Biotest

From Nature for Life

TAKING RESPONSIBILITY. | Annual Report 2017

KEY FIGURES

		2017*	2016*
Revenue	In € million	**378.1**	408.0
thereof:			
Germany	In € million	**103.2**	108.3
Rest of world	In € million	**274.9**	299.7
thereof:			
Therapy	In € million	**313.7**	346.8
Plasma & Services	In € million	**58.2**	54.2
Other Segments	In € million	**6.2**	7.0
EBITDA	In € million	**13.0**	58.1
Operating profit (EBIT)	In € million	**–9.3**	35.2
EBIT in % of revenue	*%*	***–2.5***	*8.6*
Earnings before taxes	In € million	**–26.0**	24.0
Earnings after taxes	In € million	**–16.4**	6.1
Earnings after taxes from discontinued operations	In € million	**12.9**	–51.8
Total earnings after taxes	In € million	**–3.5**	–45.7
Financing:			
Cash flow from operating activities from continuing operations	In € million	**18.3**	46.0
Cash flow from operating activities from discontinued operations	In € million	**16.0**	19.9
Depreciation and amortisation	In € million	**22.3**	19.9
		31.12.2017	31.12.2016
Equity	In € million	**347.8**	360.7
Equity ratio	*%*	***35.5***	*38.7*
Balance sheet total	In € million	**978.5**	932.8
Employees (full-time equivalents)**	amount	**2,472**	2,416
Earnings per share	€	**–0.42**	0.14

* Continuing Operations
** Continuing and discontinued operations

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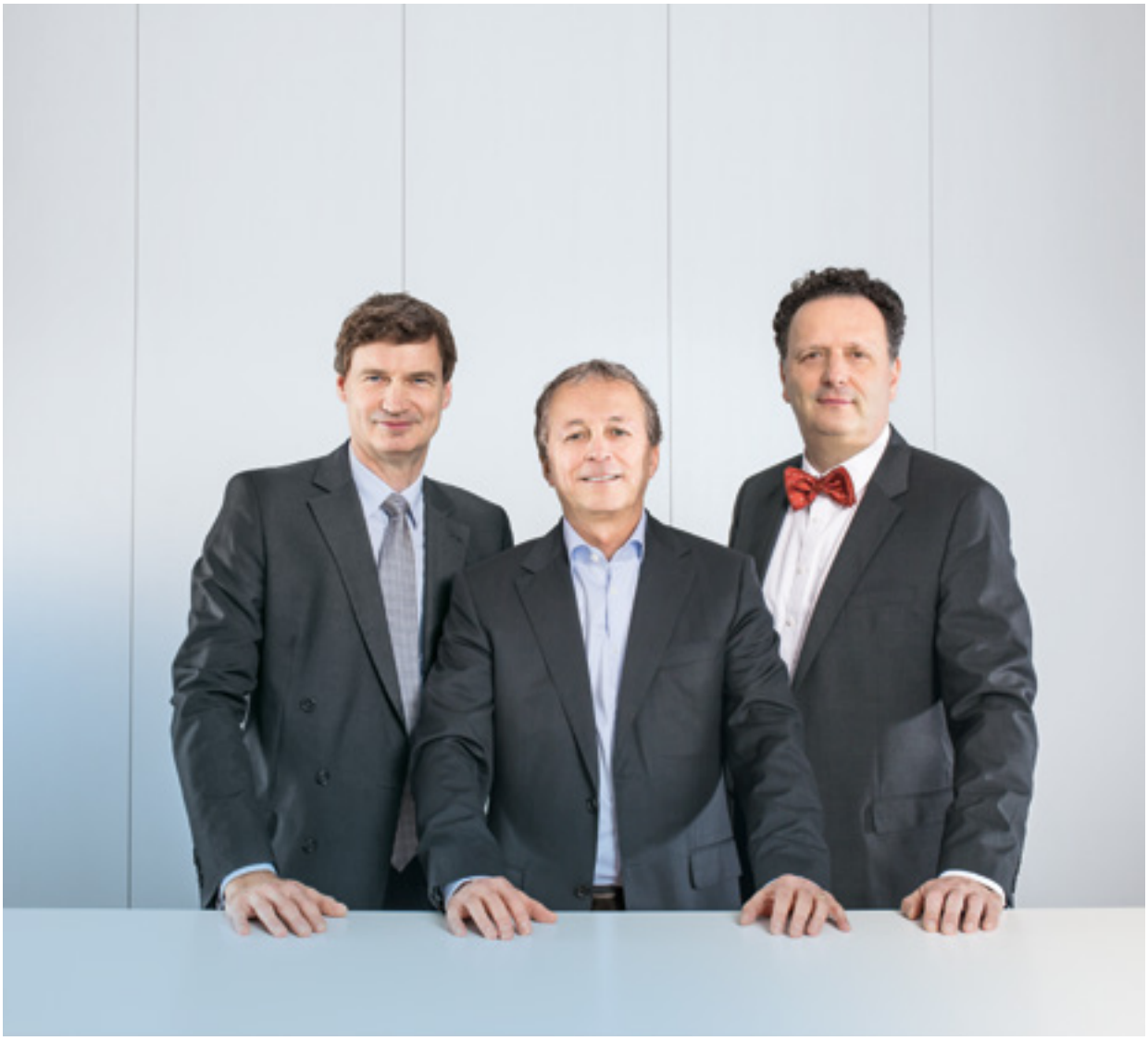

DR MICHAEL RAMROTH
Chief Financial Officer

DR BERNHARD EHMER
Chairman of the Board of Management

DR GEORG FLOß
Chief Operations Officer

DEAR SHAREHOLDERS,

The past year was pivotal for Biotest. Great, important changes have taken place. We fought hard to reach our operative goals as well as for the new, strong partner at our side, the Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat). Our goals were ambitious, and the path to reach them was challenging. But great efforts pay off, and now we can look back and say: We have done it!

If we include the results of the part of our US business that still belonged to the Biotest Group in 2017, we met the adjusted earnings guidance from April 2017, after the human albumin recall. The human albumin recall is a one-time effect that only affected our earnings in the 2017 financial year. The problems that occurred in the production of human albumin were very rapidly rectified, allowing the manufacturing process to be restarted swiftly.

In the 2017 financial year, the Biotest Group generated a revenue of € 378.1 million in continuing operations (previous year: € 408.0 million). The decrease in revenue was due to the recall of human albumin. For the whole year of 2017, EBIT from continuing and discontinued operations amounted to € 18.0 million (previous year: € –21.5 million), and as a result we generated a cash flow from operating activities in the amount of € 34.4 million (previous year: € 65.9 million).

In addition to reaching our financial goals, the successful merger with Creat was a top priority for us last year. In April, Creat had announced a public takeover offer for all outstanding Biotest shares. My colleagues on the Board of Management, Dr Michael Ramroth and Dr Georg Floß, the Supervisory Board of Biotest AG and I personally welcomed this offer, and over the course of the year, we worked to ensure the success of this transaction.

When in early November, the "Committee on Foreign Investment in the United States" (CFIUS) notified us of US security concerns regarding the takeover offer, we actively sought the dialogue with CFIUS to overcome concerns and find a way to render the transaction acceptable. With the approval of the transaction by CFIUS in January this year, these efforts have paid off. However, a condition for the approval of the transaction was the sale of our US companies, which we transferred to a US trust until the closing of the sale.

To secure our future supply of US plasma, we have already worked out a strategy, largely based on purchasing plasma from contract partners. Furthermore, we were able to open additional plasma collection centres in Europe in the past year, giving us a total of 18 centres in Europe by the end of 2017. Our goal is to open two to three additional European centres per year. In January 2018, we already opened another centre in Břeclav in the Czech Republic. In this way, we can continue to ensure that patients will receive sufficient plasma-derived medications and create the basis for our growth.

We are certain that the business combination with Creat creates direct value for our shareholders and the Company: because with Creat, we have found a partner who strengthens our strategy and enables further investment in our business. This also includes our existing project Biotest Next Level, the biggest project of our Company history. With Biotest Next Level, we are pursuing multiple goals: to expand the product range, double capacity and hence considerably increase profitability. We are heavily investing in the completion of the manufacturing facilities and the development of new products. Capital expenditure in 2017 solely amounted to more than € 90 million, and we were able to make important progress.

In the past year, we reached the second important milestone: the building approval. This was done on schedule, which is not always a matter of course in projects the size of Biotest Next Level. In August 2017, the Darmstadt Regional Authority (Regierungspräsidium Darmstadt) additionally classified our new laboratories as GMP compliant. GMP stands for “Good Manufacturing Practice”. In this process, the Regional Authority checks hygiene standards, premises and equipment as well as documentation and control processes. Our Research & Development department is working with full speed on the new preparations. The development projects IgG Next Generation, Trimodulin and Fibrinogen are well on track.

In the next two to three years, the capital expenditure in our Biotest Next Level project will still adversely impact results. After that, the investments will pay off and will be the prerequisite for future increases in sales and profitability.

We are happy that we have a strong partner at our side in Creat who shares our goals. We want to further expand the position of Biotest in the global plasma industry and are now opening a new chapter in the Company history. My colleagues on the Board of Management and I are therefore optimistic about the future.

At this point, I would like to cordially thank the entire Biotest team for their tremendous dedication and daily commitment. I also extend my personal thanks to our customers, suppliers and particularly to you, dear shareholders, for the trust you place in us. We would be happy to have you continue to accompany us on our exiting way to the next level of our Company history.

Cordially yours,

Dr Bernhard Ehmer
Chairman of the Board of Management

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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 therapeutic areas are haematology, clinical immunology and intensive care medicine.

The Biotest Group is engaged in research and development in all three therapeutic areas. Biotest covers all material steps of the value chain from pre-clinical and clinical development to global distribution.

A. CORPORATE STRUCTURE

The consolidated financial statements include the parent company Biotest AG and 17 other fully consolidated companies. All of Biotest's investments are listed in Section H 10 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.

With the CFIUS approval on 19 January 2018, Biotest's agreement on the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, became effective. Until the closing of this sale, Biotest AG has transferred the US companies to a US trust. As a result of the transfer to the US trust, the business attributable in these companies qualifies as a discontinued operation.

B. SEGMENTS OF THE BIOTEST GROUP

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

All plasma collection activities of Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, which were previously shown in the Plasma & Services segment, are shown as discontinued operations due to the decision of divestment. In the previous year, only the activities of Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, in the Therapy segment and in toll manufacturing as part of the Plasma & Services segment were shown as discontinued operations. The previous year's figures were now adjusted accordingly.

Unless stated otherwise, the information and explanatory notes provided in this Annual Report refer to the continuing operations.

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 distribution. 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 80 countries in the world via local partnerships. The sales and distribution activities are centrally managed strategically from the Biotest headquarters in Dreieich.

The basis for manufacturing the marketed Biotest products is human blood plasma. 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 18 of its own collection centres in Europe. In these centres, blood is taken from qualified and strictly monitored healthy donors, and the required blood plasma is separated by plasmapheresis. The blood plasma is then processed further into the respective Biotest preparations at the Dreieich production site or is sold as intermediate product.

In addition to blood plasma products, Biotest is developing a portfolio of monoclonal antibodies, which are produced via biotechnological methods. After the next clinical milestones are reached, these development programmes are to be partnered in a value-generating manner.

In order to expand the product range, increase capacity and thereby exploit global growth potential, Biotest started the Biotest Next Level project, the largest expansion plan in the Company's history, 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 the future, five instead of three product classes will be produced from the same amount of the raw material of plasma. As part of the project, Biotest intends to double production capacities. In the past business year, the building work continued according to plan: In the second quarter of 2017, the new building at the Dreieich site was approved by the construction supervision authority of the District of Offenbach (Bauaufsicht des Kreises Offenbach), Germany. In August 2017, the newly constructed laboratories at the Dreieich site successfully passed the "Good Manufacturing Practice" (GMP) inspection of the Darmstadt Regional Authority (Regierungspräsidium Darmstadt). A successful approval inspection is the requirement for a licence to operate the laboratories. The new laboratories were rated as GMP-compliant and were unconditionally released for use with immediate effect. As part of the qualification and commissioning of the infrastructure and processing facilities, contaminants were found in parts of the media systems. Biotest is eliminating these identified defects. In total, the Biotest Next Level project may be delayed by six to twelve months.

D. PRODUCT PORTFOLIO

Biotest's product range is divided into the therapeutic areas of 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 distribution status.

PRODUCTS AND DEVELOPMENT PROJECTS OF BIOTEST

Product	Lead indication	Status as of 31 December 2017
Therapeutic area Haematology		
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)	Commercialization in Europe, Asia, South America and Middle East
Haemonine®	Haemophilia B (acute therapy and prophylaxis)	Commercialization 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; phase I/IIa study currently being analysed
Vihuma®	Haemophilia A (acute therapy and prophylaxis)	Commercialization in Germany and Austria on the basis of a cooperation with Octapharma AG since April 2017.
Therapeutic area Clinical Immunology		
Cytotect®	Prophylaxis of cytomegalovirus (CMV) infection	Commercialization in Europe, Asia, South America, Africa and Middle East
Fovepta®	Hepatitis B prophylaxis in newborns	Commercialization in Asia and Africa
Hepatect®	Prophylaxis of hepatitis B reinfection	Commercialization in Europe, South America, Asia and Middle East
Intratect® 50 g/l (5 %)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Commercialization in Europe, South and Central America, Asia and other regions

PRODUCTS AND DEVELOPMENT PROJECTS OF BIOTEST

Product	Lead indication	Status as of 31 December 2017
Intratect® 100 g/l (10 %)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Commercialization in Europe and Asia
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	Commercialization in Europe, South America, Asia and Middle East
Zutectra®	Prophylaxis of hepatitis B reinfection following liver transplantation	Commercialization in Europe, Asia and Middle East
BT-063*	Systemic lupus erythematosus (SLE)	Clinical development; treatment of patients of phase IIa study completed
BT-094 (Cytotect 70)*	Prevention of cytomegalovirus (CMV) infection of the foetus during pregnancy of CMV-infected mother	Clinical development; phase III study currently being analysed
Therapeutic area Intensive Care Medicine		
Albiomin® (20 % and 5 %)	Blood volume depletion	Commercialization in Europe, South America, Asia, Africa and Middle East
Biseko®	Volume and serum protein depletion	Commercialization in Europe, Asia and Middle East
Cofact®	Deficiency of clotting factors	Commercialization in Germany and Austria
Fibrinogen*	Congenital fibrinogen deficiency	Clinical development; ongoing phase I/III study
	Acquired fibrinogen deficiency	Clinical development; ongoing phase III study
Trimodulin (IgM Concentrate)*	Severe community-acquired pneumonia (sCAP)	Clinical development; phase II study completed
Pentaglobin®	Severe bacterial infection	Commercialization in Central and South America, Asia, Europe and Middle East

* Preparations in the development phase (status as of 31 December 2017)

E. HUMAN RESOURCES

Change in number of employees

As of 31 December 2017, Biotest employed 1,659 persons expressed as full-time equivalents in continuing operations. This represents an increase of 15.1 % compared to 1,441 full-time equivalents at the end of 2016. The increase is due largely to 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 four new plasma collection centres in Hungary and the Czech Republic. As of 31 December 2017, 1,107 full-time equivalents (66.7 %, previous year: 69.0 %) were assigned to Biotest AG. About four out of five employees (79.3 %) worked in Germany (previous year: 82.9 %).

Remuneration

The next tranche of the Long Term Incentive Programme for success-based remuneration of management staff was issued on 1 May 2017. This variable remuneration component is based on the achievement of predefined targets. The programme is described in detail in Section H 1 (Long Term Incentive Programme) of the Notes.

Human resources and organisational development

Due to the planned expansion of the production capacities at Dreieich, the need for 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. In

the past year, some open positions were filled by candidates from this group who had previously applied to Biotest. Numerous information and recruitment events held in 2017 served to make Biotest better known throughout the region as an attractive employer.

A 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/Main to Dreieich to participate in an informational event including a tour of the plant. In this event, the different fields of activity and diverse career opportunities for pharmacists were presented, for instance in quality control, production, project management and regulatory affairs, to generate interest in them. Furthermore, ten pharmacy and medical students were sponsored through a Deutschlandstipendium (Germany scholarship) this year as well. The scholarship recipients have the opportunity to meet employees from different departments in a personal conversation at the Biotest Dreieich site.

In 2017, speakers from the Biotest scientific specialist departments once again held a presentation as part of the "Night of Science" of the University of Frankfurt/Main. This allows Biotest to demonstrate the scientific work conducted at Biotest.

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 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 2017, a total of six employees were enrolled in scientific and technical degree programmes that Biotest initiated with the Bingen University of Applied Sciences, Germany, and Provadis School of International Management and Technology AG, Frankfurt/Main, Germany, among others. Furthermore, Biotest supports the further development of its production and technology employees. Currently, a total of five employees are enrolled in a master craftsman course in the fields of chemistry, metal or electrical.

As part of the planned expansion of production capacities, the importance of a shared concept of leadership, communication and collaboration on all production management levels is also taken into consideration. The Biotest-specific competency model was implemented in the form of leadership and human resources instruments such as 360° feedback and the performance review. This model is regularly used in practice. In interdisciplinary events, all managers have been familiarised with the competency model. Using a self-assessment, managers were able to define in which areas they would like to further develop. For this purpose, a one-week programme "impulse days" was offered at Dreieich, in which managers and staff could learn more about topics such as "giving and receiving feedback", "communication", "solving conflicts", "moderation", "non-violent communication" and "kanban". Seminars on the topic of labour law conveyed fundamentals to employees and managers.

To ensure that leadership positions in the top and middle management are filled with highly qualified candidates, we use an assessment centre as part of our personnel selection which reviews the qualification of external and internal candidates on the basis of the competency model. We apply a similar procedure to give our potential candidates the opportunity to identify their strengths and areas of development (Development Centre).

Traineeships

Like in the previous year, Biotest AG has also continued its strong commitment to commercial apprenticeship training. A total of 66 trainees (previous year: 72) were employed at Biotest in eight professions as of 31 December 2017. The quality of the Company's trainee programmes has been reflected for years in the very good final examination results of the graduates. In 2017, one of our apprentices was honoured by the Offenbach/Main Chamber of Industry and Commerce (Industrie- und Handelskammer Offenbach am Main) for her 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 supervision and approval by the Darmstadt Regional Authority and the Paul Ehrlich Institute (PEI), Langen, Germany, as well as by the United States Food and Drug Administration (FDA) in the USA. These authorities also inspect the plants to be built at the Dreieich location as part of the Biotest Next Level project, regularly inspect the existing facilities and issue the necessary manufacturing authorisation for Biotest. Furthermore, authorities in the international environment increasingly demand national approval of the Biotest manufacturing facilities. In the member states of the European Union, plasma proteins are approved through national authorisation procedures, 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 legal and regulatory requirements for the marketing authorisation of Biotest preparations are subject to routine and event-driven changes. Quality requirements and marketing authorisation requirements are constantly being increased in the international environment. In the 2017 financial year, these developments led to rising costs for marketing authorisation procedures with national and international authorities.

II. GROUP STRATEGY

The core element of Biotest's strategy is a clear focus on the commercialization and development of plasma proteins. In addition to continuously advancing its own research and development pipeline, the Company's registration and marketing authorisation activities are focused on the ongoing 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. Under the Biotest Next Level project, the product portfolio will be expanded and production capacity doubled by 2021. In the future, five instead of three proteins 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.

In addition to blood plasma products, Biotest is developing a portfolio of monoclonal antibodies, which are produced via biotechnological methods. After the next clinical milestones are reached, these development programmes are to be partnered in a value-generating manner. Furthermore, Biotest is actively looking for development and/or distribution partnerships for selected plasma proteins as well.

The core element in implementing this Biotest corporate strategy is utilising internal resources to cover key parts of the value 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 also used to offer available capacity for primary and intermediate products as well as toll manufacturing on the market.

To pursue the strategic direction even more efficiently and effectively, a global cultural change was initiated. The aim is to further optimise collaboration with external customers as well as international and interdisciplinary teamwork, to improve work processes and render them more efficient, and to implement a consistent, participative leadership culture within the Company. To achieve a change in management culture, the competence model defined basic competencies as well as the following competencies as decisive for managers: "Delegation and empowerment of employees", "Employee development", "Strategic thinking and action" and "Visionary thinking and action". As part of the "impulse days", in which half-day learning units were offered, managers were able to continue working on their specific areas of development. A selection process for managers, which was used for external as well as internal candidates for middle and top management positions and considers the defined competencies, was implemented as a further measure for establishing a participatory management culture.

III. BUSINESS PERFORMANCE MANAGEMENT

The management control of Biotest uses 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 2017	Value as of 31 December 2016
Return on Capital Employed (ROCE)	EBIT/capital employed*	–1.2 %	4.8 %
EBIT margin	EBIT/sales	–2.5 %	8.6 %
EBT margin	EBT/sales	–6.9 %	5.9 %
Contribution margin	(Sales – cost of sales)/sales	32.7 %	41.5 %
Cash flow from operating activities	See cash flow statement for a detailed calculation	€ 16.8 million.	€ 43.2 million.
Cost of sales ratio	Cost of sales/sales	67.3 %	58.5 %
Marketing and distribution expense ratio	Cost of marketing and distribution/ sales	14.2 %	12.4 %

* 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 and liabilities of discontinued operations.

The most important control variables in this context are revenue, operating profit (EBIT), Return on Capital Employed (ROCE) and cash flow from operating activity. 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 as well as 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

Regular portfolio analysis of research and development projects is performed for the management. Development time lines, costs, probabilities of success, risks, strategic importance and market size as well as the commercial potential by 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)

Within the corporate strategy, the research and development area, among others, is the basis of future growth of the Biotest Group. Substantial potential is offered by the ongoing development of existing products and the development of new products. The focus in research and development projects is on plasma proteins. After the current studies with monoclonal antibodies are completed, further activities will be continued only if a partner can be found.

A detailed schedule of the progress made in the research and development projects carried out in financial year 2017 is shown in the "Research and development" Section of the Business Report.

For the 2017 financial year, the Biotest Group's research and development costs from continuing operations amounted to € 55.4 million (previous year: € 48.3 million). € 47.8 million of this related to plasma proteins and € 7.6 million to monoclonal antibodies. These expenses amounted to 14.7 % of sales after 11.8 % in the same period of the previous year. The number of employees (converted into FTEs) in research and development was 184 FTEs as of 31 December 2017, slightly down from 31 December 2016 (189 FTEs).

B. ECONOMIC REPORT

I. BUSINESS AND GENERAL FRAMEWORK

According to the Kiel Institute for the World Economy (IfW), the global economy is currently experiencing a strong upturn. For 2017, the rise in global production is estimated to amount to 3.8 % – the strongest rise since 2011.[1] For 2018 and 2019, economists forecast a growth rate of 3.9 % and 3.6 % respectively. Key growth drivers are the following factors: a steady increase in production in the developed economies, a largely expansionary monetary policy, stimuli from fiscal policy and rising demand from developing countries and emerging markets.

For Germany, the IfW forecasts a gross domestic product growth of 2.3 % for 2017 and 2.5 % for 2018.[2] According to the IfW, the German economy is thereby rapidly approaching a boom phase. The growth is based on several drivers: Private consumer spending continues to expand with vigour due to the high income gains. The construction boom is continuing in view of the sustained favourable financing conditions. The upturn in the global economy stimulates exports, and there are now increasing signs that corporate investments will become another pillar of the upturn due to the high capacity utilisation rate and the excellent business prospects.

The good economic development in the euro zone is also continuing. The IfW expects the increase in the gross domestic product in the euro zone to be 2.3 % in 2018 which is similarly high as in 2017 (2.4 %).[3] This is due to several reasons: Financing conditions are very favourable because of the highly expansive policy of the European Central Bank. The fiscal policy has a stimulating effect, and the global economy is improving.

In contrast, the increase in production in the United Kingdom is slowing. Among other things, this is due to the United Kingdom leaving the European Union ("Brexit"). The expected negative effects of this decision have become apparent in the course of 2017. Against this background, the IfW forecasts a moderate rise in gross domestic product of 1.5 % for 2017 and 1.4 % for 2018.[4]

1 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2017

2 Institute for the World Economy, Kiel Economic Reports, German Economy in Winter 2017

3 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2017

4 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2017

In the United States, the economy gained more momentum in the course of 2017 than was originally forecasted by the economists. Accordingly, the growth rate for the gross domestic product is estimated at 2.3 % for 2017 and 2.5 % for 2018.[5] The analysis states that the key drivers of the economy remain the continuing strong consumer confidence and higher available incomes. In addition, the investment conditions are good in view of increasing profits and favourable financing conditions.

Due to the high level of medical need for plasma protein-derived products throughout the world, the Biotest Group is only marginally dependent on global economic cycles. 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 US and Europe in addition as well as for 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 between 6 % and 7 % annually.[6] To meet this growing demand, the industry is collecting more blood plasma. For example, in the USA the volume of collected blood plasma rose by approximately 8 % during the first six months of the financial year compared to the same period of the previous year.[7] The industry is also 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 prices in the US.[8] The market volume for immunoglobulins increased slightly in the USA in the first half of 2017.[9] In Europe, the market volume expanded at a similar rate as in the USA in the first half of 2017.[10] The German market also showed positive development last year in terms of sales volumes – for registered doctors as well as for hospitals.[11] The average price in German hospitals showed a stable development in 2017.[12]

The long-term growth of the albumin market is estimated to be 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. Haemophilia patients do not yet have access to treatment with clotting factors in many of these countries. The global market for plasmatic factor VIII products is expected to grow by between 1 % and 2 % p.a. until 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 2017

2017 goals: Target-performance comparison

For the 2017 financial year, the Board of Management originally predicted an increase in sales in the low single-digit percentage range for the former continuing operations, which still included the US companies. Due to the technical defect in the production of human albumin and the associated recall of end products already sold as well as the supply bottlenecks in human albumin in the 2017 financial year, the Board of Management on 26 April 2017 reduced the revenue forecast for the continuing operations at that time and expected sales on the previous year's level. As a result of the sale of the US companies, which was announced on 19 January 2018, the prognosis for the con-

5 Institute for the World Economy, Kiel Economic Reports, World Economy in Winter 2017

6 Biotest Strategic Business and Customer Insights based on MRB (2013, 2015, 2016), PPTA (2016), Markets and Markets (2016), Credit Suisse (Oct 2017)

7 Plasma Protein Therapeutics Association (PPTA) (2017)

8 Morgan Stanley (Oct 2017), QuintilesIMS (as of November 2017)

9 Plasma Protein Therapeutics Association (PPTA) (2017)

10 Insight Health (as of October 2017), QuintilesIMS (as of November 2017), PPTA (2017)

11 Insight Health (as of October 2017), QuintilesIMS (as of November 2017)

12 QuintilesIMS (as of November 2017)

13 Biotest Strategic Business and Customer Insights based on MRB (2015)

14 Biotest Strategic Business and Customer Insights based on MRB (2016)

tinuing operations is further reduced by the sales and earnings contribution of the business to be allocated to these companies.

