Biotest

From Nature for Life

EFFECT. VALUE. SAFETY. | Annual Report 2018

KEY FIGURES

BIOTEST GROUP		**2018***	2017**
Revenues	€ million	**400.3**	378.1
thereof:			
Germany	€ million	**110.8**	103.2
Rest of World	€ million	**289.5**	274.9
thereof:			
Therapy	€ million	**348.5**	313.7
Plasma & Services	€ million	**45.3**	58.2
Other Segments	€ million	**6.5**	6.2
EBITDA	€ million	**35.2**	13.0
Write-offs	€ million	**24.6**	22.3
Operating result (EBIT)	€ million	**10.6**	–9.3
EBIT in % of sales	*%*	**2.6**	*–2.5*
Profit before taxes from continuing operations	€ million	**–6.0**	–26.0
Profit after taxes from continuing operations	€ million	**–12.9**	–16.4
Profit after taxes from discontinued operations	€ million	**194.6**	12.9
Earnings after taxes (total)	€ million	**181.7**	–3.5
Financing			
Cash flow from operating activities of continuing operations	€ million	**–49.6**	18.3
Cash flow from operating activities of the discontinued operations	€ million	**–0.4**	16.0
		31/12/2018	31/12/2017
Equity	€ million	**495.2**	347.8
Equity ratio	*%*	**47.5**	*35.5*
Balance sheet total	€ million	**1,042.3**	978.5
Employees in FTEs	number	**1,663**	1,659
Earnings per ordinary share	€	**–0.34**	–0.42

* Continuing Operations

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DR BERNHARD EHMER
Chairman of the
Board of Management

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DR GEORG FLOß
Chief Operations Officer

3

DR MICHAEL RAMROTH
Chief Financial Officer

DEAR SHAREHOLDERS,

We look back on a good year 2018 for Biotest. Important milestones were achieved last year in many projects that are of vital importance to the future development of our company. This includes research and development, the expansion of our network of plasma collection stations and the Biotest Next Level project.

The successful closing of the acquisition by Creat together with the sale of our US companies, stood out among the events of the past year. Our focus is now on realising the opportunities that being part of the Creat Group will offer Biotest. We want to identify potentials for working together more efficiently and serving the market more effectively.

Biotest preparations are often the only effective therapy option for severely ill patients. In 2018, once again encouraging study results on the efficacy and tolerability of our products were published. For instance, a French study showed very good efficacy and safety of Cytotect® CP in use after stem cell transplantation. The cytomegalovirus infection in the blood was eliminated in 70 % of the observed cases. This is an excellent result given the previous failure of alternative treatment approaches with these patients.

In the fall of 2018, Biotest was able to present data from a long-term study involving patients from Germany, Italy, the United Kingdom, the Netherlands and Switzerland on the efficacy of Hepatect® CP and Zutectra® in preventing hepatitis B virus reinfection following liver transplantation. In the seven-year study period, only 16 of the 371 study participants in total reinfected themselves. For the 236 patients treated with Zutectra®, there was no reinfection at all, with one exception resulting from an underdose.

Last year, we also made progress in the development of a new haemophilia preparation. Together with the Swedish biotech company Affibody Medical AB, Biotest successfully completed the research phase of the research license and option agreement signed in 2015. As part of these efforts, we also made use of the option to obtain exclusive rights to Affibody's Albumod™ technology to extend the half-life of biopharmaceuticals in the treatment of haemophilia.

Our portfolio of biological medications will continue to be the most important pillar of Biotest's success in the future. Investments to further develop it will continue in 2019, including the development projects IgG Next Generation, Fibrinogen and Trimodulin.

Human blood plasma is not only a precious raw material, but also the source material of all our preparations. The expansion of the Group's own network of plasma collection stations is therefore a strategic goal of Biotest. Good progress was made in this area in 2018. In Břeclav and Brno, Biotest put the second and third Czech collection centres into service during the past year. Furthermore, the purchase of the ninth German collection station was contractually agreed by the end of the year. The transfer of ownership took place in the first quarter of 2019, with the effect that Biotest now operates a total of 20 collection stations of its own throughout Europe. Expansion will proceed on schedule in 2019 in order to further increase our own plasma supply.

In the Biotest Next Level project, the most important expansion project in the company's history, we also made progress as planned in 2018. The first pre-production unit of IgG Next Generation successfully passed its qualification process and was handed over to Biotest. An innovative and technologically leading system for virus inactivation has also been integrated into the production process. This takes product safety in Biotest's manufacturing process to an even higher level.

The Biotest Next Level project will burden our results for approximately another two years. Afterwards, we expect to be able to reap the benefits of our investments through increases in sales and profitability.

Another important and longer-term project in the recent past was our preparation for the requirements of the EU anti-counterfeiting directive for pharmaceuticals, which have been in force since February 2019, and the necessary adaptation of our processes for this purpose. The top priority for

Biotest is to offer the greatest possible safety to patients treated using our preparations. We therefore welcome the fact that there are now uniform rules throughout the EU for checking the authenticity and integrity of a product.

A final look at the results of financial year 2018 shows that Biotest performed well. By increasing sales by 5.9 % to € 400.3 million, we achieved our sales forecast in our continuing operations. The EBIT we generated from continuing operations of € 10.6 million is also within the corridor forecasted for 2018. We see this as confirmation that Biotest is successfully focussing on those areas in which we can achieve growth and profitability.

My colleagues on the Board of Management and I would like to cordially thank the entire Biotest team for their tremendous dedication and daily commitment during the past year. Without your support, the positive development of our company would not have been possible. I also extend my personal thanks to our customers, suppliers and especially to you, dear shareholders, for the trust you place in us. We would be happy to have you accompany us on our way again in 2019.

Sincerely yours,

Dr Bernhard Ehmer
Chairman of the
Board of Management

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2018

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 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 15 other fully consolidated companies. All of Biotest's investments are listed in Section G 10 of the notes to the consolidated financial statements. For detailed information regarding the Company's corporate structure, management and governance, please see the "Management Declaration" available on the Company website www.biotest.com.

On 19 January 2018, foreign trade approval was given by the U.S. Committee on Foreign Investment in the United States (CFIUS) and, thus, the last remaining condition met for the takeover offer published on 18 May 2017 by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, an indirectly controlled subsidiary of Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), 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 as part of this offer. On 7 July 2017, Tiancheng announced that its public takeover offer had been accepted by 89.88 % of the voting share capital of Biotest AG and 44.95 % of the total share capital of Biotest AG. As a result, on 31 January 2018, there was a change of control under company law at Biotest AG.

In connection with the foreign trade approval of CFIUS, Biotest signed a contract for the sale of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA. Until the completion of this sale, the shares in the US companies had been transferred to a US trustee on 19 January 2018. As a result of this transfer to the US trustee, the requirements for the inclusion of the US companies in the consolidated financial statements were no longer met and the US companies were therefore removed from the scope of consolidation of Biotest. The business attributable to these companies was classified as "discontinued operations."

With the approval of the American anti-trust authority Federal Trade Commission on 31 July 2018, it was possible to close the sale of the US companies to Grifols Shared Services North America, Inc., Los Angeles, California, USA, a subsidiary of Grifols S.A., Barcelona, Spain, for USD 286 million. The recognised gain on disposal amounts to € 162.4 million before reclassification of currency translation differences to the income statement in the amount of € 32.6 million and the result of the US companies until deconsolidation in the amount of € –0.4 million.

The US authority CFIUS had already approved the sale of US companies Biotest Pharmaceuticals Corporation, Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, in late April 2018.

In connection with the sale of the US business, BPC and its former parent company, Biotest AG, signed a Share Transfer, Amendment and Release Agreement with ADMA Biologics, Inc. (ADMA), Ramsey, New Jersey, USA, on 14 May 2018. Thereafter, BPC transferred all non-voting common stock in ADMA to ADMA. In return, ADMA waived, among other things, BPC's rights to repurchase two ADMA plasma collection centres from BPC as well as potential indemnification claims against BPC and Biotest connected to the original master purchase agreement.

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, contract manufacturing and services for setting up production facilities are combined in the segment Plasma & Services. Biotest reports on its merchandise business and cross-divisional costs not allocated to the Therapy or Plasma & Services segments in Other Segments.

All activities of Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, up to the date of their deconsolidation as well as all expenses and income related to their sale are presented as discontinued operations as in the previous year.

Unless indicated 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 Brazil, which are responsible for marketing Biotest products in these countries. The Biotest Group is also active in 70 countries in the world via local partnerships. The sales and distribution activities are centrally managed strategically from Biotest's headquarters in Dreieich.

The basis for manufacturing the 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 19 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 sold as an intermediate product.

In addition to blood plasma products, Biotest develops a portfolio of monoclonal antibodies, which are produced via biotechnological methods. After the outstanding clinical milestones are reached, these development programmes are to be partnered in a value-generating manner. Biotest is also developing an early-stage new haemophilia preparation. In collaboration with Affibody Medical AB, Solna, Sweden, Biotest received exclusive rights to use Albumod™ technology to extend the half-life of biopharmaceuticals in the field of haemophilia.

In 2013, Biotest began planning for the Biotest Next Level project, the largest expansion project in the Company's history, in order to expand the product range, increase capacity and thus exploit global growth potential. 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 plasma. Biotest is also aiming to double its production capacity and obtain approval for the American market as part of the project. In the past financial year, further progress was made in the Biotest Next Level project. The impurities found in the ultrapure media systems during the commissioning of the infrastructure and process plants were successfully removed through intensive cleaning activities. The commissioning of the plants, which was interrupted for this reason, was resumed in the second quarter of 2018 and the first process plant for the purification of IgG Next Generation was successfully completed and handed over to Biotest in June 2018. In addition, an innovative, technologically leading system for virus inactivation was integrated into the production process over the course of the year.

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 on the market as well as 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 THE BIOTEST GROUP

Product	Lead indication
Therapeutic area Haematology	
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)
Haemonine®	Haemophilia B (acute therapy and prophylaxis)
Indatuximab Ravtansine (BT-062)*	Multiple myeloma
	Solid tumours (breast cancer, bladder cancer)
Vihuma®	Haemophilia A (acute therapy and prophylaxis)
Therapeutic area Clinical Immunology	
Cytotect®	Prophylaxis of cytomegalovirus (CMV) infection
Fovepta®	Hepatitis B prophylaxis in newborns
Hepatect®	Prophylaxis of hepatitis B reinfection
Intratect® 50 g/l (5 %)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes, autoimmune diseases as well as the neurological indications CIDP and MMN**
Intratect® 100 g/l (10 %)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes, autoimmune diseases as well as the neurological indications CIDP and MMN**
IgG Next Generation*	Primary immune deficiency (PID)
	Immunothrombocytopenia (ITP)
Varitect®	Prophylaxis and treatment of varicella zoster virus infection
Zutectra®	Prophylaxis of hepatitis B reinfection following liver transplantation
BT-063*	Systemic lupus erythematosus (SLE)
BT-094 (Cytotect 70)*	Prevention of cytomegalovirus (CMV) infection of the foetus during pregnancy of CMV-infected mother
Therapeutic area Intensive Care Medicine	
Albiomin® (20 % and 5 %)	Blood volume depletion
Biseko®	Volume and serum protein depletion
Cofact®	Deficiency of clotting factors
Fibrinogen*	Congenital fibrinogen deficiency
	Acquired fibrinogen deficiency
Trimodulin (IgM Concentrate)*	Severe community-acquired pneumonia (sCAP)
Pentaglobin®	Severe bacterial infection

* Preparations in the development phase (status as of 31 December 2018)

** Chronic inflammatory demyelinating polyneuropathy (CIDP); multifocal motor neuropathy (MMN)

Status as of 31 December 2018
Commercialisation in Europe, Asia, South America and the Middle East
Commercialisation in Europe and other regions
Clinical development; Phase I/IIa study currently being evaluated
Phase I/IIa study completed
Commercialisation in Germany and Austria
Commercialisation in Europe, Asia, South America, Africa and the Middle East
Commercialisation in Asia and Africa
Commercialisation in Europe, South America, Asia and the Middle East
Commercialisation in Europe, South and Central America, Asia and other regions
Commercialisation in Europe and Asia
Clinical development; ongoing phase III study
Clinical development; ongoing phase III study
Commercialisation in Europe, South America, Asia and the Middle East
Commercialisation in Europe, Asia and the Middle East
Clinical development; Phase IIa study completed and in the process of evaluation
Phase III study completed
Commercialisation in Europe, South America, Asia, Africa and Middle East
Commercialisation in Europe, Asia and Middle East
Commercialisation in Germany and Austria
Clinical development; ongoing phase I/III study
Clinical development; ongoing phase III study
Clinical development; phase III study in preparation
Commercialisation in Central and South America, Asia, Europe and the Middle East

E. HUMAN RESOURCES

Change in number of employees

As of 31 December 2018, Biotest employed 1,663 persons expressed as full-time equivalents. This represents an increase of 0.2 % compared to 1,659 full-time equivalents at the end of 2017. As of 31 December 2018, 1,106 full-time equivalents (66.5 %, previous year: 66.7 %) were assigned to Biotest AG. About four out of five employees (79.2 %) worked in Germany (previous year: 79.3 %).

Remuneration

The next tranche of the Long Term Incentive Programme for success-based remuneration of management staff was issued on 1 May 2018. This variable remuneration component is based on the achievement of predefined targets. The programme is described in detail in Section G 1 (Long Term Incentive Programme) of the Notes.

Human resources and organisational development

Due to the planned expansion of the production capacities in Dreieich, the need for qualified 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 2018 served to make Biotest better known throughout the region as an attractive employer.

Collaboration with Johann Wolfgang Goethe University, Frankfurt/Main, was continued in the past financial year. In 2018, ten pharmacy and medical students were sponsored through a Germany scholarship (Deutschlandstipendium) 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. The different areas of responsibility and professional diversity for natural scientists in the areas of quality control, production, project management and research and development were presented at an informational event for students from the Rhine-Main region.

In addition, Biotest was represented at the job exchange for natural scientists at the University of Frankfurt/Main and at the pharmaceutical industry career day in Langen with job offers, a lecture on entry and development opportunities and tips for applicants.

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 2018, a total of 12 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 six 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 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. As part of the recurring events, managers and employees can by trained on topics such as "giving and receiving feedback", "communication", "solving conflicts", "moderation", "non-violent communication" and "Kanban". Basic training for employees and managers was provided in seminars on "labour law" and "interview training."

To ensure that leadership positions in the top and middle management are filled with highly qualified candidates, Biotest uses 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. Biotest applies a similar procedure to give our potential candidates the opportunity to identify their strengths and areas of development (Development Centre).

Traineeships

As in previous years, Biotest AG has been heavily involved in the training professions. As of 31 December 2018, a total of 57 trainees (previous year: 66) were employed by Biotest in six occupations and two academic courses. The quality of the Company's trainee programmes has been reflected for years in the very good final examination results of the graduates. In 2018, five trainees were honoured by the Offenbach am Main Chamber of Industry and Commerce for their exceptional examination results. In addition, two of these five trainees achieved the best vocational qualification in Hesse. Excellent academic results were also achieved in 2018.

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 financial year 2018, 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 commercialisation 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 focussed 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 product classes 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.

Biotest is actively looking for development and/or distribution partnerships for selected plasma proteins.

The core element in implementing this Biotest corporate strategy is utilising internal resources to cover key parts of the value chain. These include in particular 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 free capacities in toll manufacturing on the market.

III. BUSINESS PERFORMANCE MANAGEMENT

Biotest uses both financial and non-financial indicators to manage its business, the development of which influences 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 2018	Value as of 31 December 2017
Return on Capital Employed (ROCE)	EBIT/capital employed*	1.2%	–1.2%
EBIT margin	EBIT/sales	2.6%	–2.5%
EBT margin	EBT/sales	–1.5%	–6.9%
Contribution margin	(Sales – cost of sales)/sales	33.7%	32.7%
Cash flow from operating activities	See cash flow statement for a detailed calculation	€ –49.6 mill.	€ 18.3 mill.
Cost of sales ratio	Cost of sales/sales	66.3%	67.3%
Marketing and distribution expense ratio	Cost of marketing and distribution/ sales	12.9%	14.2%

* 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

Non-financial performance indicators within the company as a whole that are relevant for controlling purposes are used in particular in production and relate to the degree of capacity utilisation, throughput and downtimes, quality parameters as well as the level of inventories along the production chain and the yield per unit volume 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. In the case of monoclonal antibodies under development, the targeted milestones are to be reached, and further activities continued only if a partner is found. As part of the preclinical development of a new haemophilia preparation, Biotest exercised an option in a collaboration with Affibody Medical AB, Solna, Sweden, and obtained exclusive rights to use Albumod™ technology to extend the half-life of biopharmaceuticals in the field of haemophilia.

