

GLOSSARY / FINANCIAL TERMS

A

ASSOCIATE
A Group company that is not fully consolidated (participating interest < 50 %) and 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. Difference between revenue and variable costs.

CURRENCY OPTION
Transaction that hedges the risk of fluctuations in exchange rates. The buyer of a currency option acquires the right, but not the obligation, to purchase or sell a currency at a specific rate on a specified date.

D

D&O INSURANCE
Directors' and officers' insurance (also: executive body and manager liability insurance). Financial loss liability insurance that a company obtains for its executive bodies (Board of Management and Supervisory Board) and senior managers.

DEFERRED TAXES
Income taxes payable or receivable in the future, which do not constitute actual receivables or payables at the time the financial statements are prepared.

DERIVATIVE
Financial instrument, the price of which is based on market-related factors. Used among other things to hedge against fluctuations in value.

DIRECTORS' DEALINGS / MANAGERS' TRANSACTIONS
Transaction in securities issued by a listed company executed by the company's management or related companies or persons.

E

EAT
Earnings after taxes.

EBIT
Earnings before interest and taxes.

EBT
Earnings before taxes.

F

FACTORING
Financial service. The factor acquires a company's accounts receivables due from the company's debtors.

FAIR VALUE
A rational and unbiased estimate of the potential market price of an asset or liability.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FAFVTPL)
A financial instrument category as defined in 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 the underlying transaction and the derivative financial instruments used for hedging purposes.

HELD TO MATURITY (HTM)
A financial instrument category as defined in IFRS 7.

L

LOANS AND RECEIVABLES (LAR)
A financial instrument category as defined in IFRS 7.

LONG TERM INCENTIVE PROGRAMME
A variable, success-based remuneration system.

N

NET PRESENT VALUE
Key business indicator for dynamic capital budgeting, in which payments that occur at any point in time are made comparable by discounting such payments back in time to the start of the investment. The net present value is the sum of the present values of all payments (inflows and outflows) resulting from the investment.

O

ORDINARY SHARE
A share that confers voting rights and is the counterpart to the preference share.

P

PREFERENCE SHARE
Share without voting rights, but which entitles the holder to a preferred and generally higher dividend. The counterpart to a preference share is the ordinary share.

PROMISSORY NOTE
Form of (long-term) debt financing for companies, in which a borrower is granted a loan by different creditors through the provision of capital.

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 liabilities in the same or a foreign currency with the aim of obtaining a financing, interest rate or yield advantage.

W

WEIGHTED AVERAGE COST OF CAPITAL (WACC)
The weighted average cost of capital approach denotes an approach that forms part of the discounted cash flow methods used for valuing companies. This method is also often called the free cash flow method. It is mostly used to determine the minimum rate of return for investment projects.

WORKING CAPITAL
Short-term tied-up capital.

FINANCIAL CALENDAR

10 MAY 2017
Three-month report for 2017

10 MAY 2017
Annual Shareholders' Meeting

14 AUGUST 2017
Half-year report for 2017

14 NOVEMBER 2017
Nine-month report for 2017
Analysts Conference

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The annual report contains forward-looking statements on overall economic development as well as on the state of business, results of operation, cash flows and financial position of Biotest AG and its subsidiaries. These statements are based on current plans, estimates, forecasts and expectations of the company and are thus subject to risks and elements of uncertainty that could result in significant deviation of actual developments from expected developments. The forwardlooking statements are only valid at the time of publication of this annual report. Biotest does not intend to update the forward-looking statements and assumes no obligation to do so.

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