In the 2017 financial year, the Biotest Group generated revenue in continuing operations of € 378.1 million, compared to € 408.0 million in the previous year. This corresponds to a percentage change of –7.3 %.

The EBIT in continuing operations was € –9.3 million in the 2017 financial year, compared to € 35.2 million in the previous year. At the beginning of 2017, the Board of Management had forecasted an EBIT of € 46 to 48 million for the 2017 financial year for the former continuing operations, which still included the US companies. The EBIT forecast for continuing operations at the time was reduced on 26 April 2017 by approximately € 25 to 30 million to approximately € 16 to 23 million. This forecast, which still included the profit contribution of the US companies, was reached. As a result of the sale of the US companies, which was announced on 19 January 2018, these companies' contribution to EBIT of € 27.3 million is now to be defined as discontinued operations. It also includes the earnings contributions of the activities sold to ADMA Biologics Inc. on 6 June 2017 that are allocable to the Biotest Group.

The risks arising from the described recall of human albumin have been taken into account in this report, including the insurance refunds.

Originally, the Company predicted a return on capital employed (ROCE) of approximately 5 %. In its corrected forecast from April 2017, the Board of Management anticipated a ROCE of approximately 2 %. The ROCE of continuing and discontinued operations amounted to –1.2 % in the 2017 financial year.

Approximately € 40 million was forecasted at the start of the financial year for cash flow from operating activities. This prognosis was reduced on 26 April 2017 as well by approximately € 25 to 30 million to € 10 to 15 million. With € 34.4 million for continuing and discontinued operations, this forecast was significantly exceeded.

The core business of the Biotest Group (adjusted EBIT from continuing operations) is on previous year's level, and at € 86.6 million, it is clearly positive.

in € million	2017	2016
EBIT	**–9.3**	**35.2**
Expenses for Biotest Next Level*	53.9	37.8
Expenses for monoclonal antibodies	7.6	11.2
Expenses for strategic reorientation	11.5	–
Expenses for human albumin recall taking into account the insurance compensation	22.9	–
Adjusted EBIT	**86.6**	**84.2**

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

On 7 April 2017, Biotest AG, Tiancheng International Investment Limited, Hong Kong, and Blitz 17-623 AG (now: Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany (Tiancheng)) signed a Business Combination Agreement. Both companies are controlled by the Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat). As of the same date, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, announced its decision to make an unsolicited public takeover offer for all outstanding publicly traded ordinary and preference shares of Biotest AG at a price of € 28.50 per ordinary share and € 19.00 per preference share in cash. The offer was subject to a minimum acceptance threshold of 75 % of all ordinary shares and to certain approvals by the authorities.

Biotest AG has been informed by OGEL GmbH that the latter, as the Company's majority shareholder, supports the transaction and has made an agreement with Tiancheng International Investment Ltd., Hong Kong, to accept the offer irrevocably and to transfer its shares, which account for 50.61 % of all outstanding ordinary shares, in the context of a takeover offer. On 18 May 2017, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, published the documentation for its

unsolicited public takeover offer for all outstanding shares of Biotest AG. The shareholders of Biotest AG were offered € 28.50 per ordinary share and € 19.00 per preference share within this offer. The Board of Management and the Supervisory Board of Biotest AG welcomed this offer, particularly with regard to the further implementation of the strategy to expand the Dreieich site (Biotest Next Level), the development of new products and the strengthening of international presence. In a joint statement on 1 June 2017, both boards recommended that shareholders accept the offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. Tiancheng announced on 7 July 2017 that its unsolicited public takeover offer to the shareholders of Biotest AG was accepted for a total of 17,783,776 ordinary shares and 214,581 preference shares by the end of the extended acceptance period at midnight on 4 July 2017. These ordinary shares account for approximately 89.88 % of Biotest AG's voting capital and 44.94 % of the total share capital of Biotest AG. The preference shares account for approximately 0.54 % of the total share capital of Biotest AG. The closing of the transaction was subject to official permits.

As of 31 December 2017, the US authority CFIUS (Committee on Foreign Investment in the United States) reviewed the takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, from a U.S. national security perspective. On 19 January 2018, CFIUS granted foreign trade approval and thus met the last remaining condition for the takeover offer. The unsolicited takeover offer of Tiancheng, the purchasing company of Creat which was announced on 18 May 2017, could therefore become effective. In connection with the approval, Biotest signed an agreement about the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA. Until this sale closes, Biotest AG has transferred the US companies to a US trust.

Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, completed the sale of its therapy and toll manufacturing activities to ADMA Biologics Inc. (ADMA), Ramsey, USA, on 6 June 2017. BPC's manufacturing facilities, land and buildings at the Boca Raton site, the therapy products previously sold by BPC and the toll manufacturing agreements, inventories and intermediates worth € 4.9 million and the employees of the US therapy business were transferred to ADMA. Furthermore, BPC has provided ADMA with cash of € 11.0 million ($ 12.5 million) and a granted subordinated loan with a nominal amount of € 13.1 million ($ 15.0 million) for a term of five years. In return, BPC received an interest of 50 % minus one share in ADMA, granting voting rights of 25 %. Furthermore, BPC will receive two plasmapheresis stations, which are currently operated by ADMA, on 1 January 2019. Biotest AG has a right of first refusal for the distribution rights for all future ADMA products in Europe, the Middle East and selected Asian countries. On the basis of ADMA's quoted share price as of 6 June 2017 and an updated fair value assessment of the loan and the right to transfer the plasma stations, the gain on disposal amounted to € 10.5 million ($ 11.4 million) in 2017, which is reported in the results of discontinued operations.

Effective 13 November 2017, Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, participated in a capital increase in the amount of € 10.5 million ($ 12.5 million) at ADMA and now holds 41.3 % of the shares, granting 27.5 % of voting rights.

In the context of the sale of the US companies the shares of ADMA are reported as discontinued operations.

In July 2017, Biotest acquired a plasma collection centre in Prague, Czech Republic, by purchasing the company of the long-standing plasma supplier Cara Plasma s.r.o.

Group business strategy and implementation in the 2017 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. In the 2017 financial year, for instance, the first deliveries of Haemoctin® to Hong Kong and the first sales of the product Pentaglobin® in Panama were made.

In 2017, revenue for the Biotest Group was lower than in the previous year. From January to December 2017, the Company generated revenues from continuing operations of € 378.1 million. This equals a decrease of 7.3 % compared to the same period in the previous year (€ 408.0 million).

These decreases were particularly reported in the regions Middle East and Africa (€ –20.6 million) and Other Asia and Pacific (€ –7.6 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 increasing profitability. In terms of product expansion, Biotest will in future focus on the plasma proteins business - a market with considerable growth and potential.

Cooperations

Biotest counts on partnerships. Since April 2017, Biotest AG has been distributing the recombinant factor VIII preparation Vihuma® in Germany and Austria on the basis of a cooperation with Octapharma AG, Lachen, Switzerland. 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.

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 distribution of the projects.

Research and development

In 2017, research and development costs from continuing operations rose by 14.7 % to € 55.4 million (previous year: € 48.3 million). Development projects with monoclonal antibodies accounted for 13.7 % of this amount (previous year: 23.2 %).

Therapeutic 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. Due to the good response, seven patients are still being treated in both treatment arms, with treatment periods of now two to four years. The results of the study to date have shown very good tolerability and efficacy for both combinations.

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 has been completed, the maximum tolerated dose has been defined and recruitment has been completed. In the study, a total of 39 patients were treated with indatuximab ravtansine (BT-062). The patient follow-up has been completed, and the study is currently being analysed.

Therapeutic 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 will be the “master product” for the new Biotest Next Level manufacturing facility. In 2017, two pivotal studies of IgG Next Generation were ongoing in several European countries and in the US: 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 recruitment of adults has already been completed, while children are still being included in the study. The European Medicines Agency (EMA) agreed with the positive recommendation of the Paediatric Committee (PDCO) regarding the paediatric development plan (PIP) for the indications PID and ITP. The U.S. Food and Drug Administration (FDA) has approved the submitted Pediatric Study Plan (PDP) for the indication PID as well. The need for another paediatric study for this indication depends on the number of included children per age group in the ongoing phase III study no. 991. Patient recruitment is still ongoing in study 992.

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 were collected on efficacy. The patient follow-up of the second part of the study was completed in the 2017 financial year. Currently, the investigations on the mechanism of action of BT-063, which are conducted alongside the study, as well as the analysis of laboratory parameters are still ongoing.

Tregalizumab (BT-061): Following the discontinuation of clinical development in the indication area rheumatoid arthritis in 2015, Biotest is using preclinical modelling systems to examine potential alternative indications of tregalizumab (BT-061). In case of success, potential additional development steps are then to be advanced in a partnership.

Zutectra®: Since 2009, the preparation Zutectra® has been approved in the European Union for the indication 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 a retrospective data acquisition conducted in 20 European centres, Biotest collected and analysed the data of 371 adult patients following hepatitis B virus-induced liver transplantation. The data were presented at the congress of the European Society of Organ Transplantation (ESOT) in September 2017. Overall, hepatitis B immunoglobulin and particularly patients treated with Zutectra® show excellent long-term results.

Therapeutic area Intensive Care Medicine

Trimodulin (IgM Concentrate): Given the significance of the IgM Concentrate project to the Biotest Next Level project and progress in the planning of the phase III development, Biotest has developed a generic name for IgM Concentrate. The generic name Trimodulin describes the mode of action of the development candidate. 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 reducing the ventilation period as well as mortality. The randomised, double-blind, placebo-controlled phase II study was carried out with 160 patients with severe community-acquired pneumonia (CAP). This subgroup of patients 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 at the International Symposium on Intensive Care and Emergency Medicine (ISICEM) in Brussels, Belgium. Full publication of the results is being prepared.

In 2017, Biotest presented the data of the phase II study with Trimodulin (IgM Concentrate) in the indication severe community-acquired pneumonia (sCAP) as well as the further clinical development concept to the competent authorities. The authorities accept the procedure and support the planned phase III study.

Fibrinogen: Data are available from the clinical phase I/II study (no. 984) of the fibrinogen product, which is 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 (PEI) 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. The European Medicines Agency (EMA) agreed with the positive recommendation of the Paediatric Committee (PDCO) regarding the paediatric development plan for fibrinogen for the indication congenital fibrinogen deficiency. The study protocol of the phase I/III study has been supplemented accordingly to allow the treatment of children under the age of six years in future.

For the indication acquired fibrinogen deficiency, the necessary documents for the approval of the phase III study (no. 995; ADFIRST) were submitted to the PEI and the authorities and ethics committees of other European countries. The conduct of the phase III study was approved by the competent authorities and ethics committees in Germany, Spain, Belgium and Switzerland. The study was started by opening the first study centres. The treatment of the first patients is expected.

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 in vitro and in vivo studies have shown improved binding to and killing of these organisms compared to standard immunoglobulins. Patient data support the use of Pentaglobin® in antibiotic-resistant organisms as well. A retrospective study in Greece, for example, showed a survival advantage due to Pentaglobin® in patients with severe sepsis or septic shock who tested positive for multiresistant bacteria. Similarly positive results were published by an Italian group of researchers. Multiresistant bacteria are currently one of the important discussion topics among the experts. Therefore, Biotest supports two randomised clinical studies on the treatment of severe bacterial infections with Pentaglobin®, which were initiated by universities. The first study is a multicentre study in patients with peritonitis (inflammation of the lining of the inner wall of the abdomen) conducted in Germany and Austria, which is led by Prof G. Marx at RWTH (Rheinisch-Westfälische Technische Hochschule) Aachen University. In November 2017, the first of about 200 patients was included in the study. The second multicentre study is conducted in sepsis patients in Italy under the leadership of Prof M. Girardis of Modena University.

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® showed a higher survival rate than patients who were treated with therapeutic plasma exchange.

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/study design	Number of study participants	Status as of 31 December 2017
Therapeutic 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/m	39	Analysis ongoing
Therapeutic area Clinical Immunology				
BT-063				
Phase IIa Systemic lupus erythematosus (SLE)	990	Multiple doses, 3-months treatment duration, placebo-controlled	36	Follow-up completed

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/study design	Number of study participants	Status as of 31 December 2017
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	Analysis ongoing
IgG Next Generation				
Phase III Primary immune deficiency (PID)	991	Multiple doses, 12-months treatment duration	60 planned	Adult recruitment completed; paediatric recruitment ongoing
Phase III Immunothrombocytopenia (ITP)	992	Multiple doses	40 planned	Patient recruitment ongoing
Therapeutic area Intensive Care Medicine				
Fibrinogen				
Phase I/III Congenital fibrinogen deficiency	984	Phase I: Single dose to determine pharmacokinetics; Phase III: Dosage and frequency of treatment of acute bleeds in case of therapy customised to each patient	36 planned	Patient recruitment ongoing
Phase III Acquired fibrinogen deficiency	995/ ADFIRST	Single dose in severe blood loss during planned spine surgery. Actively controlled, randomised study in comparison with fresh frozen plasma	200 planned	Study started
Trimodulin (IgM Concentrate)				
Phase II Severe community-acquired pneumonia	982	Multiple doses following severe community-acquired pneumonia (sCAP); treatment for five days, IV application, placebo-controlled double-blind study	160	Study concluded

Marketing and distribution

Therapeutic 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. In May 2017, Biotest received the marketing authorisation for Tunisia.

For Intratect® 50 g/l (5 %), Biotest received the price registration for Turkey in 2017 as well as the marketing authorisation in Lebanon in October 2017.

For Intratect® 100 g/l (10 %), the marketing authorisation was granted for Iran, Tunisia, Serbia, Brazil and Israel in the past financial year. In June 2017, the marketing authorisation for a new pack size of 2.5 mg (25 mL) was granted for EU member countries.

Biotest has been granted marketing authorisation in Israel, Taiwan and Singapore for early use of Zutectra® from one week after a liver transplantation. Zutectra® was launched in Slovenia in the 2017 financial year.

Cytotect® was sold in Norway, Sweden and Serbia for the first time in the third quarter of 2017.

Therapeutic area Intensive Care Medicine

In the 2017 financial year, the first sales of Pentaglobin® were made in Panama. For Romania, an import licence was granted for Pentaglobin® due to the specific medical need.

In October 2017, Biotest received the Albiomin® (20 %) marketing authorisation for Morocco.

Therapeutic area Haematology

Marketing authorisation for Vihuma® was granted by the European Commission in February 2017. Biotest has been distributing this recombinant factor VIII preparation in Germany and Austria on the basis of a cooperation with Octapharma AG since April 2017.

In the 2017 financial year, the distribution of the Haemoctin® product included the first delivery of the factor VIII tender in Hong Kong. In October 2017, Biotest received the Haemoctin® and Haemonine® marketing authorisation for Lebanon.

In September 2017, Biotest established a German team for the care of haemophilia patients at home, which helps patients comply with the prescribed steps for properly applying the preparations (compliance adherence team). The main aim is to ensure the correct application and treatment with factor concentrates even in difficult circumstances. This will sustainably improve haemophilia patients' everyday quality of life.

Plasma and Services

In 2017, Biotest expanded the company-owned network of plasma collection centres by further sites in the Czech Republic and Hungary to a count of 18 collection centres in Europe by the end of the year 2017.

Social responsibility

With its products and their therapeutical indications, 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 scholarship" of Johann Wolfgang Goethe University Frankfurt/Main, Germany, and is one of the sponsors of the "Night of Science". In this evening event, the general public and students of other fields may get further insights into scientific subjects.

As part of the 40-year anniversary of the City of Dreieich, Biotest further offered an information event for senior-level secondary school students taking advanced Biology courses. In a series of presentations, approximately 70 students received information on the topics of immunology, the immune system and diseases of the human immune system and their treatment.

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. In 2017, a young man from Syria who was forced to flee his country received an apprenticeship as well. Details on career start programmes are presented in the Human Resources chapter.

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

A. RESULT OF OPERATIONS

In the 2017 financial year, the Biotest Group generated revenue of € 378.1 million. This is a decrease of 7.3 % compared to the previous year, in which sales of € 408.0 million were generated. The decrease is particularly due to the recall of human albumin, the temporary interruption of human albumin production.

On the segment level, the Biotest Group achieved sales growth in the Plasma & Services segment. Sales in this segment rose by 7.4 % from € 54.2 million to € 58.2 million. In contrast, in the core segment Therapy, revenue fell by 9.5 % from € 346.8 million to € 313.7 million. Sales in Other Segments declined by € 0.8 million from € 7.0 million in the previous year to € 6.2 million in the 2017 financial year. Revenue from discontinued operation totalled € 163.1 million after € 202.4 million in the previous year.

SALES BY SEGMENT

in € million	2017	2016	Change in %
Therapy	313.7	346.8	–9.5
Plasma & Services	58.2	54.2	7.4
Other Segments	6.2	7.0	–11.4
Biotest Group	**378.1**	**408.0**	**–7.3**

The Biotest Group is a globally active company. In the 2017 financial year, 72.7 % of revenue was achieved outside Germany. Sales growth was generated in particular in the regions Rest of

Europe (+2.3 %) and Rest of Americas (+1.5 %). An important reason for the positive development in the region Rest of Europe was the expansion of Pentaglobin sales by € 7.4 million as well as the increase in plasma sales by € 1.1 million (>100 %).

The other regions recorded sales declines, due to in particular to the product recall of human albumin, insufficient availability of human albumin and the delay in tender deliveries. On the German domestic market, they amounted to –4.7 %, in the region Middle East and Africa, to –17.2 % and in the region Other Asia and Pacific, to –29.3 %.

Of the revenues of discontinued operations, 65.5 % were generated in the USA.

SALES BY REGION

in € million	**2017**	2016	Change in %
Germany	103.2	108.3	–4.7
Rest of Europe	143.4	140.2	2.3
Rest of Americas (without USA)	13.7	13.5	1.5
Middle East and Africa	99.5	120.1	–17.2
Other Asia and Pacific	18.3	25.9	–29.3
Biotest Group	**378.1**	**408.0**	**–7.3**

The cost of sales increased from € 238.6 million to € 254.6 million in the 2017 financial year. The rise of 6.7 % is primarily due to the effects of the human albumin recall in the form of write-down of human albumin inventories. In addition, costs of unutilised capacity relating to the opening of plasma collection centres had a negative impact on the cost of sales.

Largely due to the corresponding sales development in the Plasma & Services Segment, marketing and distribution costs also slightly rose by 6.5 % year-on-year and amounted to € 53.7 million in the 2017 financial year (previous year: € 53.8 million). Their share in sales accordingly rose by 1.0 percentage points from 12.4 % in 2016 to 13.2 % in the 2017 financial year.

Administrative expenses increased from € 32.3 million to € 45.2 million in the 2017 financial year. The administrative expense ratio therefore increased to 12.0 % after 7.9 % in the previous year. The rise in administrative expenses by 39.9 % is essentially due to expenses for consultancy services in connection with the acquisition of Biotest AG by Creat.

Research and development cost increased to € 55.4 million in the 2017 financial year (previous year: € –48.3 million). The R&D cost relative to sales was 14.7 % (2016: 11.8 %) in the past financial year. The main reason for the increase was a rise in expenses associated with the Biotest Next Level project, while expenses for monoclonal antibodies declined significantly.

Other operating expenses increased from € 3.8 million in the 2016 financial year to € 4.2 million. Other operating income amounted to € 25.7 million in 2017 and was therefore higher than the previous year's € 4.0 million. Reimbursements from the termination of long-term supply agreements received in the financial year totalling € 18.6 million and insurance compensation in the amount of € 5.0 million are the cause of the considerable rise.

Particularly due to the extraordinary effects of the human albumin recall, the EBIT totalled € –9.3 million in the 2017 financial year after € 35.2 million in the same period of the previous year. The effects of the recall adversely impacted results by € 27.9 million. The EBIT margin was therefore –2.5 % in 2017, after 8.6 % in the previous financial year.

In the core Therapy segment, EBIT amounted to € –15.0 million in the 2017 financial year (previous year: € 29.8 million). The main causes for this development was a sales decline by € 17.4 million due to the anticipated return of human albumin already delivered and contractual penalties, one-time expenses from write-downs on inventories and other costs relating to the recall in the amount of € 10.5 million. In addition to the

PRIMARY COST POOLS OF THE BIOTEST GROUP*

in € million	**2017**	**% of sales**	2016	% of sales
Cost of sales	–254.6	67.3	–238.6	58.5
Marketing and distribution costs	–53.7	14.2	–53.8	13.2
Administrative expenses	–45.2	12.0	–32.3	7.9
Research and development costs	–55.4	14.7	–48.3	11.8
Other operating income and expenses	21.5	5.7	0.2	–
Financial result	–16.8	4.4	–12.6	3.1

* Costs/expenses are denoted with a negative sign

described effects of the recall, the limited availability of human albumin and the postponement of tender deliveries had a negative impact on earnings in the Therapy segment.

EBIT in the Plasma & Services segment was € 19.9 million (previous year: € 6.9 million). This was particularly caused by reimbursements from the termination of long-term supply agreements totalling € 18.6 million.

EBIT in Other Segments declined from € –1.5 million in the previous year to € –14.2 million in the current year due to the consultancy costs arisen in connection with the acquisition of Biotest AG by Creat.

EBIT from discontinued operations totalled € 27.3 million after € –56.7 million in the previous year.

The financial result declined to € –16.8 million in the 2017 financial year after € –12.6 million in the previous year. This is primarily due to foreign exchange rate losses on account of the weaker development of the US dollar compared to the euro.

This resulted in earnings before taxes (EBT) of € –26.0 million for the Biotest Group's continuing operations, compared to € 24.0 million in the previous year. EBT of discontinued operations were € 13.0 million in the 2017 financial year after € –56.8 million in the previous year.

The tax income of the 2017 financial year largely resulted from expected tax refunds for the previous year and from deferred tax income. The tax expenses of the previous year were considerably influenced by the non-recurring negative effects of the agreement reached with the tax authorities regarding tax payments for previous years in connection with Biotest AG's business in Russia. Earnings after taxes of continuing operations in the amount of € –16.4 million (previous year: € 6.1 million) is characterised by the negative EBIT in the 2017 financial year.

Earnings after taxes of discontinued operations increased from € –51.8 million in 2016 to € 12.9 million. In the 2016 financial year, earnings after taxes of discontinued operations were particularly negatively affected by depreciation and amortisation of the goodwill, property, plant and equipment and inventories of Biotest Pharmaceutical Corporation's Therapy segment and by one-off payments associated with the distribution agreement with Kedrion Biopharma Inc.

The Biotest Group's total earnings after taxes (EAT) from continuing and discontinued operations therefore amounted to € –3.5 million (previous year: € –45.7 million). This results in earnings per share of € –0.09 after € –1.17 in the previous year.

KEY PERFORMANCE FIGURES OF THE BIOTEST GROUP

in € million	**2017**	2016	Change in %
EBIT	–9.3	35.2	< –100
EBT	–26.0	24.0	< –100
EAT	–16.4	6.1	< –100

B. FINANCIAL POSITION

As of 31 December 2017, total assets increased by € 45.7 million, from € 932.8 million as of 31 December 2016 to € 978.5 million.

On the asset side, non-current assets increased to € 528.8 million from € 465.6 million in the previous year. In particular, property, plant and equipment increased from € 414.9 million to € 477.1 million, which was attributable to further capital expenditure as part of the Biotest Next Level expansion project.

Intangible assets decreased by € 8.7 million, from € 25.3 million as of 31 December 2016 to € 16.6 million as of 31 December 2017. The main reason was the reclassification of the intangible assets of Biotest Pharmaceutical Corporation as assets held for sale.

Current assets decreased by 4.2 % to € 447.6 million as of 31 December 2017 (31 December 2016: € 467.2 million).

This was mainly the result of the disposal of the assets sale to ADMA Biologics Inc. on 6 June 2017 and a decline in trade receivables by 18.3 % to € 133.8 million (31 December 2016: € 163.8 million). The decrease in trade receivables results firstly from the recall of human albumin and secondly from the reclassification of receivables in the amount of € 18.0 million as assets held for sale.

Short-term other financial assets decreased by € 5.7 million to € 0.5 million after € 12.2 million as of 31 December 2016. 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, cash and cash equivalents were € 22.3 million, € 50.6 million lower than in the previous year (31 December 2016: € 72.9 million).

Assets held for sale amounted to € 25.6 million as of 31 December 2017 after € 25.1 million in the previous year. In the financial year, they particularly concerned property, plant and equipment as well as the interest in ADMA Biologics Inc., Ramsey, USA, inventories and trade receivables of BPC.

In terms of equity and liabilities, equity declined by 3.6 % to € 347.8 million (31 December 2016: € 360.7 million). The equity ratio of 35.5 % was below the level of the previous year (31 December 2016: 38.7 %).

Debt increased last year to € 630.7 million (31 December 2016: € 572.1 million). This was essentially the result of taking up another Kreditanstalt für Wiederaufbau (KfW) energy efficiency loan with a nominal amount of € 70 million in connection with the Biotest Next Level project.

Non-current liabilities was € 379.5 million as of 31 December 2017 (previous year: € 426.1 million). The Biotest Group currently has loans of € 283.5 million available over the long term. Pension provisions amounted to € 86.3 million as of 31 December 2017 after € 83.8 million in the previous year.

Current liabilities increased significantly from € 146.0 million to € 251.2 million. This was mainly attributable to a higher volume of short-term financial liabilities.

The capital available to the Company over the long term (equity, pension provisions and non-current financial liabilities) covered 73.7 % of total assets as of 31 December 2017 (previous year: 83.0 %). Net debt increased from € 263.3 million to € 384.1 million as of 31 December 2017.

C. CASH FLOW

The cash flow from operating activities of continuing operations decreased from € 46.0 million in the previous year to € 18.3 million in the 2017 financial year, a development which is primarily attributable to negative earnings before taxes. The operative cash flow before changes in working capital equals € 34.4 million (previous year: € 58.6 million). Cash flow from changes in working capital decreased to € –12.0 million after € 18.5 million in the previous year. Interest and taxes paid totalled € –4.1 million after € –31.1 million in the previous year. It must be noted that the previous year's figure included one-off payments associated with the Russian business.

The cash flow from investing activities of continuing operations amounted to € –109.3 million for the period between January and December 2017 compared to € –21.8 million in the previous year. The cash flow from investing activities of the continuing operations adjusted for cash inflow from financial assets as part of short-term financial planning changed from € –132.4 million to € –119.3 million.