A detailed schedule of the progress made in the research and development projects carried out in financial year 2018 is shown in the "Research and development" Section of the Business Report.

In financial year 2018, the Biotest Group's research and development costs amounted to € 48.5 million (previous year: € 55.4 million). € 44.6 million of this related to plasma proteins and € 3.9 million to monoclonal antibodies. These expenses amounted to 12.1% of sales after 14.7% in the same period of the previous year. The number of employees (converted into FTEs) in research and development was 190 FTEs as of 31 December 2018, slightly up from 31 December 2017 (184 FTEs).

B. ECONOMIC REPORT

I. BUSINESS AND GENERAL FRAMEWORK

According to the Kiel Institute for the World Economy (IfW), the expansion of the global economy lost momentum in 2018. Global production grew by 3.7 % last year and thus remained at the growth level of 2017. Economic researchers expect the annual growth rate to decline to 3.4 % in both 2019 and 2020. In 2018, the uncertainty caused by increasing trade policy conflicts and the tightening of monetary policy in the United States had a dampening effect on sentiment. A worsening of the trade conflicts, concerns about Italy's debt sustainability, the delay in reforms in France and uncertainties regarding the design of the Brexit are regarded as risks for the further development of economic growth.[1]

For Germany, the IfW forecasts GDP growth of 1.5 % for 2018. The growth rate is expected to rise to 1.8 % in both 2019 and 2020. A further increase in private consumer spending is expected as a positive influencing factor, partly due to rising wages as a result of the shortage of skilled labour on the labour market. At the same time, the IfW assumes that the shortages on the labour market will lead to a slower increase in employment on the part of companies. In combination with already very high capacity utilisation, companies could find it difficult to expand production at high speed. Against the backdrop of a gradually cooling global economy and the resulting slowdown in export dynamics, it is assumed that the economic upturn in Germany as a whole will increasingly reach its limits.[2]

The IfW also expects weaker growth in the gross domestic product in the United States (2018: 2.9 %, 2019: 2.5 %, 2020: 1.9 %), in the euro zone (2018: 1.9 %, 2019: 1.7 %, 2020: 1.5 %), in the United Kingdom (2018: 1.3 %, 2019: 1.0 %, 2020: 1.1 %) and in Asia (2018: 6.6 %, 2019: 6.2 %, 2020: 5.9 %). On the other hand, a positive development is forecast for Latin America (2018: 0.6 %, 2019: 1.6 %, 2020: 2.3 %).[3]

Due to the high worldwide medical demand for plasma protein products, the Biotest Group is only marginally dependent on global economic cycles. Nevertheless, effects on the operating business, in particular due to local crises and exchange rate changes, cannot be ruled out.

1 Institute for the Global Economy (2018), Kiel Economic Reports, The Global Economy in the Winter of 2018

2 Institute for the Global Economy (2018), Kiel Economic Reports, The German Economy in the Winter of 2018

3 Institute for the Global Economy (2018), Kiel Economic Reports, The Global Economy in the Winter of 2018

II. INDUSTRY-SPECIFIC FRAMEWORK

Immunoglobulins and albumin, the Biotest Group's best-selling products, are enjoying stable growth. This applies to established markets such as the USA and Europe as well as to other regions of the world. As a long-term target corridor, industry experts expect the global demand for immunoglobulins (IgG), for example, to increase by 7 to 8 % annually.[4] In order to meet the growth in demand, more blood plasma is being collected. For example, the volume of plasma collected in the USA in the first six months of financial year 2018 rose by around 16 % year-on-year.[5] With the increasing plasma collection volume, the industry is also preparing for the additional fractionation capacities that are currently being created worldwide. The Biotest Group will participate in this growth trend by doubling its capacity.

EU prices for intravenous immunoglobulins (IVIG) are still well below the price level in the United States.[6] The market volume for immunoglobulins in the USA increased in the first half of 2018 with growth rates in the lower double-digit percentage range.[7] In Europe, on the other hand, the market volume in the first half of 2018 developed somewhat more slowly than in the USA.[8] The German market also developed positively last year in terms of sales volume – both for general practitioners and for clinics.[9] The average price in German clinics showed a positive development in the course of 2018.[10]

The long-term growth of the global albumin market is estimated at an annual growth rate of around 6 %.[11]

The demand for plasmatic Factor VIII products is also continuing to increase. Growth is driven primarily by the increasing use of Factor VIII therapies in emerging markets. In many of these countries, haemophilia patients currently do not have access to coagulation factor therapy. The global market for plasmatic Factor VIII drugs is expected to grow by 1 to 2 % p.a. until 2020.[12]

4 Biotest Market and Pricing Insights based on MRB (2014, 2015, 2016), Plasma Protein Therapeutics Association (PPTA) (2018), Markets and Markets (2018), Credit Suisse (October 2017)

5 PPTA (2018)

6 CMS.gov, IQVIA (November 2018)

7 PPTA (2018), Credit Suisse (November 2018)

8 Insight Health (October 2018), IQVIA (November 2018), PPTA (2018)

9 Insight Health (October 2018), IQVIA (October 2018)

10 IQVIA (October 2018)

11 Biotest Market and Pricing Insights based on MRB (2017), Markets and Markets (2018)

12 Biotest Market and Pricing Insights based on MRB (2016)

The recombinant sector will be dominated by the introduction of new Factor VIII drugs, which could intensify competition and thus significantly increase price pressure in the overall market. The introduction of new alternatives to Factor VIII therapy will slow the growth of the Factor VIII market in the future, especially in the US and Europe.

III. BUSINESS PERFORMANCE

A. BIOTEST IN 2018

2018 goals: Target-performance comparison

For financial year 2018, the Board of Management guided a mid-single-digit percentage increase in sales for the continuing operations.

In financial year 2018, the Biotest Group generated sales of € 400.3 million from continuing operations, compared with € 378.1 million in the previous year. This corresponds to a 5.9 % increase in sales.

EBIT from continuing operations amounted to € 10.6 million in financial year 2018, compared with € –9.3 million in the previous year. At the beginning of 2018, the Board of Management had forecasted EBIT from continuing operations of € 10 to 12 million.

The company had forecast a return on capital employed (ROCE) of around 1.2 %. The ROCE of the continuing operations for financial year 2018 of 1.2 % was in line with the forecast.

At the beginning of the financial year, cash flow from operating activities was forecasted at around € 10 million. At € –50.0 million for continuing and discontinued operations, the forecasted target was not reached. The main reason for this was the increase in inventories to secure the operating business in 2019.

The Biotest Group's core business (adjusted EBIT in continuing operations) is clearly positive at € 67.1 million.

in € million	2018	2017
EBIT	**10.6**	**–9.3**
Expenses for Biotest Next Level*	53.4	53.9
Expenses for monoclonal antibodies	3.9	7.6
Expenses for strategic reorientation	1.3	11.5
Expenses for human albumin recall taking into account the insurance compensation or income from insurance compensation	–2.1	22.9
Adjusted EBIT	**67.1**	**86.6**

* 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.

In financial year 2018, Biotest further expanded its network of the Group's own plasma collection centres in Europe. In this time, the Company opened two plasma collection centres in the Czech Republic. There are now 19 collection centres in Europe to ensure the long-term supply of plasma.

The important expansion project Biotest Next Level was further advanced in 2018. Contamination in the ultra-pure media systems discovered during commissioning in 2017 was removed using intensive cleaning activities. Commissioning of the systems which had been interrupted was resumed in the second quarter 2018 and the first process system for purification of IgG Next Generation was successfully qualified in June 2018 and transferred to Biotest.

Upon closing of the public takeover offer for Biotest AG shares announced on 18 May 2017, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany (Tiancheng) – a company indirectly controlled by Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat) – holds a majority stake (approximately 90 % of the ordinary shares with voting rights of Biotest AG) in Biotest AG since 31 January 2018. A change of control under company law thus occurred on 31 January 2018 for Biotest AG and indirectly for Biotest Pharma GmbH.

In the context of the foreign trade approval from American authority CFIUS (Committee on Foreign Investment in the United States) for the 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. Until the closing of this sale, the US companies had been transferred to a US trustee on 19 January 2018. As a result of the transfer to the trustee, the conditions for including the US companies in the consolidated

financial statements were no longer met, and consequently, the US companies were removed from the scope of consolidation at Biotest. The business attributable to these companies was assigned to "discontinued operations".

With the approval of the American anti-trust authority FTC (Federal Trade Commission) on 31 July 2018, it was possible to close the sale of the US companies to Grifols Shared Services North America, Inc., Los Angeles, California, USA, a subsidiary of Grifols S.A., Barcelona, Spain, for USD 286 million. The recognised gain on disposal amounts to € 162.4 million before reclassification of currency translation differences to the income statement in the amount of € 32.6 million and the result of the US companies until deconsolidation in the amount of € –0.4 million.

The US authority CFIUS had already approved the sale of the US companies Biotest Pharmaceuticals Corporation, Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, in late April 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) with Biotest AG as the dominated and profit transferring company and Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, as the dominating company, which is authorised to receive the profit transfer, and to vote in favour of such domination and profit and loss transfer agreement in a general shareholders meeting of Biotest AG. The evaluation of this initiative by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, is still ongoing.

In the first quarter of 2018, Creat notified Biotest that it was considering integrating Tiancheng International Investment Limited, Hong Kong, People's Republic of China, – the indirect majority shareholder in Biotest AG's voting capital – into Shanghai RAAS Blood Products Co., Ltd., Shanghai, People's Republic of China, as part of a capital increase. The respective preparations are currently underway.

In connection with the sale of the US business, BPC and its former parent company, Biotest AG, signed a Share Transfer, Amendment and Release Agreement with ADMA Biologics, Inc. (ADMA), Ramsey, New Jersey, USA, on 14 May 2018. Thereafter, BPC transferred all non-voting common stock in ADMA to ADMA. In return, ADMA waived, among other things, BPC's rights to repurchase two ADMA plasma collection centres from BPC as well as potential indemnification claims against BPC and Biotest connected to the original master purchase agreement.

The acquisition of the majority of shares in Biotest AG by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, on 31 January 2018 resulted in a change of control under company law. This change of control created special termination rights for the lenders. Biotest had asked all lenders to temporarily waive the exercise of certain rights due to the change of control and thus to ensure ongoing business operations. To lenders who exercised their special termination rights after 20 July 2018 as well as to lenders who did not accept the agreement on the deferral of rights as a result of the change of control on 29 August 2017 (the "Umbrella Agreement"), promissory notes of € 154.0 million and USD 36.5 million and a KfW loan of € 169.8 million were repaid in 2018. Contracts regarding short-term credit lines in the amount of € 97.5 million were cancelled by mutual agreement or not extended. Prepayment penalties in connection with this change of the financing structure amounted to approximately € 8.4 million. Promissory note loans of € 10.5 million and USD 13.5 million were repaid on maturity on 30 October 2018. As of 31 December 2018, corresponding liabilities still exist in the amount of € 8.5 million.

Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, 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 in order to replace loans that would be claimed back on the basis of special termination rights. The loan was granted to Biotest AG on 30 January 2018. On 8 June 2018, this subordinated shareholder loan was increased by € 150.0 million to € 340.0 million. The loan has a term until 30 April 2020 and served to repay loans to lenders who exercised their special right of termination after 20 July 2018. After receipt of the proceeds from the sale of the US business, part of the shareholder loan in the amount of € 50.0 million was repaid as agreed in the loan agreement.

For interim financing until the proceeds from the sale of the US companies were received, Biotest AG had taken out a loan of € 160.0 million on 18 July 2018 which was fully repaid on 1 August 2018.

On 10 August 2018, the Biotest AG Supervisory Board again extended the Board of Management employment contract for Dr Ehmer to 30 April 2019.

Group business strategy and implementation in financial year 2018

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 financial year 2018, sales of Fovepta® were generated in Lebanon for the first time and the Mutual Recognition Procedure for the expansion of Cytotect® CP approvals in the EU countries Spain, Croatia, Slovenia and Poland was successfully completed.

In 2018, Biotest Group revenues increased compared to the prior year. The Group generated sales of € 400.3 million from continuing operations from January to December 2018. This corresponds to an increase of 5.9 % compared to the previous year (€ 378.1 million).

Since financial year 2018, Biotest has reported in the four sales regions "Central Europe", "East and South Europe", "Intercontinental" and "Middle East, Africa and France" instead of the previous six regions.

All sales regions recorded single-digit percentage sales growth rates in 2018. The strongest growth was recorded in East and South Europe (+9.2 % or € 5.6 million) and Central Europe (+9.1 % or € 12.7 million).

Focus on the plasma business

With the largest project in Company history, Biotest Next Level, Biotest plans to expand its future product range while simultaneously increasing profitability. In terms of product expansion, Biotest focusses 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.

In 2018, Biotest began cooperating with an engineering company in Germany in order to support the construction of a plasma fractionation plant in Turkey as a technology supplier. Biotest will receive milestone payments and licence fees as part of the project.

In the area of monoclonal antibodies, Biotest is completing its ongoing preclinical and clinical activities. Biotest relies on partnerships for the further development or sale of these projects.

As part of the preclinical development of a new haemophilia drug, Biotest exercised an option in collaboration with Affibody Medical AB, Solna, Sweden, and obtained exclusive rights for the application of Albumod™ technology to extend the half-life of biopharmaceuticals in the field of haemophilia.

Research and development

Research and development costs in continuing operations declined by 12.5 % to € 48.5 million in 2018 (prior-year period: € 55.4 million). Development projects with monoclonal antibodies accounted for € 3.9 million.

Therapeutic area Haematology

Indatuximab Ravtansine (BT-062): The Phase I/IIa study (No. 989) in triple receptor-negative metastatic breast cancer and metastatic bladder cancer completed its follow-up phase in 2017 and evaluation of the study. The study confirms the good safety profile of Indatuximab Ravtansine and provides encouraging initial evidence of efficacy in these critically ill patients, who had exhausted the options for further treatment of their cancer. The data is currently being prepared for publication.

In addition, the combination of Indatuximab Ravtansine with a cytostatic showed synergistic efficacy in a mouse model for triple-negative breast cancer, a tumour that is particularly difficult to treat.

Clinical data on the combination therapy of Indatuximab Ravtansine with lenalidomide or pomalidomide and dexamethasone in multiple myeloma (Phase I/IIa Study No. 983) is now available for a period of almost six years. It shows that treatment with Indatuximab Ravtansine in combination with lenalidomide or pomalidomide and dexamethasone in these patients with recurrent or refractory multiple myeloma leads to a good response rate to therapy. The patient treatment phase was completed in September 2018 and the study is now being evaluated.

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 in the previous years 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. Two registration studies for IgG Next Generation are currently underway in several European countries and the USA: Firstly a phase III study (no. 991) on the treatment of patients with primary immune deficiencies (PID) and secondly a phase III study (no. 992) on the treatment of immune thrombocytopenia (ITP). In study no. 991, the 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 a special children's study can be avoided by including more children in the PID Study no. 991. In Study no. 992, patient recruitment was completed as planned in December 2018. Preparations are underway for the transfer of the IgG process from the pilot plant (pilot plant) to the new Biotest Next Level plant.

BT-063: In a Phase IIa study (no. 990), the safety and tolerability of the monoclonal antibody BT-063 in the lead indication systemic lupus erythomatodes (SLE) were tested and initial efficacy data was collected. In 2018, the study met its primary endpoint and demonstrated a positive overall safety profile for BT-063 in combination with the current standard therapy.

Cytotect® CP: Cytomegalovirus (CMV) infection is a common complication leading to a significant number of infections and deaths in patients undergoing hematopoietic stem cell transplantation (HSCT). Approximately 40,000 HSCTs are performed each year in Europe, most commonly for the treatment of certain types of blood cancer, such as myeloma or leukaemia. A retrospective data collection from France published in 2018 highlights the benefits of Cytotect® CP in the treatment of CMV in HSCT patients. High-risk patients were treated with Cytotect® CP after the failure of antiviral drugs. The overall patient response rate was 78 %. In particular, 70 % of all cases eliminated CMV infection in the blood, which is an excellent result given the previous failure of alternative treatment approaches in these patients.