In the 2017 financial year, the Biotest Group generated a cash flow from financing activities of continuing operations of € 56.3 million compared to € –11.8 million in the previous year, taking the dividend payments of € 2.4 million in the 2017 financial year into account. The rise essentially resulted from cash inflow due to the energy efficiency loan taken from the Kreditanstalt für Wiederaufbau (KfW) in the amount of € 70 million.

Cash and cash equivalents of continuing operations amounted to € 22.3 million at the end of 2017 compared to € 72.9 million as of 31 December 2016.

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 35.5 % as of 31 December 2017, Biotest has temporarily fallen short of this target due to the loss situation but still has a solid basis for financing future capital expenditure. In addition, since 2014, Biotest has taken out energy efficiency loans from the Kreditanstalt für Wiederaufbau (KfW) totalling € 170.5 million to support the financing of the projects to construct the new plasma receiving area and the new production facility at advantageous conditions. The total of equity and the non-current components of debt financing should cover fixed assets. The capital structure is described in Sections E 14 and H 6 of the Notes. The effects of the change of control effective 31 January 2018 due to the closing of the unsolicited takeover offer of Tiancheng are discussed in Section H 13 of the Notes and in Section C of this report. In preparation of the takeover by Creat, the agreement on the sale of the US companies Biotest US Corporation, Boca Raton, USA, and Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, became effective on 19 January 2018. Until the closing of this sale, Biotest AG has transferred the shares of BUC to a US trust. Both company transactions significantly influence the financial status and cash flow of the Biotest Group.

V. SUMMARY ASSESSMENT OF THE BUSINESS SITUATION OF THE COMPANY

Taking into account the results of the US business, which still belonged to the Biotest Group in 2017, the Biotest Group met the adjusted earnings forecast for the 2017 financial year issued in April 2017, after the human albumin recall. The EBIT forecast for continuing operations of € 46 million to € 48 million and for cash flow from operating activities of approximately € 40 million were reduced by approximately € 25 million to € 30 million.

The revenue of the continuing and discontinued operations amounted to € 541.2 million for the 2017 financial year (previous year: € 610.4 million). EBIT from continuing and discontinued operations totalled € 18.0 million (previous year: € –21.5 million).

Furthermore, the Company made decisive steps forward in the past year regarding the important Biotest Next Level project. In August 2017, obtaining building acceptance meant that an important milestone was reached. Moreover, the newly constructed laboratories at the Dreieich site successfully passed the "Good Manufacturing Practice" (GMP) inspection of the Darmstadt Regional Authority. 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, five new plasmapheresis centres were opened in the 2017 financial year, which considerably expanded the plasma collection network in Europe. The Biotest Group is thereby securing the sufficient future supply of the most important raw material, human blood plasma.

In Creat, Biotest has a strong partner who will support the significant investments in products and facility over the coming years. For the global distribution of Biotest products, this partnership also opens up the possibility to use of the sales network of Creat for biopharmaceuticals. Profitable synergies will result.

C. SUPPLEMENTARY REPORT

On 19 January 2018, the Committee on Foreign Investment in the United States, CFIUS, granted foreign trade approval and thus met the last remaining condition for the takeover offer of Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. The unsolicited takeover offer of the shares of Biotest AG, announced on 18 May 2017, therefore became effective. The offer of Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, and the payment of the purchase price to the custodian bank of the Biotest shareholders who accepted were settled immediately and, as described in Section 13.5 of the offer document.

Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, an indirectly controlled subsidiary of Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), a company established and operating under the law of the People's Republic of China, therefore holds a majority interest (approx. 90 % of the ordinary shares with voting rights of Biotest AG) of Biotest AG since 31 January 2018.

Hence, a change of control under company law occurred on 31 January 2018 for Biotest AG and indirectly Biotest Pharma GmbH. This change of control can mean grounds for termination or special repayment obligations under the credit agreements. The remaining maturities of the financial liabilities indicated in the Notes may change as a result. As a result, loans, credits and approved operating credit lines, up to € 487.5 million in the Biotest Group could therefore become due for payment over the course of 2018.

Until the refinancing of the credit agreements, which will be arranged in consultation with Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), within six months, Biotest has asked all creditors to temporarily forgo exercising certain rights due to the change of control, thus ensuring ongoing operations ("umbrella agreement"). In return, Biotest has pledged itself not to allow any measures that could make a valuation of the borrowers as separate entities impossible. Among other things, these clauses stipulate that no dividends can be distributed and no loans can be extended to companies of Creat. In addition, Biotest has committed to complying with EBITDA-based financial covenants during the term. This agreement for a financing volume of € 298.8 million and $ 13.5 million, comprising loans, credits and approved operating credit lines, was signed on 29 August 2017. The agreement excludes the right to termination on the grounds of the change of control for six months from the date of the change of control. Thus, creditors will again have a right to termination on the grounds of the change of control after six months, and Biotest would be required to pay prepayment penalties in a single-digit million range. Creditors with a financing volume of € 154.8 million and $ 36.5 million did not sign the agreement. The time this report was written, promissory notes of € 69.0 million and $ 36.5 million as well as Kreditanstalt für Wiederaufbau (KfW) loans of € 7.2 million were repaid to these creditors. Contracts regarding short-term

credit lines in the amount of € 27.5 million were cancelled by mutual agreement or were not extended. Prepayment penalties were paid in the amount of € 3.2 million. After this report is written but before expiry of the agreement on 20 July 2018, additional special repayments for promissory notes and KfW loans as well as payments of prepayment penalties may be made. With the expiry of the agreement with the creditors on 20 July 2018, further special repayments as well as payment obligations on the basis of prepayment penalties may arise.

In its public takeover offer, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, announced that it will provide any refinancing required that arises due to change of control clauses in the Biotest Group's current financing agreements. In order to bridge the special termination rights already exercised, Tiancheng concluded a contract with Biotest on 28 August 2017 to grant a subordinated shareholder loan of € 190.0 million, with a term of 2 years from the date of drawing. This was subject to the suspensive condition of the change of control. The loan was granted to Biotest on 30 January 2018.

In the context of the approval by CFIUS, Biotest signed an agreement on the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA. Until the closing of this sale, Biotest AG has transferred the US companies to a US trust on 19 January 2018 by way of an agreement dated 17 January 2018. As a result of the transfer to the US trust, the business allocated to these companies must be qualified as discontinued operations.

On 8 February 2018, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, notified Biotest AG that it intends to enter into a domination and profit and loss transfer agreement pursuant to Section 291 para. 1 of the German Stock Corporation Act (AktG) between Biotest AG as dominated and profit transferring company and Tiancheng, as dominating company, which is authorized to receive the profit transfer, and to vote in favour of such domination and profit and loss transfer agreement in a general meeting of Biotest AG. Tiancheng has asked to enter into negotiations. Biotest AG expects the cash compensation and guaranteed dividend for minority shareholders of Biotest AG to be determined in accordance with the statutory requirements and on the basis of a valuation of the Company. In order to become effective, the intended domination and profit and loss transfer agreement requires the approval of the general shareholders' meeting of Biotest AG.

Subsequent to the successful execution of the takeover offer, Mr Kurt Hardt resigned from the Supervisory Board of Biotest AG as of 28 February 2018. Mr Tan Yang, who was already elected alternate member in the Annual Shareholders´ Meeting held on 30 August 2017, therefore became a regular member of the Supervisory Board as of 1 March 2018. He was appointed Vice Chairman of the Supervisory Board.

In January 2018, Biotest opened the second plasmapheresis centre in Czechia. It is located in Břeclav in the south east of the country. The Czech health authority SUKL (Státní ústav pro kontrolu léčiv) granted an operating licence. This means that Biotest completed the expansion of the centre in Břeclav, which was partially completed at the time of the acquisition of Cara Plasma s.r.o., as scheduled.

D. OUTLOOK, RISK AND OPPORTUNITIES REPORT

I. OUTLOOK REPORT

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

The Board of Management assumes a positive performance for the current 2018 financial year. The demand for plasma-derived products is growing continuously throughout the world, but since Biotest is already fully utilising manufacturing capacities, no sales growth is expected until the commissioning of the new Biotest Next Level plant. Only in the area of hyperimmunoglobulins can the marketing authorisation in new markets further increase sales. However, this sales growth could be at risk due to sustained price pressure on immunoglobulins in Europe in 2018 as well as the continued tense situation in the crisis regions of the world. The planned sale of the US companies Biotest US Corporation, Boca Raton, USA, and Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, is expected to lead to a positive one-time effect in the 2018 financial year, and the takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, which is made possible by that sale, is anticipated to have a long-term positive effect on the business development.

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 2018. However, the start-up costs associated with the investments as well as the rising expenditures for phase III studies for the new Biotest Next Level products will considerably adversely impact results over the next two to three years.

B. DIRECTION OF THE GROUP IN THE 2018 FINANCIAL YEAR

The general direction of the Biotest Group in the 2018 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 OF THE MARKET ENVIRONMENT

Target markets

According to current studies, the worldwide demand for immunoglobulins (IgG) will continue to grow in the coming years by 6 % to 7 % annually.[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 in part to additional fractionation capacity arising at various plasma companies around the world and gradually making its way to market.

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

D. EXPECTED DEVELOPMENT OF THE BIOTEST GROUP

Expected business and earnings situation of the Biotest Group

In the 2018 financial year, the Board of Management expects sales of continuing operations to increase by a mid-single-digit percentage. Earnings will be influenced by various factors in 2018. Besides the deliberately further increased expenses as part of 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 2018 and the continued tense situation in the crisis regions, especially in the Middle East, could be noticeable. Due to the above influences, the Board of Management anticipates EBIT of continuing operations in the range of € 10 to 12 million. Without the adverse effects from the Biotest Next Level project, the adjusted EBIT would therefore be approximately € 70 to 80 million. For 2018, the Board of Management expects a return on capital employed (ROCE) of approx. 1.2 % and cash flow from operating activities of approximately € 10 million.

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 has used and will continue to 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 2018 financial year, capital expenditure of approximately € 65 million is planned for the Biotest Group, of which a substantial portion is attributable to the Biotest Next Level project. However, there will also be further capital expenditure for expanding existing and adding new plasma centres in Europe. In addition to the organic growth described above and the financing thereof, partnerships could represent a future strategic option. The acquisition of the majority of the shares of Biotest AG by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, on 31 January 2018 resulted in a change of control, which can also affect the cash flow and financial position of Biotest. For details, please refer to the corresponding statements in the supplementary report.

With execution of the takeover offer by Tiancheng (Germany) Pharmaceuticals Holding AG, Munich, Germany, the existing loan agreements may be terminated in 2018 due to the change of control. As of 31 January 2018, Tiancheng granted Biotest a subordinated shareholder loan of € 190.0 million, with a term of 2 years. Furthermore, the creditors confirmed a financing volume of € 298.8 million and $ 13.5 million, comprising loans, credits and approved operating credit lines, until 20 July 2018. Within this period, Biotest will discuss the further financing with the creditors and Tiancheng. The purchasing price from the sale of the shares of the US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, could be used to further reduce financial liabilities as well.

15 Biotest Strategic Business and Customer Insights based on MRB (2013, 2015, 2016), PPTA (2016), Markets and Markets (2016), Credit Suisse (October 2017)

16 QuintilesIMS (as of November 2017), Goldman Sachs (18 Mai 2015)

17 Biotest Strategic Business and Customer Insights based on MRB (2016)

Expected developments in the segments

Therapy segment

The following significant advances and developments are expected in the Therapy segment in the current 2018 financial year:

Therapeutic area Clinical Immunology

IgG Next Generation: In 2017, two pivotal studies for IgG Next Generation were conducted 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). Study 991 now includes the planned number of adult patients; only children are now being included in the study until the total of about 60 patients has been reached. In the context of the study, the patients are treated with IgG Next Generation for one year. The recruitment of patients in study 992 will continue until approximately 40 patients are included.

BT-063: In 2017, part II of the phase IIa study (no. 990) of the treatment of patients diagnosed with systemic lupus erythematosus (SLE) was conducted. In this study, which is being carried out in several European countries, a total of 36 SLE patients were treated with BT-063 or a placebo for three months each. The aim of the study is to examine the safety and tolerability of the drug in SLE patients. In addition, initial data are collected on efficacy in SLE patients. The patient follow-up of the second part of the study has now been completed as well. After completion of the investigations on the mechanism of action, which accompanied the study, as well as the analysis of all laboratory parameters, the study can be unblinded and the results analysed in the first half of 2018.

Fovepta®: The market launch of Fovepta® is planned in numerous countries in Asia and the Middle East after the respective marketing authorisations have been granted there. Furthermore, Fovepta® continues to be distributed successfully in other Asian and African countries and in Saudi Arabia.

Intratect® 100 g/l (10 %): Intratect® 100 g/l (10 %) was introduced in Germany in 2013. Today, the product is successfully distributed in numerous European countries as well as in Asia and other regions. Applications for marketing authorisation were submitted in additional countries. After they are granted, the market launch is conducted.

Therapeutic area Intensive Care Medicine

Fibrinogen: The phase I/III study (no. 984) serves to collect pharmacokinetic parameters and data on the treatment of haemorrhages in patients with congenital fibrinogen deficiency. The Paul Ehrlich Institute (PEI), 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 as-needed treatment of patients, e. g. in the case of haemorrhage or when undergoing surgeries. The inclusion and the treatment of patients in the study continue. On the basis of the initial preliminary results, the EMA approved the paediatric investigation plan for the treatment of children under the age of six years in the context of this study. After approval of the modified study protocol, the treatment of children under the age of six years can start. The necessary documents for the approval of the phase III study (no. 995; ADFIRST) for the indication acquired fibrinogen deficiency were submitted in 2017 to the PEI and the authorities and ethics committees of other European countries. The conduct of the phase III study was approved by the competent authorities and ethics committees in Germany, Spain, Belgium and Switzerland, and the study was started with opening the first study centres.

Trimodulin (IgM Concentrate): In 2017, Biotest presented the competent authorities the data of the phase II study with Trimodulin (IgM Concentrate) in the indication severe community-acquired pneumonia (sCAP) as well as the further clinical development concept. The authorities have accepted the procedure and support the planned phase III study.

At the same time, the authorities recommended for Biotest to further technologically optimise the production process according to the latest scientific methods. Biotest has already successfully completed the development work to meet these requirements of the authorities. This technology will be implemented on the production scale in 2018. The phase III study is planned to start after completion of the work, in late 2018.

Plasma & Services segment

Company strategy within the Plasma & Services segment aims at maximum utilisation of the existing plasma production capacities. Plasma that is not needed 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 2017.

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 to the extent possible. Risk management processes are documented in detail, and the relevant documents are stored in the risk management system.

The IT-supported risk management system of the Company meets the requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG). Risk management processes are documented in detail, and the relevant documents are stored in the risk management system.

One goal of the implemented risk management system is to identify and evaluate risks that might negatively impact the compliance of the consolidated financial statements with the rules. Furthermore, any risks identified are reduced to the extent possible, 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 the medium-term to long-term risks as well as the following short-term 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. 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 quickly and directly.

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 regularly reviews risk management and controlling standards and procedures for appropriateness and efficacy. The last audit took place in 2015. The next audit is scheduled for 2018. 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 the IFRS. 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 financial statements of important Group companies 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 premises (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

In areas where it is possible, 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 H 4 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.

Biotest distinguishes between short-term risks, the materialisation of which would lead to a deviation from the plan for the following financial year, and long-term risks. While long-term risks are prioritised on the basis of an assessment using a graded scoring model that is related to the amount of damage, the significance of short-term 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 million	M	H	H	H
€ 2.5 to 5 million	M	M	H	H
€ 1.0 to 2.5 million	L	M	M	H
< € 1.0 million	L	L	M	M

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

If 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 is able to do so 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 that the volume of sales could be lower than planned, especially in the case of individual tendered contracts in the Therapy segment.

Based on the price trend of the past few years, the risk of significant price decreases for plasma proteins has not increased. 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 medicine 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. Since receivables in countries subject to sanctions of the European Union increased compared to the previous year, the Board of Management considers the risk of default risk for receivables in this year as moderate risk (previous year: 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 medicines 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 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 was already taken into account in the 2016 results and was paid in 2017.

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, unexpected delays may occur 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 low 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 Middle East has destabilised further in some cases in 2017. 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

Risks associated with Biotest Next Level, the largest investment and development project of Biotest

With the development of three new products, the development of new, optimised manufacturing processes and the construction of new production capacities as part of the Biotest Next Level project, Biotest started the largest development and investment project of the Company history in 2013. The development of IgG Next Generation, Trimodulin (IgM Concentrate) and fibrinogen and the new construction of the production facility are on track.

The acceptance of the production building under construction law was successfully completed, and the quality control laboratories in the building have already started routine operations. Biotest is currently in the phase of testing and commissioning of the completely installed facilities in the building. In this process, contamination has currently been identified in the media systems. Biotest is eliminating these identified defects. In total, the project may be delayed by six to twelve months. A twelve-month delay would mean that the first new products from the Biotest Next Level project will be available in 2020/2021. In the course of further testing and commissioning, it is possible that further problem areas may be detected.

For example, if errors or programming deficits are found, considerable delays may arise in the networking which is still to be tested, in the system technical integration and in the implementation of automation of the individual parts of the plant. Due to the presented disruptions, the risk has been newly recorded in this financial year. Since it is a long-term project, the Board of Management assesses short-term risks associated with Biotest Next level as moderate.

Research and development risks

New medicines undergo several pre-clinical trials and clinical trials 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 and development times cannot always be exactly predicted – unexpected additional costs and increased development time may arise. Changes to the market environment, in particular 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. In the Biotest Next Level development programme, the IgG Next Generation, Trimodulin and fibrinogen development projects were advanced simultaneously with the construction and qualification of the new plant. The associated high complexity requires particularly close management and monitoring of product development and marketing authorisation as well as production planning. In addition, unexpected events in one of the programme strands – such as at the start and during the conduct of clinical studies – may lead to the Biotest Next Level manufacturing plant reaching profitable utilisation later or not as planned and to the carrying amount of this plant having to be partially depreciated. 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 pre-clinical development is evaluated in 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.

As discussed before, technical difficulties in the official acceptance of the planned Biotest Next Level production facility have currently arisen. In the pipes of various supply systems, contaminants and defects arising from the building phase of these trades were found. Biotest examined all potentially affected systems and is eliminating these defects. At the time of publication, it is expected that the Biotest Next Level investment project will be delayed by about six to twelve months. At this time, the Board of Management considers this to be a moderate to elevated risk. Since it is a long-term project, the Board of Management assesses short-term risks associated with Biotest Next level as moderate.

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. Furthermore, long-term supply agreements with guaranteed off-take are also associated with the risk of not being able to sell these quantities in time or of the supplier demanding compensation or terminating the agreement in case of non-compliance with the delivery quantity. 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 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 medicines. 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. In order to counteract this risk, the Biotest Group has further strengthened compliance measures in the 2017 financial year as well. The Corporate Compliance Officer is a member of important decision-making bodies of the Company. As a result, compliance aspects are taken into account in relevant business processes.

In close collaboration with the Compliance, Legal and Information Technology departments, the international compliance system has been further expanded and adjusted in accordance with current requirements, taking country-specific features into account. In addition to the update of the Compliance Manual, forms, standard contracts, and model clauses, a new corporate guideline regarding donations and sponsoring, including the associated approval form, was generated and approved in 2017.

Any transactions of Biotest AG or other Group companies with relevant professionals (that is, doctors, pharmacists and state-qualified nurses) which may be associated with compliance risks, such as continued education events, expert meetings, presentations and observational studies that are financially supported by Biotest, are subject to prior written approval by the Compliance Department. Furthermore, as part of a so-called vendor compliance process, the Compliance Department reviews the supporting documentation for invoices from this area for plausibility. This process is also used for the annual publication of the so-called transparency data (that is, listing of donations provided to healthcare professionals), which Biotest AG has committed to disclosing as a member of AKG e.V. (an association dedicated to medicines and cooperation in health care).

As in previous years, a meeting of the compliance officers of the Biotest Group was held in 2017. At this meeting, national compliance officers reported on activities and working results in their countries. In the 2017 meeting, several measures to intensify operative collaboration were agreed (e. g. shared forms and regular telephone conferences).

Based on their risk exposure, employees in all departments of the Biotest Group regularly receive training on the risks affecting them and current developments in the compliance field. All employees regularly receive basic training on the Code of Ethics and Conduct of Biotest AG. All distributors and agents are informed of any changes in the code of conduct. They annually confirm that they have received and taken note of the code of conduct. The key contents and messages of the code of conduct have been summarised in a leaflet that is distributed to all employees and relevant business partners in physical and electronic form.

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 management. For distributors and agents, information events on compliance topics and on the Code of Ethics and Conduct are regularly held.

The compliance management system is regularly reviewed for appropriateness and efficacy by the Internal Audit department. The last audit took place in 2016.

In Italy, the Naples public prosecutor's office brought a charge of price fixing, among other things, against 16 people. Two of the 16 accused are employees of Biotest. 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. Biotest Italia S.r.l. has agreed for the allegations to be investigated in shortened legal proceedings, in which only written evidence may be used. It currently seems unlikely that Biotest Italia S.r.l. will be convicted.

In relation to the Russian business of Biotest AG, the authorities have now terminated the investigations against Biotest AG and against the majority of the accused persons of Biotest AG. The Frankfurt/Main prosecutor's office has brought charges against three managers of the Company. The competent court has not yet decided on the admission of the case.

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

The defence costs arising in connection with the proceedings ongoing are covered by appropriate provisions. Biotest has responded to the investigations associated with the Russian business by expanding the audit and training of sales partners. Due to the increasing activities of the law enforcement authorities of many countries in the area of economic crime, compliance risks are assessed as moderate starting this year (previous year: low risk).

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, the SAP ERP Business Suite, since 2008. The security of business data 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. The key systems (e.g. SAP or central file services) are also redundantly designed and are based in two spatially separated computer centres. The proper handling of systems and data is governed by 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 through 2017, the Biotest Group concluded energy efficiency loans with funds provided by the Kreditanstalt für Wiederaufbau (KfW). The loans were issued without collateral and without financial ratio covenants. The loans concluded in 2016 and 2017 were not utilised until the 2017 financial year. 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 and possible. 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 or Turkey), those sales that can no longer be generated cannot be hedged. The Board of Management considers the currency risks to be moderate.

Financing risk

As of 31 December 2017, all loan agreements existed in the presented form and maturity. Effectiveness of the takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, resulted in a change of control under company law for the borrowers Biotest AG and indirectly Biotest Pharma GmbH. This change of control can mean grounds for termination or special repayment obligations under the credit agreements. As a result, loans, credits and approved operating credit lines of up to € 487.5 million in the Biotest Group can therefore become due for payment over the course of 2018. In its unsolicited takeover offer dated 18 May 2017, Tiancheng announced that it will provide any refinancing required that arises due to change control clauses in the Biotest Group's current financing agreements. This financing would be provided by Tiancheng as a subordinated shareholder loan to Biotest AG.

Until the refinancing of the credit agreements, which will be arranged in consultation with Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), after the change of control, Biotest has asked all creditors to temporarily forgo exercising certain rights due to the change of control, thus ensuring ongoing operations. In return, Biotest has pledged itself not to allow any measures that could make a valuation of the borrowers as separate entities impossible. Among other things, these clauses stipulate that no dividends can be distributed and no loans can be extended to companies of Creat. In addition, Biotest has committed to complying with financial covenants during the term. This agreement for a financing volume of € 298.8 million and $ 13.5 million, comprising loans, credits and approved operating credit lines, was signed on 29 August 2017. The agreement excludes the right to termination on the grounds of the change of control for six months from the date of the change of control. Thus, creditors will again have a right to termination on the grounds of the change of control after six months, and Biotest would be required to pay prepayment penalties in a single-digit million range. Creditors with a financing volume of € 154.8 million and $ 36.5 million did not sign the agreement by the time this report was generated. The time this report was written, promissory notes in the amount of € 69.0 million and $ 36.5 million as well as KfW loans of € 7.2 million were repaid to these creditors. Contracts regarding short-term credit lines in the amount of € 27.5 million were cancelled by mutual agreement or were not extended. Prepayment penalties were paid in the amount of € 3.2 million. After the report is written but before expiry of the agreement on 20 July 2018, additional special repayments for promissory notes and KfW loans as well as payments of prepayment penalties may be made. With the expiry of the agreement with the creditors on 20 July 2018, further special repayments as well as payment obligations on the basis of prepayment penalties may arise.

On 19 January 2018, the Committee on Foreign Investment in the United States (CFIUS) granted foreign trade approval and thus met the last remaining condition for the takeover, and the takeover offer became effective. The uncertainty regarding financing, which existed up to that point, was resolved with the execution of the takeover.

In the context of the Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat) takeover offer, Biotest signed an agreement on the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, on 22 December 2017 (signing date). Until the finalisation (closing date) of this sale, Biotest AG transferred the US companies to a US trust on 19 January 2018. In the event that not all conditions for the closing are met, the inflow of cash expected from the sale will not take place.

On 28 August 2017, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, concluded a contract with Biotest to grant a subordinated shareholder loan of € 190.0 million, with a term of two years from the date of drawing. This was subject to the suspensive condition of the change of control. The loan amount was paid out to Biotest AG with the takeover on 31 January 2018.

Furthermore, the creditors confirmed a financing volume of € 298.8 million and $ 13.5 million, comprising loans, credits and approved operating credit lines, until 20 July 2018. Within this period, Biotest will discuss the further financing with the creditors and Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. The purchasing price from the sale of the shares of the US companies Biotest Pharmaceuticals Corporation Boca Raton (BPC), USA, and Biotest US Corporation Boca Raton, USA, could be used to further reduce financial liabilities as well.

Execution of the takeover offer by Tiancheng (Germany) Pharmaceuticals Holding AG, Munich, Germany, will likely result in a restricted usability of tax loss carry forwards – in particular for Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA. Thus far, no deferred tax assets for the respective loss carry forwards have been recognised in the consolidated financial statements.

In this financial statement, Biotest AG included deferred tax assets for the current financial year amounting to € 10.0 million. With execution of the takeover by Creat a verification based on German Tax Law becomes necessary regarding to what extent losses incurred before the takeover can be utilised for tax purposes. Currently Biotest AG assumes that the regulations on limiting the utilisation of tax losses are not applicable in case of the takeover by Creat.