Tregalizumab (BT-061): After clinical development in rheumatoid arthritis was discontinued in 2015, Biotest is looking for a partner for further development in various alternative indications for which initial results have been generated in preclinical experiments.

Therapeutic area Intensive Care Medicine

Trimodulin (IgM Concentrate): Trimodulin is an immunoglobulin preparation with a high IgM, IgA and IgG content. In 2017, Biotest presented the data of the phase II study with Trimodulin (IgM Concentrate; Cigma Study; Study no. 982) in the indication severe community acquired pneumonia (sCAP) as well as

the further clinical development concept to the responsible authorities. The authorities approve of the proposed development plan and support the planned phase III study. The new study is based on the results of the Cigma phase II study, which has already been completed. A post-trial evaluation identified patient groups that would benefit most from the use of Trimodulin. The high mortality rate of these patients was reduced by more than half. These include patients with elevated inflammation markers and patients with a deficiency of the immunoglobulin M contained in Trimodulin. The data from the studies was published in the prestigious journal Intensive Care Medicine in 2018. Preparations are currently underway to start the phase III study with Trimodulin (IgM Concentrate). The clinical trial design has already been agreed with the relevant authorities EMA, FDA and Paul Ehrlich Institute.

Fibrinogen: Fibrinogen is being developed for the treatment of patients with congenital or acquired fibrinogen deficiency. Regulatory studies are currently underway for both indications.

The phase I/III study (no. 984) is evaluating fibrinogen in patients with **congenital fibrinogen deficiency**. As the European Medicines Agency (EMA) has approved the Paediatric Committee's (PDCO) positive recommendation regarding the paediatric development plan for fibrinogen in congenital fibrinogen deficiency, the study protocol of the ongoing phase I/III study has been amended to include children under six years of age. Treatment of patients in Phase I, including children under the age of six, was then completed. The study determined how the drug behaves in the bodies of patients with congenital fibrinogen deficiency. In the ongoing phase III part of the study, patients will be treated as needed, e.g. during bleeding or surgery, and the tolerability and efficacy of fibrinogen will be evaluated. Additional patients are currently enrolled in phase III and treated as needed. The tolerability and efficacy of fibrinogen is being evaluated.

In March 2018, the first patient with acquired fibrinogen deficiency in the indication **acquired fibrinogen deficiency** was treated as part of a major surgical intervention in the Phase III clinical trial "ADFIRST" (no. 995). The study currently includes patients and is being conducted in several European countries.

Pentaglobin®: Pentaglobin® has been on the market for 30 years and is approved for the treatment of severe bacterial infections with simultaneous application of antibiotics.

Biotest supports two randomised clinical trials initiated by universities for the treatment of severe bacterial infections with Pentaglobin®. The first study is a multicentric study in patients with peritonitis in Germany and Austria, led by Prof. G. Marx at the Rhenish-Westphalian Technical University Aachen (Rheinisch-Westfälische Technische Hochschule Aachen). The study is conducted under the study title: PEPPER (**Pe**rsonalized medicine with **P**entaglobin after interventional focus in **Per**itonitis patients). The study included 20 of 200 patients (as of December 2018). Further details on the study are available at: https://www.pepper-trial.de/.

The second multicentric study will be conducted in Italy in sepsis patients under the direction of Prof. M. Girardis from the University of Modena. The study is currently being evaluated by the responsible ethics commission in Italy.

In the first quarter of 2018, the first patient was enrolled in the PERFORM (**Pe**ntaglobin® **R**egistry **F**or **O**utcome **R**eport and **M**onitoring) registry – a non-interventional study evaluating the efficacy and safety of Pentaglobin® in life-threatening adult patients with severe bacterial infections or sepsis. Biotest supports the PERFORM registry initiated by the University Hospital of Jena, Centre for Clinical Studies.

In a study from the Hanover Medical School (Medizinische Hochschule Hannover) published in 2018 it was shown that the survival rate of patients with early **D**onor **S**pecific **A**ntibodies (DSA) after lung transplantation was significantly increased by administering Pentaglobin® (IgM-enriched immunoglobulin). In lung transplants, the formation of DSAs significantly increases the risk of mortality and organ rejection. 20 to 30 % of all lung transplant patients develop DSA. To date, there is no established therapy for DSA after lung transplantation. In the Pentaglobin® group (128 patients), the survival rate of 94 % after one year was comparable to that of patients without DSA development (452 patients) and significantly higher than the 79 % survival rate in the historical comparison group (57 patients with DSA development) treated with therapeutic plasma exchange. The relative reduction in mortality after one year was over 70 %. The positive results were confirmed in an analysis of the data four years after transplantation. Patients with DSA had a similar four-year survival as patients without DSA and showed a high rate of DSA elimination. This is a unique result that no other treatment for DSA elimination and organ maintenance after lung transplantation has been able to achieve so far.

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/study design	Number of study participants	Status as of 31 December 2018
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	Treatment completed; under evaluation
		Combination with pomalidomide and dexamethasone	17	Treatment completed; study to be evaluated
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	Study completed; study report submitted
Therapeutic area Clinical Immunology				
BT-063				
Phase IIa Systemic lupus erythematosus (SLE)	990	Multiple dosing, 3-months treatment duration, placebo-controlled	36	Study completed; study report submitted
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	Study completed; study report submitted
IgG Next Generation				
Phase III Primary immune deficiency (PID)	991	Multiple dosing, 12-months treatment duration	60 planned	Adult recruitment completed; paediatric recruitment ongoing
Phase III Immunothrombocytopenia (ITP)	992	Multiple dosing		Patient recruitment completed
Phase III Chronic inflammatory demyelinating polyneuropathy (CIDP)	993	Multiple dosing		In preparation
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	Patient recruitment in progress
Trimodulin (IgM Concentrate)				
Phase III Severe community-acquired pneumonia	996	Multiple dosing, placebo-controlled		Study in preparation

Marketing and distribution

Therapeutic area Clinical Immunology

Fovepta®, a hyperimmunoglobulin for newborns, is used immediately after birth and offers effective protection for the children of mothers suffering from hepatitis B. Biotest received regulatory approval in Jordan in May 2018. In June 2018, Fovepta® was approved by the Gulf Central Committee for Drug Registration. In addition, initial sales were achieved in Lebanon through a new distributor. Fovepta® was newly approved in Ghana in November.

In 2018, Biotest received approval for Intratect® 50 g/l (5 %) in Turkey (50 ml), Palestine (50 and 100 ml) and Costa Rica.

Intratect® 100 g/l (10 %) was granted approval in the United Arab Emirates in the past financial year.

Biotest received approval for Hepatect® CP in Jordan in May 2018 and for 100 ml in Iran.

The Mutual Recognition Procedure to expand the approval of Cytotect® CP in the EU countries Spain, Croatia, Slovenia and Poland was successfully completed in 2018. The national approvals in Germany and Croatia have already been granted and those of the other countries are expected shortly.

Therapeutic area Intensive Care Medicine

In financial year 2018, Pentaglobin® was granted new approval in Azerbaijan and Albiomin® new approval in Palestine.

Therapeutic area Haematology

In financial year 2018, Biotest received approval for Haemoctin® in Morocco and Palestine (500 I. U. and 1000 I. U.) and approval for 250 I. U. and 1000 I. U. in Iran.

Plasma and Services

As announced, Biotest further expanded its network of Group-owned plasma collection stations in Europe and opened two plasmapheresis centres in the Czech Republic in financial year 2018. This means that 19 plasma collection stations in Europe now serve to secure the long-term supply of plasma. Plasma Service Europe GmbH, a wholly owned subsidiary of Biotest AG, announced in the fourth quarter of 2018 that it will acquire a plasmapheresis centre in Hanover. The transfer of operations took place in the first quarter of 2019.

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 to 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" (Deutschlandstipendium) of Johann Wolfgang Goethe University Frankfurt/Main, Germany.

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 had to flee his homeland and who continued his training at Biotest in 2018, was also able to fill an apprenticeship position. Details on career entry programmes can be found in the Human Resources section.

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

A. EARNINGS POSITION

The Biotest Group generated revenues from continuing operations of € 400.3 million in financial year 2018. This represents an increase of 5.9 % compared to the previous year, in which sales of € 378.1 million were generated.

The previous year's sales were burdened by the credits for the recall of human albumin and the temporary interruption of human albumin production, particularly in the core segment Therapy. Sales in this segment therefore increased by 11.1 % to € 348.5 million after € 313.7 million the previous year. The decline in sales by € 12.9 million to € 45.3 million in the Plasma & Services segment is primarily due to the general economic situation in the Middle East and the expiry of the toll manufacturing agreement with a long-standing customer. Sales in Other Segments rose slightly to € 6.5 million.

Revenues from discontinued operations amounted to € 6.0 million after € 163.1 million in the previous year.

DEVELOPMENT OF SALES BY SEGMENTS

in € million	**2018**	2017	Change in %
Therapy	348.5	313.7	11.1
Plasma & Services	45.3	58.2	–22.2
Other Segments	6.5	6.2	4.8
Biotest Group	**400.3**	**378.1**	**5.9**

The Biotest Group is a globally active company. In financial year 2018, 72.3 % of sales were generated outside Germany. Since 2018, Biotest has reported in the four sales regions "Central Europe," "East and South Europe," "Intercontinental" and "Middle East, Africa and France" instead of the previous six regions.

All sales regions recorded single-digit percentage sales growth rates in 2018. The strongest growth was recorded in East and South Europe (+9.2 % or € 5.6 million) and Central Europe (+9.1 % or € 12.7 million). The main reasons for the positive development were the increase in sales of human albumin to a more normal level and increased sales of Intratect.

DEVELOPMENT OF SALES BY REGIONS

in € million	**2018**	2017*	Change in %
Central Europe	152.1	139.4	9.1
East and South Europe	66.7	61.1	9.2
Intercontinental	75.9	74.5	1.9
Middle East, Africa and France	105.6	103.1	2.4
Biotest Group	**400.3**	**378.1**	**5.9**

* The prior-year figures have been restated in line with the definition of the 2018 sales regions.

In financial year 2018, costs of sales increased by 4.3 % from € 254.6 million to € 265.5 million, a disproportionately low increase compared to sales growth. This is primarily due to the fact that the previous year's cost of sales was heavily impacted by the inventory write-down in connection with the recall of human albumin.

Marketing and distribution costs fell by 3.9 % year-on-year to € 51.6 million in financial year 2018 (prior-year period: € 53.7 million). Their share of sales decreased by 1.3 percentage points from 14.2 % in 2017 to 12.9 % in financial year 2018. The decline resulted from cost savings and expenses from valuation allowances on trade receivables included in the prior year. Changes in the value of financial assets are reported separately in financial year 2018.

PRIMARY P&L POSITIONS OF THE BIOTEST GROUP*

in € million	**2018**	**in % of sales**	2017	in % of sales
Cost of sales	–265.5	66.3	–254.6	67.3
Marketing and distribution costs	–51.6	12.9	–53.7	14.2
Administrative expenses	–31.6	7.9	–45.2	12.0
Research and development costs	–48.5	12.1	–55.4	14.7
Other operating income and expenses	9.6	2.4	21.5	5.7
Financial result	–16.4	4.1	–16.8	4.4

* Expenses are marked with a negative sign.

Administrative expenses fell by 30.1 % from € 45.2 million to € 31.6 million in financial year 2018. Accordingly, the administrative expense ratio fell to 7.9 % after 12.0 % the previous year. In the same period of the previous year, administrative expenses were significantly affected by expenses for consulting services in connection with the acquisition of Biotest AG by Creat.

Research and development costs fell to € 48.5 million in financial year 2018 (prior-year period: € 55.4 million). Their share of sales in the past financial year was 12.1 % (previous year: 14.7 %). The main reason for the decline was lower expenses for clinical trial goods in connection with the development projects IgG Next Generation and Trimodulin.

Other operating expenses decreased from € 4.2 million in financial year 2017 to € 4.0 million. Other operating income amounted to € 13.6 million in 2018 and was thus below the previous year's figure of € 25.7 million. The main reason for the decrease is the non-recurring effect of € 18.6 million in refunds from the termination of long-term supply contracts in the previous year. Other operating income in 2018 includes insurance compensation in the amount of € 9.8 million (previous year: € 5.0 million).

The changes in impairment losses on financial assets measured at amortised cost to be reported separately for the first time for financial year 2018 as part of the application of IFRS 9 Financial Instruments amounted to € –2.1 million. In the previous year, expenses from additions to impairment losses of € 1.1 million were included in marketing and selling expenses.

EBIT for financial year 2018 amounted to € 10.6 million, compared with € –9.3 million in the same period of the previous year. The previous year's EBIT was significantly burdened by special effects of the human albumin recall in the amount of € 27.9 million. The EBIT margin was 2.6 % for 2018 after –2.5 % the previous financial year.

In the core segment of Therapy, EBIT of € 9.4 million was achieved in financial year 2018 (previous year: € –15.0 million, significantly influenced by the negative effects of the human albumin recall).

EBIT in the Plasma & Services segment amounted to € 3.8 million (previous year: € 19.9 million). The decrease resulted from the special effect of refunds received from the termination of long-term supply contracts in the amount of € 18.6 million the previous year.

In the Other Segments segment, EBIT improved from € –14.2 million in the previous year to € –2.6 million in 2018. The comparative figure for the previous year was significantly influenced by consulting expenses in connection with the acquisition of Biotest AG by Creat.

The EBIT of the discontinued operation amounted to € 194.8 million after € 27.3 million in the previous year. It was positively influenced by the recognition of the gain on the disposal of the US companies in the amount of € 162.4 million as well as by currency translation differences in the amount of € 32.6 million, which were previously recognised directly in equity under other comprehensive income and reclassified to income in connection with the deconsolidation of the US companies.

The financial result improved to € –16.4 million in financial year 2018, compared with € –16.8 million in the previous year. The fair value adjustments to financial instruments measured at fair value to be reported separately for the first time for financial year 2018 as part of the application of IFRS 9 Financial Instruments amounted to € –5.1 million. In the previous year, the corresponding income of € 5.3 million was part of the financial result. The financial result was burdened by the early repayment penalty and waiver fees of € 9.3 million.

Expenses from joint ventures amounted to € –0.2 million in 2018, compared with € 0.1 million (income) in 2017.

For the continuing operations of the Biotest Group, this resulted in earnings before taxes (EBT) of € –6.0 million after € –26.0 million in the same period in the previous year. EBT from discontinued operations amounted to € 194.6 million in 2018, compared with € 12.9 million in the same period of the previous year.

Tax expense of € –6.9 million in financial year 2018 (previous year: tax income in the amount of € 9.6 million) mainly resulted from the amortization of deferred tax assets in the amount of € 11.2 million as it cannot be expected with the necessary certainty that these loss carryforwards will be used in the near future. This is mainly offset by tax refunds of € 5.4 million for previous years. The tax expense for the financial year amounts to € 1.5 million. Earnings after taxes from continuing operations amounted to € –12.9 million after € –16.4 million in 2017.

Earnings after taxes from discontinued operations rose to € 194.6 million from € 12.9 million in the previous year, mainly due to the recognition of the gain on the disposal of the US companies.

The Biotest Group's total earnings after tax (EAT) from continuing and discontinued operations amounted to € 181.7 million (previous year: € –3.5 million). This results in earnings per ordinary share of € 4.58 after € –0.09 in the previous year.

KEY PERFORMANCE FIGURES OF THE BIOTEST GROUP (CONTINUING OPERATIONS)

in € million	**2018**	2017	Change in %
EBIT	10.6	–9.3	> 100
EBT	–6.0	–26.0	76.9
EAT	–12.9	–16.4	21.3

B. ASSET POSITION

Total assets as of 31 December 2018 increased by € 63.8 million compared with 31 December 2017, from € 978.5 million to € 1,042.3 million.

Non-current assets increased to € 547.2 million from € 528.8 million on the balance sheet date of the previous year. In particular, property, plant and equipment increased from € 477.1 million to € 512.7 million, mainly due to further investments in the Biotest Next Level project.

Current assets amounted to € 495.1 million as of 31 December 2018 and exceeded the figure of € 449.7 million as of 31 December 2017. The reason for the increase in inventories from € 146.9 million in the previous year to € 208.3 million as of 31 December 2018 was the hedging of the operating business in 2019. Other current financial assets increased by € 39.8 million to € 46.3 million after € 6.5 million as of 31 December 2017. This increase resulted mainly from cash deposits with banks of € 15.2 million and the recognition of assets of € 17.9 million transferred from BPC to Biotest AG as part of the sale of the US companies. Other current financial assets also include claims for insurance refunds of € 5.0 million.

The increase in cash and cash equivalents to € 61.9 million (31 December 2017: € 22.3 million) is attributable to the completion of the sale of the US companies. Against this backdrop, assets held for sale decreased to € 6.1 million as of 31 December 2018 from € 125.6 million as of the balance sheet date of the previous year. As of 31 December 2018, they relate to an undeveloped property in Boca Raton, USA, which is to be sold in the near future.

On the liabilities side of the balance sheet, equity rose significantly by 42.4 % to € 495.2 million (31 December 2017: € 347.8 million) due to the positive result for the period. At 47.5 %, the equity ratio was significantly higher than in the previous year (31 December 2017: 35.5 %).

Borrowed capital fell to € 547.1 million in the past financial year (31 December 2017: € 630.7 million). This was mainly due to the repayment of short-term financial liabilities.

As of 31 December 2018, non-current liabilities amounted to € 421.5 million (31 December 2017: € 379.5 million). Non-current financial liabilities increased from € 286.8 million to € 328.7 million as of 31 December 2018, mainly due to the raising of subordinated shareholder loans in the amount of € 290 million, which mainly replaced financing by banks. Pension provisions amounted to € 88.9 million as of 31 December 2018, compared to € 86.3 million as of the balance sheet date of the previous year.

Current liabilities fell significantly from € 251.2 million to € 125.6 million due to the repayment of maturing financial liabilities.

The long-term capital available to the Company (equity, pension provisions and non-current financial liabilities) covered 87.6 % (previous year: 73.7 %) of total assets as of 31 December 2018. Net debt decreased from € 384.1 million to € 267.5 million as of 31 December 2018.

C. FINANCIAL POSITION

The takeover of the majority of shares in Biotest AG by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, on 31 January 2018 resulted in a change of control that had an impact on the financial position and cash flows of Biotest.

With the completion of the takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, existing credit agreements were terminated due to the change of control in 2018. To repay the terminated loan agreements, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, granted Biotest a subordinated shareholder loan in the amount of € 290.0 million with a term of two years in 2018. The purchase price from the sale of shares in the US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, was also used to further reduce financial liabilities. Biotest AG raised a loan of € 160 million on 18 July 2018 for interim financing until the proceeds from the sale of the US companies were received. This loan was repaid in full on 1 August 2018.

Cash flow from operating activities of continuing operations decreased from € 18.3 million in the previous year to € –49.6 million in financial year 2018. This was mainly due to the increase in inventories of € 61.4 million to secure the operating business in 2019 as of the balance sheet date. Operating cash flow before changes in working capital amounted to € 35.6 million (prior-year period: € 34.4 million). Cash flow from changes in working capital increased year-on-year to € –79.5 million from € –12.0 million in the previous year. Interest and taxes paid totalled € –5.7 million after € –4.1 million the previous year.

Cash flow from investing activities of continuing operations amounted to € –50.8 million between January and December 2018, compared with € –109.3 million in the previous year. The main reason for the lower disbursements was the completion of the construction phase of the Biotest Next Level project. The high positive cash flow from investing activities of the discontinued operation of € 251.6 million resulted from the purchase price payment for the US plasma companies.

Cash flow from financing activities for continuing operations amounted to € –111.2 million in financial year 2018 (prior-year period: € 56.3 million), mainly due to payments for the repayment of financial loans.

Cash and cash equivalents from continuing operations increased to € 61.9 million at the end of 2018 compared with € 22.3 million on 31 December 2017.

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 47.5 % as of 31 December 2018, Biotest has exceeded this target value. Since 2018, Biotest has been financed by a subordinated shareholder loan of € 290 million.

Together, equity and the long-term component of debt financing are intended to cover fixed assets. The capital structure is described in Sections E 11 and G 6 of the Notes.

V. GENERAL STATEMENT ON THE ECONOMIC POSITION OF THE COMPANY

The Biotest Group met its sales and EBIT forecasts for financial year 2018.

For financial year 2018, the Board of Management guided a mid-single-digit percentage increase in sales for continuing business operations.

In 2018, the Biotest Group generated sales of € 400.3 million from continuing operations, compared with € 378.1 million the previous year. This equates to a 5.9 % increase in sales.

EBIT from continuing operations amounted to € 10.6 million in financial year 2018, compared with € –9.3 million in the previous year. At the beginning of 2018, the Board of Management had forecasted EBIT from continuing operations of € 10 to 12 million.

In addition, the Company made great progress with the important Biotest Next Level project last year. The impurities found in the ultrapure media systems during the commissioning of the infrastructure and process plants in 2017 were removed through intensive cleaning activities. The commissioning of the plants, which was interrupted for this reason, was resumed in the second quarter 2018 and the first process plant for the purification of IgG Next Generation was successfully qualified and handed over to Biotest in June 2018. Furthermore, an innovative, technologically leading system for virus inactivation was integrated into the production process in the course of the year.

In addition, two new plasmapheresis stations were opened in 2018, significantly expanding the plasma collection network in Europe. The Biotest Group has thus secured a sufficient supply of the important raw material – human blood plasma – for the future.

With Creat, Biotest has a strong partner at its side that will support the significant investments in products and equipment in the years to come. The global distribution of Biotest's products could also benefit from Creat's biopharmaceuticals sales network. With the closing of the takeover bid of Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, existing credit agreements were terminated due to the change

of control in 2018. To repay the terminated loan agreements, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, granted Biotest subordinated shareholder loans of € 290.0 million with a term of two years in 2018. The purchase price from the sale of shares in the US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA, was also used to further reduce financial liabilities.

C. SUPPLEMENTARY REPORT

Plasma Service Europe GmbH, Dreieich, Germany, a 100% subsidiary of Biotest AG, acquired a plasmapheresis centre in Hanover in January 2019.

In January 2019, Biotest received the extension of the approved indications of Intratect® in 22 European countries to include the neurological indications chronic inflammatory demyelinating polyneuropathy (CIDP) and multifocal motor neuropathy (MMN), as well as an extension in the area of secondary immunodeficiencies (SID).

At its meeting on 7 March 2019, the Supervisory Board appointed Dr Michael Ramroth as Chairman of the Board of Management of Biotest AG with effect from 1 May 2019.

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 2019 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. Nevertheless, this sales growth could be jeopardised in 2019 by the increasing cost pressure in the healthcare sector of highly developed markets and by the continuing tense situation in the crisis regions of the world. The takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, is expected to have a long-term positive effect on 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 2019 as well. 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 impact results quite adversely over the next two to three years.

B. DIRECTION OF THE GROUP IN FINANCIAL YEAR 2019

The general direction of the Biotest Group in financial year 2019 will not change. 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 in select areas and specific business fields with suitable cooperation partners.

C. DEVELOPMENT OF THE MARKET ENVIRONMENT

Target markets

According to current studies, the worldwide demand for immunoglobulins (IgG) will continue to increase by 7 to 8 % annually in the coming years.[13] The prices of these preparations developed positively in 2018 due to the tense supply situation worldwide.[14]

For plasmatic coagulation factors, the Biotest Group expects the world market volume to increase by about 1 to 2 % per year through 2020.[15]

13 Biotest Market and Pricing Insights based on MRB (2014, 2015, 2016), PPTA (2018), Markets and Markets (2018). Credit Suisse (October 2017)

14 IQVIA (October 2018)

15 Biotest Market and Pricing Insights based on MRB (2016)

D. EXPECTED DEVELOPMENT OF THE BIOTEST GROUP

Expected business and earnings situation of the Biotest Group

For financial year 2019, the Board of Management expects sales growth in the mid-single-digit percentage range for continuing operations. Earnings in 2019 will be influenced by various factors. Besides the expected charges of € 80 to 90 million from the Biotest Next Level expansion project, including the associated research and development costs, the tense situation in the crisis regions, particularly in the Middle East, could also have an impact. Furthermore, a partner is being sought for advanced development projects. Based on the aforementioned factors, the Board of Management expects EBIT from continuing operations to be between € –5 million and € +5 million if partnering can be successfully concluded in 2019. As a result, the Board of Management expects a return on capital employed (RoCE) of around –2 % to +2 % and cash flow from operating activities of around € –50 to –60 million for 2019. Excluding partnering, EBIT will be expected between € –15 million and € –35 million, the RoCE between –2 % and –4 % and cash flow from operating activities at € –60 to € –90 million. For EBIT adjusted for the impact on earnings of the Biotest Next Level project, the Board of Management anticipates an increase to € 75 to 95 million in case that a partnering can be successfully completed in 2019.

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. A large share of the cash and cash equivalents received in recent years has been used by the Group for the Biotest Next Level project and it will continue to do so to finance the expansion of capacity at the Dreieich site and to ensure the supply of raw materials with plasma. Furthermore, the increase in current assets required for the sales growth must be financed. For financial year 2019, capital expenditure of approximately € 40 million to € 45 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 loan financing was almost completely repaid in 2018. Financing in 2018 was mainly through shareholder loans. To further finance the Biotest Next Level project and thus the expansion of capacity at the Dreieich site, long-term credit financing is also being sought in 2019, which will consist of both the existing shareholder loan and external financing.

Expected developments in the segments

Therapy segment

The following significant advances and developments are expected in the Therapy segment in the current financial year 2019:

Therapeutic area Haematology

Haemoctin®: In 2019, the launch of the reduced volumes of the trading forms Haemoctin® 500 and Haemoctin® 1000 International Units (I. U.) is expected in various European countries, including Germany. This will reduce the volume to be applied by half and make therapy considerably easier, especially for patients in infancy and for patients who are dependent on a high preparation dose.

Haemonine®: The international development of Haemonine® is to be continued successfully. Under a contract with a new partner, Haemonine® is expected to be launched in Turkey, an important market for haematology, in 2019.

Vihuma®: In financial year 2019, we expect the market launch of the new trading forms with 2500, 3000 and 4000 International Units (I. U.). They will complement the existing portfolio consisting of 250 I. U., 500 I. U., 1000 I. U. and 200 I. U. With this expansion of the portfolio, we are offering patients a more flexible, time-saving and convenient therapy.

Therapeutic area Clinical Immunology

Cytotect® CP: Following the successful completion of the European mutual recognition procedure (MRP), Cytotect® CP will receive market approvals in further attractive European markets in 2019. To date, Cytotect® CP has been approved at the national level in eight European countries. The MRP has not only harmonised the approval in these countries, but has also added four other highly interesting markets: Spain, Croatia, Slovenia and Poland. Of particular interest is Spain, where more than 5000 organs are transplanted annually. Sales of Cytotect® CP can be increased both by the market launch there and by new approvals.

Fovepta®: Fovepta® is planned to be launched in many Asian and Middle Eastern countries after regulatory approvals have been obtained. In addition, Fovepta® will continue to be successfully marketed in other Asian and African countries as well as Saudi Arabia.

Intratect® 100g/l (10 %): Intratect® 100 g/l (10 %) was launched in Germany in 2013. Today, the product is being marketed successfully in numerous European countries as well as Asia and other regions. Regulatory applications were submitted in other countries. Once these have been issued, the product will be launched. In the first quarter of 2019, the approved indications for Intratect® 50 and 100 g/l are expected to be expanded to include the neurological indications CIPD (chronic inflammatory demyelinating polyradiculoneuropathy) and MMN (multifocal motor neuropathy) as well as secondary immunodeficiencies. This expansion is part of the EMA's initiative to expand Core SmPC (Summary of Product Characteristics) for polyvalent intravenous immunoglobulins and will enable Intratect® to be increasingly used in these areas.

IgG Next Generation: In 2019, two regulatory studies for IgG Next Generation will continue in several countries: Phase III (no. 991) for the treatment of patients with primary immunodeficiency (PID) and Phase III (no. 992) for the treatment of immunotrombocytopenia (ITP). Study 991 now includes the intended number of adult patients. Only children will be included in the study until the planned number of approximately 20 children is reached. Patients will be treated with IgG Next Generation for one year. Patient recruitment for Study 992 was completed in 2018. 34 patients were enrolled. The study report is expected to be prepared in 2019.

BT-063: In 2017, Part II of the Phase IIa study (no. 990) for the treatment of patients with systemic lupus erythematosus (SLE) was conducted. In this study, a total of 36 SLE patients were treated with BT-063 or placebo for three months. The aim of this study was to evaluate the safety and tolerability of substance in SLE patients. The study met its primary endpoint and demonstrated a positive overall safety profile for BT-063 in combination with the current standard therapy. The study report was submitted to the national authorities at the end of November 2018.

Hepatect® CP und Zutectra®: Biotest has established itself as one of the market leaders as an expert in hepatitis B immunoglobulins.

The recently published positive results with regard to HBV recurrence from an international long-term data collection on the use of Hepatect® CP and Zutectra® after liver transplants (Beckebaum et al., 2018) also showed to what extent lifelong therapy with Hepatect® CP and Zutectra® makes sense.

In addition, the study showed a very low annual average recurrence of this malignant cancer of 1.7 % in a subgroup of 147 patients transplanted for HBV-associated hepatocellular carcinoma.

Biotest remains committed to this highly ethical field, will be represented at the International Liver Congress ILC 2019 (April 2019, Vienna, Austria) and the ESOT 2019 (September 2019, Copenhagen, Denmark) and plans to develop further markets to meet the high medical demand worldwide.

Therapeutic area Intensive Care Medicine

Albiomin®: In 2019, Biotest is planning to employ a new communications strategy with the aim of further expanding its own positioning in the higher price segment. For China, Biotest is planning the first import of albumin.

Pentaglobin®: We expect new clinical data for the product in 2019, which will allow us to further develop the product, the world's only IgM-enriched immunoglobulin, in a highly ethical area.

Fibrinogen – congenital fibrinogen deficiency: The phase I/III study (no. 984) is intended to evaluate pharmacokinetic parameters and bleeding data in patients with congenital fibrinogen deficiency. In the pharmacokinetic part of the study, all patients, including the required children, were treated with fibrinogen. This part of the study has now been completed. In the second part of the study, too, patients were treated with fibrinogen in all age groups as required, e.g. during bleeding or surgery. Inclusion and treatment of patients in this part of the study will continue in 2019.

Fibrinogen – acquired fibrinogen deficiency due to high blood loss: The phase III study (no. 995; ADFIRST) in the therapeutic area of acquired fibrinogen deficiency was submitted to the Paul Ehrlich Institute and the authorities and ethics committees of other European countries in 2017. Recruitment of patients with high blood loss is currently underway as part of a major surgical operation. The first patients with acquired fibrinogen deficiency were treated. Inclusion and treatment of patients will continue in 2019.

Trimodulin (IgM Concentrate): After Biotest had presented the data of the phase II study with Trimodulin (IgM Concentrate) in the indication severe community pneumonia (sCAP) as well as the further clinical development concept to the responsible authorities in recent years, these authorities have approved the further procedure and support the planned phase III study.

At the same time, the authorities have recommended that Biotest carry out further technical optimisation in the production process according to the latest scientific findings. Biotest implemented this optimisation on a production scale in 2018. Preparations for the phase III study will continue in 2019 and submission is planned for the second half of 2019.

Plasma & Services segment

The Company strategy in the Plasma & Services segment is aimed at maximum utilisation of the existing plasma production capacities. 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 in the medium term contract manufacturing will remain at about the same level as in 2018.

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 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 could be partially or completely outside 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 can be found 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 records and evaluates short- and long-term 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 could negatively impact the compliance of the consolidated financial statements with the rules. Furthermore, any risks identified are reduced to the extent possible by involving external experts, if necessary. 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 and to senior management. This report covers the medium-term and 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 discussed regularly 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 on how the year will end. In the event of a sudden change in the risk position, the Board of Management is notified immediately and directly.

All Biotest employees must act 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 the first half of 2018. The next audit is scheduled for 2021.

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 IFRSs. All managers in charge of financial accounting are continuously informed of and trained in relevant accounting practices.

The accounting and reporting at Biotest AG and all subsidiaries included in the consolidated financial statements are performed in accordance with strict schedules and procedures, in which all the necessary activities are set forth in detail.