Other risks

Risks resulting from side effects or interactions

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. As part of the pharmacovigilance system (PVS), reported suspected cases of side effects or interactions are recorded, investigated and analysed by Biotest, and further risk-based measures to minimise risks are taken. Core elements of PVS are the expertise of employees with qualifications in medicine, pharmaceutics or other natural sciences as well as validated structures for data processing, data analysis and reporting to regulatory authorities. The system also requires that each international subsidiary of Biotest employs a local contact for pharmacovigilance and each cooperating partner designates one. The Corporate Drug Safety (CDS) department is responsible for the establishment and continuous updating of the PVS. The measures to be adopted in agreement with regulatory authorities can range from continuation of the established pharmacovigilance routine described in SOPs, additional data analysis, exchange of information, supplements to the information in the package information leaflet in the sections side effects, warnings and contraindications all the way to restriction or withdrawal of the marketing authorisation. The latter would have considerable negative effects. Due to established and independently audited pharmacovigilance processes and extensive experience with the product portfolio, Biotest is unlikely to experience serious consequences resulting from unexpected side effects. Overall, the Board of Management considers the risks in this area to be low.

Risks caused by quality defects

Biotest meets the strictest international criteria of Good Manufacturing Practise (GMP) and ensures, largely through the departments Manufacturing, Quality Assurance (QA) and Quality Control (QC), that safety-relevant defects are very rare exceptions. In conjunction with the pharmacovigilance system (PVS), the quickest possible detection of suspected quality defects, their analysis, assessment in terms of medical risks and, if necessary, correction and risk minimisation are guaranteed, and a competent, objective and well-founded decision is ensured. Quality defects may be suspected as a result of internal quality control carried out as part of manufacturing ("deviation reports") as well as due to customer complaints from the market ("product technical complaints"), which are recorded like side effect reports through the PVS. If a quality defect fraught with risk were to be confirmed, risk-minimising measures would be implemented independently and immediately, in the greatest possible coordination with regulatory authorities, through the Biotest Medical Alarm Plan Committee (MAPCOM) as part of the respective process and under the leadership of CDS. The Board of Management as well as the sales organisation are notified of such situations, but for reasons of governance, they are not involved in the decision on measures to be taken. A typical measure resulting from a confirmed defect fraught with risks would be to block batches in storage and recall delivered goods to prevent their further administration. Recalls of certain batches are not unusual in the pharmaceutical industry, and pharmacists and prescribing doctors are therefore familiar with this process. A batch recall is not to be confused with revocation of the marketing authorisation. Nevertheless, the costs of such measures can have considerable negative effects.

In 2017, there was only one recall of production batches. It was for albumin due to contamination with traces of coolant. The identified cause was a construction-related vulnerability of the manufacturing plant, which explicitly affected only the albumin production. The defect was eliminated. The risk of recurrence is therefore virtually non-existent. The financial effects of recall measures are likely to rise in parallel with the increasing internationalisation of sales. Since, on the other hand, the likelihood of occurrence remains low, the risk in this area is classified as moderate in view of the developments of the financial year.

Risks caused by defects in the pharmacovigilance system (PVS)

The pharmacovigilance system under the responsibility of the marketing authorisation holder ensures that national and international requirements (Good Vigilance Practice, GVP) for monitoring product use and drug safety are met as a prerequisite for granting and maintaining 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 claimed 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 for the marketing authorisation holder (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.

With execution of the takeover offer by Tiancheng (Germany) Pharmaceuticals Holding AG, Munich, Germany, a restricted usability of tax loss carry forwards – in particular for Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, – will probably result. So far, no deferred tax assets for the respective loss carry forwards were recognised in the consolidated financial statements.

Risks from the sale of companies or parts of companies

The sale of companies or parts of companies may result in liability to the buyer, for example due to indemnity or guarantee commitments.

The Board of Management currently considers this risk to be a low risk.

F. GENERAL STATEMENT ON THE GROUP'S RISK POSITION

In the Board of Management's opinion, Biotest is not currently subject to any substantial risks exceeding those that are an inevitable part of its business operations and those associated with the Biotest Next Level investment project. 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 stable overall 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 capital expenditure based on the results. The evaluation 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 immunoglobulins.

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 additional 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 North, Central and South America as well as in Asia are to be opened up. Furthermore, in numerous emerging countries, more funds are being provided for health care systems, health insurance is being introduced and patient care is improved as a result. This positive trend is noticeable in 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 take the Biotest Group to a new level will result from the increase in productivity and the doubling of production capacity by 2020, which are planned as part of the Biotest Next Level project, with a special focus on the registration and sale of these new products on the important US market. 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. In cooperation with leading experts in the field of transplantation, the use of Cytotect®, Zutectra® and Pentaglobin® are the areas of focus in this regard.

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. OPPORTUNITIES ARISING FROM THE TAKEOVER BY CREAT

With the execution of the takeover offer by Tiancheng (Germany) Pharmaceuticals Holding AG, Munich, Germany, Biotest AG has been part of Creat since 1 February 2018. This gives Biotest the opportunity to become better established on the Asian market. Additional opportunities in production and distribution can also result from the collaboration with other companies within the group such as with the British plasma manufacturer Bio Products Laboratory Ltd., Elstree, Great Britain (BPL).

E. 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 short-term opportunities has not changed materially as compared to last year. In the medium and long term, the assessed opportunities have improved due to the involvement of the major investor.

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 fixed remuneration, 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 fixed 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 liability insurance policy (D&O insurance) with an appropriate deductible for the Board of Management members in consideration of legal requirements. 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 Corporation Act (Aktiengesetz - AktG). All Board of Management members are provided with a top-of-the-range company car; 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 previous programme required a personal investment by the participant in the form of a purchase of preference shares of Biotest AG. The programme, including the process for calculating incentive payments, is described in detail in Section H 1 of the Notes to the consolidated financial statements. It is anticipated that the incentive component will be paid in May of the year following the expiry of the tranche.

In 2017, a new programme was stated, which in part deviates from the predecessor programme. The Long Term Incentive Programme 2017 / Tranche 2017 (LTIP 2017) also requires a personal investment by the participant in the form of a purchase of preference shares of Biotest AG ("new investment"); unlike the predecessor programme, LTIP 2017 no longer requires the additional new investment to be contributed depending on the number of preference shares to be additionally contributed ("additional investment"). Unlike its predecessor programme, the new programme is no longer dependent on the share price, but two internally defined targets (performance factors) were selected. The term of the programme was set to three financial years, as was the predecessor programme; the LTIP 2017 runs from May 2017 to 31 December 2019.

The amount of the incentive payment is calculated using the following formula:

$$\frac{\text{(target achievement factor 1 from 2017 + 2018 + 2019 + target achievement factor 2 from 2017 + 2018 + 2019) * Multiplier * personal investment}}{100} \times \text{Annual fixed salary as of 1 October 2017} = \text{payment}$$

The first factor covers the target achievement in the various stages of the investment project Biotest Next level (BNL project), while the second factor relates to the EBIT margin. For the BNL project, a BNL target was defined for each year of the programme; if the target is reached, the factor 0.01 is inserted in the formula, and if it is not, the factor 0 is used. There is no proportional target achievement. The maximum achievable sum of the factor BNL target is 0.03.

BNL targets	Target achievement factor 1
All three BNL targets achieved	max. 0.03
Two of three BNL targets achieved	0.02
One of three BNL targets achieved	0.01
No BNL target achieved	0

The second factor is determined based on the EBIT margin, which results from the approved corporate annual financial statements for the years 2017, 2018 and 2019. They are defined based on the strategic planning as of 25 January 2017.

EBIT margin 2017	Target achievement factor 2 (2017)
EBIT margin larger than or equal to 9.71%	max. 0.011
EBIT margin equal to 8.83%	0.01
EBIT margin less than 7.95%	0

EBIT margin 2018	Target achievement factor 2 (2018)
EBIT margin larger than or equal to 9.42%	max. 0.011
EBIT margin equal to 8.56%	0.01
EBIT margin less than 7.70%	0

EBIT margin 2019	Target achievement factor 2 (2019)
EBIT margin larger than or equal to 4.96%	max. 0.011
EBIT margin equal to 4.51%	0.01
EBIT margin less than 4.06%	0

Furthermore, a multiplier related to the sales from BNL was defined. If all conditions necessary to generate sales from the BNL plant in 2020 are met, the sum of the factors doubles.

Sales from BNL	Multiplier
All conditions necessary to generate sales from the BNL plant in 2020 are met.	2
The conditions are not met.	1

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

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 remuneration 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.

Remuneration for the current financial year

Total compensation of the Board of Management members in office as of 31 December 2017

This overview shows the calculation of the total compensation for each Board of Management member together with the amounts granted in financial year 2017 for the different remuneration components.

in € thousand	Dr Bernhard Ehmer				Dr Michael Ramroth				Dr Georg Floß			
	2016	**2017**	2017 Minimum	2017 Maximum	2016	**2017**	2017 Minimum	2017 Maximum	2016	**2017**	2017 Minimum	2017 Maximum
Non-performance-based												
Fixed remuneration	385	392	392	392	355	355	355	355	314	315	315	315
Benefits in kind	32	32	32	32	314	227	34	227	36	37	36	37
Total non-performance-based components	**417**	**424**	**424**	**424**	**669**	**582**	**389**	**582**	**350**	**352**	**351**	**352**
Performance-based												
Excluding long-term incentive effect (not share-based):												
Annual variable remuneration – cash portion	170	279	–	427	159	253	–	387	127	232	–	343
With long-term incentive effect (share-based):												
Variable remuneration (LTIP) – cash portion	–	–	–	–	103	147	–	639	91	130	–	567
With long-term incentive effect (not share-based):												
Variable remuneration (LTIP) – cash portion	–	–	–	–	–	34	–	805	–	30	–	714
Total performance-based components	**170**	**279**	**–**	**427**	**262**	**434**	**–**	**1,831**	**218**	**392**	**–**	**1,624**
Pension expense (service cost)	373	474	474	474	246	339	339	339	201	255	255	255
Total compensation (DCGK)	**960**	**1,177**	**898**	**1,325**	**1,177**	**1,355**	**728**	**2,752**	**769**	**999**	**606**	**2,231**
Less pension expense (service cost)	373	474	474	474	246	339	339	339	201	255	255	255
Total remuneration (DRS 17)	**587**	**703**	**424**	**851**	**931**	**1,016**	**389**	**2,413**	**568**	**744**	**351**	**1,976**

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 remuneration for the LTIP tranches to 2016 is received.

Calculated on the basis of DRS 17, the total remuneration of Board of Management members for the financial year 2017 is € 2,463 thousand (previous year: € 2,086 thousand). Pension expense is not included in this amount.

Remuneration received by Board of Management members in office as of 31 December 2017

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

in € thousand	Dr Bernhard Ehmer		Dr Michael Ramroth		Dr Georg Floß	
	2017	2016	**2017**	2016	**2017**	2016
Non-performance-based						
Fixed remuneration	392	385	355	355	315	314
Benefits in kind	32	32	227	314	37	36
Total non-performance-based components	**424**	**417**	**582**	**669**	**352**	**350**
Performance-based						
Excluding long-term incentive effect (not share-based):						
Annual variable remuneration – cash portion	162	119	152	98	121	88
With long-term incentive effect (share-based):						
Variable remuneration (LTIP 2014) – cash portion	–	–	–	–	–	–
Total of multi-year variable remuneration	–	–	–	–	–	–
Total performance-based components	**162**	**119**	**152**	**98**	**121**	**88**
Pension expense (service cost)	–	–	–	–	–	–
Total compensation (DCGK)	**586**	**536**	**734**	**767**	**473**	**438**

Overview of pension commitments for Board of Management members in office as of 31 December 2017

in € thousand	Present value of all pension commitments excluding deferred remuneration		Present value of deferred remuneration	
	Present value in **2017**	Present value in 2016	Present value in **2017**	Present value in 2016
Dr Bernhard Ehmer	1,491	1,343	–	–
Dr Michael Ramroth	3,335	3,269	550	443
Dr Georg Floß	2,656	2,444	86	–
	7,482	**7,056**	**636**	**443**

Assets amounting to € 1,570 thousand (previous year: € 1,248 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. For this purpose, pension provisions amounting to € 7,555 thousand (previous year: € 6,738 thousand) have been recognised. The pension provisions were measured in accordance with IAS 19 Employee Benefits.

In financial year 2017, as in the previous year, no payments were made to former Board of Management members for employee profit-sharing or under the LTIP.

As of 31 December 2017, there were no provisions relating to the LTIP for former Board of Management members.

Long-Term Incentive Programme of the Board of Management members

Participation by members of the Board of Management in the Long Term Incentive Programme is 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**
2017 (2015 and 2016 tranches)			
Dr Bernhard Ehmer	–	–	–
Dr Michael Ramroth	1,800	147	103
Dr Georg Floß	1,800	130	92
	3,600	**277**	**195**
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**

The members of the Board of Management participated in the new programme LTIP 2017 with the same personal investment (Dr Michael Ramroth and Dr Georg Floß each with 1,800 preference shares). For the non-share-based LTIP 2017, provisions of € 63 thousand have been recognised. Of this amount, € 33 thousand is for Dr Michael Ramroth and € 30 thousand for Dr Georg Floß.

None of the members of the Board of Management (Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Floß) received a payment from the 2014 tranche of the Long Term Incentive Programme, which was scheduled for disbursal in financial year 2017.

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. In addition, € 4 thousand is paid for any work carried out in a committee, the Chair of the Audit Committee receives € 10 thousand and the Chairs of 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 receive the following remuneration for their activities in financial year 2017:

in € thousand **2017**	**Total remuneration**
Rolf Hoffmann (since 30 August 2017)	25
Dr Alessandro Banchi (until 30 August 2017)	50
Dr Cathrin Schleussner	41
Kerstin Birkhahn	20
Thomas Jakob (until 30 August 2017)	16
Christine Kreidl (since 30 August 2017)	12
Kurt Hardt (since 30 August 2017)	10
Jürgen Heilmann	24
Dr Christoph Schröder (until 30 August 2017)	23
	221

The members of the Supervisory Board were paid the following remuneration for financial year 2016:

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

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2017 and 2016 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 IN ACCORDANCE WITH SECTION 315D 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 d of the German Commercial Code (HGB) is available for download on the Company's website (www.Biotest.com).

G. DECLARATION REGARDING NON-FINANCIAL INFORMATION IN ACCORDANCE WITH SECTION 315C OF THE GERMAN COMMERCIAL CODE (HGB)

For information on the non-financial declaration in accordance with the commercial law provisions resulting from the implementation of the Corporate Social Responsibility (CSR) guideline, please refer to the Company website (www.Biotest.com).

H. INFORMATION RELEVANT TO THE TAKEOVER ACCORDING TO SECTION 315A OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – 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 shares are bearer shares; the preference shares do not carry any voting rights. We are not aware of any restrictions regarding voting or transfer 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) which entered into force on 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 which entered into force on 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.

As of 31 December 2017, the Board of Management was not aware of any other 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.

As of 31 January 2018, the takeover offer was executed; Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, received approximately 90 % of ordinary voting shares and is therefore the majority shareholder.

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 compliance with Section 179 (1) Sentence 2 of the AktG.

Pursuant to the resolution 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 in the amount of up to 10 % of the share capital of € 33,767,639.04 outstanding at the time of the Annual General 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.

To ensure that Biotest AG has flexibility in future financing and capitalisation activities, a resolution of the Annual General Meeting held on 30 August 2017 created new authorised capital. Section 4 of the Articles of Association was supplemented by the following paragraph: "The Board of Management is authorised, with the consent of the Supervisory Board, to increase the share capital of the Company by 29 August 2022 by issuing up to 5,247,816 new ordinary bearer shares and/or issuing up to 5,247,816 new bearer preference shares without voting rights against cash contributions, on one or more occasions, up to €10,495,632.00 (authorised capital). The authorisation includes the power to issue further preference shares which are equivalent to the preference shares without voting rights issued earlier in terms of profit distribution or corporate assets. The shareholders have a subscription right. However, the subscription right may be completely or in part designed as an indirect subscription right in accordance with Section 186(5) clause 1 AktG. The Board of Management is also authorised to define the further details of the implementation of capital increases from authorised capital. "Beyond the above change in the Articles of Association, the Supervisory Board was authorised by the decision of the Annual General Meeting to adapt the Articles of Association after complete or partial implementation of the increase of the authorised capital in accordance with the volume of the capital increase.

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 creditors under the promissory note and the lending banks the right to terminate the agreement in the event of a change of control of Biotest AG.

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 a pro rated bonus payment on the basis of the average amount of the two previous financial years plus the value in use of the granted company car. In addition to these entitlements, the severance payment also includes an amount up to twice the annual fixed salary, provided that the total severance payment does not exceed three times the annual fixed salary plus the bonus payment calculated as described above and the compensation for the value in use of the car.

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 of the contract of employment has already reached the age of 60 or if the Board of Management member receives monetary or non-monetary benefits in connection with the change of control.

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CONSOLIDATED STATEMENT OF INCOME

of the Biotest Group for the period from 1 January to 31 December 2017

in € million	Note	2017	2016
Revenue	D 1	378.1	408.0
Cost of sales		–254.6	–238.6
Gross profit		**123.5**	**169.4**
Other operating income	D 5	25.7	4.0
Marketing and distribution costs		–53.7	–53.8
Administrative expenses		–45.2	–32.3
Research and development costs	D 4	–55.4	–48.3
Other operating expenses	D 6	–4.2	–3.8
Operating profit		**–9.3**	**35.2**
Financial income	D 7	24.4	23.8
Financial expenses	D 8	–41.2	–36.4
Financial result		**–16.8**	**–12.6**
Income from joint ventures	D 9	0.1	1.4
Earnings before taxes		**–26.0**	**24.0**
Income taxes	D 10	9.6	–17.9
Earnings after taxes from continuing operations		**–16.4**	**6.1**
Earnings after taxes from discontinued operations	F	12.9	–51.8
Earnings after taxes		**–3.5**	**–45.7**
Attributable to:			
Equity holders of the parent		**–3.5**	**–45.8**
thereof from continuing operations		–16.4	6.0
thereof from discontinued operations		12.9	–51.8
Non-controlling interests		**–**	**0.1**
thereof from continuing operations		–	0.1
thereof from discontinued operations		–	–
Earnings per ordinary share in €	E 11	**–0.09**	**–1.17**
thereof from continuing operations		–0.42	0.14
thereof from discontinued operations		0.33	–1.31
Additional dividend rights per preference share in €	E 11	**0.02**	**0.02**
thereof from continuing operations		0.02	0.02
thereof from discontinued operations		–	–
Earnings per preference share in €	E 11	**–0.07**	**–1.15**
thereof from continuing operations		–0.40	0.16
thereof from discontinued operations		0.33	–1.31

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 2017

in € million	2017	2016
Consolidated profit for the period	**–3.5**	**–45.7**
Exchange difference on translation of foreign operations	–7.7	0.6
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods	**–7.7**	**0.6**
Actuarial gains (previous year: losses) from defined benefit pension plans	1.1	–7.4
resulting income tax effect	–0.4	2.1
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods	**0.7**	**–5.3**
Other comprehensive income, net of tax	**–7.0**	**–4.7**
Total comprehensive income, net of tax	**–10.5**	**–50.4**
thereof from continuing operations	–18.0	1.2
thereof from discontinued operations	7.5	–51.6
Attributable to:		
Equity holders of the parent	**–10.5**	**–50.5**
thereof from continuing operations	–23.4	5.0
thereof from discontinued operations	12.9	–55.5
Non-controlling interests	**–**	0.1
thereof from continuing operations	–	0.1
thereof 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 2017

in € million	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets	E 1	16.6	25.3
Property, plant and equipment	E 2	477.1	414.9
Investment property	E 3	–	6.6
Investments in joint ventures	E 4	2.3	4.3
Other assets	E 9	0.3	0.5
Other financial assets	E 5	13.0	1.4
Deferred tax assets	E 6	19.5	12.6
Total non-current assets		**528.8**	**465.6**
Current assets			
Inventories	E 7	146.9	170.8
Trade receivables	E 8	133.8	163.8
Current income tax assets		4.1	5.7
Other assets	E 9	10.5	16.7
Other financial assets	E 5	6.5	12.2
Cash and cash equivalents	E 10	22.3	72.9
		324.1	**442.1**
Assets held for sale	F	125.6	25.1
Total current assets		**449.7**	**467.2**
TOTAL ASSETS		**978.5**	**932.8**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		39.6	39.6
Share premium		219.8	219.8
Retained earnings		91.7	146.9
Share of profit or loss attributable to equity holders of the parent		–3.5	–45.8
Equity attributable to equity holders of the parent	E 11	**347.6**	**360.5**
Non-controlling interests		0.2	0.2
Total equity	E 11	**347.8**	**360.7**
Non-current liabilities			
Provisions for pensions and similar obligations	E 12	86.3	83.8
Other provisions	E 13	2.5	7.9
Financial liabilities	E 14	286.8	330.0
Other liabilities	E 15	1.3	1.9
Deferred tax liabilities	E 6	2.6	2.5
Total non-current liabilities		**379.5**	**426.1**
Current liabilities			
Other provisions	E 13	22.1	35.6
Current income tax liabilities		3.4	3.5
Financial liabilities	E 14	119.6	16.2
Trade payables		65.0	62.8
Other liabilities	E 15	27.0	27.9
		237.1	**146.0**
Liabilities in connection with assets held for sale		14.1	–
Total current liabilities		**251.2**	**146.0**
Total liabilities		**630.7**	**572.1**
Total equity and liabilities		**978.5**	**932.8**

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 2017

in € million	Note	2017	2016
Earnings before taxes from continuing operations		–26.0	24.0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	E 1, E 2	22.3	19.9
Other non-cash income and expense items		19.0	0.8
Income from joint ventures	D 9	–0.1	–1.4
Losses from the disposal of property, plant and equipment		0.4	0.4
Changes in pension provisions	E 12	2.1	2.3
Financial result		16.7	12.6
Operating cash flow before changes in working capital		**34.4**	**58.6**
Changes in other provisions	E 13	–5.6	–2.2
Changes in inventories, receivables and other assets		–16.6	58.2
Changes in trade payables and other liabilities		10.2	–37.5
Cash flow from changes in working capital		**–12.0**	**18.5**
Interest paid		–7.6	–10.6
Taxes received (previous year: taxes paid)		3.5	–20.5
Cash flow from operating activities from continuing operations		**18.3**	**46.0**
Cash flow from operating activities from discontinued operations		16.0	19.9
Cash flow from operating activities		**34.3**	**65.9**
Payments for investments in intangible assets and property, plant and equipment		–106.5	–133.2
Proceeds from the acquisition of subsidiaries		0.2	–
Cash received on the disposal of other financial assets		10.0	110.6
Payments for loans to associated companies		–13.3	–
Interest received		0.3	0.8
Cash flow from investing activities from continuing operations		**–109.3**	**–21.8**
Cash flow from investing activities from discontinued operations		–38.7	–12.2
Cash flow from investing activities		**–148.0**	**–34.0**
Dividend payments for the previous year	E 11	–2.4	–1.2
Payments into cash and cash equivalents from discontinued operations (previous year: outgoing payments)		–	–11.9
Proceeds from the assumption of financial liabilities	E 14	75.6	9.9
Payments for the redemption of financial liabilities	E 14	–16.9	–8.6
Cash flow from financing activities from continuing operations		**56.3**	**–11.8**
Cash flow from financing activities from discontinued operations		–1.1	10.1
Cash flow from financing activities		**55.2**	**–1.7**
Cash changes in cash and cash equivalents		–58.5	30.2
Exchange rate-related changes in cash and cash equivalents		–0.2	0.8
Cash and cash equivalents on 1 January	E 10	84.8	53.8
Cash and cash equivalents on 31 December	E 10	**26.1**	**84.8**
Less cash and cash equivalents at end of period from discontinued operations	E 10	3.8	11.9
Cash and cash equivalents at end of period from continuing operations	E 10	**22.3**	**72.9**

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 2016 to 31 December 2017

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
As of 1 January 2016	**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**
Gains/losses recognised directly in equity	–	–	–7.7	0.7	–7.0	–	–7.0
Profit for the period	–	–	–	–3.5	–3.5		–3.5
Total comprehensive income	**–**	**–**	**–7.7**	**–2.8**	**–10.5**	**–**	**–10.5**
Dividend payments	–	–	–	–2.4	–2.4	–	–2.4
Balance on 31 December 2017	**39.6**	**219.8**	**29.9**	**58.3**	**347.6**	**0.2**	**347.8**

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 therapeutic 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 pre-clinical 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 merchandise business and costs that cannot be allocated to either the Therapy segment or the Plasma & Services segment.

The Biotest Group employed 2,683 staff worldwide as of the reporting date (previous year: 2,732).

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. IFRS include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC). The accounting of the Biotest Group is prepared in accordance with IFRS effective for financial years beginning on or after 1 January 2017.

In their present version, the consolidated financial statements comply with the provisions of Section 315e 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 consolidated financial statements were prepared on a going concern basis. Please see the remarks in Section H 13 for information on creditors' existing termination rights due to the change of control under company law on 31 January 2018.

The Board of Management of Biotest AG submitted the consolidated financial statements to the Supervisory Board on 13 March 2018. The Supervisory Board will decide on the release of the consolidated financial statements for publication on 13 March 2018.

CHANGES IN RECOGNITION AND MEASUREMENT METHODS

The recognition and measurement methods applied are the same as those of the previous year.

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 future. The Biotest Group intends to apply these standards if and when they become mandatory.

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 combines the three project phases for accounting for financial instruments: "classification and measurement", "impairment" and "hedge accounting". IFRS 9 is applicable for financial years beginning on or after 1 January 2018. Earlier adoption is permitted. With the exception of hedge accounting, the standard is to be applied retroactively, but comparative information is not required to be provided. The provisions for hedge accounting are generally to be applied prospectively with just a few exceptions.

The Group intends to apply the new standard as at the stipulated effective date; the information for the previous year will not be adjusted. In the 2017 financial year, the Biotest Group performed a thorough assessment of the effects of all three aspects of IFRS 9. All in all, the Biotest Group does not anticipate any material effects on the statement of financial position or on equity, apart from the effect resulting from the application of the impairment provisions in IFRS 9. Based on the information available as of 31 December 2017, the Group anticipates a slight increase in risk provisions, which would have a negative impact on equity.