Single-entity financial statements of important Group companies and consolidated financial statements are prepared using proven 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 G 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 could 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 listed 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 occurrence of which would lead to a deviation from the planning for the current and following financial years, and long-term risks. While long-term risks are prioritised on the basis of an assessment using a graduated scoring model linked to the amount of loss, short-term risks are assessed by multiplying the possible negative impact on the net assets, financial position and results of operations by their estimated 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.

	Probability of occurrence			
Amount of damage	Low	Moderate	High	Very High
> € 5 million	M	H	H	H
€ 2,5 bis 5 million	M	M	H	H
€ 1,0 bis 2,5 million	G	M	M	H
< € 1,0 million	G	G	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, global recession, even if its direct effects were limited. The risk of a downturn in sales could 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 could 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. On

the one hand, the significantly increased demand for polyvalent immunoglobulins, especially in the USA but also in Europe, combined with limited supply, has led to partly significant price increases in many countries. On the other hand, we see increasing cost pressure in the healthcare sector of highly developed markets. States are increasingly adopting coercive measures to reduce the cost of drugs. Examples of this are manufacturer discounts and price moratoria in Germany and Austria as well as mandatory discounts in Greece, Romania and Italy. Due to the limited product range and the scarce supply of goods, however, some countries have recently eased these compulsory measures for immunoglobulins administered intravenously (IVIG) again. In addition, the efforts of the states to reduce prices in their own countries by referring to countries with lower prices (so-called price baskets) are increasing. These efforts also exist on the EU level. In addition, the increasing parallel imports from other European countries with lower prices as desired by the legislator could lead to a deterioration in margins. Especially in the area of coagulation factors, and thus also for plasmatic factors, there is currently increasing price pressure from the healthcare systems. 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. Further therapies for haemophilia patients with so-called non-factor preparations (e.g. emicizumab (hemlibra)) could conquer further market shares. In addition, the German legislator plans to authorise the health insurance funds to conclude discount agreements with suppliers of coagulation factors. This should result in further price pressure for plasmatic products. Outside the market for coagulation factors, the Board of Management currently considers further substitution risks to be manageable and therefore 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 the necessary measures to minimise risks such as a delivery stop, for example. Furthermore, credit insurance is taken out for many countries and customers. The Board of Management continues to classify the default risk of receivables from customers in countries subject to sanctions by the European Union as a medium risk compared with the previous year.

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. The maximum limits are usually not available at the beginning of the respective period.

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 change their regulatory framework and bureaucratic procedures, unexpected delays could occur with regard to market entry. In this case, Biotest tries to assess the situation regarding the risks and to minimise these risks where necessary by involving experts in the relevant market.

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 could be restricted. Biotest procures a large share of its raw materials from its own sources, which are being gradually expanded.

Biotest has sold its 22 American plasma collection centres due to requirements of American authorities. This has substantially reduced the level of plasma self-sufficiency. Should there be a shortage in the plasma supply market, there is a risk that Biotest will not have sufficient plasma. As Biotest is not currently allowed to own its own plasma collection centres in the USA, the production of Biotest end products in the US market could be reduced if sufficient American plasma is not available. In any case, the Company can only supply to the US market after FDA approval of the Biotest Next Level system.

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 could be subject to a high level of political influence, which could 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 can 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 could 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 destabilised further in some cases in 2018. Because Biotest is represented in these countries, it is exposed to increased risk. Another risk is that it remains difficult to obtain payments for pharmaceutical supplies exempted from embargo and sanction measures from countries otherwise subject to sanctions. Biotest is trying to minimise these difficulties through intensive contact with its 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.

In May 2018, US President Donald Trump announced that the US would withdraw from the nuclear agreement with Iran. He reinstated the sanctions against the country. This could have a negative impact on the value of Biotest's assets in the mid double-digit million range. The sanctions could also lead to a complete termination of business relations. The Board of Management does not rule out that the situation could deteriorate in the short term as a result of US sanctions.

Overall, the Board of Management now considers political risks as high risks (previous year: moderate risk).

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 in company history in 2013. The development of IgG Next Generation, Trimodulin (IgM Concentrate), Fibrinogen and the new construction of the production facility are progressing.

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 the completely installed facilities in the building. The impurities found in the ultrapure media systems during the commissioning of the infrastructure and process plants in 2017 were successfully removed through intensive cleaning activities. The commissioning of the plants, which was interrupted for this reason, was resumed in the second quarter of 2018 and the first process plant for the purification of IgG Next Generation was successfully completed and handed over to Biotest in June 2018. Overall, the project was delayed by approximately nine months. This will lead to a product supply for the first new products from the Biotest Next Level project in 2021. During further testing and commissioning, it cannot be ruled out that further problem areas may be discovered.

For example, if errors or programming deficits are found, considerable delays could 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. In the event of serious problems or delays, an impairment of the Biotest Next Level facilities cannot be ruled out. 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. Since development programmes may have to adapt to new findings in terms of their development or further development, the associated costs and development times cannot always be predicted accurately – unexpected additional costs and increased development time could 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 existing products, or demonstrate health economic benefit, are playing an increasingly important role in the development of drugs. These benefits must be proven as early as possible during the product development stage, 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 project, the IgG Next Generation, Trimodulin and Fibrinogen development projects were advanced simultaneously with the construction and completion 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 conducting of clinical studies – could 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 this year, the Board of Management considers this as a medium risk. In addition, Biotest is involved in other development projects where commercialisation challenges may arise. Since research and development projects are very long-term projects, the Board of Management currently considers the short-term risks of current projects 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 could negatively affect production efficiency or safety.

Biotest constantly monitors and analyses its production processes in order to take early action against any risks that could arise. All employees involved in production become familiar with production workflows by reviewing our operating procedures. Possible risks are combated by adopting extensive and precisely documented standards and operating procedures as well as regular training of staff.

The impurities found in the ultrapure media systems during the commissioning of the infrastructure and process plants in 2017 were successfully removed through intensive cleaning activities. The commissioning of the plants, which was interrupted for this reason, was resumed in the second quarter of 2018 and the first process plant for the purification of IgG Next Generation was successfully completed and handed over to Biotest in June 2018. 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 terminate existing agreements. In some areas, suppliers have processes and products that are not easily substitutable, so that their failure could lead to increased expenses or even production delays. This currently applies, for example, to the failure of suppliers from the UK after a hard Brexit. The Biotest Group is also at risk of claims being 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. Due to the potential amount of loss of individual risks, the Board of Management considers the risks arising from supplier relationships to be moderate.

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 recorded and analysed as part of the pharmacovigilance

system. In the 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 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 further strengthened its compliance measures again in financial year 2018. 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 cooperation with the Compliance, Legal and Information Technology departments, the international compliance system was further expanded and adapted to current requirements, taking into account country-specific peculiarities. Besides integrating the EU General Data Protection Regulation into the compliance processes, the electronic compliance tools, sample contracts for transactions with members of specialist groups and compliance checks of business partners were developed even further in 2018.

Any transactions of Biotest AG or other Group companies with relevant professionals (doctors, pharmacists and state-qualified nurses, for example) that could 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 (listing of donations provided to healthcare professionals, for example), which Biotest AG has committed to disclosing as a member of AKG e.V. (an association dedicated to medicines and cooperation in health care).

In 2018, the Biotest Group's compliance officers met and exchanged information. At these meetings and at telephone conferences held every two months, the national Compliance Officers report on their activities and work results in their respective countries.

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. Employees with contacts to specialists must pass an annual electronic test consisting of ten questions. 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 confirm annually 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 only 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 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 held regularly.

The compliance management system is reviewed regularly for its appropriateness and effectiveness by the Internal Audit department. The last audit took place in the first quarter of 2019.

In Italy, the Naples public prosecutor's office brought a charge of price fixing, among other matters, 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 public prosecutor's office in Florence that investigations against Biotest Italia S.r.l. had also been started in connection with investigations against a third person on suspicion of bribery. On 3 July 2018, a Florence Court acquitted Biotest Italia S.r.l. of these allegations of bribery in connection with the donation to a scientific association. The court has ruled that there is no evidence of a criminal offence.

In connection with Biotest AG's Russian business, the authorities have now terminated the investigations against Biotest AG and most of the accused persons at 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.

Personnel risks

Other risks include the possibility that Biotest will not be in a position to retain employees in key positions or find suitable candidates for such positions. Biotest counters this risk through continuous and targeted employee training, special onboarding measures and attractive entry and training programs. The performance-related remuneration of specialists and managers and retention events also reduce personnel risks. 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 at the same time enhancing the respective security systems. The system functionality is constantly being improved 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 German state-owned bank Kreditanstalt für Wiederaufbau (KfW). The loans were issued without collateral and without financial ratio covenants. The loans concluded in 2016 and 2017 were not drawn on until financial year 2017 and were fully repaid in 2018 due to the exercise of special termination rights. The borrower's note loan issued in 2013 was paid back in 2018, except for € 8.5 million, due to the exercised special termination rights. The interest rate hedges concluded to limit interest rate risks in connection with the promissory note loan issued in 2013 expired or were closed in 2018. A large part of the financing is secured by a subordinated shareholder loan of € 290 million. In addition, further long-term loans in the amount of € 21 million were concluded. 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

The completion of the takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, at the end of January 2018 resulted in a change of control under company law for the borrowers Biotest AG and indirectly Biotest Pharma GmbH. This change of control created special termination rights or special repayment obligations in accordance with the loan agreements. All banks and the majority of the promissory note lenders have exercised these special rights or entered into termination agreements with Biotest AG or Biotest Pharma GmbH in respect of these rights. By 31 December 2018, all bank loans, KfW loans and committed working capital credit lines had been repaid. With the exception of € 8.5 million in promissory note loans, all other promissory note loans were repaid either as a result of the change of control or on their final maturity on 31 October 2018. This was done by using the subordinated shareholder loans of € 290.0 million and the proceeds from the sale of the US companies. Since 2018, the banks have required a corresponding cash deposit for the guarantees and indemnities issued and for hedging transactions. At the end of December 2018, Biotest AG had cash in hand and bank balances of € 61.9 million to finance its ongoing business and upcoming investments. In the course of 2019, new equity or debt securities must be raised to secure the financing of further growth. Promising talks have already been held in this connection.

The Board of Management classifies the resulting financing risk as moderate.

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 could 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, pharmaceuticals 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 employ a local contact for pharmacovigilance and each cooperating partner designate 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 Practice (GMP) and ensures, largely through the departments Manufacturing, Quality Assurance (QA) and Quality Control (QC), that safety-relevant defects remain 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 could 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. A typical measure, as a result of risky defects for example, would be an immediate blocking of stock goods and recall of delivered goods so that their further administration is prevented. Preventive recalls of defective batches are very rare for individual products but are known and accepted by pharmacists and prescribers as a reliable routine process for targeted risk minimisation in the pharmaceutical industry as a whole. Only in the extremely unlikely event, e.g. repeated occurrence, can quality defects lead to the withdrawal of approval. Nevertheless, the costs of a recall limited to certain batches can also represent a considerable burden.

There was no recall in 2018. The financial impact of recall measures is likely to increase in parallel with the increasing internationalisation of sales. With an overall low probability of occurrence, management continues to assume a moderate risk.

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 not only damage 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. This was consistently confirmed in routine inspections by international authorities, most recently in September 2018 by the Paul Ehrlich Institute in the context of the German Medicines Act (AMG) and GVP (Good Vigilance Practice). 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.

Biotest recognizes deferred tax assets to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Weaker than expected taxable income may have a negative effect on the recoverability of deferred tax assets. The Board of Management considers this to be a low risk.

Risks from the sale of companies or parts of companies

The sale of companies or parts of companies could result in liability to the buyer, for example due to indemnity or guarantee commitments. The Board of Management currently considers this risk to be low.

F. GENERAL STATEMENT ON THE GROUP'S RISK POSITION

In the Board of Management's opinion, Biotest is not currently subject to any 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 the financial year, the stable overall risk assessment did not change significantly. There are currently no identifiable risks that could 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. 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 current products or development projects to additional indications could open up further marketing potential for the Biotest Group with regard to immunoglobulins.

In addition, extended indication areas could also result from improved or more widely used diagnostic methods, leading to better detection of potentially treatable diseases which can be treated by administering immunoglobulins. Additional potential also results from the consistent product and life cycle management of current products. The further development of products already on the market – including the establishment of additional strengths or dosage forms – will further differentiate the product portfolio and thus make it possible to address further market segments. 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 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 improving as a result. This positive trend is noticeable in Algeria as well as Turkey and Central and South America – countries in which Biotest already operates and can benefit from these developments. 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 the end of 2021, 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® CP, Hepatect® CP, Zutectra®, Varitect® CP and Pentaglobin® are the areas of focus in this regard.

C. PERFORMANCE-RELATED OPPORTUNITIES

Biotest has invested heavily in expanding its resources and expertise in the fields of drug development and marketing authorisation in recent years. In addition, the Group is moving into a new dimension through the planned doubling of production capacity. In the future, it will also continue to reap 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-effectively and improve the efficiency of production.

D. OPPORTUNITIES ARISING FROM THE TAKEOVER BY CREAT

With the completion of the takeover 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 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, medium-term and long-term opportunities has not changed materially as compared to last year.

E. REMUNERATION REPORT

This Remuneration Report refers to the remuneration system for the members of the Board of Management and Supervisory Board of Biotest. On the one hand, it addresses the composition of the various remuneration components and on the other hand shows the individual amounts paid.

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 the 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 containing a long-term incentive effect and risk features. In addition, there arebenefits in kind.

The criteria for determining the appropriateness of the remuneration are the duties of the individual Board of Management member, his personal performance, the economic situation, the success and future prospects of the Company as well as the customary remuneration, taking into account the comparative environment and 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 a 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 their fixed salaries. 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 taken out a financial loss liability insurance policy (D&O insurance) with an appropriate deductible for the members of the Board of Management, taking the statutory requirements into account. The deductible amounts to 10 % of the insured event and is limited to 150 % of the fixed annual remuneration of the respective Board of Management member and thus meets the requirements of Section 93 (2) sentence 3 AktG. All members of the Board of Management are provided with a company car of the luxury class free of charge, which may also be used privately.

In addition, Biotest AG assumed the lawyer's fees for one member of the Board of Management as well as the related income tax in connection with an ongoing investigation.

Performance-based remuneration components

Annual variable remuneration

The performance-based remuneration component is calculated based on the achievement of corporate and personal targets. EBIT and operating cash flow are each weighted at 25 %, return on capital employed (ROCE) at 10 % and the achievement of individually defined targets in the previous financial year at 40 %.

Discretionary bonus

In the reporting period, the members of the Board of Management received a discretionary bonus of 50 % of their respective fixed compensation for their performance in connection with the successful completion of the takeover offer from Tiancheng (Germany) Pharmaceutical Holdings AG, the acquisition company of Creat Group Co. Ltd., for the shares of Biotest AG. In addition, the members of the Board of Management were granted an additional discretionary bonus of 50 % of their respective fixed compensation for the successful sale of Biotest Pharmaceuticals Corporation (BPC) and for the successful refinancing of the Company in financial year 2018.

Remuneration component with a 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 the members of the Board of Management, this programme also includes certain managers who have a significant impact on the success of the Company due to their position with the Group, their decisions, leadership and actions.

The programme is based on the usual criteria that the capital market applies to such systems and meets the requirements of the GCGC. The prerequisite for participation in the previous programme (until LTIP 2017) was a participant's own personal investment by purchasing preference shares in Biotest AG. Since the new LTIP 2018, the personal investment in shares is no longer a condition for participation. Section G 1 of the Notes to the Consolidated Financial Statements contains a detailed description of the programme, including the procedure for calculating the respective incentive payment. The incentive component is expected to be paid to participants in May of the following year after the tranche expires.

LTIP 2017 requires the participant to make a personal investment by purchasing preference shares of Biotest AG ("new investment"). In contrast to its predecessor, the program is no longer dependent on the share price, but has two internally defined objectives (success factors). The term of the program was set up identically to the predecessor program for three fiscal years. The LTIP 2017 runs from May 2017 to 31 December 2019.

Unlike its predecessor programmes, the tranche of the Long Term Incentive Program issued in financial year 2018 no longer

requires a personal investment in shares. In contrast to the previous programmes, the Supervisory Board allocates virtual participation shares to the members of the Management Board, which are to be seen in the same way as the shares in the new investment in the previous programmes. This decision was necessary because both the Supervisory Board and the Board of Management had recommended that the acquisition by Creat be supported by the sale of shares. Therefore, participation cannot be based on real shares traded (a new investment). The term is also three years, starting in May 2018 and ending on 31 December 2020.

The amount of the incentive payment for the LTIP 2018 (LTIP 2017) is calculated using the following formula:

$$\frac{\text{(Target goal 1 from 2018 + 2019 + 2020 (2017 + 2018 + 2019) + Target goal 2 from 2018 + 2019 + 2020 (2017 + 2018 + 2019)) * Multiplier * Participation Shares (personal investment)}}{100} \times \text{Annual remuneration of Participant} = \text{Incentive payment}$$

The first factor of LTIP 2018 (LTIP 2017) covers the achievement of targets in the various stages of the Biotest Next Level investment project, while the second factor relates to the annual EBIT margin. For the Biotest Next Level project, a Biotest Next Level target was formulated for each year of the programme, which introduces a factor of 0.01 into the calculation formula if the target is reached and a factor of zero if the target is missed. No proportional achievement of the target is planned. The maximum achievable sum of the BNL target factor is 0.03.

The second factor of the LTIP 2018 (LTIP 2017) relates to the EBIT margins from 2018, 2019 and 2020 (2017, 2018 and 2019). The determination is based on the strategic planning as of 11 July 2018 (25 January 2017). If the EBIT margin in the respective year corresponds to the value from strategic planning, a target achievement factor of 0.01 is estimated. If an EBIT margin that is 10 % higher than the value from the strategic planning is achieved, a value of 0.011 is achieved. Participants receive no points at all for a value that is more than 10 % below the strategic planning. If the values are between these figures, a proportionate target achievement factor is determined. The maximum sum of the factor for the EBIT margin is 0.033.

Participants also have the option of increasing the target achievement factors from the EBIT margins and Biotest Next Level targets by a factor of 1.5 or 2 (LTIP 2018) respectively by a factor 2 (LTIP 2017) if they achieve the defined overall target. The multiplier can only be obtained if all Biotest Next Level targets have been achieved.

In addition, a holdback clause applies to LTIP 2018 participants who are also members of the Board of Management. At the reasonable discretion of the Supervisory Board, the incentive payment may be reduced by up to 100 % if the Company has suffered substantial losses without any fault or by fault on the part of the Board of Management member despite achieving the success factor or success targets.

Pension commitments

The members of the Board of Management are covered by the Company pension scheme of Biotest AG. There is an individual commitment for the members within the framework of the retirement provision applicable at Biotest AG. Provisions are formed for this purpose. The amount of the entitlements depends on the number of years of service, the eligible salary and the applicable scale of subsidies below and above the contribution assessment threshold of the statutory German pension insurance.

The valuation is based on actuarial reports prepared by an independent actuary using 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 may 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, due to illness, or incapacity to work or if the Board of Management member has already reached the age of 60 at the time of termination or receives monetary or non-monetary benefits from a third party in connection with the change of control.

There are no other one-time or recurring commitments in the event of termination of a Board of Management assignment.

Remuneration for the current financial year

Total compensation of the members of the Board of Management in office on 31 December 2018

This overview shows the calculation of the total compensation for each member of the Board of Management together with the amounts granted in financial year 2018 for the various remuneration components.

in € thousand	Dr Bernhard Ehmer				Dr Michael Ramroth				Dr Georg Floß			
	2017	**2018**	2018 Minimum	2018 Maximum	2017	**2018**	2018 Minimum	2018 Maximum	2017	**2018**	2018 Minimum	2018 Maximum
Non-performance-based												
Fixed remuneration	392	425	425	425	355	355	355	355	315	315	315	315
Benefits in kind	32	32	32	32	227	43	34	43	37	37	36	37
Total non-performance-based components	**424**	**457**	**457**	**457**	**582**	**398**	**389**	**398**	**352**	**352**	**351**	**352**
Performance-based												
Excluding long-term incentive effect (not share-based):												
Annual variable remuneration – cash portion	279	318	–	463	253	265	–	387	232	235	–	343
Including long-term incentive effect (share-based):												
Variable remuneration (LTIP) – cash portion	–	–	–	–	147	–	–	–	130	–	–	–
Including long-term incentive effect (not share-based):												
Variable remuneration (LTIP) – cash portion	–	19	–	964	34	56	–	1,610	30	50	–	1,429
Total performance-based components	**279**	**337**	**–**	**1,427**	**434**	**321**	**–**	**1,997**	**392**	**285**	**–**	**1,772**
Pension expense (service cost)	474	–	–	–	339	293	293	293	255	251	251	251
Total compensation (GCGC)	**1,177**	**794**	**457**	**1,884**	**1,355**	**1,012**	**682**	**2,688**	**999**	**888**	**602**	**2,375**
Less pension expense (service cost)	474	–	–	–	339	293	293	293	255	251	251	251
Total remuneration (DRS 17)	**703**	**794**	**457**	**1,884**	**1,016**	**719**	**389**	**2,395**	**744**	**637**	**351**	**2,124**

The maximum amounts for the performance-based remuneration with a long-term incentive effect show the maximum possible amount at the time they are granted.

Calculated in accordance with DRS 17, the total remuneration of all Board of Management members for financial year 2018 amounts to € 2,150 thousand (prior year: € 2,463 thousand). This figure does not include pension expenses.

Compensation inflows to members of the Board of Management in office on 31 December 2018

The following table provides an overview of the inflows in and for the current financial year, broken down by Board of Management member. The total remuneration is subdivided according to the various remuneration components. This overview shows the multi-year variable remuneration granted in previous years and that is being paid in this financial year.

in € thousand	Dr Bernhard Ehmer		Dr Michael Ramroth		Dr Georg Floß	
	2017	**2018**	2017	**2018**	2017	**2018**
Non-performance-based						
Fixed remuneration	392	425	355	355	315	315
Benefits in kind	32	32	227	43	37	37
Total non-performance-based components	**424**	**457**	**582**	**398**	**352**	**352**
Performance-based						
Excluding long-term incentive effect (not share-based):						
Annual variable remuneration – cash portion	162	268	152	244	121	214
Including long-term incentive effect (share-based):						
Variable remuneration (LTIP 2015) – cash portion	–	–	–	–	–	–
Variable remuneration (LTIP 2016) – cash portion	–	–	–	84	–	74
Total of multi-year variable remuneration	–	–	–	84	–	74
Total performance-based components	**162**	**268**	**152**	**328**	**121**	**288**
Pension expense (service cost)	–	–	–	–	–	–
Total compensation (GCGC)	**586**	**725**	**734**	**726**	**473**	**640**

Overview of pension commitments for the members of the Board of Management in office on 31 December 2018

in € thousand	Present value of all pension commitments excluding deferred remuneration		Present value of deferred remuneration	
	Present cash value in **2018**	Present cash value in 2017	Present cash value **2018**	Present cash value in 2017
Dr Bernhard Ehmer	1,927	1,491	–	–
Dr Michael Ramroth	3,551	3,335	631	550
Dr Georg Floß	2,910	2,656	–	86
	8,388	**7,482**	**631**	**636**

Assets amounting to € 2,355 thousand (previous year: € 1,570 thousand) were transferred to Biotest Vorsorge Trust e.V. to protect pension claims against insolvency.

Remuneration system for former members of the Board of Management and their surviving dependents

Contractually agreed pensions are paid for former members of the Board of Management and their surviving dependents. Pension provisions of € 7,257 thousand (prior year: € 7,555 thousand) were formed for this purpose. Pension provisions were determined in accordance with IAS 19 Employee Benefits.

In financial year 2018, as in the previous year, no payments were made to former Board of Management members for profit-sharing or under the LTIP.

As of 31 December 2018, there were no provisions for former Board of Management members in connection with the LTIP.

Long-Term Incentive Programme for the members of the Board of Management

All three Board of Management members participated in the non-share-based LTIP 2018 programme with virtual participation shares(Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Georg Floß, each with 1,800 shares). A provision of € 49 thousand was formed for this tranche. Of this amount, € 19 thousand is attributable to Dr Bernhard Ehmer, € 16 thousand to Dr Michael Ramroth and € 15 thousand to Dr Georg Floß.

For last year's LTIP 2017 programme, the Board of Management members participated with a personal investment (Dr Michael Ramroth and Dr Georg Floß each with 1,800 preference shares). A provision of € 75 thousand was recognised for the LTIP 2017. Of this amount, € 40 thousand is attributable to Dr Michael Ramroth and € 35 thousand 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 share-based Long Term Incentive Programme/ Tranche 2015, the payments of which were fixed for financial year 2018.

The share-based LTIP 2016 was prematurely terminated due to a change of control clause with the takeover of Biotest by Creat. This programme was therefore also settled in financial year 2018. Dr Michael Ramroth received € 84 thousand and Dr Georg Floß € 74 thousand from this programme.

Explanatory comments on the remuneration system for the members of the Supervisory Board

A new remuneration system for the Supervisory Board was approved at the Annual General Meeting of Biotest AG on 15 May 2018. The new remuneration system has applied since 1 July 2018; Supervisory Board activities prior to this date are remunerated according to the old remuneration system. The remuneration of the Supervisory Board is regulated in the Articles of Association.

Under the new remuneration system, members receive annual fixed remuneration of € 40 thousand each. The Chairman of the Supervisory Board receives three times this amount and the Deputy Chairman one and a half times this amount. The work on a committee is additionally remunerated with € 4 thousand, the Chairman of the Audit Committee receives € 15 thousand and the Chairman of the other committees receives € 7.5 thousand. Biotest AG reimburses the value-added tax payable on the remuneration of the Supervisory Board. The members of the Supervisory Board do not receive any additional variable remuneration.

Under the old remuneration method, which governs remuneration for the first half of 2018, the members each receive annual fixed remuneration of € 20 thousand (previous year: € 20 thousand). The Chairman of the Supervisory Board receives three times this amount and the Deputy Chairman one and a half times this amount. The work on a committee is additionally remunerated with € 4 thousand, the Chairman of the Audit Committee receives € 10 thousand and the Chairman of the other committees receives € 7.5 thousand. Biotest AG reimburses the value-added tax payable on the Supervisory Board remuneration. The members of the Supervisory Board also receive variable remuneration of € 1 thousand for each € 0.0033 with which the dividend distributed for the financial year exceeds € 0.08. The variable remuneration of the members of the Supervisory Board is € 1 thousand for each € 0.0033 with which the dividend distributed for the financial year exceeds the amount of € 0.08. The variable remuneration of the members of the Supervisory Board is € 0.0033 thousand. The variable remuneration is limited to a maximum amount of € 10 thousand.

Like the members of the Board of Management, the members of the Supervisory Board of Biotest AG are included in the Group-wide asset liability group insurance (D&O insurance). Biotest assumes the insurance premiums due for this for all members of the Supervisory Board. In addition, one member of the Supervisory Board is covered by private liability insurance under the existing public liability insurance policy. No other benefits in kind are granted.

The amounts disclosed on the remuneration of the Supervisory Board take into account the reimbursement of the value-added tax partially payable on the remuneration of the Supervisory Board.

Remuneration for the current financial year

The members of the Supervisory Board received the remuneration listed below for their activities in financial year 2018:

in € thousand **2018**	**Fixed remuneration**	**Total remuneration**
Rolf Hoffmann (Chairman since 30 August 2017)	106	106
Tan Yang (Deputy Chairman since 1 March 2018)	50	50
Dr Cathrin Schleussner	37	37
Kerstin Birkhahn	34	34
Christine Kreidl	47	47
Kurt Hardt (until 28 February 2018)	4	4
Jürgen Heilmann	34	34
	312	312

The members of the Supervisory Board were paid the following remuneration for financial year 2017:

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

Besides the Supervisory Board remuneration listed above, further benefits for the employee counsel representatives on the Supervisory Board were recognised as expenses in financial years 2018 and 2017 as part of their employment contracts. These amounts were based on collective bargaining agreements or the salary levels applicable in the company for non-pay scale employees.

F. GROUP 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). The 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. GROUP DECLARATION REGARDING NON-FINANCIAL INFORMATION IN ACCORDANCE WITH SECTION 315C OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – 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)

The subscribed capital of Biotest AG amounts to € 39,571,452.00 (as of 31 December 2018) in accordance with the articles of association. 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.

The takeover was completed on 31 January 2018. Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, received 89.88 % of the voting ordinary shares and thus holds a majority interest.

Mr. Yuewen Zheng notified us in accordance with Sections 33 (1), 34 WpHG on 2 February 2018 that Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, holds 89.88 % of the ordinary shares of Biotest AG. The voting rights of Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, are attributed to Mr. Yuewen Zheng pursuant to Section 34 WpHG. Biotest AG is therefore indirectly controlled by Mr. Yuewen Zheng (as of 31 December 2018).

As of 31 December 2018, 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.

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.

In order to grant Biotest AG flexibility in future financing and capital measures, new authorised capital was created by resolutions of the Annual General Meeting on 15 May 2018. This replaced the previous authorised capital, which had not been used by the Board of Management. Section 4 (5) of the Articles of Association was repealed and reworded as follows: "The Board of Management is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to € 19,785,726.00 (authorised capital) on one or more occasions until 14 May 2023 by issuing new ordinary bearer shares and/or new non-voting preference bearer shares in exchange for cash contributions (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.

Termination rights that take effect in the event of a change of control still exist in the remaining promissory note loan agreements, however they have not yet been claimed by the lenders. It is therefore expected that these promissory note loan amounts will be repaid as foreseen at the end of the term.

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.

None of the Board of Management members has asserted any claims under the respective Supplementary Agreement following the completion of the takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany.

Dreieich, 21 March 2019

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

of the Biotest Group for the period from 1 January to 31 December 2018

in € million	Note	2018	2017
Revenue	D 1	400.3	378.1
Cost of sales		–265.5	–254.6
Gross profit		**134.8**	**123.5**
Other operating income	D 5	13.6	25.7
Marketing and distribution costs		–51.6	–53.7
Administrative expenses		–31.6	–45.2
Research and development costs	D 4	–48.5	–55.4
Other operating expenses	D 6	–4.0	–4.2
Change in impairments on financial assets measured at amortised cost		–2.1	–
Operating profit		**10.6**	**–9.3**
Fair value adjustments on financial instruments measured at fair value	D 9	–5.1	–
Financial income	D 7	15.8	24.4
Financial expenses	D 8	–27.1	–41.2
Financial result		**–16.4**	**–16.8**
Result from joint ventures	D 10	–0.2	0.1
Earnings before taxes		**–6.0**	**–26.0**
Income taxes	D 11	–6.9	9.6
Earnings after taxes from continuing operations		**–12.9**	**–16.4**
Earnings after taxes from discontinued operations	F	194.6	12.9
Earnings after taxes (total)		**181.7**	**–3.5**
Attributable to:			
Equity holders of the parent		**181.7**	**–3.5**
thereof from continuing operations		–12.9	–16.4
thereof from discontinued operations		194.6	12.9
Non-controlling interests		**–**	**–**
thereof from continuing operations		–	–
thereof from discontinued operations		–	–
Earnings per ordinary share in €	E 11	**4.58**	**–0.09**
thereof from continuing operations		–0.34	–0.42
thereof from discontinued operations		4.92	0.33
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	**4.60**	**–0.07**
thereof from continuing operations		–0.32	–0.40
thereof from discontinued operations		4.92	0.33