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. The Biotest Group intends to apply the new standard as at the stipulated effective date using the modified retroactive approach. In the 2017 financial year, a detailed assessment of IFRS 15 was performed for the Biotest Group. The Group also takes account of the clarifications published by the IASB in April 2016 and will include further developments in the changeover.

a) Sale of goods

The changeover in contracts with customers under which the sale of goods is generally expected to represent the only contractual obligation will not result in any effects on accounting in accordance with IFRS 15 with an impact on income. The Biotest Group expects implementation to take place at a time when power over the asset is transferred to the customer. As before, this will generally be the case when the products are delivered.

b) Provision of services

The Biotest Group provides services in the form of toll manufacturing. Revenue from toll manufacturing is currently recognised in line with the percentage-of-completion method. Based on the analyses performed, these service contracts are expected to meet the criteria for revenue recognition over time as defined in IFRS 15 meaning that there will be no effects on the financial position, financial status and results of operations.

c) Presentation and disclosure requirements

The presentation and disclosure requirements of IFRS 15 go far beyond the provisions of the current standard. The new presentation requirements represent a significant change in comparison to current practice and will require considerably more disclosures in the consolidated financial statements in future. IFRS 15 requires quantitative and qualitative disclosures on the breakdown of revenues, on contractual obligations and contract balances, and on significant judgements and capitalised contractual costs. Many of these disclosure requirements are completely new. In the 2017 financial year, the Group continued the review of suitable systems, guidelines and procedures and internal controls in order to record and disclose the necessary information.

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 obligated 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 future – 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. The company is currently examining what impact the application of IFRS 16 will have on its consolidated financial statements and will apply the standard for the financial year beginning on 1 January 2019.

So far, the Biotest Group has mainly concluded operating leases for moveable assets and property. As at 31 December 2017, the Group has payment obligations from non-cancellable leases in the amount of € 16.8 million (see Section H 8). At present, payment obligations for operating leases are required to be disclosed only in the notes. In future, however, the rights and obligations resulting from these leases must be disclosed in the statement of financial position as an asset (right of use for the leased asset) and a liability (lease liability). A preliminary assessment indicates that these agreements meet the definition of a lease under IFRS 16 and the Group would therefore have to recognise corresponding assets (for the right of use) and lease liabilities when applying IFRS 16, unless exceptions for short-term leases or low-value assets apply in individual cases. The Group expects this to result in a low eight-figure increase in total assets as at the date of initial application. A reliable estimate of the amount of the financial effect cannot be issued until this review has been completed.

In the income statement, expenses from operating leases are currently recognised in the functional areas. In future, amortisation on the right of use will be reported in the functional areas while interest expenses for lease liabilities will instead be reported in the financial result.

In the cash flow statement, payments for operating leases are currently reported in cash flow from operating activities. In future, they will be divided into interest payments and principal repayments. While interest payments will still be reported in cash flow from operating activities, principal repayments will be allocated to cash flow from financing activities.

Other standards

The following amended standards and interpretations are not expected to have any material effects on the consolidated financial statements:

- Annual Improvements to IFRS 2014-2016: amendments to IFRS 1 and IAS 28
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

B. MATERIAL RECOGNITION AND MEASUREMENT PRINCIPLES

B 1 CONSOLIDATED GROUP

The consolidated financial statements of Biotest AG include all material subsidiaries, which consist of three (previous year: three) domestic and 14 (previous year: 13) foreign companies, in which Biotest AG directly or indirectly holds the majority of voting rights.

On 17 July 2017 the Biotest Group acquired 100 % of shares in Cara Plasma s.r.o., with its registered office in Prague, Czechia. These were fully consolidated for the first time in the 2017 financial year.

BioDarou P.J.S. Co., with its registered office in Tehran, Iran, is included in the consolidated financial statements as a joint venture and recognised at equity. ADMA Biologics, Inc., Ramsey, USA, is included in the consolidated financial statements as an associate.

The investments of Biotest AG as defined under Section 313 (2) of the German Commercial Code (HGB) are listed in Section H 10 Participating interests.

B 2 CONSOLIDATION METHODS

The closing date for Biotest AG and all companies included in the financial statements is 31 December 2017. 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 company loses control of a subsidiary, the associated assets (including goodwill), liabilities, non-controlling interests and other equity components are derecognised. Any resulting profit or loss is taken into account in the income statement. Any retained investment is recognised at fair value.

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.

An associate is a company in which the Group has significant influence, meaning that it has the power to participate in the financial and operating policy decisions of the investee but does not control or jointly control the decision-making processes.

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.

Investments in associates and joint ventures are recognised using the equity method in accordance with IAS 28. Under the equity method, the carrying amounts of investments 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 associate or joint venture is reported separately in the profit for the period. Changes disclosed directly in the equity of the associate or 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 an associate or 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 associates and joint ventures. On each reporting date, the Group determines whether objective evidence exists that the investments in an associate or joint venture 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.

B 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 resulting 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 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	**2017**	2016	**31.12.2017**	31.12.2016
US dollar	1.1293	1.1066	1.1993	1.0541
UK pound	0.8762	0.8189	0.8872	0.8562
Russian ruble	65.8877	74.2224	69.3920	64.3000
Swiss franc	1.1116	1.0902	1.1702	1.0739
Hungarian forint	309.27	311.46	310.33	309.83
Brazilian real	3.6041	3.8616	3.9729	3.4305

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.

B 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. 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.

B 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.

B 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 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.

B 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.

B 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, 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.

B 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 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.

B 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.

B 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.

B 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 past financial year. The regulation 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.

B 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.

B 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.

B 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.

B 16 DISCONTINUED OPERATIONS

According to IFRS 5, 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 highly probable and the asset or disposal group must be available for immediate sale in its present condition.

In the 2016 financial year, the Biotest Group commenced negotiations regarding the sale of the operations of Biotest Pharmaceuticals Corporation (BPC), Boca Raton, 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) and closed on 6 June 2017 (closing date).

On 22 December 2017 (signing date), the Biotest Group signed an agreement to sell the US companies. Until the finalisation (closing date) of the sale, the Biotest Group transferred the investments in the US companies to a US trust on 19 January 2018 based on an agreement dated 17 January 2018. The sale comprises the Biotest Group's US activities in the Plasma & Services segment.

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 held for sale. 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.

B 17 REVENUE

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. 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.

B 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 are not met entirely. Development expenses, incurred after approval is received by the authorities, are not substantial.

B 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.

B 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.

B 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 tax assets 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.

B 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 H 3 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's fair value 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 carried at fair value in the statement of financial position must be assigned to a three-level fair value measurement hierarchy in accordance with IFRS 7.27A. 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 on active markets for identical assets or liabilities,

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.

For 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 significant to 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.

B 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.

With regard to the existing company acquisition contracts, there are uncertain estimates in relation to the fulfilment of the conditions they contain. There are also uncertain estimates in relation to the "Biotest Next Level" investment project. For example, the planned granting of operating licences by domestic and foreign authorities and the completion of agreed work by suppliers employed in connection with the investment project constitute future events that involve uncertain estimates. The estimate of outstanding returns of human albumin and the estimate of potential claims for damages in connection with the voluntarily recall of various batches of human albumin also involved uncertainties. The allowances for bad debts in countries subject to sanctions by the European Union are estimated based on anticipated future defaults and are thus also subject to uncertain estimates.

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 in the previous year to the 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. 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 Corporation (BPC), 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. The previous year's figures were adjusted accordingly.

On 22 December 2017, the Biotest Group signed an agreement to sell the US companies. Until the finalisation (closing date) of the sale, the Biotest Group transferred the investments in the US company to a US trust on 19 January 2018. The sale comprises the Biotest Group's US activities in the Plasma & Services segment. Accordingly, the assets and liabilities and the activities are now reported as discontinued operations in accordance with IFRS 5. 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 distribution 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 pre-clinical 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, 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	2017	313.7	58.2	6.2	378.1	163.1	**541.2**
	2016	346.8	54.2	7.0	408.0	202.4	**610.4**
Operating profit (EBIT)	2017	–15.0	19.9	–14.2	–9.3	27.3	**18.0**
	2016	29.8	6.9	–1.5	35.2	–56.7	**–21.5**
Investments in associates and joint ventures	2017	2.3	–	–	2.3	38.1	**40.4**
	2016	4.3	–	–	4.3	–	**4.3**
Capital expenditure*	2017	111.6	–	0.1	111.7	3.6	**115.3**
	2016	141.8	10.7	–	152.5	1.5	**154.0**
Depreciation and amortisation**	2017	19.7	0.8	1.8	22.3	3.9	**26.2**
	2016	17.4	0.9	1.6	19.9	5.1	**25.0**
Impairment	2017	–	–	–	–	–	**–**
	2016	–	–	–	–	5.0	**5.0**

* 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	**2017**	2016
Operating profit (EBIT) (continuing and discontinued operations)	**18.0**	**–21.5**
Financial income	24.5	24.0
Financial expenses	–43.4	–36.6
Income from associates and joint ventures	–12.1	1.4
Earnings before taxes (EBT) (continuing and discontinued operations)	**–13.0**	**–32.7**
Income taxes (continuing and discontinued operations)	9.5	–13.0
Earnings after taxes (EAT)	**–3.5**	**–45.7**

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	**2017**	2016	**2017**	2016
Europe	246.6	248.5	376.3	406.3
Americas	13.7	13.5	1.8	1.7
Other Asia & Pacific	18.3	25.9	–	–
Middle East and Africa	99.5	120.1	–	–
Biotest Group	**378.1**	**408.0**	**378.1**	**408.0**
thereof:				
Germany	103.2	108.3	297.9	328.1
Rest of world	274.9	299.7	80.2	79.9
Thereof: USA	–	–	–	–

There is no significant trade between the individual segments.

D. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

D 1 REVENUE

in € million	2017	2016
Products of the Biotest Group	315.1	347.0
Toll manufacturing	56.9	54.0
Merchandise	6.1	7.0
	378.1	**408.0**

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

The sales decline is essentially due to the product recall of human albumin and its limited availability. The product recall of human albumin resulted in a € 17.4 million decrease in sales.

D 2 COST OF MATERIALS

in € million	2017	2016
Raw materials, consumables and supplies	155.2	137.2
Services purchased	19.9	18.0
	175.1	**155.2**

The increase of € 7.7 million in the cost of materials results from write-downs on inventories in connection with the voluntarily recall of various batches of human albumin. There was also a slight rise in purchase prices for plasma.

D 3 PERSONNEL EXPENSES

in € million	2017	2016
Wages and salaries	99.6	94.0
Social security contributions	21.5	19.5
Pension costs	4.7	5.0
	125.8	**118.5**

Personnel expenses include expenses for termination benefits in the amount of € 1.3 million (previous year: € 1.2 million).

The average number of employees, converted to full-time equivalents, in continuing and discontinued operations in the 2017 financial year was 2,472 (previous year: 2,416). The Biotest Group employed 2,474 staff, converted to full-time equivalents, as of 31 December 2017 (previous year: 2,527).

As of 31 December 2017, the Biotest Group employed 2,683 staff (previous year: 2,732) in continuing and discontinued operations.

Employees are allocated to the operating divisions as follows:

in full time equivalents	2017	2016
Production	1,865	1,877
Administration	212	249
Distribution	213	212
Research and development	184	189
	2,474	**2,527**

D 4 RESEARCH AND DEVELOPMENT COSTS

Expenses for research and development totalling € 55.4 million (previous year: € 48.3 million) are recognised in full in the statement of income.

D 5 OTHER OPERATING INCOME

in € million	2017	2016
Insurance reimbursements and other refunds	24.0	0.6
Income from service agreements	1.0	1.6
Reversal of other provisions	0.2	0.4
Reversal of write-downs	–	0.7
Other	0.5	0.7
	25.7	**4.0**

Insurance reimbursements and other refunds primarily include special payments from the termination of long-term supply agreements in the amount of € 18.6 million and the reimbursement of insurance for the product recall of human albumin in the amount of € 5.0 million.

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

In the 2017 financial year, the Biotest Group recognised through profit and loss government grants of € 0.3 million (previous year: € 0.3 million), of which € 0.3 million (previous year: € 0.3 million) relate to wage subsidies and wage replacement benefits. Grants for research and development projects are included in research and development costs.

D 6 OTHER OPERATING EXPENSES

in € million	2017	2016
Expenses incurred in connection with service agreements	2.9	3.2
Donations	0.1	0.2
Other	1.2	0.4
	4.2	**3.8**

In the previous year, write-downs of customer receivables were reported under other operating expenses. This error was corrected in accordance with IAS 8 by adjusting the relevant items of the income statement for the 2016 financial year as follows: € 3.4 million decrease in other operating expenses and corresponding increase in marketing and distribution costs.

D 7 FINANCIAL INCOME

in € million	2017	2016
Income from currency translation	23.4	22.1
Interest income	0.6	1.3
Other	0.4	0.4
	24.4	**23.8**
Thereof financial instruments of measurement categories according to IAS 39:		
Loans and receivables (LaR)	0.5	2.1
Financial liabilities measured at amortised cost (FLAC)	6.1	0.1
Financial assets held for trading (FAHfT)	–	4.6
Financial liabilities held for trading (FLHfT)	1.2	1.1

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.

D 8 FINANCIAL EXPENSES

in € million	2017	2016
Currency translation expenses	26.0	22.7
Interest expenses	7.5	11.0
Depreciation of other financial assets	4.9	0.4
Net interest expenses – for pensions	1.4	1.7
Fees in connection with financial liabilities	0.7	–
Interest rate hedging costs	0.5	0.5
Other	0.2	0.1
	41.2	**36.4**
Thereof financial instruments of measurement categories according to IAS 39:		
Financial liabilities measured at amortised cost (FLAC)	8.5	7.5
Financial assets held for trading (FAHfT)	1.7	0.3
Financial liabilities held for trading (FLHfT)	0.8	6.0
Loans and receivables (LaR)	8.5	2.1

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 in the previous year included interest on tax payments for previous years in the amount of € 4.4 million (current year: € 0.0 million).

D 9 INCOME FROM JOINT VENTURES

Income of € 0.1 million (previous year: € 1.4 million) was generated from joint ventures in the 2017 financial year.

D 10 INCOME TAXES

in € million	2017	2016
Current tax expenses related to the financial year	0.9	11.4
Tax income for previous years (previous year: tax expenses)	–3.2	8.3
Current taxes	**–2.3**	**19.7**
Deferred taxes	**–7.3**	**–1.8**
Income tax income (previous year: income tax expenses)	**–9.6**	**17.9**

Deferred tax expenses incurred on items credited directly to equity amounted to € 0.4 million (previous year: income of € 2.1 million).

Tax income for previous years primarily results from expected tax refunds at Biotest AG for the previous year. In the previous year, the tax expenses relating to previous years resulted 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 2017 financial year differs from the effective amount as follows:

in € million	2017	2016
Earnings before taxes	**–26.0**	**24.0**
Expected tax income (previous year: expenses)	**–7.5**	**7.0**
Unrecognised tax loss carryforwards	0.4	0.1
Offsetting against tax losses from previous years	–4.3	–
Current tax expenses related to previous years	–3.2	8.3
Tax effect of adjustments to deferred taxes from previous years	2.1	–0.8
Tax effect of non-deductible expenses	0.6	1.3
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	1.6	3.0
Other effects	0.7	–1.0
Income tax disclosed in the statement of income	**–9.6**	**17.9**

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.

D 11 AUDITORS' FEE

On 30 August 2017, the Annual General Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2017 financial year.

The total fees payable to the external auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, amounted to € 0.7 million for the 2017 financial year (previous year: € 0.4 million), of which € 0.1 million (previous year: € 0.1 million) relate to the previous year. € 0.5 million (previous year: € 0.4 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. In addition, € 0.1 million (previous year: € 0.0 million) is attributable to the fee for other assurance services and € 0.1 million (previous year: € 0.0 million) to the fee for tax advisory services, both of which fees relate to services for the current financial year and do not include any services for the previous year.

E. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

E 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 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
Book transfers	–	0.7	–	–0.7	–
Disposals	–	–2.4	–	–	–2.4
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**
Reclassification to discontinued operations	–8.3	–18.7	–	–	–27.0
Additions	–	1.4	–	0.9	2.3
Additions from changes in the consolidated group	0.1	0.4	–	–	0.5
Effect of foreign currency translation differences	–1.4	–0.1	–	–	–1.5
Balance as of 31 December 2017	**8.2**	**18.9**	**9.6**	**5.3**	**42.0**
Accumulated depreciation					
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**
Reclassification to discontinued operations	–	–18.4	–	–	–18.4
Depreciation for the financial year	–	1.6	–	–	1.6
Effect of foreign currency translation differences	–0.1	–0.1	–	–	–0.2
Balance as of 31 December 2017	**0.9**	**14.9**	**9.6**	**–**	**25.4**
Carrying amount as of					
31 December 2016	16.8	4.1	–	4.4	25.3
31 December 2017	**7.3**	**4.0**	**–**	**5.3**	**16.6**

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 in the amount of € 20.2 million to discontinued operations in 2016, where it was written off in full within the measurement result.

In connection with the sale of the US companies, Biotest reclassified the goodwill of the Plasma & Services segment as of 31 December 2017 to discontinued operations.

An impairment test was performed as of 30 September 2017 for the goodwill of the Therapy segment and 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 11.98 % (previous year: 10.77 %) 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 10.56 % (previous year: 9.85 %) 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 2023 onward are extrapolated. Perpetual annuities are based on average values for the years 2018 to 2022. 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 5.7 % p.a. with an average EBIT margin of 16.8 % were assumed for the Therapy segment. Average revenue growth of –4.6 % p.a. and an average EBIT margin of 11.9 % 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	5.7 %	4.7 %	–4.6 %	–5.6 %
EBIT margin	16.8 %	15.8 %	11.9 %	10.9 %
Discount factor after taxes	8.4 %	9.4 %	6.6 %	7.6 %
Growth rate	0.5 %	–0.5 %	–0.5 %	–1.5 %

In the context of the agreement on the sale of the US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, that was signed on 22 December 2017, a fair value less selling costs was calculated for the goodwill attributable to the Plasma & Services segment. This was also higher than the carrying amount of the goodwill. Please refer to the comments in Section F for further information on the contract described.

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	7.3	8.2
Plasma & Services segment	Goodwill	–	8.6
		7.3	**16.8**

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

in € million	**2017**	2016
Cost of sales	0.3	0.2
Marketing and distribution costs	0.1	0.1
Administrative expenses	1.1	1.0
Research and development costs	0.1	0.1
	1.6	**1.4**

E 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 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	–
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**
Reclassification to discontinued operations	–1.0	–8.1	–25.9	–	–3.2	–38.2
Additions	46.4	5.4	6.7	–	50.0	108.5
Additions from changes in the consolidated group	0.2	0.1	–	–	0.1	0.4
Book transfers	77.7	5.4	3.7	–	–86.8	–
Disposals	–0.2	–	–0.1	–	–0.1	–0.4
Effect of foreign currency translation differences	0.9	–	–0.1	–	–	0.8
Balance as of 31 December 2017	**287.0**	**144.6**	**88.9**	**4.6**	**178.4**	**703.5**
Accumulated depreciation						
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**	**–**	**217.5**
Reclassification to discontinued operations	–0.1	–3.9	–7.7	–	–	–11.7
Depreciation for the financial year	6.7	8.4	5.4	0.2	–	20.7
Disposals	–	–	–0.1	–	–	–0.1
Effect of foreign currency translation differences	0.1	–	–0.1	–	–	–
Balance as of 31 December 2017	**66.3**	**94.6**	**64.2**	**1.3**	**–**	**226.4**
Carrying amount as of						
31 December 2016	103.4	51.7	37.9	3.5	218.4	414.9
31 December 2017	**220.7**	**50.0**	**24.7**	**3.3**	**178.4**	**477.1**

Payments in advance in the financial year 2017 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 € 91.5 million in the financial year 2017 (previous year: € 112.0 million). Additions to property, plant and equipment include borrowing costs in the amount of € 0.6 million (previous year: € 0.5 million). In the previous year, the disposals included € 6.6 million due to a reclassification as investment property.

The Biotest Group had entered into commitments to acquire fixed assets of € 27.7 million as of 31 December 2017 (previous year: € 78.6 million).

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

in € million	2017	2016
Cost of sales	14.5	11.9
Marketing and distribution costs	0.2	0.4
Administrative expenses	5.5	5.6
Research and development costs	0.5	0.6
	20.7	**18.5**

E 3 INVESTMENT PROPERTY

in € million	2017	2016
Balance as of 1 January	6.6	–
Additions	–	6.6
Disposals	6.6	–
Balance as of 31 December	**–**	**6.6**

Investment property as of 31 December 2016 relates to an undeveloped plot of land in Boca Raton, USA. Following the sale of Biotest Pharmaceuticals Corp.'s manufacturing facilities at the Boca Raton site to ADMA Biologics Inc., the disposal of the undeveloped plot of land was planned in the medium term. Investment property was measured at amortised cost.

In the 2017 financial year, the decision was made to sell this plot of land. The company has actively begun searching for a buyer. The plot of land is therefore reported as an asset held for sale. Please refer to the comments in Section F in this regard.

E 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 equity of 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 2017 (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 2016 are reported.

The change in the exchange rate of the rial resulted in a foreign currency valuation of € –2.0 million (previous year: € 0.7 million), which was recognised in other comprehensive income.

The joint venture had the following assets and liabilities as of the 2016 reporting date:

The value of non-current assets amounted to € 0.7 million (previous year: € 1.1 million) and current assets to € 22.6 million (previous year: € 24.5 million) respectively on 31 December 2016.

Non-current liabilities were measured at € 0.4 million (previous year: € 0.4 million) and current liabilities at € 18.2 million (previous year: € 16.4 million) respectively on 31 December 2016.

Sales revenue amounted to € 23.2 million (previous year: € 29.1 million) and net income of the company was € 0.3 million (previous year: € 2.8 million) for the 2016 financial year.

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

In the 2017 financial year, the Biotest Group recognised a depreciation of dividends receivable from BioDarou P.J.S. Co. in the amount of € 1.3 million (previous year: € 0.4 million).

The political situation in Iran calmed somewhat in 2017 with the relaxing of sanctions. The difficult payment situation improved only slightly in the 2017 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.

E 5 OTHER FINANCIAL ASSETS

	2017		2016	
in € million	**Total**	**thereof non-current**	Total	thereof non-current
Reimbursements from the termination of long-term supply agreements (loans and receivables)	11.7	5.8	–	–
Loans to associated companies (loans and receivables)	6.9	6.9	–	–
Time deposits (loans and receivables)	–	–	10.0	–
Derivative financial instruments (financial assets held for trading)	0.6	–	1.3	–
Pension fund (financial assets at fair value through profit and loss)	0.2	0.2	0.1	0.1
Receivables from joint ventures (loans and receivables)	0.1	0.1	2.2	1.3
	19.5	**13.0**	**13.6**	**1.4**

In addition to reimbursements from the termination of long-term supply agreements, the loans and receivables category mainly comprises a long-term loan to the associated company ADMA Biologics Inc., Ramsey, USA, which is recognised at 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.

E 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	**2017**	2016	**2017**	2016	**2017**	2016
Intangible assets	–	–	0.4	–	–	–
Property, plant and equipment	0.2	–	8.0	8.0	–0.1	–0.6
Other financial assets	0.8	1.2	0.6	–	0.4	–
Inventories	8.6	11.5	0.1	0.1	2.9	–1.7
Trade receivables	–	0.1	12.9	12.8	0.1	1.2
Other provisions	1.6	1.2	0.2	–	–1.3	–0.1
Financial liabilities	2.4	4.1	0.1	0.2	1.7	–0.5
Pension provisions	11.2	11.1	0.1	0.1	–0.5	–0.5
Other liabilities	1.3	2.3	0.9	0.9	1.7	0.6
Other statement of financial position items	1.2	0.7	–	–	0.6	–0.3
Tax value of the recognised loss carried forward	12.9	–	–	–	–12.8	0.2
Total deferred taxes	**40.2**	**32.2**	**23.3**	**22.1**	**–7.3**	**–1.7**
Less netting of deferred tax assets and liabilities	–20.7	–19.6	–20.7	–19.6		
Deferred tax assets / liabilities	**19.5**	**12.6**	**2.6**	**2.5**		

The Group has usable tax loss carryforwards of € 45.7 million (previous year: € 0.5 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. € 42.0 million of the loss carryforwards recognised are subject to a tax rate of 29.0 %, € 2.3 million to a tax rate of 24 % and € 1.4 million to a tax rate of 9 % (in the previous year, € 0.2 million was subject to a tax rate of 9 %).

Deferred taxes are not recognised for tax loss carryforwards of € 15.3 million (previous year: € 15.3 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: € 3.7 million) may be carried forward indefinitely. Furthermore, € 3.1 million (previous year: € 2.4 million) may be carried forward for up to five years and € 8.5 million (previous year: € 9.2 million) for over five years.

There are unrecognised loss carryfowards in the amount of € 70.7 million (previous year: € 41.8 million), which were attributable to discontinued operations.

In the Biotest Group in some countries several years have not yet been definitely assessed by the tax authorities. Therefore adequate provisions, relating to the assessment periods still open, have been set up.

As in the previous year, no deferred tax liabilities were recognised as of 31 December 2017 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 € 0.6 million (previous year: € 1.3 million).

E 7 INVENTORIES

in € million	**2017**	2016
Raw materials, consumables and supplies	28.9	24.1
Work in progress	79.4	86.5
Finished goods and merchandise	38.6	60.2
	146.9	**170.8**

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 € 45.1 million as at the reporting date (previous year: € 26.4 million); the residual carrying amount of the related inventories was € 61.3 million (previous year: € 40.3 million) after being written down to their net realisable value.

E 8 TRADE RECEIVABLES

Trade receivables are typically due within one year. As in the previous year, none of the trade receivables totalling € 133.8 million (previous year: € 163.8 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	**2017**	2016
Trade receivables (gross)	149.3	179.1
Sale of trade receivables	–8.2	–9.1
Allowance for bad debts	–7.3	–6.2
Trade receivables (net)	**133.8**	**163.8**

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 € 6.7 million (previous year: € 7.8 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 € 1.5 million (previous year: € 1.3 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 € 42.8 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.

Allowances for bad debts for trade receivables changed as follows:

in € million	**2017**	2016
Balance as of 1 January	**6.2**	**3.6**
Additions	3.3	3.2
Utilisation	–	–
Reversals	–2.2	–0.6
Balance as of 31 December	**7.3**	**6.2**

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

in € million	**2017**	2016
Carrying amount	**133.8**	**163.8**
Unimpaired and non-past due as of the reporting date	111.7	131.7
Unimpaired as of the reporting date and past due in the following time bands		
< 90 days past due	13.7	22.4
91–180 days past due	1.8	1.9
181–365 days past due	0.3	0.8
> 1 year past due	0.2	0.1

The past due receivables of the Biotest Group in the 2017 financial year mainly consist of receivables due to Biotest AG of € 9.6 million (previous year: € 12.5 million), receivables due to Biotest Italia S.r.l., Italy, of € 4.0 million (previous year: € 1.2 million), receivables due to Biotest (UK) Ltd., UK, of € 1.1 million (previous year: € 0.9 million), receivables due to Biotest Medical S.L.U., Spain, of € 1.0 million (previous year: € 1.1 million) and receivables due to Biotest Hungaria Kft., Hungary, of € 0.2 million (previous year: € 0.3 million). In the previous year, € 9.1 million was also attributable to receivables due to Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA.