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 2018

in € million	2018	2017
Consolidated profit for the period	**181.7**	**–3.5**
Exchange difference on translation of foreign operations	–1.5	–7.7
Reclassification of foreign currency translation differences recognised in the statement of income	–32.6	–
Other comprehensive income, net of tax, potentially to be reclassified to profit or loss in subsequent periods	**–34.1**	**–7.7**
Actuarial losses (previous year: gains) from defined benefit pension plans	–0.7	1.1
resulting income tax effect	0.2	–0.4
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods	**–0.5**	**0.7**
Other comprehensive income, net of tax	**–34.6**	**–7.0**
Total comprehensive income, net of tax	**147.1**	**–10.5**
thereof from continuing operations	–14.9	–18.0
thereof from disontinued operations	162.0	7.5
Attributable to:		
Equity holders of the parent	**147.1**	**–10.5**
thereof from continuing operations	–14.9	–23.4
thereof from discontinued operations	162.0	12.9
Non-controlling interests	**–**	**–**
thereof from continuing operations	–	–
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 2018

in € million	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Intangible assets	E 1	16.4	16.6
Property, plant and equipment	E 2	512.7	477.1
Investments in joint ventures	E 3	1.9	2.3
Other assets	E 9	0.2	0.3
Other financial assets	E 4	7.4	13.0
Deferred tax assets	E 5	8.6	19.5
Total non-current assets		**547.2**	**528.8**
Current assets			
Inventories	E 6	208.3	146.9
Contract assets	E 8	30.5	–
Trade receivables	E 7	118.7	133.8
Current income tax assets		0.4	4.1
Other assets	E 9	22.9	10.5
Other financial assets	E 4	46.3	6.5
Cash and cash equivalents	E 10	61.9	22.3
		489.0	**324.1**
Assets held for sale	F	6.1	125.6
Total current assets		**495.1**	**449.7**
Total equity and liabilities		**1,042.3**	**978.5**
EQUITY AND LIABILITIES			
Equity			
Subscribed Capital		39.6	39.6
Share premium		219.8	219.8
Retained earnings		53.9	91.7
Share of profit or loss attributable to equity holders of the parent		181.7	–3.5
Equity attributable to equity holders of the parent	E 11	**495.0**	**347.6**
Non-controlling interests		0.2	0.2
Total equity	E 11	**495.2**	**347.8**
Non-current liabilities			
Provisions for pensions and similar obligations	E 12	88.9	86.3
Other provisions	E 13	1.2	2.5
Financial liabilities	E 14	328.7	286.8
Other liabilities	E 15	–	1.3
Deferred tax liabilities	E 5	2.7	2.6
Total non-current liabilities		**421.5**	**379.5**
Current liabilities			
Other provisions	E 13	22.6	22.1
Current income tax liabilities		2.8	3.4
Financial liabilities	E 14	0.7	119.6
Contract liabilities	E 16	2.5	–
Trade payables		73.4	65.0
Other liabilities	E 15	23.6	27.0
		125.6	**237.1**
Liabilities associated with assets held for sale		-	14.1
Total current liabilities		**125.6**	**251.2**
Total liabilities		**547.1**	**630.7**
Total equity and liabilities		**1,042.3**	**978.5**

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 2018

in € million	Note	2018	2017
Earnings before taxes from continuing operations		–6.0	–26.0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	E 1; E 2	24.7	22.3
Other non-cash income and expense items		–0.1	19.0
Losses / Gains from joint ventures	D 10	0.2	–0.1
Losses from the disposal of property, plant and equipment		–	0.4
Changes in pension provisions	E 12	0.4	2.1
Financial result	D 7; D 8	16.4	16.7
Operating cash flow before changes in working capital		**35.6**	**34.4**
Changes in other provisions	E 13	–0.8	–5.6
Changes in inventories, receivables and other assets		–90.7	–16.6
Changes in trade payables and other liabilities		12.0	10.2
Cash flow from changes in working capital		**–79.5**	**–12.0**
Interest paid		–12.5	–7.6
Taxes received		6.8	3.5
Cash flow from operating activities from continuing operations		**–49.6**	**18.3**
Cash flow from operating activities from discontinued operations		–0.4	16.0
Cash flow from operating activities		**–50.0**	**34.3**
Payments for investments in intangible assets and property, plant and equipment		–54.6	–106.5
Proceeds from the acquisition of subsidiaries		–	0.2
Proceeds from the disposal of other financial assets		–	10.0
Payments for loans to associated companies		–	–13.3
Interest received		3.8	0.3
Cash flow from investing activities from continuing operations		**–50.8**	**–109.3**
Cash flow from investing activities from discontinued operations		251.6	–38.7
Cash flow from investing activities		**200.8**	**–148.0**
Dividend payments for the previous year	E 11	–0.8	–2.4
Payment for cash deposit	E 4; E 11	–15.2	–
Proceeds from the assumption of financial liabilities	E 14	500.0	75.6
Payments for the redemption of financial liabilities	E 14	–595.2	–16.9
Cash flow from financing activities from continuing operations		**–111.2**	**56.3**
Cash flow from financing activities from discontinued operations		–	–1.1
Cash flow from financing activities		**–111.2**	**55.2**
Cash changes in cash and cash equivalents		39.6	–58.5
Exchange rate-related changes in cash and cash equivalents		–	–0.2
Cash and cash equivalents on 1 January	E 10	22.3	84.8
Cash and cash equivalents on 31 December	E 10	**61.9**	**26.1**
Less cash and cash equivalents at end of period from discontinued operations	E 10	–	3.8
Cash and cash equivalents at end of period from continuing operations	E 10	**61.9**	**22.3**

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 2017 to 31 December 2018

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 2017	**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
As of 31 December 2017	**39.6**	**219.8**	**29.9**	**58.3**	**347.6**	**0.2**	**347.8**
As of 1 January 2018	**39.6**	**219.8**	**29.9**	**58.3**	**347.6**	**0.2**	**347.8**
Adjustment due to first-time adoption of IFRS 9	–	–	–	1.1	1.1	–	1.1
As of 1 January 2018 (adjusted)	**39.6**	**219.8**	**29.9**	**59.4**	**348.7**	**0.2**	**348.9**
Gains/losses recognised directly in equity	–	–	–1.5	–0.5	–2.0	–	–2.0
Reclassification to income statement	–	–	–32.6	–	–32.6	–	–32.6
Profit for the period	–	–	–	181.7	181.7	–	181.7
Total comprehensive income	**–**	**–**	**–34.1**	**181.2**	**147.1**	**–**	**147.1**
Dividend payments	–	–	–	–0.8	–0.8	–	–0.8
As of 31 December 2018	**39.6**	**219.8**	**–4.2**	**239.8**	**495.0**	**0.2**	**495.2**

The notes are integral part of the consolidated financial statements.

NOTES

A. GENERAL INFORMATION

The Biotest Group is comprised 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 specialises primarily in the therapeutic areas of clinical immunology, haematology and intensive care medicine.

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

The **Therapy segment** essentially includes 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 to treat diseases of the immune system, haematological diseases and in intensive care medicine. It also includes the pre-clinical and clinical development of monoclonal antibodies for indications that include rheumatoid arthritis and blood cancers among others.

The **Plasma & Services segment** includes the areas of plasma sales and contract manufacturing.

Other Segments include the merchandise business and costs that cannot be allocated to either the Therapy segment or the Plasma & Services segment.

The Biotest Group employed 1,663 people worldwide as of the reporting date (previous year: 2,683).

The financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) that 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 Standards Interpretations Committee (IFRS IC) and the Standing Interpretation Committee (SIC). The accounting of the Biotest Group is prepared in accordance with the IFRS that are to be mandatorily used for the financial years beginning on 1 January 2018.

The consolidated financial statements in their current version comply with the provisions of Section 315e of the German Commercial Code (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 Counsel on 19 July 2002.

Unless indicated otherwise, all amounts are stated in million euros (€ million). The financial statements have been prepared in euros.

Unless indicated otherwise, the amounts stated in the consolidated financial statements relate exclusively to continuing operations.

The consolidated financial statements were prepared based on the assumption of a going concern.

The Board of Management of Biotest AG prepared the consolidated financial statements and submitted them to the Supervisory Board for examination and approval on 15 March 2019.

CHANGES IN ACCOUNTING AND VALUATION METHODS

New standards used for the first time:

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement 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 application was permitted. The standard is to be applied retro-

actively, however, there are significant exceptions. In particular, adjustments of the comparative information from previous years is not necessary. The hedge accounting requirements are generally to be applied prospectively with only a few exceptions.

The Group has applied the new standard since the stipulated effective date, whereby the information from the prior period has not been restated.

Classification and measurement of financial assets

In particular, IFRS 9 changes the classification of part of the receivables. As part of factoring agreements, receivables are regularly derecognised, as a result of which receivables intended for factoring are to be classified as "Financial assets at fair value through profit or loss" (FAFVtPL). As a rule, however, financial assets previously classified as "Loans and Receivables" (LaR) are now classified as "Financial assets measured at amortised cost" (AC). In this case, the measurement is unchanged. Derivatives continue to be measured "at fair value through profit or loss" (FVtPL). The pension fund of Biotest Austria GmbH is classified as FAFVtPL.

The reclassification and revaluation resulted in the following changes as of 1 January 2018:

in € million	Measurement category according to IAS 39	Carrying amount on 31 December 2017	Measurement category according to IFRS 9	
Financial instruments by categories			At fair value through profit or loss (FVtPL)	At amortised cost (AC)
Assets				
Trade receivables*	LaR	133.8	–	92.0
Trade receivables	–	–	0.5	–
Contract asset	–	–	–	43.1
Other financial assets				
Reimbursements from the termination of long-term supply agreements	LaR	11.7	–	11.7
Derivatives without a hedging relationship	FAHfT	0.6	0.6	–
Receivables from associates and joint ventures	LaR	7.0	–	7.0
Pension fund	FAFVtPL	0.2	0.2	–
Cash and cash equivalents	n/a	22.3	–	22.3
Liabilities				
Trade liabilities	FLAC	65.0	–	65.0
Contract liabilities	FLAC	11.3	–	11.3
Financial liabilities				
Unsecured bank liabilities	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				
Primary financial liabilities	FLAC	27.4	–	27.4
Derivatives without a hedging relationship	FLHfT	0.9	0.9	–

* The change in carrying amount results from the recognition of a lower impairment loss, see the section entitled "Impairment of financial assets" below.

Impairment of financial assets

Due to the expected loss model of the standard, a loss allowance shall now be recognised for all financial instruments within the scope of application in order to reflect the expected losses from financial instruments. This must also be recognised even if there are no indications of impairment. To date, the Biotest Group has made individual, case-by-case loss allowances as well as general loss allowances due to country risks in the course of IAS 39. The initial measurement of financial assets measured at amortised cost in accordance with IFRS 9 resulted in a € 1.5 million decrease in risk provisions, which had a positive impact on the recognition of trade receivables. Taking into account deferred taxes of € 0.4 million, this results in an effect on equity of € 1.1 million. As of 31 December 2018, the subsequent measurement resulted in an increase in the loss allowance on loans and advances of € 2.1 million recognised in profit or loss, which was reported in the line "Changes in impairment on financial assets measured at amortised cost" in the income statement.

Reconciliation of the loss allowance on the transition date 1 January 2018:

in € million	Impairment losses in accordance with IAS 39 on 31 December 2017	Revaluation	Expected credit losses under IFRS 9 on 1 January 2018
Loans and receivables in accordance with IAS 39 / Financial assets measured at amortised cost: Trade receivables	7.3	–1.5	5.8

The Group currently does not apply hedge accounting to existing derivatives. If a decision is made to apply hedge accounting, the Group reserves the right to make use of the current exemption in IFRS 9 and to continue to apply the provisions of IAS 39.

IFRS 15 Revenue from Contracts with Customers

On 1 January 2018, IFRS 15 superseded IAS 11 and IAS 18 including related interpretations. IFRS 15 was published in May 2014 and introduces a five-step model for accounting for revenue from customer contracts. IFRS 15 is applicable to all revenues from customer contracts unless these contracts fall within the scope of other standards. Under IFRS 15, revenue is generally recognised at the amount expected to be receivable by an entity as consideration for the delivery of products or the rendering of services.

Biotest applied the modified retrospective method in the first-time application of IFRS 15. This had the following effect as of 1 January 2018:

- Reclassification of € 43.1 million in receivables from toll manufacturing from trade receivables to contract assets
- Reclassification of liabilities from credit notes and refunds in the amount of € 11.3 million from trade payables to contract liabilities

The inclusion of new disclosures in the notes did not have any further effects.

Recently released accounting pronouncements – not yet implemented

Standards published but not yet mandatory up to the date of publication of the consolidated financial statements are listed below. This list refers to published standards and interpretations that the Group reasonably expects to be applicable in the future. The Biotest Group intends to apply these standards when they become mandatory.

Effects of the new standards:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases and all interpretations relating to lease accounting. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to recognise all leases using a single model similar to IAS 17 accounting for finance leases. The standard contains two exceptions to the obligation for lessees to recognise leases in the balance sheet: leases for low-value assets (e.g. PCs) and short-term leases (i.e. leases with a maximum term of twelve months). At the inception of the lease, the lessee recognises a liability to make lease payments (i.e. the lease liability) and an asset for the right granted to use the leased asset during the lease term (i.e. the right to use the leased asset). Lessees are required to remeasure the lease liability when certain events (e.g. a change in the lease term or a change in future lease payments as a result of a change in the index or interest rate used to determine the lease payments) occur. Lessees will generally recognise the amount of the revaluation of the lease liability as an adjustment to the right to use the leased asset. For lessors, IFRS 16 will essentially not result in any changes in accounting compared with the currently valid IAS 17. IFRS 16 is effective for fiscal years beginning on or after 1 January 2019 and requires

lessees and lessors to provide more detailed disclosures than IAS 17. The Group will apply the standard for the first time as of 1 January 2019. The Group intends to apply the simplified transition method and measure the right of use at the amount of the liability. Comparative information is not restated.

In financial year 2018, the Group performed a detailed assessment of the effects of IFRS 16. In summary, the first-time application of IFRS 16 is expected to have the following effects:

- Effects on the balance sheet: Due to the rights of use previously accounted for as operating leases, property, plant and equipment increased by € 14–16 million. At the same time, leasing liabilities also increase by € 14–16 million. Other balance sheet items are not expected to change.
- Effects on the income statement: Due to the first-time application of IFRS 16, the Group's operating result is expected to improve by approximately € 0.2 to 0.5 million, while interest expenses will increase by approximately € 0.5 to 0.8 million. This is due to the changed accounting treatment of expenses from leases classified as operating leases in accordance with IAS 17.
- Effects on the cash flow statement: Due to the first-time application of IFRS 16, cash flow from operating activities will improve by € 2.7 to € 3.1 million, whereas cash flow from financing activities will decline by the same amount.

Other standards

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

- Amendments to IFRS 9 Early repayment characteristics with negative compensatory payment
- IFRIC 23 Uncertainty over Income Tax Treatments

The IASB has published the standards and interpretations listed below, which were not yet mandatory in financial year 2018. These standards and interpretations have not yet been endorsed by the EU and have not yet been applied by the Group. They are not expected to have a material impact on the Group either:

- IFRS 17 insurance contracts
- Amendment to IAS 28 Long-term Investments in Associates and Joint Ventures
- Improvements to IFRS (2015–2017)
- Amendments to IAS 19 Amendments, curtailments and settlements of plans
- Revised framework concept following adjustments to cross-references in IFRSs
- Amendments to IFRS 3 Definitions of a Business Operation
- Amendments to IAS 1 and IAS 8 Definition of Materiality

B. SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES

B 1 SCOPE OF CONSOLIDATION

The consolidated financial statements of Biotest AG include all material subsidiaries, which consists of three (previous year: three) domestic and 12 (previous year: 14) foreign companies in which Biotest AG directly or indirectly holds the majority of the voting rights.

On 31 July 2018, the Biotest Group founded the 100% subsidiary Biotest Real Estate Corporation in Wilmington (Delaware), USA. It was consolidated for the first time in financial year 2018.

Biotest US Corporation, Boca Raton, USA, and Biotest Pharmaceuticals Corporation, Boca Raton, USA, were deleted from the scope of consolidation due to the sale and Plasmadienst Tirol GmbH, Innsbruck, Austria, due to liquidation.

BioDarou P.J.S. Co., based in Tehran, Iran, is included in the consolidated financial statements at equity as a joint venture. ADMA Biologics, Inc., Ramsey, USA, is no longer included in the consolidated financial statements as an associated company due to its transfer to the US trustee.

An overview of Biotest AG's investments as defined by Section 313 (2) HGB is provided in Chapter G 10 List of Shareholdings.

On 31 January 2018, the public takeover offer for all shares of Biotest AG, Dreieich, submitted by Tiancheng (Germany) Pharmaceutical Holdings AG ("Tiancheng"), Munich, was completed. The Biotest Group is included in the consolidated financial statements of Tiancheng International Investment Limited, Hong Kong, People's Republic of China, which, as the ultimate

parent company of the Group, also prepares the consolidated financial statements for the largest consolidated group.