Net trade receivables are denominated in the following currencies:

in € million	**2017**	2016
EUR	99.5	101.6
USD	23.3	58.1
GBP	2.0	2.2
HUF	1.7	1.1
BRL	6.8	0.2
Other currencies	0.5	0.6
Trade receivables (net)	**133.8**	**163.8**

E 9 OTHER ASSETS

	2017		2016	
in € million	**Total**	**thereof non-current**	Total	thereof non-current
Value-added and other tax receivables	7.4	–	10.5	–
Deferred income	1.5	0.2	3.8	0.1
Payments in advance	0.5	–	1.1	–
Other assets	1.4	0.1	1.8	0.4
	10.8	**0.3**	**17.2**	**0.5**

As in the previous year, allowances for bad debts were not recognised on other assets in the 2017 financial year.

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

in € million	**2017**	2016
Carrying amount	**10.8**	**17.2**
Unimpaired and not-past due as of the reporting date	10.8	17.2
Unimpaired as of the reporting date and past due in the following time bands		
< 90 days past due	–	–
91 – 180 days past due	–	–
181 – 365 days past due	–	–
> 1 year past due	–	–

Other assets are denominated in the following currencies:

in € million	**2017**	2016
EUR	9.2	10.5
USD	0.3	3.5
GBP	0.1	1.2
HUF	1.0	1.5
Other currencies	0.2	0.5
	10.8	**17.2**

E 10 CASH AND CASH EQUIVALENTS

in € million	**2017**	2016
Bank balances	22.0	51.7
Short-term deposits	–	21.0
Cash in hand	0.3	0.2
	22.3	**72.9**

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.

E 11 EQUITY

Subscribed capital is fully paid in and amounts to € 39,571,452 on 31 December 2017 (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 2017, 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. In a letter dated 31 January 2018, Dr Cathrin Schleussner, Dr Martin Schleussner and Ms Renate Schleussner informed the Biotest Group that their share of voting rights had fallen to 0.0 % as a result of accepting the takeover offer described below.

Based on the new rule under Section 41 (4g) WpHG in effect from 1 July 2016, the district of Biberach notified the Biotest Group on 20 July 2016 that it held 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. In a letter dated 31 January 2018, the district of Biberach informed the Biotest Group that its share of voting rights had fallen to 0.0 % as a result of accepting the takeover offer described below.

On 18 May 2017, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, a company indirectly controlled by Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), published the documentation for its unsolicited public takeover offer for all outstanding shares of Biotest AG. The shareholders were offered € 28.50 per ordinary share and € 19.00 per preference share within this offering. Tiancheng announced on 7 July 2017 that the unsolicited public takeover offer to the shareholders of Biotest AG was accepted for a total of 17,783,776 ordinary shares and 214,581 preference shares by the end of the extended acceptance period at midnight on 4 July 2017. These ordinary shares account for approximately 89.88 % of Biotest AG's voting capital and 44.94 % of the total share capital of Biotest AG. The completion of the transaction was subject to official permits. On 19 January 2018, the Committee on Foreign Investment in the United States, CFIUS, granted foreign trade approval and thus met the last remaining condition for the takeover offer. The uncertainty regarding financing, which existed up to that point, was resolved with the execution of the takeover.

The proposed appropriation of net profit for the year 2017 provides for dividend payments of € 0.8 million (previous year: € 2.4 million). A dividend of € 0.00 per share (previous year: € 0.05 per share) will be paid on the ordinary shares and a dividend of € 0.04 per share (previous year: € 0.07 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 Board of Management of Biotest AG was authorised by the Annual General Meeting on 30 August 2017, with the consent of the Supervisory Board, to increase the share capital of the Company by 29 August 2022 by issuing up to 5,247,816 new ordinary bearer shares and/or issuing up to 5,247,816 new bearer preference shares without voting rights against cash contributions, on one or more occasions, up to € 10.5 million (authorised capital).

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	2017	2016
Earnings after taxes from continuing operations	–16.4	6.1
Additional dividend on preference shares	–0.4	–0.4
Profit adjusted for additional dividend rights (continuing operations)	**–16.8**	**5.7**
Number of shares outstanding (weighted average)	39,571,452	39,571,452
Basic and diluted earnings per preference share in € (continuing operations)	**–0.42**	0.14
Additional dividend rights per preference share in €	**0.02**	0.02
Basic and diluted earnings per preference share in €	**–0.40**	0.16

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.

E 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 € 4.1 million (previous year: € 2.6 million) were held by a trustee, Biotest Vorsorge Trust e.V., during the 2017 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	2017	2016
Net present value of defined benefit obligations		
Pension plans	81.1	80.5
Similar obligations	7.8	6.9
	88.9	**87.4**
Fair value of plan assets		
Pension plans	1.5	2.5
Similar obligations	1.1	1.1
	2.6	**3.6**
Net defined benefit liability		
Pension plans	79.6	78.0
Similar obligations	6.7	5.8
	86.3	**83.8**

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

in € million	2017	2016
Current service cost	4.7	3.9
Past service cost	–	1.1
Net interest expenses	1.4	1.6
Total expense recognised in profit and loss	**6.1**	**6.6**
Actuarial losses due to experience adjustments	0.3	1.1
Actuarial gains (losses) due to changes in financial assumptions	–1.3	6.3
Return on plan assets (excluding amounts included in net interest expenses)	–0.1	–
Revaluations recognised directly in the statement of comprehensive income	**–1.1**	**7.4**
Defined benefit costs	**5.0**	**14.0**

Actuarial gains of € 1.1 million (previous year: losses of € 7.4 million) were recognised directly in equity in the 2017 financial year. Actuarial losses totalling € 31.5 million (previous year: € 32.6 million) have to date been recognised directly in equity.

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

in € million	2017	2016
Net present value of defined benefit obligation as of 1 January	**87.4**	**76.6**
Current service cost	4.7	3.9
Past service cost	–	1.1
Interest expense	1.5	1.7
Expenses recognised in the consolidated statement of income	**6.2**	**6.7**
Actuarial losses due to experience adjustments	0.3	1.1
Actuarial gains (previous year: losses) due to changes in financial assumptions	–1.3	6.3
Revaluations recognised directly in the statement of comprehensive income	**–1.0**	**7.4**
Pension benefits paid	–3.7	–3.3
Net present value of defined benefit obligation as of 31 December	**88.9**	**87.4**

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

in € million	2017	2016
Fair value of plan assets as of 1 January	**3.6**	**4.0**
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**	**–**
Payments from plan assets	–1.2	–0.5
Fair value of plan assets as of 31 December	**2.6**	**3.6**

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

in € million	2017	2016
In the next 12 months	3.7	3.8
Between 2 and 5 years	15.3	14.6
Between 5 and 10 years	25.1	23.5
After 10 years	85.7	84.5
Total expected payments	**129.8**	**126.4**

The weighted average term of the defined benefit plans is 14.6 years (previous year: 13.6 years) as of 31 December 2017.

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

in € million	2017	2016
Reinsurance	–	1.0
Cash and cash equivalents	1.1	1.2
Fund units	1.5	1.4
	2.6	**3.6**

The calculation is based on the following actuarial assumptions:

in %	2017	2016
Discount rate as of 31 December	1.6–2.1	1.5–1.9
Expected return on plan assets	2.1	1.9
Rate of increase for wages and salaries	3.4	3.0
Rate of increase for pensions	1.8	1.8
Employee turnover rate	0.0–7.5	0.0–7.5

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 2017.

Parameter	Parameter change	Impact on the pension obligation in € million
Rate of interest	Increase by 50 basis points	–5.7
Rate of interest	Decrease by 50 basis points	6.4
Salary trend	Increase by 50 basis points	1.3
Salary trend	Decrease by 50 basis points	–1.2
Pension trend	Increase by 100 basis points	7.7
Pension trend	Decrease by 100 basis points	–6.5
Life expectancy	Increase by one year	3.6

€ 8.8 million (previous year: € 7.6 million) was recognised as expense for defined contribution plans in the financial year and are broken down as follows:

in € million	2017	2016
Defined contribution plans of the Company	0.3	0.1
Employer contributions to statutory insurance scheme	8.5	7.5
	8.8	**7.6**

E 13 OTHER PROVISIONS

in € million	Staff-related provisions	Litigation risks	Provisions for sales agreements	Miscel-laneous provisions	Total	thereof current
Balance as of 31 December 2016	**13.7**	**3.3**	**13.1**	**13.4**	**43.5**	**35.6**
Reclassification to discontinued operations	–2.6	–	–7.6	–5.7	–15.9	
Additions	7.6	–	2.5	3.9	14.0	
Utilisation	–8.6	–1.4	–4.7	–0.3	–15.0	
Reversals	–1.5	–	–0.1	–0.3	–1.9	
Accrued interest	–	–	–	–0.1	–0.1	
Balance as of 31 December 2017	**8.6**	**1.9**	**3.2**	**10.9**	**24.6**	**22.1**

The staff-related provisions consist primarily of provisions for profit-sharing, the Long Term Incentive Programme and severance pay. The provisions under the Long Term Incentive Programme are explained in detail in Section H 1.

The provisions for litigation risk are explained in detail in Section H 12.

The provisions for sales agreements mainly include provisions for outstanding bonuses, rebates, credit notes and provisions for contractual penalties.

Miscellaneous provisions include provisions for guarantees and similar items, particularly in connection with the human albumin recall.

Additions to provisions in the 2017 financial year mainly comprise additions of € 6.9 million (previous year: € 10.6 million) for profit sharing and the LTI programme for employees.

The reversals primarily consist of € 1.5 million relating to provisions for profit sharing, the LTI programme for employees, anniversaries and severance payments.

E 14 FINANCIAL LIABILITIES

in € million	2017	2016
Non-current liabilities		
Promissory notes	119.9	220.4
Unsecured non-subordinated loans	155.5	106.2
Unsecured other loans	8.1	–
Long-term portion of liabilities from finance leases	3.3	3.4
	286.8	**330.0**
Current liabilities		
Promissory notes	95.5	0.4
Unsecured non-subordinated loans	23.7	14.3
Unsecured other loans	0.2	1.3
Short-term portion of liabilities from finance leases	0.2	0.2
	119.6	**16.2**

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 € 174.7 million (previous year: € 121.1 million) were a further component of the financing arrangements.

€ 95.5 million (previous year: € 107.5 million) of the committed bilateral credit lines remained unused as of 31 December 2017.

Information on the hedging of exchange-rate and interest risks is given in Section H 4 Financial risk management.

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

2017 (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 %	104.9	29.0	55.9	20.0
Euro – variable at 0.7 % to 1.0 %	68.6	24.6	44.0	–
USD – variable at 3.0 %	41.9	41.9	–	–
Other loans:				
Euro – fixed at 1.9 % to 4.0 %	8.1	–	–	8.1
Euro – variable at 0.7 %	0.2	0.2	–	–
Unsecured non-subordinated loans:				
Euro – fixed at 0.9 % to 3.0 %	175.1	19.6	98.0	57.5
Euro – variable at 0.9 %	4.1	4.1	–	–
Liabilities from finance leases:				
Euro – fixed at 2.5 %	3.5	0.2	0.7	2.6
	406.4	119.6	198.6	88.2

The effects on financial liabilities from the change in control that occurred on 31 January 2018 as a result of from the closing of the unsolicited takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, are described in Section H 13.

The pricing and repayment terms and the maturity profile of the previous year's 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 liabilities from finance leases are redeemed as follows:

in € million	**2017**			2016		
	Payment	Interest	Principal repayments	Payment	Interest	Principal repayments
Due in < 1 year	0.3	0.1	0.2	0.3	0.1	0.2
Due in 1 to 5 years	1.0	0.3	0.7	0.9	0.3	0.6
Due in > 5 years	3.0	0.4	2.6	3.3	0.5	2.8
	4.3	**0.8**	**3.5**	**4.5**	**0.9**	**3.6**

The sum of future minimum lease payments as of the reporting date of € 4.3 million (previous year: € 4.5 million) equates to a present value of € 3.5 million (previous year: € 3.6 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 € 384.1 million (previous year: € 263.3 million) as of the reporting date and is derived as follows:

in € million	**2017**	2016
Financial liabilities to financial institutions	402.9	342.6
Liabilities from finance leases	3.5	3.6
	406.4	**346.2**
Cash and cash equivalents	22.3	72.9
Other current financial assets	–	10.0
	22.3	**82.9**
Net debt	**384.1**	**263.3**

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

E 15 OTHER LIABILITIES

in € million	2017	2016
Liabilities for commissions payable	18.7	19.7
Deferred liabilities	1.8	2.6
Wage tax liabilities	1.5	1.6
Liabilities from derivative financial instruments	0.9	1.1
Deferred income	0.7	1.0
Social security liabilities	0.6	1.7
Value-added tax liabilities	0.4	0.6
Payments received in advance	–	0.4
Other liabilities	3.7	1.1
	28.3	**29.8**

Other liabilities with a time to maturity of over one year amounted to € 1.3 million (previous year: € 1.9 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 were treated as discontinued operations as per IFRS 5 in the previous year.

For the value adjustment of assets held for sale, impairment of € –33.7 million was recognised in the previous year. This includes expenses from the write-down of the Therapy goodwill of BPC amounting to € –19.9 million. The previous year's measurement result from the discontinued operations is based on ADMA Biologic Inc.'s share price at 31 December 2016 of $ 5.12 per share.

BPC completed the sale of its therapy and toll manufacturing activities to ADMA Biologics Inc., Ramsey, USA, on 6 June 2017. BPC's manufacturing facilities, land and buildings at the Boca Raton site, the therapy products previously sold by BPC and the toll manufacturing agreements, inventories and intermediates worth € 4.9 million and the employees of the US therapy business were transferred to ADMA. Furthermore, BPC has provided ADMA with cash of $ 12.5 million and a subordinated loan with a nominal amount of $ 15 million for a term of five years. In return, BPC received an interest of 50 % minus one share in ADMA, granting voting rights of 25 %. Furthermore, BPC will receive two plasmapheresis stations, which are currently operated by ADMA, on 1 January 2019. On the basis of ADMA's quoted share price as of 6 June 2017 and an updated fair value of the loan and the right to transfer the plasmapheresis stations, the gain on disposal amounted to € 10.5 million ($ 11.4 million), which is reported in the results of discontinued operations.

ADMA Biologics Inc., with registered office in Ramsey, USA, has been included in the consolidated financial statements as an associated company using the equity method since 6 June 2017. The carrying amount of the equity investment of € 38.1 million includes hidden reserves relating to ADMA's RI-002 development project of € 21.0 million.

Effective 13 November 2017, BPC participated in a capital increase in the amount of $ 12.5 million at ADMA Biologics Inc. and now holds 41.3 % of the shares, granting 27.5 % of voting rights. For the period from 6 June 2017 to 31 December 2017, losses of € 12.2 million have been recognised in the carrying amount of Biotest's equity investment in ADMA.

On 22 December 2017, Biotest signed an agreement on the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA. The sale includes the plasma collection activities, which were previously presented in the Plasma & Services segment, and the investment in ADMA Biologics Inc. Until the closing of the sale, Biotest transferred the investments in BUC to a US trust on 19 January 2018. As a result of the transfer to the US trust, the business allocated to these companies is classified as discontinued operations.

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 held for sale.

The earnings after taxes of discontinued operations are as follows:

in € million	2017	2016
Income from discontinued operations	163.1	202.4
Expenses from discontinued operations	160.6	–225.5
Earnings before taxes of discontinued operations	**2.5**	**–23.1**
Income taxes from discontinued operations	–0.1	–0.2
Earnings after taxes from discontinued operations before the measurement and disposal result	**2.4**	**–23.3**
Measurement and disposal result from discontinued operations before taxes	10.5	–33.7
Taxes on the measurement and disposal result	–	5.2
Measurement and disposal result from discontinued operations after taxes	**10.5**	**–28.5**
Earnings after taxes of discontinued operations	**12.9**	**–51.8**

Assets from discontinued operations in connection with the sale of the US companies relate to:

in € million	2017	2016
Intangible assets	7.9	–
Property, plant and equipment	21.8	5.5
Investments in associated companies	38.1	–
Inventories	21.5	6.4
Trade receivables	18.0	–
Other assets	8.7	1.3
Cash and cash equivalents	3.8	11.9
	119.8	**25.1**
Undeveloped plot of land	5.8	–
Assets held for sale	**125.6**	**25.1**
Other provisions	7.4	–
Trade payables	4.4	–
Other liabilities	2.3	–
Liabilities in connection with assets held for sale	**14.1**	**–**

In addition, an undeveloped plot of land held for sale in Boca Raton, USA, with a carrying amount of € 5.8 million as at 31 December 2017 is also reported as an asset held for sale. The sale of this plot of land is expected to take place during the 2018 financial year.

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

G. BUSINESS COMBINATIONS

There were no business combinations in the previous year.

On 17 July 2017, the Biotest Group exercised its option to acquire 100 % of shares in Cara Plasma s.r.o., with registered office in Prague, Czechia. Cara Plasma s.r.o. operates a plasma collection centre in Prague, Czechia. The acquisition of the company is intended to help safeguard Biotest AG's plasma supply in the long term.

The purchase price consists of a payment of € 0.2 million due at the acquisition date and subsequent contingent purchase price payments dependent on the plasma quantities delivered by the company within three years of acquisition. The contingent purchase price payment is expected to be in a range of between € 0.3 million and € 0.5 million. The company was included in the consolidated financial statements for the first time in July 2017.

As of the acquisition date, the identified assets and liabilities of Cara Plasma s.r.o. were as follows:

in € million	
Non-current assets	0.8
Current assets	0.7
	1.5
Non-current liabilities	0.1
Current liabilities	0.9
	1.0
Total identified net assets at fair value	**0.5**
Goodwill from business combination	0.1
Total consideration	**0.6**

It is assumed that the recognised goodwill is not tax-deductible. No significant transaction costs were incurred in connection with the transaction.

The cash outflow resulting from the company acquisition is as follows.

in € million	
Consideration with impact on cash (included in cash flows from investing activities)	–0.2
Cash and cash equivalents acquired with the subsidiary (included in cash flows from investing activities)	0.3
Transaction costs of the company acquisition (included in cash flows from operating activities)	–
Actual cash inflow resulting from the company acquisition	**0.1**

H. MISCELLANEOUS NOTES

H 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. In 2006, the Company introduced a Long Term Incentive Programme (LTIP 2009), renewable annually subject to the approval from the Supervisory Board.

In the past few years (2010 to 2016), the LTIP 2009 has been continued with a new tranche each year. A personal investment by eligible participants was required for participation in the LTIP 2009. The personal investment from the first tranche in 2009 could be applied to all later tranches.

In 2017, a new LTI programme (LTIP 2017) based on the previous programme but with changed participation conditions and changed performance target categories was introduced with the approval of the Supervisory Board.

LONG TERM INCENTIVE PROGRAMME 2017 / TRANCHE 2017 (LTIP 2017)

Participation in the LTIP 2017 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 addition of new preference shares to be acquired under the LTIP ("new investment"); the additional new investment to be contributed in the predecessor programme, which depended on the additional preference shares to be contributed ("additional investment"), is no longer required in the LTIP 2017.

Because the new programme, unlike its predecessor, is no longer dependent on the share price, but instead two internally defined targets (performance factors) were selected, the LTIP 2017 is not required to be reported under IFRS 2.

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

The amounts reported for the 2015 and 2016 tranches relate to all employees eligible to participate in the programme. 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 (BPC), Boca Raton, USA, 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 General 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 of 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 target 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 of 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 2015	LTIP 2016
Number of participants	96	119
New investment in preference shares	21.800	24.580
Number of preference shares virtually allocated to BPC employees	4.600	6.050

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 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 2015	LTIP 2016
Fair value as of grant date	0	0
Fair value as of reporting date	0	2.497
Sum of performance factors in the financial year	0	0.0343
Sum of performance factors in the previous year	0	3.108

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 2015	LTIP 2016
Provision as of the reporting date	0	1.0
Expenses for the financial year	0	0.6

In the 2017 financial year, 33 employees with a new or virtual investment of 3,700 preference shares left the Biotest Group. This resulted in income of € 33 thousand.

LONG TERM INCENTIVE PROGRAMME 2009 / TRANCHE 2014 (LTIP 2014)

The 2014 tranche of the Long Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2014.

No payment was made in the 2017 financial year in respect of the 2014 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.

H 2 FINANCIAL INSTRUMENTS

H 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 items on the statement of financial position. 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 2017 financial year.

H 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 2017	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	133.8	133.8	–	–	–	–
Other financial assets							
Reimbursements from the termination of long-term supply agreements	LaR	11.7	11.7	–	–	–	–
Promissory notes/other financial investments	LaR	–	–	–	–	–	–
Derivatives not designated as hedging instruments	FAHfT	0.6	–	–	–	0.6	–
Receivables from associated companies and joint ventures	LaR	7.0	7.0	–	–	–	–
Pension fund	FAFVtPL	0.2	–	–	–	0.2	–
Equity and liabilities							
Trade payables	FLAC	65.0	65.0	–	–	–	–
Financial liabilities							
Unsecured liabilities to banks	FLAC	394.6	394.6	–	–	–	–
Other unsecured loans	FLAC	8.3	8.3	–	–	–	–
Liabilities from finance leases	n.a.	3.5	–	–	–	–	3.5
Other liabilities							
Non-derivative financial liabilities	FLAC	27.4	27.4	–	–	–	–
Derivatives not designated as hedging instruments	FLHfT	0.9	–	–	–	0.9	–

Cash and cash equivalents with a carrying amount of € 22.3 million (previous year: € 72.9 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 2017	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
133.8	LaR	163.8	163.8	–	–	–	–	163.8
11.7	LaR	–	–	–	–	–	–	–
–	LaR	10.0	10.0	–	–	–	–	10.0
0.6	FAHfT	1.3	–	–	–	1.3	–	1.3
7.0	LaR	2.2	2.2	–	–	–	–	2.2
0.2	FAFVtPL	0.1	–	–	–	0.1	–	0.1
65.0	FLAC	62.8	62.8	–	–	–	–	62.8
374.7	FLAC	341.3	341.3	–	–	–	–	320.0
7.1	FLAC	1.3	1.3	–	–	–	–	1.3
3.5	n.a.	3.6	–	–	–	–	3.6	3.6
27.4	FLAC	28.7	28.7	–	–	–	–	28.7
0.9	FLHfT	1.1	–	–	–	1.1	–	1.1

H 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 2017	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 2017
Loans and receivables	LaR	152.5	152.5	–	–	–	–	152.5
Financial assets recognised at fair value	FAFVtPL	0.2	–	–	–	0.2	–	0.2
Financial assets held for trading	FAHfT	0.6	–	–	–	0.6	–	0.6
Financial liabilities recognised at amortised cost	FLAC	495.3	495.3	–	–	–	–	474.2
Financial liabilities held for trading	FLHfT	0.9	–	–	–	0.9	–	0.9

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	–	–	–	1.3	–	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

H 2.4 NET GAIN OR LOSS BY MEASUREMENT CATEGORY

The net gain or loss for the 2017 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 2017
Loans and receivables	–0.3	–	–2.9	–5.9	–	–9.1
Financial investments held to maturity	–	–	–	–	–	–
Financial assets recognised at fair value	–	–	–	–	–	–
Financial assets held for trading	–	–1.7	6.6	–	–	4.9
Financial liabilities held for trading	–	0.4	–	–	–	0.4
Financial liabilities recognised at amortised cost	–8.4	–	6.0	–	–	–2.4
Total	**–8.7**	**–1.3**	**9.7**	**–5.9**	**–**	**–6.2**

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 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**

All components of the net gain or loss are recognised under other financial expenses or other financial income with the exception of allowances for bad debts for trade receivables, which are reported under distribution costs.

A loss of € 1.3 million (previous year: € 0.6 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.

H 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.

This presentation includes all instruments that were in the portfolio on the reporting date and for which payments were already contractually agreed. It does not include budgeted figures for future new liabilities. Amounts in foreign currencies are translated at the corresponding closing rate. The variable interest payments from the financial instruments are calculated based on the interest rates last fixed before 31 December 2017. Financial liabilities repayable on demand are always allocated to the earliest time period.

in € million		Cash flow in 2018			Cash flow in 2019		
Item of the statement of financial position	Carrying amount as of 31 December 2017	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	–394.6	–5.3	–2.1	–119.1	–4.4	–0.7	–24.5
Liabilities from finance leases	–3.5	–0.1	–	–0.1	–0.1	–	–0.2
Other interest-bearing liabilities	–8.3	–	–	–0.2	–	–	–
Trade payables	–65.0	–	–	–65.0	–	–	–
Other liabilities	–27.4	–	–	–26.6	–	–	–0.8
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	–0.1	–	–	–0.1	–	–	–
Interest rate derivatives not designated as a hedging instrument	–0.8	–0.5	–	–	–0.2	–	–
Derivative financial assets:							
Currency derivatives not designated as a hedging instrument	0.6	–	–	0.6	–	–	–

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	–	–	–

Cash flow in 2020			Cash flow in 2021			Cash flow in 2022			Cash flow nach 2022		
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
–4.0	–0.7	–124.5	–2.0	–	–24.5	–1.7	–	–24.5	–1.9	–	–77.5
–0.1	–	–0.2	–0.1	–	–0.2	–0.1	–	–0.2	–0.4	–	–2.6
–	–	–	–	–	–	–	–	–	–1.3	–	–6.8
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–0.2	–	–	–	–	–	–		–	–		–
–	–	–	–	–	–	–	–	–	–	–	–

Cash flow in 2019			Cash flow in 2020			Cash flow in 2021			Cash flow nach 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	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

The change of control under company law on 31 January 2018 may constitute grounds for termination or special repayment obligations under the credit agreements. This may result in shifts in the cash flows of financial liabilities shown above. Please refer to our comments under "Financial liabilities" in Section E 14.

H 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 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 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 2017.

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.

H 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. € 0.6 million (previous year: € 1.3 million) is disclosed under other financial assets and € 0.9 million (previous year: € 1.1 million) under other liabilities as of 31 December 2017.

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.

Receivables from customers in Iran account for a share of more than 10 % in the current year. Allowances for bad debts of € 0.7 million (previous year: € 2.7 million) were recognised for these receivables.

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	**2017**	2016
Trade receivables	133.8	163.8
Other financial assets	19.5	13.6

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 RISK

The Biotest Group operates internationally and is therefore exposed to foreign currency risk based on the exchange rates of different foreign currencies, primarily 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	**2017**	2016	**2017**	2016
Cash reserves	–	5.9	–	0.1
Trade receivables	23.3	58.1	2.0	2.2
Other original financial assets	18.6	1.6	–	1.1
Other derivative financial assets	0.4	0.2	0.1	1.1
Trade payables	–2.0	–26.9	–0.3	–0.2
Liabilities to financial institutions	–41.9	–48.7	–	–
Other original financial liabilities	–3.3	–2.2	–0.1	–
Other derivative financial liabilities	–0.1	–	–	–
Net position	**–5.0**	**–12.0**	**1.7**	**4.3**

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**	
	2017	2016	**2017**	2016
Currency futures	83.6	55.8	0.6	1.3

See Section B 3 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 E 14 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 2017 financial year:

in € million	Nominal amount		Market values	
	2017	2016	**2017**	2016
Interest rate swaps	30.0	30.0	–0.8	–1.1

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 RISK

Liquidity risk is the risk that a company will be unable to meet its financial commitments to a sufficient extent at all times. A shortage of financial capital may result in an increase in financing costs.

The Biotest Group finances itself with long-term bank loans, promissory notes and factoring. Furthermore, the Biotest Group limits its liquidity risk by maintaining bilateral credit agreements with various banks that can be utilised if necessary in addition to the cash inflow from operating activities.

The Biotest Group had access to the following contractually established credit lines as of 31 December 2017:

in € million	**2017**	2016
Loans drawn down	403.8	343.8
Loans not drawn down	95.5	169.2

In order to reduce potential liquidity risks, the individual corporate divisions supply Group 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 2017 impact the Group's liquidity position is provided in Section H 2.5.

On closing of the takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, the credit agreements can be terminated in 2018 due to the change of control.

With regard to the effects of the change in control that occurred on 31 January 2018 as a result of from the closing of the unsolicited takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, please refer to the comments in Section H 13.

H 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 RISK

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 2017, the financial result would have been € 1.3 million (previous year: € 7.6 million) higher.

If the euro had depreciated by 10 % against all currencies as of 31 December 2017, the financial result would have been € 0.2 million (previous year: € 8.1 million) lower.

The hypothetical impact on profit or loss of € 1.3 million or € 0.2 million results from the following currency sensitivities:

in € million	Appreciation of the EUR by 10 %	Depreciation of the EUR by 10 %
EUR to USD	2.6	–1.6
EUR to GBP	–1.3	1.8
	1.3	**0.2**

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 2017 had been 100 basis points higher, the fair values of the financial instruments would have been € 0.4 million (previous year: € 0.5 million) higher. The hypothetical impact on profit or loss of € 0.0 million (previous year: € 0.2 million) arises from the potential effects from interest rate derivatives of € 0.4 million (previous year: € 0.5 million) and primary financial liabilities of € –0.4 million (previous year: € –0.3 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 2017 had been 100 basis points higher or 0 basis points lower, equity would have remained unchanged. Please see the remarks in Section E 12 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.

H 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 35.5 % as of 31 December 2017 (previous year: 38.7 %). 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 2017 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. In the 2017 financial year, the Biotest Group contractually agreed another loan of € 10 million under the KfW energy efficiency programme. The loan from the KfW energy efficiency programme was drawn down in full in the amount of € 70.0 million in the 2017 financial year. 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.

The change in control that occurred on 31 January 2018 as a result of the closing of the unsolicited takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, results in special termination rights for the creditors. Further information on the effects of the change of control can be found in Section H 13.

H 7 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a potential asset that results from past events and whose existence will not be confirmed until the occurrence or non-occurrence of one or more uncertain future events that are not entirely under the Company's control.

Contingent liabilities are potential obligations that result from past events and whose existence will not be confirmed until the occurrence or non-occurrence of one or more uncertain future events that are not entirely under the Company's control. Contingent liabilities may also be based on current obligations that result from past events but are not recognised, either because an outflow of resources with a loss of economic benefits is not likely or because the amount of the obligation cannot be estimated sufficiently reliably.

The Biotest Group has contingent liabilities under guarantees in the amount of € 16.7 million (previous year: € 16.6 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.

Fees in connection with the tender business result in contingent liabilities of € 1.3 million. The amount that Biotest considers justified is covered by a provision of € 0.5 million.

In connection with the sale of the US activities in the 2017 financial year, there is a risk that contractual partners may assert claims due to alleged breaches of contract. Biotest considers potential claims to be unjustified, as the matters brought up so far were already known at the time of the sale. Biotest has not recognised a provision in the consolidated financial statements. In the event of a legal dispute, it cannot be ruled out that a negative judgement for Biotest could be issued and could have a significant impact on the net assets, financial position and results of operations.

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

H 8 OTHER FINANCIAL COMMITMENTS

in € million	in 2018	2019 to 2022	From 2023 on	Total
Obligations under long-term supply agreements with fixed purchase volumes	2.3	42.8	45.9	91.0
Obligations under long-term service agreements	11.9	39.3	8.5	59.7
Purchase commitments for property, plant and equipment	25.7	2.0	–	27.7
Future payments under rental and operating lease contracts	4.7	7.9	4.2	16.8
	44.6	**92.0**	**58.6**	**195.2**

Obligations under long-term supply agreements with fixed purchase volumes primarily relate to supply agreements for the years 2018 to 2025, under which Biotest is to receive products worth € 91.0 million (previous year: € 0 million) in subsequent years.

Obligations under long-term service agreements mainly relate to purchase commitments under two toll manufacturing agreements for the period from 2018 to 2023 totalling € 59.7 million (previous year: € 28.0 million). Due to a transcription error, the corresponding figure reported in the previous year's report was € 15.1 million too high; this has now been corrected in the disclosures in accordance with IAS 8.

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 2017 financial year, expenses under rental and operating lease agreements amounted to € 3.2 million (previous year: € 6.8 million).

Some rental, lease and operating lease agreements in connection with plasma centres run by Plasma Service Europe GmbH include clauses allowing price adjustments based on the consumer price index in Germany.

H 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 associated company ADMA Biologics Inc., Ramsey, USA, 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 € 7.1 million during the year (previous year: € 1.8 million). The receivables from joint ventures amounted to € 3.3 million on the reporting date (previous year: € 0.0 million). As in the previous year, there were no liabilities to BioDarou P.J.S. Co. on the reporting date from payments in advance on future goods deliveries.

B) ASSOCIATED COMPANIES

The Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, provided the associated company ADMA Biologics Inc. with a long-term loan in the 2017 financial year. The carrying amount of the loan was € 6.9 million as of 31 December 2017 and is reported under continuing operations. In addition, there is a receivable of € 0.2 million from the associated company. The investment in ADMA Biologics Inc. was reclassified to discontinued operations in the context of the planned sale of BPC. Further information is provided in Section F. ADMA Biologics Inc. acquired goods and services from Biotest Group companies totalling € 2.5 million during the year (previous year: € 0 million).

C) 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. OGEL GmbH is controlled by Dr Cathrin Schleussner.

Until the acceptance of the unsolicited public takeover offer, 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 2017.

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. did not acquire any goods or services from Biotest Group companies during the year (previous year: € 15.5 million). In addition, there are liabilities to the joint venture of € 0.6 million as at the reporting date (previous year: receivables of € 8.8 million).

D) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Members of the boards

As of 31 December 2017, 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

Rolf Hoffmann,
Weggis, Switzerland

Shareholder representative

Lecturer at the University of North Carolina Kenan-Flagler Business School, Chapel Hill, North Carolina, USA

Chairman of the Supervisory Board of Biotest AG (member since August 2017)

Member of the Administrative Board at Trigemina Ins., San Francisco, USA
Member of the Supervisory Board at Genmab A/S, Copenhagen, Denmark

Dr Cathrin Schleussner,
Neu-Isenburg, Germany

Managing director of OGEL GmbH, Frankfurt/Main, Germany

Deputy Chairwoman of the Supervisory Board of Biotest AG (member since July 2001)

Kerstin Birkhahn,
Langen, Germany

Engineering graduate, employee of Biotest AG, Dreieich, Germany

Employee representative on the Supervisory Board of Biotest AG (member since April 2010)

Kurt Hardt,
Biberach, Germany

Member of the Board of Management of Kreissparkasse Biberach, Biberach, Germany

Member of the Supervisory Board of Biotest AG (member since August 2017)

Jürgen Heilmann,
Dreieich, Germany

Administrative employee of Biotest AG, Dreieich, Germany

Employee representative on the Supervisory Board of Biotest AG (member since September 2011)

Christine Kreidl,
Regensburg, Germany

Independent consultant, Regensburg, Germany

Member of the Supervisory Board of Biotest AG (member since August 2017)

Deputy Chairwoman of the the Supervisory Board of Singulus Technologies AG, Kahl/Main, Germany

As of 30 August 2017, the following members retired from the Supervisory Board:

Dr Alessandro Banchi,
Milan, Italy

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

Former Chairman 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

Supervisory Board remuneration

Members of the Supervisory Board were paid a total of € 221 thousand in the current financial year (previous year: € 219 thousand), of which € 221 thousand (previous year: € 219 thousand) is attributable to fixed remuneration components and € 0 thousand (previous year: € 0 thousand) to variable remuneration components. As well as the remuneration of the

Supervisory Board members in office, this also includes the pro-rata remuneration of the Supervisory Board members whose mandates ended on 30 August 2017 (Dr Alessandro Banchi, Thomas Jakob and Dr Christoph Schröder).

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2017 and 2016 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

Member of the Supervisory Board at Affimed GmbH, Heidelberg, Germany

Member of the Supervisory Board at ADMA Biologics, Inc., Ramsey, USA

Dr Michael Ramroth,
Mörfelden-Walldorf, Germany

Member of the Board of Management (Chief Financial Officer)

Dr Georg Floß,
Marburg, Germany

Member of the Board of Management (Chief Operations Officer)

Remuneration of the Board of Management

Total remuneration of current members of the Board of Management amounted to € 2,463 thousand for the 2017 financial year (previous year: € 2,086 thousand). The Board of Management remuneration is broken down into non-performance-based components of € 1,358 thousand (previous year: € 1,436 thousand) and performance-based components of € 1,105 thousand (previous year: € 650 thousand).

Participation by 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 share-based 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
2017 (2015 and 2016 tranches)			
Dr Bernhard Ehmer	–	–	–
Dr Michael Ramroth	1,800	147	103
Dr Georg Floß	1,800	130	92
	3,600	**277**	**195**
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**

The Board of Management members took part in the new LTIP 2017 program with the same personal investment (Dr Michael Ramroth and Dr Georg Floß, each with 1,800 preference shares). A provision of € 63,000 was recognised for the non-share-based LTIP 2017. Of this, € 33,000 was allotted to Dr Michael Ramroth, and € 30,000 was allotted to Dr Georg Floß.

None of the Board of Management members (Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Georg Floß) received a payment from the 2014 tranche of the Long Term Incentive Programme, which was scheduled for disbursal in the 2017 financial year.

Pension entitlements for current members of the Board of Management total € 8,118 thousand (previous year: € 7,499 thousand). Assets in the amount of € 1,570 thousand (previous year: € 1,248 thousand) were transferred to Biotest Vorsorge Trust e.V. as of 31 December 2017 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 remuneration 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 plus the bonus payment calculated as described above and the compensation for the value in use of the company car.

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 € 7,555 thousand (previous year: € 6,738 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 € 484 thousand (previous year: € 477 thousand) were made to former members of the Board of Management in the 2017 financial year. In addition, € 0 thousand (previous year: € 0 thousand) was paid to former Board of Management members in the 2017 financial year for employee profit-sharing or under the LTIP 2014.

As of 31 December 2017, there were provisions relating to the LTIP for former Board of Management members of € 0 thousand (previous year: € 0 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.

H 10 PARTICIPATING INTERESTS

The following is a list of the companies in which Biotest AG holds a direct or indirect participating interest pursuant to Section 313 (2) HGB. 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	126.3	100.00	2.3
Biotest Grundstücksverwaltungs GmbH*	Dreieich, Germany	9.4	98.00	0.9
Biotest France SAS	Paris, France	0.5	100.00	0.1
Biotest (UK) Ltd.	Birmingham, UK	3.6	100.00	0.3
Biotest Italia S.r.l.	Milan, Italy	3.9	100.00	–2.0
Biotest Austria GmbH	Vienna, Austria	2.6	100.00	0.4
Biotest (Schweiz) AG	Rupperswil, Switzerland	2.1	100.00	0.3
Biotest Hungaria Kft.	Budapest, Hungary	4.0	100.00	0.6
Biotest Farmacêutica Ltda.	São Paulo, Brazil	–1.0	100.00	–1.1
Biotest Hellas MEPE	Athens, Greece	–7.9	100.00	–
Biotest Medical S.L.U.	Barcelona, Spain	1.0	100.00	0.2
Plasmadienst Tirol GmbH*	Innsbruck, Austria	0.3	100.00	–
Plasma Service Europe GmbH*/***	Dreieich, Germany	2.9	100.00	0.6
Biotest Pharmaceuticals Corporation*	Boca Raton, USA	40.5	100.00	22.4
Biotest US Corporation	Boca Raton, USA	176.2	100.00	0.1
Plazmaszolgálat Kft.*	Budapest, Hungary	2.5	100.00	–0.8
Cara Plasma s.r.o.	Prague, Czechia	–0.2	100.0	–0.6
ADMA Biologics Inc.******	Ramsey, USA	33.9	41.27	38.4
BioDarou P.J.S. Co.*/*****	Tehran, Iran	4.7	49.00	0.3
Biotest Pharmaceuticals Ilac Pazarlama Anonim Sirketi****	Istanbul, Turkey	–	100.00	–

* Indirect investment
** 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 2016
****** Information according to the preliminary US GAAP financial statements as of 31 December 2017

H 11 EXEMPTION OPTION ACCORDING TO SECTION 264 (3) HGB

For the separate financial statements of Biotest Pharma GmbH and Plasma Service Europe GmbH, both Dreieich, the exemption option according to Section 264 (3) of the German Commercial Code (HGB) is exercised for the 2017 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.

H 12 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 1.9 million (previous year: € 3.3 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 three employees in connection with the public prosecutor's investigations into Biotest AG's business in Russia and the costs expected from a legal dispute with a supplier.

As part of an agreement with the investigating authorities in connection with the Russian business, Biotest AG accepted a fine of € 1.0 million, which was requested by the public prosecutor's office, in April 2017. The resulting liability was already covered by a provision in previous financial years. Due to the waiver of legal remedies as declared by Biotest AG and with the payment of the amount, the penalty notice was legally binding and the proceedings against Biotest AG were terminated. In the meantime, the authorities discontinued the investigations into most of the defendants from Biotest AG. 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.

H 13 EVENTS AFTER THE REPORTING DATE

On 19 January 2018, the Committee on Foreign Investment in the United States, CFIUS, granted foreign trade approval and thus met the last remaining condition for the takeover offer of Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. The unsolicited takeover offer of the shares of Biotest AG, announced on 18 May 2017, therefore became effective. The offer of Tiancheng and the payment of the purchase price to the custodian bank of the Biotest shareholders who accepted were settled immediately and, as described in Section 13.5 of the offer document.

Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, an indirectly controlled subsidiary of Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), a company established and operating under the law of the People's Republic of China, therefore holds a majority interest (approx. 90 % of the ordinary shares with voting rights of Biotest AG) of Biotest AG since 31 January 2018.

Hence, a change of control under company law occurred on 31 January 2018 for Biotest AG and indirectly for Biotest Pharma GmbH. This change of control can mean grounds for termination or special repayment obligations under the credit agreements. The remaining maturities of the liabilities to banks indicated in the Notes may change as a result. As a result, loans, credits and approved operating credit lines of up to € 487.5 million in the Biotest Group could therefore become due for payment over the course of 2018.

Until the refinancing of the credit agreements, which will be arranged in consultation with Creat Group C. Ltd., Nanchang, People' s Republic of China (Creat), within six months, Biotest has asked all creditors to temporarily forgo exercising certain rights due to the change of control, thus ensuring ongoing operations ("Umbrella Agreement"). In return, Biotest has pledged itself not to allow any measures that could make a valuation of the borrowers as separate entities impossible. Among other things, these clauses stipulate that no dividends can be distributed and no loans can be extended to companies of Creat. In addition, Biotest has committed to complying with EBITDA-based financial covenants during the term. This agreement for a financing volume of € 298.8 million and $ 13.5 million, comprising loans, credits and approved operating credit lines, was signed on 29 August 2017. The agreement excludes the right to termination on the grounds of the change of control for six months from the date of the change of control. Thus, creditors will again have a right to termination on the grounds of the change of control after six months, and Biotest would be required to pay prepayment penalties in a single-digit million range. Creditors with a financing volume of € 154.8 million and $ 36.5 million did not sign the agreement. The time this report was written, promissory notes of € 69.0 million and $ 36.5 million and Kreditanstalt für Wiederaufbau (KfW) loans of € 7.2 million were repaid to these creditors. Contracts regarding short-term credit lines in the amount of € 27.5 million were cancelled by mutual agreement or were not extended. Prepayment penalties were paid in the amount of € 3.2 million. After this report is written but before expiry of the agreement on 20 July 2018, additional special repayments for promissory notes and KfW loans as well as payments of prepayment penalties may be made. With the expiry of the agreement with the creditors on 20 July 2018, further special repayments as well as payment obligations on the basis of prepayment penalties may arise.

In its public takeover offer, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, announced that it will provide any refinancing required that arises due to change control clauses in the Biotest Group's current financing agreements. In order to bridge over the special termination rights already exercised, Tiancheng concluded a contract with Biotest on 28 August 2017 to grant a subordinated shareholder loan of € 190.0 million, with a term of 2 years from the date of drawing. This was subject to the suspensive condition of the change of control. The loan was granted to Biotest AG on 30 January 2018.

In the context of the approval by the CFIUS, Biotest signed an agreement on the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA. Until the closing of this sale, Biotest AG transferred the US companies to a US trust on 19 January 2018 by way of an agreement dated 17 January 2018.

On 8 February 2018, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, informed Biotest AG that it intends to enter into a domination and profit and loss transfer agreement pursuant to Section 291 para. 1 of the German Stock Corporation Act (AktG) between Biotest AG as the dominated and profit transferring company and Tiancheng as dominating company, which is authorized to receive the profit transfer, and to vote in favour of such domination and profit and loss transfer agreement in a general meeting of Biotest AG. Tiancheng has asked to enter into negotiations. Biotest AG expects the cash compensation and guaranteed dividend for minority shareholders of Biotest AG to be determined in accordance with the statutory requirements and on the basis of a valuation of the Company. In order to become effective, the intended domination and profit and loss transfer agreement requires the approval of the general shareholders' meeting of Biotest AG.

Subsequent to the successful execution of the takeover offer, Mr Kurt Hardt resigned from the Supervisory Board of Biotest AG as of 28 February 2018. Mr Tan Yang, who was already elected alternate member at the Annual Shareholders' Meeting held on 30 August 2017, therefore became an ordinary member of the Supervisory Board of Biotest AG as of 1 March 2018. He was appointed Vice Chairman of the Supervisory Board.

In January 2018, Biotest opened the second plasmapheresis centre in Czechia. It is located in Břeclav in the south east of the country. The Czech health authority SUKL (Státní ústav pro kontrolu léčiv) granted an operating licence. This means that Biotest completed the expansion of the centre in Břeclav, which was partially completed at the time of the acquisition of Cara Plasma s.r.o., as planned.

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, 13 March 2018

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 117 NO. 1 OF THE GERMAN SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH SECTION 297 (2) SENTENCE 4 AND SECTION 315 (1) SENTENCE 5 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, 13 March 2018

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 of Biotest Aktiengesellschaft, Dreieich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Biotest Aktiengesellschaft, Dreieich, for the fiscal year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the non-financial statement included in section G of the group management report or the statement on corporate governance included in section F of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the fiscal year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the non-financial statement or the statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We have performed a prohibited non-audit service as defined by Art. 5 (1.2) i) of the EU Audit Regulation which we have assessed in terms of its qualitative and quantitative significance. We concluded that it did not compromise our independence. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we

declare that we have not provided any further non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. EFFECTS OF THE TAKEOVER BY TIANCHENG (GERMANY) PHARMACEUTICAL HOLDINGS AG, MUNICH

Reasons why the matter was determined to be a key audit matter

On 18 May 2017, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich ("Tiancheng"), which belongs to the Chinese investor Creat Group Co. Ltd., Nanchang, Peoples' Republic of China ("Creat"), announced a voluntary public takeover bid for all outstanding shares in Biotest Aktiengesellschaft. By the end of the acceptance period on 4 July 2017, the investor had acquired 89.88% of the voting share capital. Ownership of the shares was transferred on 31 January 2018. The agreements on loans and working capital facilities with the financing banks, totaling EUR 488m, contain special termination rights in the event of a change of control; these clauses may be invoked due to the takeover. Creat has contractually assured that it will provide all refinancing required as a result of the change of control clauses.

In preparation for takeover by Creat, Biotest signed an agreement for the sale of its shares in the US subsidiary Biotest US Corporation, Boca Raton, USA ("BUC"), and thus of the latter's interest in Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, which is expected to generate a cash inflow. Pending the completion of this sale, Biotest Aktiengesellschaft transferred the shares in BUC to a US trustee on 19 January 2018.

The transactions described above have a significant effect on the cash flows of Biotest Aktiengesellschaft and therefore on the consolidated financial statements. In light of this situation, the accounting effects of the takeover by Tiancheng and the related special termination rights in agreements on loans and working capital facilities was a key audit matter.

Auditor's response

We considered the special termination rights and agreements underlying the refinancing and interviewed the Board of Management and those employees involved in contract negotiations about the terms and conditions and other arrangements agreed on. We requested and received letters from banks confirming the amount of the loans as of the reporting date. We checked that payment had been received from Creat to cover the financing requirements of EUR 190m on the date of the transfer of ownership of the shares in Biotest Aktiengesellschaft by reference to to the

account statement. We received the current liquidity plan prepared by corporate management and compared the planning assumptions contained therein with the contractually agreed cash inflows and outflows. We reconciled the significant inputs used with the internal budgets and forecasts.

Our procedures relating to the accounting effects of the takeover by Tiancheng did not lead to any reservations.

Reference to related disclosures

With regard to the effects of the takeover by Tiancheng on the cash flows, we refer in particular to note H 13 "Events after the reporting date" of the notes to the consolidated financial statements. Information on the effects of the change of control and the related special termination rights is presented in E 14 "Financial liabilities" and H 2.5 "Cash flow by time band" in the notes to the consolidated financial statements. Please also refer to D II "Risk report" in the group management report with the comments on "Financial risks" contained therein in section E "Risk assessment and description of significant risk categories" as well as to section B V C "Supplementary report."

2. IMPAIRMENT OF THE ASSETS ASSOCIATED WITH THE "BIOTEST NEXT LEVEL" INVESTMENT PROJECT

Reasons why the matter was determined to be a key audit matter

In fiscal year 2013, the Biotest Group launched the "Biotest Next Level" (BNL) investment project as a cornerstone of the Company's future development. It is aimed at expanding production capacity for the fractioning and cleaning of human blood plasma in Dreieich. This entails the construction of a range of production facilities and the extension of logistics, administration and auxiliary facilities. Total investments are currently EUR 305m and were financed by issuing promissory notes and raising loans as well as by a capital increase.

The BNL project, originally scheduled for completion in fiscal year 2019, will culminate in the approval of the new production processes by various German and foreign authorities. Delays in the BNL project arose in fiscal year 2017 which, according to the Board of Management, will push the completion date back by 6 to 12 months. The assessment of the date of completion and acceptance by the German and foreign authorities is therefore a future event and is based on estimates by the Board of Management.

The success of the project will have a significant impact on the future development of the Group and on the value of the related assets. As the assessment of the extent and timing of completion requires the exercise of judgment, the probability of the BNL investment project being completed and the estimated date of completion was a key audit matter.

Auditor's response

In order to assess the timing of completion, we developed an expectation regarding project progress based on the prior year's project plans. We discussed any differences from our expectation with the Board of Management and the project owners and with employees of the architectural firm engaged to oversee the project, and reconciled these with the internal communication and revised budgets. We requested and received documents about the future planning of the pro-

ject. We reconciled the inputs underlying the plans with the project reports. We requested and received a written assessment from the Chief Operations Officer about the probability of the BNL investment project being completed, with an estimate of the expected completion date. We inspected the buildings and technical facilities constructed to date. In respect of the additions to the BNL investment project in the fiscal year, we received contracts, acceptance records, delivery notes and incoming invoices as audit evidence.

Our procedures relating to the impairment of the assets associated with the BNL investment project did not lead to any reservations regarding their accounting treatment in the consolidated financial statements.

Reference to related disclosures

The Company provides information on the principles applied to account for fixed assets in section B 5 "Property, plant and equipment." Information on the investment volume is provided in section E 2 "Property, plant and equipment" of the notes to the consolidated financial statements. In addition, the Company described the significance of the investment project in section A.I.C. "Value creation," A II "Group strategy," B V "Summary assessment of the business situation of the Company," D I D "Expected business development of the Biotest Group." Please also refer to D II "Risk report" in the group management report with the comments on "Corporate strategy risks" contained therein in section E "Risk assessment and description of significant risk categories."

3. ACCOUNTING PRESENTATION OF THE RECALL OF VARIOUS BATCHES OF HUMAN ALBUMIN

Reasons why the matter was determined to be a key audit matter

In April 2017, a technical defect led to the recall of various batches of human albumin. Revenue was adjusted by EUR 17m to cover actual and expected return deliveries and cancellations in particular. In addition, further expenses of EUR 11m were recognized, primarily for allowances on the related inventories, testing costs and allocations to provisions for substitute deliveries.

In light of the magnitude of the effects on the consolidated financial statements of Biotest Aktiengesellschaft and the judgment exercised in estimating the expected recalls, the accounting treatment of the recall of various batches of human albumin was a key audit matter.

Auditor's response

On the basis of our process walkthrough, we obtained an understanding of the process for recording and determining the effects arising in connection with the recall of various batches of human albumin.

We interviewed the Board of Management and the employees involved in the matter about the assumptions made in calculating the revenue adjustments and the allocations to provisions and compared these assumptions with our expectations derived from the Company's product delivery statistics. We investigated any differences by making inquiries and inspecting the underlying accounting vouchers. We reconciled the key inputs used in the calculations with the underlying documents. We checked the arithmetical accuracy of the calculations.

In addition, we analyzed the human albumin products in stock on the reporting date to identify whether they had been fully written down if they originated from the batches affected by the recall.

We also obtained and considered written confirmations from lawyers about the assessment of potential claims for damages due to breach of contract.

Our procedures described above did not lead to any reservations with regard to the accounting presentation of the recall of various batches of human albumin.

Reference to related disclosures

With regard to the recognition and measurement principles applied in connection with the recall of various batches of human albumin, refer to the information in B 7 "Impairment," B 13 "Other provisions" and B 17 "Sales" in the notes to the consolidated financial statements. Refer to the information in D 1 "Revenue" in the notes to the consolidated financial statements with regard to the revenue adjustments. We also refer to the information provided in E 7 "Inventories" and E 13 "Other provisions." In the group management report, we further refer to the comments in section B IV "Presentation of results of operations, financial position and cash flows" and D II "Risk report" with the comments on "Other risks" contained therein in section E "Risk assessment and description of significant risk categories."

4. RECEIVABLES AND REVENUE FROM TRANSACTIONS IN COUNTRIES SUBJECT TO EUROPEAN UNION SANCTIONS

Reasons why the matter was determined to be a key audit matter

Biotest Aktiengesellschaft has business relationships in countries subject to European Union sanctions. In these countries some large contracts are awarded by tender. Due to their magnitude, the related receivables and revenue have a significant impact on the results of operations, financial position and cash flows of Biotest Aktiengesellschaft. Furthermore, above-average payment periods may be arranged for transactions in these countries, or the settlement of receivables is subject to restrictions on the transfer of foreign currency. Receivables and revenue from such transactions are therefore exposed to greater inherent measurement risk. In light of the judgment exercised in measurement, the measurement of receivables and revenue from transactions in countries subject to European Union sanctions was a key audit matter.

Auditor's response

On the basis of the past payment behavior of the respective customers, we developed an expectation regarding the measurement of receivables and revenue from transactions in countries subject to European Union sanctions and compared this expectation with the assumptions used to measure the receivables. We investigated any differences by making inquiries and inspecting the relevant evidence such as balance confirmations, guarantee and delivery notes.

We examined the consistency of the calculation method for the subsequent measurement of receivables from transactions with countries subject to European Union sanctions. We considered the measurement assumptions applied by the Board of Management by comparing them with our expectation derived from past payment behavior. We investigated any differences by making inquiries. We also checked the arithmetical accuracy of the calculation methods used.

We inspected the payments received after the reporting date for receivables outstanding on the reporting date and took them into account in assessing the measurement of receivables.

Our procedures relating to the receivables and revenue from transactions in countries subject to European Union sanctions did not lead to any reservations.

Reference to related disclosures

The Company's information on revenue recognition principles is contained in section B 17 "Sales"; information on the recognition and measurement principles for trade receivables is provided in section B 9 "Trade receivables and other assets" of the notes to the consolidated financial statements. In addition, the Company presented the composition of trade receivables and the development of allowances on receivables in section E 8 "Trade receivables." In the group management report we further refer to the comments in section B IV "Presentation of results of operations, financial position and cash flows" and D II "Risk report" with the comments on "Performance-related risks" contained therein in section E "Risk assessment and description of significant risk categories."

OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board report pursuant to Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporation Act]. In all other respects, the executive directors are responsible for the other information. The other information comprises the non-financial statement contained in section G of the group management report and the statement on corporate governance contained in section F of the group management report, as well as the following other components designated for the annual report of which we obtained a version before issuing our auditor's report, the section "Foreword" of the annual report, the "Compliance statement" pursuant to Sec. 297 (2) Sentence 4 HGB in the section "Declaration of the Board of Management," the Supervisory Board report pursuant to Sec. 171 (2) AktG and the Corporate governance report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also •

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 30 August 2017. We were engaged by the Supervisory Board on 6 September 2017. We have been the group auditor of Biotest Aktiengesellschaft without interruption since fiscal year 2011.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Voluntary audit of the financial statements of Biotest Grundstücksverwaltungs GmbH, Dreieich, as of 31 December 2017
- Review of the system to ensure compliance with the requirements under Sec. 20 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] for the period from 1 January to 31 December 2017
- M&A advisory services as defined by Art. 5 (1.2) i) of the EU Audit Regulation
- Support services in connection with the enforcement procedure pursuant to Sec. 342b to Sec. 342e HGB and Sec. 37n to Sec. 37u WpHG for the financial statements and the related management report of Biotest Aktiengesellschaft as of 31 December 2014 and for the consolidated financial statements and the related group management report of Biotest AG as of 31 December 2014

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Kretschmer.

Eschborn/Frankfurt am Main 13 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

SUPERVISORY BOARD REPORT

During the past financial year, the Supervisory Board unconditionally fulfilled its duties according to statutory law, the articles of association and rules of procedure. It continuously and diligently monitored the management activities of the Board of Management. The Board of Management kept the Supervisory Board updated on a regular basis and in a timely and coherent manner by means of written and oral reports on all matters, which were of fundamental importance to the Company. This also includes information on decisions not requiring the consent of the Supervisory Board. In particular, the Board of Management informed the Supervisory Board of key business figures. Matters relevant for the Company mainly include issues relating to the planning, business performance, strategic development, human resources- and succession planning, risk situation and risk management. The Board of Management has, where the business development deviated from the planning, comprehensively explained such deviations and at all times involved the Supervisory Board in the decision on the strategy and status of the implementation thereof in the Company.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board had intensive personal contact, also via telephone, with the Chairman of the Board of Management on a monthly basis to obtain information on the business development and material business transactions. Moreover, the Chairman of the Supervisory Board and the Chairman/Chairwoman of the Audit Committee automatically received all Internal Audit reports. No conflicts of interest involving members of the Board of Management or Supervisory Board, which require immediate disclosure to the Supervisory Board and must be reported to the Annual Shareholders' Meeting, arose during the financial year.

Of great importance to the discussions in the Supervisory Board in the financial year 2017 were the preparations and the implementation of a public takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, an affiliated company of Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat). The takeover was finally settled on 31 January 2018 after the approval of the US Committee on Foreign Investment in the United States ("CFIUS") had been given on 19 January 2018. Moreover, the discussions in the Supervisory Board were characterised by consultations on refinancing. At the Annual Shareholders' Meeting 2017, elections of the new Supervisory Board also took place.

During the financial year 2017, the Supervisory Board held nine regular meetings. Three of the resolutions were adopted by way of a written circular procedure. In relation to the performance of their duties, members of the Supervisory Board received sufficient opportunity to critically and thoroughly assess all reports and draft resolutions provided by the Board of Management. They had the opportunity during discussions to introduce their own proposals.

MAIN FOCUS AT SUPERVISORY BOARD DELIBERATIONS

The subject matters of the regular discussions in the Supervisory Board in the financial year 2017 were, in addition to the topics mentioned previously, planning and current business development of the Company, in particular, the consequences of the voluntary albumin recall, the strategic orientation and financial situation. The Supervisory Board was continuously updated by the Board of Management on the situation and current developments with regard to all these matters. Any questions arising were discussed immediately and comprehensively. Thus, the Supervisory Board always received the most up-to-date information.

In a circular resolution on 6 January 2017, the Supervisory Board approved of the conclusion and execution of the master purchase and sale agreement with ADMA Biologics, Inc. and the termination of the distribution agreement between Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Kedrion Biopharma Inc.

In the meeting on 25 January 2017, the Supervisory Board discussed the current business developments presented by the Board of Management and the budget for 2017. After the strategic orientation for the years 2017 to 2026 had been discussed, the Supervisory Board approved of the Budget 2017. In a further meeting, the Board of Management gave an overview of the material developments in the event of a possible takeover. Together with an investment bank, a management presentation was prepared within the framework of the project and potential investors were contacted. After an intensive review, the Supervisory Board approved of the proposed schedule and authorised the Board of Management to go ahead with the due diligence process and preparation of a business combination agreement (“BCA”) with regard to two strategic investors. The subject matter of the discussions was also the composition of the new supervisory board. Thereby, the Supervisory Board discussed about qualification profiles of possible candidates for the chair of the audit committee and chair of the supervisory board as well as requirements for the other supervisory board members of a corporation operating internationally and took possible conflicts of interests, an age limit as well as diversity within the company into account. Furthermore, the Board of Management proposed the reorganisation of the sales and marketing organisation.

The meeting on 14 February 2017 was further characterised by strategic considerations. The Board of Management presented an updated business strategy plan for the years 2017 to 2026 to the Supervisory Board, which was approved by the Supervisory Board. The engaged law firm presented the assigned compliance report. The Supervisory Board then discussed possible consequences in detail. It announced to continue monitoring the developments closely and requested the Board of Management to report on a regular basis. The latest developments with regard to a possible takeover were discussed and the Supervisory Board was informed of the contents of a joint meeting of the Governance and Personnel Committees. The Board of Management notified the Supervisory Board of current discussions with the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung).

The Board of Management informed the Supervisory Board in the meeting on 20 and 21 March 2017 of the current business situation of the group until February 2017, in particular, on possible measures to reach the budget targets. It also presented the statutory financial statements as well as the consolidated group financial statements for the financial year 2016. The auditor present was given the opportunity to explain the results of his audit. Upon the recommendation of the Chairman of the Audit Committee, the Supervisory Board unanimously adopted the annual financial statements for the group and for Biotest AG. Further items on the agenda included, among others, the passing of a resolution on the appropriation of profits, the approval of the declaration of compliance, the corporate governance report and the report of the Supervisory Board. The agenda for the Annual Shareholders' Meeting 2017 was adopted. The Supervisory Board was given an update on the takeover project by the investment bank. Following comprehensive reporting and consideration of all circumstances in favour of and against, the Supervisory Board decided to authorise the Board of Management to conduct negotiations on the details of a BCA. The Supervisory Board also approved of the new conditions of the long-term incentive programme and the targets for 2017.

By circular resolution dated 29 March 2017, the Supervisory Board approved of the negotiation and the intended conclusion of the BCA previously discussed in detail by the Board of Management subject to the condition that the material terms of the letter of intent are included in the BCA.

In a circular resolution on 7 April 2017, the Supervisory Board consented to the conclusion of the BCA based on the final draft.

A further meeting of the Supervisory Board took place on 10 May 2017 which mainly dealt with the upcoming public takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. Following intensive discussions of many refinancing options, the Supervisory Board agreed to include the proposal on a capital increase in the invitation to the Annual Shareholders' Meeting and to engage in talks with Tiancheng regarding the refinancing. The business results of the first quarter were presented to the Supervisory Board. The Supervisory Board then extensively discussed the contamination of human albumin due to a leaky welding seam of a vessel and possible consequences of the incident and necessary measures. As proposed by the Board of Management, the Supervisory Board approved the acquisition of CaraPlasma s.r.o., Prague, Czech Republic.Also, the Supervisory Board adopted the prolongation of the Service Agreement of Dr Bernhard Ehmer.

The Supervisory Board comprehensively reviewed the joint reasoned statement of the Supervisory Board and Board of Management and discussed it intensively with all parties involved in the meeting on 30 May 2017. Thereafter, the Supervisory Board and Board of Management approved the joint and reasoned statement.

The Board of Management informed the Supervisory Board in the meeting on 22 June 2017 that the German Financial Reporting Enforcement Panel had no findings as result of its review of the Financial Statements 2014. The Board of Management then presented the business results until May 2017 and reported on the measures taken with regard to the albumin case. The Supervisory Board was told that the sale of the therapy

business of Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, to ADMA Biologics Inc. has been closed. With a view to the election of the Supervisory Board members at the Annual Shareholders' Meeting, the Governance Committee reported on personnel meetings with Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. The Supervisory Board agreed on the new Supervisory Board members to be put up for election at the next Annual Shareholders' Meeting. The qualification profiles for the chair of the supervisory board and for the chair of the Audit Committee as well as the requirements set by the Supervisory Board for the other supervisory board members were taken into account. The items on the agenda for the Annual Shareholders' Meeting relating to capital measures were discussed and revised. In a further meeting, the Board of Management presented new changes to the long-term incentive programme 2017 which were also unanimously approved of by the Supervisory Board.

Directly after the general Annual Shareholders' Meeting 2017, the Supervisory Board held its first constituent meeting on 30 August 2017 and elected its Chairman and the members of the committees (see in detail under "Committees").

In the meeting on 6 October 2017, the Board of Management and the Supervisory Board discussed the business results from the months of August and September 2017 and the business forecast 2017. The Supervisory Board then discussed, in absence of the Board of Management, the common understanding of the new Supervisory Board with regard to the corporate principles. The Board of Management informed on the current developments in the public takeover procedure, in particular on the status of the CFIUS clearing procedure. The Supervisory Board was also updated on the refinancing, with the Board of Management proposing several options for action.

The Supervisory Board was presented an overview of the existing compliance system and organisation of the Company by the Compliance Officer in the meeting on 9 and 10 November 2017. The Supervisory Board then discussed with the Board of Management the business results until October 2017. The negative deviation compared to the previous year was attributed to the consequences of the albumin recall and the declined haemophilia sales. The Board of Management informed the Supervisory Board of the latest developments in the CFIUS review procedure.

In the meeting on 6 December 2017, the Supervisory Board discussed with the Board of Management the financial results until October 2017 which had been presented by the Board of Management. The Board of Management made a forecast for the financial year 2017 taking into account the consequences of the albumin recall. The subject matter of the discussions was also considerations on the further steps following the withdrawal of the application for review by CFIUS. The Supervisory Board was made aware of the fact that the sale of the US business (BPC) was being prepared as a condition to gain CFIUS' approval for the takeover. The Board of Management presented financing concepts for different scenarios with regard to the public takeover offer from Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. The Supervisory Board authorised the Board of Management to engage in talks with potential creditors. Finally, the budget for the financial year 2018 was discussed. The Supervisory Board approved the budget.

COMMITTEES

To efficiently perform its duties, the Supervisory Board formed three committees in the relevant financial year with the following composition on the reference date 31 December 2017:

Personnel and Compensation Committee

Rolf Hoffmann (Chairman)

Kerstin Birkhahn

Kurt Hardt

Audit Committee

Christine Kreidl (Chairwoman)

Rolf Hoffmann

Jürgen Heilmann

Governance Committee

Dr Cathrin Schleussner (Chairwoman)

Christine Kreidl

Rolf Hoffmann

In the financial year 2017, the Audit Committee held two meetings with the Board of Management. In the first meeting in the financial year 2017 on 20 March 2017, the 2016 individual and consolidated financial statements as well as the determinations of the auditor were the centre of discussions. The auditors from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft were also present. The Audit Committee discussed and confirmed the internal policy on non-audit services. The subject matter of the discussion in the Audit Committee on 5 December 2017 was, in particular, the reporting of the risk management team on the structure and method of operation of the Biotest risk management system. The Board of Management presented in relation to the public takeover offer from Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, refinancing alternatives for different scenarios. Various topics were discussed in addition with a view to the annual financial statement 2017, amongst others the extent of the audit services, possible effects of the new European legal situation and the independence of the auditor.The key audit topics for 2017 were adopted. Also, the internal auditor reported the results of his audits in 2017 and the audit plan for 2018 was accepted.

In addition to its duties under the German Co-Determination Act (Mitbestimmungsgesetz), the Personnel and Compensation Committee also performs tasks in connection with Board of Management matters. It prepares personnel decisions for the Supervisory Board. It held six meetings in the financial year under review, sometimes together with the Governance Committee. The meeting on 25 Janu-

ary 2017 dealt with a possible extension of an agreement with a Board of Management member. On 14 February 2017, the target achievement of the Board of Management members for 2016 and new targets for 2017 were discussed. In the meeting on 21 March 2017, the Management presented a new long-term incentive programme (LTIP). Moreover, the success factors for the LTIP 2017 were set.

Furthermore, the remuneration structure, selection of candidates for the elections of the Supervisory Board at the Annual Shareholders' Meeting 2017 and personnel issues, mainly in relation to the public takeover offer from Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, were regularly discussed in these meetings.

The Governance Committee has met six times in 2017, on February 14, March 21, May 10 and June 22, 2017 jointly together with the Personnel&Compensation Committee. Amongst other things, the committee mainly dealt with the elections of the new Supervisory Board, the qualification profiles for the chair of the supervisory board as well as for the chair of the Audit Committee and the composition of the Supervisory Board reflecting the existing and future shareholder structure. Also, any questions in relation to the public takeover offer from Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, were discussed. In the meeting on 5 December 2017, the changes to the German Corporate Governance Code of 7 February 2017 were discussed.

CORPORATE GOVERNANCE

Also in 2017 the Supervisory Board continuously complied with the further development of corporate governance standards within the Company. In particular, it took into account the amendments to the Corporate Governance Code resolved on 7 February 2017. The Board of Management 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 compliance 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 2018, the Board of Management and the Supervisory Board of Biotest AG issued a declaration of compliance with the recommendations of the government commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act.

CHANGES TO THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

Since the term of office of all members of the Supervisory Board ended at the end of the Annual Shareholders' Meeting on 30 August 2017, both the Annual Shareholders' Meeting on 30 August 2017 and the employees carried out elections to elect the new Supervisory Board. The shareholders of the Company elected Dr Cathrin Schleussner, Mrs Christine Kreidl, Mr Rolf Hoffmann and Mr Kurt Hardt onto the Supervisory Board. The shareholders appointed Mr Tan Yang as a substitute member for Mr Kurt Hardt. After successful completion of the takeover offer, Mr Kurt Hardt resigned from his office effective as of February 28, 2018, so that Tan Yang has succeeded as an ordinary member on the Supervisory Board. The employees elected Mrs Kerstin Birkhahn and Mr Jürgen Heilmann as their representatives on the Supervisory Board. Dr Alessandro Banchi,

Dr Christoph Schröder and Mr Thomas Jakob stepped down from the Supervisory Board. The Chairman of the Supervisory Board thanks the Supervisory Board members who have stepped down for their long-standing and trusting working relationship.

In its constituent meeting immediately after the Annual Shareholders' Meeting on 30 August 2017, the Supervisory Board elected Mr Rolf Hoffmann as its Chairman. In the same meeting, the Supervisory Board elected the members of the committees.

There were no changes to the Board of Management.

FINANCIAL STATEMENTS 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 2017 as well as the status report and the group management report and provided an unqualified opinion. -During the financial year, the auditor provided to the Company a prohibited non-audit service within the meaning of the European Regulation on specific requirements regarding statutory audit of public-interest entities within the framework of a planned, but not realised M&A transaction. The Supervisory Board has considered the quantitative and qualitative importance of such service and assessed that such service has not jeopardised the independence of the auditor. The abovementioned documents, the auditor's report and the Board of Management's proposal on the appropriation of net profit were submitted to all members of the Supervisory Board in a timely manner. They were discussed in detail at the meeting of the Audit Committee on 12 March 2018 as well as at the meeting of the Supervisory Board on 13 March 2018. In both meetings, the auditor reported on the main results of the audit and was on hand to answer questions and provide additional information.

After reviewing and discussing the single entity and consolidated financial statements, the management report and group management report and the Board of Management's proposal on the appropriation of the net profit, the Supervisory Board raised no objections and approved of the auditor's audit results. The Supervisory Board adopted the single entity and consolidated financial statements as prepared by the Board of Management for the financial year 2017. The annual financial statements are thereby adopted. The Supervisory Board approved the Board of Management's proposal on the appropriation of profit.

The Supervisory Board thanks the Board of Management and all employees for their personal commitment and constructive cooperation, without which the positive performance of the Company in the difficult financial year 2017 would not have been possible.

Dreieich, 13 March 2018

Rolf Hoffmann
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 aim 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 in our view a high standard even at 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 7 February 2017. The following information refer to the German Corporate Governance Code in the version dated 5 May 2015 and to the current version of the Code dated 7 February 2017.

DECLARATION OF COMPLIANCE

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)

Since the last Declaration of Compliance dated 21 March 2017, which referred to the German Corporate Governance Code in the version dated 5 May 2015, Biotest AG has complied with all recommendations of the German Corporate Governance Code in the version dated 5 May 2015 and in the version dated 7 February 2017 with the following exceptions:

- Biotest AG continues to not follow the recommendation in Section 3.8 para 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 para 2 sentence 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 para 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 amount of each and every remuneration component. All remuneration components, however, are individually capped so that an upper limit amount is implied. Therefore, 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 para 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 predefined level of benefits so that the recommendation set forth in Section 4.2.3 para 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 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, which consists exclusively of members representing the shareholders and nominates qualified candidates for the supervisory board to propose to the general meeting for the appointment of supervisory board members. The tasks of such a nomination committee are assumed by Biotest's Governance Committee.
- Section 5.4.1 para 2 sentence 1, 2 of the German Corporate Governance Code requires that the Supervisory Board sets 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. Biotest AG has partially not followed the recommendation.

  The reasons which were presented in the last Declarations of Compliance are still valid. Biotest AG complies with the rules set out by the Law on Equal Participation of Women and Men in Private-Sector and Public-Sector Management Positions dated 24 April 2015. Since 2004 the quota for female members of the supervisory board accounts for at least 30 %.

  The Supervisory Board of Biotest AG has already set a specific target for the maximum age of its members. The Company's international activities were covered by the previous Chairman of the Supervisory Board, who was Italian citizen. Tan Yang elected as substitute member is a citizen of New Zealand. The goal that at least two out of four representatives of the shareholders in the Supervisory Board shall be independent, has been and is fulfilled. For the other two positions, the propositions of the largest groups of shareholders were taken into account. 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.
- Section 5.4.1 para 2 sentence 1 of the German Corporate Governance Code in the version dated 7 February 2017 now recommends the preparation of a qualification profile for the Supervisory Board. Biotest AG does not follow this recommendation insofar as for the election in May 2017 qualification profiles for the future chairman of the Supervisory Board and the chairman of the audit committee were prepared. For the other two positions of the shareholder representatives, the propositions of the largest shareholder groups were taken into account. The determination of a qualification profile for the entire Supervisory Board was therefore unnecessary.
- Section 5.4.1. para. 4 sentence 1 of the German Corporate Governance Code recommends proposals of the Supervisory Board to the general meeting to take into account targets regarding the composition of the entire Supervisory Board as set forth under Section 5.4.1 para. 2 sentence 1, 2. However, due to the deviation from the recommendation to prepare specific targets for the composition of the entire Supervisory Board, these targets cannot be taken into account when making proposals to the competent election body or to the General Meeting. Thus, Biotest AG does not follow this recommendation.

- Biotest AG does not follow the recommendation laid out in Section 5.4.1 para. 4 sentence 1 of the German Corporate Governance Code in the version dated 7 February 2017 insofar only partially as for the past election qualification profiles were only determined for the chairman of the Supervisory Board and the chairman of the audit committee, but not for the remaining positions. For these, the suggestions of the two major groups of shareholders were taken into consideration.
- For reasons of the deviation from Section 5.4.1 para. 2 sentence 1, 2 of the German Corporate Governance Code corresponding reporting in the Corporate Governance Report is not possible. An exception is therefore declared in respect of 5.4.1 para. 4 sentence 2 of the German Corporate Governance Code and Section 5.4.1 para. 4 sentence 3 of the German Corporate Governance Code in the version dated 7 February 2017.
- Under Section 5.4.6 para 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 para 1 sentence 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 para 2 of the German Corporate Governance Code will be incorporated into its analysis.
- Section 6.2 of the German Corporate Governance Code in the version dated 5 May 2015 requires that shares or related financial instruments held by the Board of Management and the Supervisory Board members are now 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, member of the Supervisory Board, controls OGEL GmbH, which, to the knowledge of the Company, held approx. 50.61 % of the issued ordinary shares of the Company until the takeover of the shares by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany. 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 did not consider it necessary to disclose the information separately. Section 6.2 has been removed from the German Corporate Governance Code in the version dated 7 February 2017. The Government Commission considered additional reporting obligations redundant.

Biotest AG further declares to comply with the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 except for the prescribed deviations.

Dreieich, 13 March 2018

For the Management Board

Dr Bernhard Ehmer

Dr Michael Ramroth

Dr Georg Floß

For the Supervisory Board

Rolf Hoffmann

CORPORATE GOVERNANCE IN THE FINANCIAL YEAR

The Annual Shareholders' meeting of Biotest AG was held on 30 August 2017 in Frankfurt am Main. 79,6 % 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, supervisory board elections, authorised capital and amendment to the Articles of Association) 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 business year 2017 the following directors' dealings were concluded at Biotest AG:

Date	Person obligated to report	Function / Matter	Kind and place of the transaction	Financial instrument	ISIN	Number of shares	Price in €	Business volume in €
30.05.2017	Dr Hermann Keuper	Production manager Plasmaproteins Operations	Purchase/ Düsseldorf	Preference shares	DE0005227235	1,200	21.262	25,514.40
31.05.2017	Dr Katrin Bernöster	Head of Corporate Project and Portfolio Management	Purchase/ Berlin	Preference shares	DE0005227235	400	21.204	8,481.60
14.06.2017	Peter Seith	Head of Corporate Quality Operations	Purchase/ Düsseldorf	Preference shares	DE0005227235	450	22.84	10,278.00
14.06.2017	Peter Seith	Head of Corporate Quality Operations	Purchase/ Düsseldorf	Preference shares	DE0005227235	900	22.91	20,619.00
23.06.2017	Jürgen Kintzel	Head of information technology	Purchase/ outside a trading venue	Preference shares	DE0005227235	1,200	21.501	25,801.20
23.06.2017	Jürgen Kintzel	Head of information technology	Purchase/ outside a trading venue	Preference shares	DE0005227235	450	21.51	9,678.60

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

CD138-POSITIVE SOLID TUMOURS
CD138 (syndecan-1) is in the class of the so-called heparan sulfate proteoglycans and is expressed on the surface of various cell types. CD138 is expressed much more frequently on the surface of various tumour types than on healthy cells. Examples include multiple myeloma as well as various solid tumours. These so-called CD138-positive solid tumours can be selectively treated by a targeted drug binding to CD138 on the tumour cell surface.

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.

HER2
The HER2 protein is a receptor molecule found on the surface of body cells. The protein is classified as a member of a family of certain epidermal growth factor receptors. Some tumour types express many more HER2 proteins on their cell surface than do healthy cells. HER2-targeted therapies take advantage of this fact since the binding to HER2 largely attacks tumour 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

MEDIA SYSTEMS
Technical facilities (production and piping systems for distribution) for the manufacture and distribution of media, e,g, highly purified water (e. g. as "water for injection") or compressed air, which are used to manufacture the pharmaceutical products.

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).

SOP
A Standard Operating Procedure (SOP) is a binding written description of process flows including the checking of results and their documentation especially in areas with critical processes with the potential to affect the environment, health or safety. SOPs are used in the official marketing authorisation of products and services and are found in the pharmaceutical industry and elsewhere.

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

15 MAY 2018
Three-month report for 2018

15 MAY 2018
Annual Shareholders' Meeting

14 AUGUST 2018
Half-year report for 2018

14 NOVEMBER 2018
Nine-month report for 2018
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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