B 2 CONSOLIDATION METHODS

The closing date for Biotest AG and all companies included in the financial statements is 31 December 2018. The financial statements of the consolidated companies were prepared using uniform accounting and valuation methods as prescribed by Biotest AG.

Intragroup 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 possibility – in accordance with the usual consolidation procedure – is to eliminate intragroup income in the division providing or performing the goods or services as well as the associated expenses of the receiving division (approach 1). Alternatively, the journal entries may also be allocated to one of the divisions (continuing operations or discontinued operations), taking the future supply and service relationships of the Group into account (approach 2: economic view). The group intends to continue the (previously intragroup) 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 characteristics:

- 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),
- a risk burden due to or rights to fluctuating returns from its interest in the investment company, and
- the ability to use its power over the investee in a way that affects the investee'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 of 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 in 2008). Under this method, the cost of a business combination is measured as the sum of the consideration transferred, measured at fair value on 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 on 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 the 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 in 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 of the profit or loss of the associate and the joint venture is reported separately in profit or loss for the period. Changes recognised directly in the equity of the associate and the joint venture are recognised by the Group in the amount of its share and, where appropriate, are presented in the statement of changes in equity. Goodwill arising on the acquisition of an associate and a joint venture is included in the carrying amounts of the associates and joint ventures and is neither amortised nor tested for impairment separately.

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 as an impairment loss in the consolidated statement of income.

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.

In accordance with IAS 21, goodwill as assets of economically independent foreign subsidiaries is translated at the closing rate.

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

	Average exchange rates		Closing rates	
1 euro equals	**2018**	2017	**31 December 2018**	31 December 2017
USD	1.1815	1.1293	1.1450	1.1993
GBP	0.8848	0.8762	0.8945	0.8872
RUB	74.0551	65.8877	79.7153	69.3920
CHF	1.1549	1.1116	1.1269	1.1702
HUF	318.83	309.27	320.98	310.33
BRL	4.3087	3.6041	4.4440	3.9729

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 the 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 lower than 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 the 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. The 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.

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 AND EQUIPMENT

Property, plant and equipment is recognised in accordance with the cost of purchase model at the 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 the costs 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. Accordingly, future lease payment obligations are recognised as liabilities. The interest portion 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 lower than 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.

With the exception of goodwill, write-ups up to a maximum of amortised cost are made if estimates for the recoverable amount exceed the carrying amount.

B 8 INVENTORIES

Inventories are recognised at the 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 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.

B 10 CONTRACT ASSETS AND LIABILITIES

Contract assets from toll manufacturing resulting from the application of the percentage-of-completion method are reported net of prepayments received if the production costs already incurred, including the share of profits, exceed the prepayments received.

Obligations from annual reimbursements, which represent contract liabilities, are recognised at the estimated amount reimbursed at the end of the year.

B 11 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 12 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 13 PENSION PROVISIONS

The Biotest Group has several defined contribution and defined benefit pension plans.

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 14 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.

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 as well as derivative financial assets held for trading.

Financial assets with a term of more than twelve months are reported under non-current financial assets. Purchases or sales of financial assets that are customary in the market are generally recognised on the trade date. Financial assets are classified on the basis of the underlying business model and the so-called cash flow criterion, according to which the contractual cash flows of a financial asset may consist exclusively of interest and repayment on the outstanding principal amount of the financial instrument. The cash flow criterion is always checked at the level of the individual financial instrument. The assessment of the business model relates to the question of how financial assets are managed to generate cash flows. The management can either aim at holding, selling or a combination of both.

Classification of financial assets according to IFRS 9:

The company classifies financial assets into one of the following categories:

- Financial assets measured at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets measured at amortised cost (debt instruments):

The most significant category of financial assets for the Biotest Group is the class of debt instruments measured at amortised cost. Financial assets are measured at amortised cost if both of the following criteria are met:

- The business model for managing these financial instruments is based on holding them in order to achieve the underlying contractual cash flows and
- The resulting contractual cash flows consist exclusively of interest and principal repayments on the outstanding principal amount.

Financial assets are subsequently measured using the effective interest method and are subject to the impairment provisions of IFRS 9.5.5 et seq. Trade receivables, contract assets, other financial assets and bank balances in the Biotest Group are mainly classified as such.

Financial assets measured at fair value through profit or loss:

This category includes financial assets that are not at least partially held to collect contractual cash flows (other business models). In particular, there is no intention to collect contractual cash flows if short-term purchases and sales are planned. This applies, for example, to derivatives that are not part of a hedging relationship. Financial assets that do not meet the cash flow criterion are always measured at fair value through profit or loss, irrespective of the underlying business model. Any changes in the fair value to be attributed to these instruments are recognised in the income statement.

Impairment of financial assets under IFRS 9:

Financial assets as well as contractual assets and leasing receivables are subject to the impairment model within the meaning of IFRS 9.5.5. Financial assets at fair value through profit or loss are excluded from this. Accordingly, the Biotest Group recognises an impairment loss on the assets based on the expected credit losses. Expected credit losses result from the difference between the contractually agreed cash flows and the expected cash flows that the Biotest Group expects, measured at present value using the original effective interest rate. The expected cash flows also include proceeds from security sales and other loan collateral that are an integral part of the respective contract.

Expected credit losses are recognised in two stages unless the simplified impairment model is applied. For assets for which there has been no significant increase in credit risk since initial recognition, the allowance is measured at the expected 12-month credit loss. In the event of a significant increase in the default risk, the expected credit loss is determined for the remaining term of the asset. The Biotest Group generally assumes a significant increase in credit risk when contractual payments are more than 30 days past due. The Biotest Group defines default as any event in which a loss arises from either a default or a delay. In particular, the bank deposit is valuated according to this scheme.

The Biotest Group applies the simplified approach pursuant to IFRS 9.5.15 for trade receivables and contract assets. Under this approach, the allowance is always measured at the amount of the expected credit loss over the period. The expected losses are measured on an individual basis either by the Biotest Group itself (internal rating) or by an external service provider (external rating). The location of the respective customers is also included in this analysis, particularly for Iran, Iraq and Libya.

For other financial assets that are measured as debt instruments at amortised cost, the Biotest Group considers all reasonable and reliable information that is available without unreasonable cost and time to review a potentially significantly increased expected credit risk. This is primarily done by relying on the associated credit risk.

The Biotest Group generally assumes default if the contractual payments are due for more than 90 days. In addition, in individual cases, internal or external information is also used which indicates that the contractual payments cannot be made in full. Financial assets are written down if there is no reasonable expectation of future payment.

Financial liabilities:

Financial liabilities regularly give rise to a right of return in cash and cash equivalents or another financial asset. These include in particular bonds and other securitised liabilities, trade payables, contractual liabilities, liabilities to banks, liabilities under finance leases, promissory note loans and liabilities from derivative financial instruments.

Trade payables are initially measured at nominal value, which corresponds to their fair value. Since only current trade payables exist, the effective interest method is not applied in subsequent measurement. Financial liabilities from primary financial instruments are measured at amortised cost using the effective interest method. Financial liabilities from derivative financial instruments for which hedge accounting is not applied are measured at fair value through profit or loss. Financial liabilities are classified as current unless the Group has the unconditional right to defer repayment of the liability until at least twelve months after the balance sheet date.

Financial liabilities are recognised at the loan amount less transaction costs and subsequently measured at amortised cost using the effective interest method. Any difference between the net loan amount and the redemption value is recognised in the income statement over the term of the financial liability. In the case of interest subsidies, the financial liability is recognised at present value without taking the interest subsidy into account. The difference is deferred in accordance with IAS 20 and amortised over the term.

Financial instruments are derecognised when the rights to payments have expired or have been transferred and the Group transfers substantially all the risks and rewards of ownership. Financial assets and liabilities are only netted if there is a right of set-off for the net amount at that time. The Group does not net financial assets and liabilities due to non-compliance with this requirement. The fair value option for financial liabilities under IFRS 9 is not used.

Derivative financial instruments:

The Biotest Group uses derivative financial instruments such as forward exchange contracts and payer swaps to hedge interest rate and currency risks.

Derivative financial instruments are measured at fair value. Both the counterparty credit risk and the Group's own credit default risk are taken into account in the calculation. The market value is calculated on the basis of the market information available and valid on the balance sheet date. The Biotest Group does not apply hedge accounting. Consequently, all derivatives are accounted for in accordance with the measurement category of financial assets or liabilities at fair value through profit or loss. All changes in the fair value of derivatives are recognised in the income statement, even if they are economically hedged.

A financial asset is derecognised if one of the following conditions is met:

- The contractual rights to receive cash flows from a financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from the financial asset from third parties or has assumed a contractual obligation to immediately pay the cash flow to a third party within the framework of a so-called transfer agreement and has either (a) transferred substantially all opportunities and risks associated with ownership of the financial asset or (b) neither transferred nor retained substantially all opportunities and risks associated with ownership of the financial asset, but has transferred control of the asset.

If the Group transfers its contractual rights to receive cash flows from an asset or enters into a transfer agreement and neither transfers nor retains substantially all the risks and rewards of ownership of the asset but retains control of the transferred asset, the Group recognises an asset to the extent of the continuing involvement.

In the previous year, financial instruments were classified according to the IAS 39 standard applicable at the time. The Biotest Group classified financial instruments according to their accounting treatment. The distinction was based on the valuation, and financial assets and financial liabilities were accordingly divided into assets and liabilities carried at amortised cost and at fair value. Cash and cash equivalents as well as derivatives formed a separate class.

Various balance sheet items could be included in a class. The Biotest Group classified the financial instruments as follows:

Class of financial instruments	Balance sheet item	Measurement category in accordance with IAS 39
Cash and cash equivalents	Cash and cash equivalents	None
Assets recognized at amortized cost	Trade receivables	LaR
	Other financial assets	LaR
Assets recognized at fair value	Other financial assets	FAFVtPL
Liabilities recognized at amortized cost	Financial liabilities	FLAC
	Trade payables	FLAC
	Other liabilities	FLAC
	Liabilities from finance leases	None
Derivatives	Other financial assets	FAHfT
	Other liabilities	FLHfT

The measurement categories in accordance with IAS 39 were abbreviated as follows: Loans and receivables (LaR), held-to-maturity investments (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 measured at amortised cost (FLAC).

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 financial year 2016, the Biotest Group commenced with 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 (the signing date) and closed on 6 June 2017 (the closing date).

On 22 December 2017 (the signing date), the Biotest Group signed an agreement to sell its US companies. Until the finalisation (the closing date) of the sale, the Biotest Group trans-

ferred the investments in the US companies to a US trust on 19 January 2018. The sale of the US companies to Grifols Shared Services North America, Inc., a subsidiary of Grifols S.A., Barcelona, Spain, was completed with the approval of the American competition authority FTC (Federal Trade Commission) on 31 July 2018. The US aut hority CFIUS had already approved the sale of the US companies at the end of April 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 the 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

The Biotest Group generates the majority of its revenues from supplying customers with biotechnological drugs from its own production. The product portfolio covers the therapeutic areas haematology, clinical immunology and intensive care medicine. In the 2018 financial year, revenues were recognised in accordance with the new IFRS 15 Revenue from Contracts with Customers. As a rule, the sale of products is based on customer orders, each of which gives rise to individually definable performance obligations. The relevant ancillary conditions are governed by framework agreements or general terms and conditions. Revenue is recognised when control of the products is transferred to the customer. This is the point in time at which the benefits and burdens as well as the risk of accidental loss are transferred to the customer on the basis of the agreed Incoterms. An individual selling price agreed with the respective customer exists for each drug delivered. In some cases, Biotest grants discounts in the form of rebates and cash discounts in the form of a fixed percentage of the agreed individual sales price. Rebates and discounts are recorded as sales deductions.

In addition, the Biotest Group generates revenues from the processing of blood plasma, which is provided by customers and processed into drugs by Biotest (so-called toll manufacturing). The drugs manufactured are supplied exclusively to the customer who provided the plasma used for this purpose. Biotest is remunerated exclusively for the processing of the plasma remaining the property of the customer. Since Biotest is not entitled to use the processed plasma for other purposes, revenues from toll manufacturing are recognised on a period basis. Pharmaceuticals manufactured as part of toll manufacturing are recognised as contract assets over the production period until delivery to the customer. Biotest uses an input-based method to measure contract assets, by which the services rendered, including the related share of profit, are determined on the basis of the stage of completion and recognised as revenue. To determine the stage of completion, all internal and external production costs incurred during the manufacturing process are set in relation to the calculated total costs (cost-to-cost method). The method used provides an accurate picture of the transfer of the services provided by Biotest, as Biotest is likely to charge the capitalised amount in the event of premature termination of the contract by the customer.

To a small extent, the Biotest Group generates revenues from the sale of purchased products that are resold to customers as merchandise. The same criteria apply to the recognition of sales of merchandise as for therapy products manufactured in-house.

Biotest has entered into technology and know-how transfer agreements with individual customers to enable them to build their own drug manufacturing facilities based on Biotest patents. In this context, Biotest arranges for them to pay a fixed price for the technologies and know-how provided. On the other hand, licence fees are charged for the drugs produced and sold by the customers in the form of a turnover-dependent licence rate. Depending on contract terms, revenues from non-refundable fees for the provision of technology and know-how are recognised over the period in which the technology and know-how are transferred to the customer or at a specific point in time. Revenues from revenue-based license fees for the provision of technology and know-how are recognised when

the technology and know-how transfer associated with the license has been completed and the customer's revenues to be used to calculate the license fees have been generated.

The Biotest Group usually concludes framework agreements with its customers in which pharmaceutical quality and safety standards are regulated in addition to delivery and payment terms and liability for defects. In the case of some customers, these terms and conditions are governed solely by the Biotest Group's General Terms and Conditions. The framework agreements do not create any binding delivery and service obligations; these are only triggered by specific orders from customers.

The Biotest Group has agreed on variable remuneration in the form of annual reimbursements with some customers, where the percentage applied for the reimbursement varies depending on the sales volumes achieved over the year as a whole. For such variable remuneration, the Biotest Group makes estimates to determine the expected level of reimbursement. These estimates are not subject to significant risks of change. Obligations from annual reimbursements are shown separately as contract liabilities together with credit notes and rebates still to be settled.

The framework agreements concluded with customers and the general terms and conditions provide for the usual guarantees and warranty obligations that arise when the products delivered to the customer are defective. In such a case, Biotest takes the products back and offers the customer either a subsequent delivery or a refund of the purchase price. The guarantees granted by Biotest do not give rise to any independent performance obligations within the meaning of IFRS 15. Obligations arising from guarantees and warranties are measured in accordance with IAS 37 and reported under other provisions (E 13).

In the previous year, revenues from the sale of goods were accounted for in accordance with IAS 18. Revenues from the sale of products were recognized at the time of the transfer of economic ownership, i.e. at the time of the transfer of benefits, burdens and risks to the acquirer, based on the respective contractual agreements, less any discounts and sales tax.

The Biotest Group recognized revenue from services as soon as the services were rendered. Service transactions for which the result could be reliably estimated were accounted for using the percentage-of-completion method in accordance with IAS 18. The work performed, including the proportionate result, was reported under revenues in accordance with the percentage of completion. The percentage of completion to be applied was determined in accordance with the expenses incurred (cost-to-cost method). The orders were reported under receivables using the percentage of completion method.

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 respective asset, respectively deducted from acquisition costs.

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 reported separately.

Expenses and income from currency hedging and interest hedging costs are shown separately as fair value adjustments to financial instruments measured at fair value in D 9 due to the changes in IFRS 9.

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 G 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 13.72. The level reflects the proximity to the market of the data used to calculate fair value. Fair value hierarchy levels are described below:

Level 1: quoted prices for identical assets or liabilities on active markets,

Level 2: information other than quoted prices that is directly (such as prices) or indirectly (such as derived from prices) observable

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 DISCRETIONARY 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, deferred tax assets, assets of the discontinued operations, pension provisions and other provisions, allowances for bad debt and inventories, the derecognition of receivables under factoring agreements as well as the determination of fair values. 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 allowances for receivables in countries subject to sanctions by the European Union are estimated on the basis of future expected payment defaults and are therefore also subject to estimation uncertainties. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that sufficient taxable income will be available in the near future. In exercising the discretion to capitalize deferred tax assets, both the amount of future taxable income and the expected timing of consumption are taken into account.

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.

The key assumptions and parameters underlying the estimates and judgements made are explained in the notes for each topic.

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.

On 22 December 2017, the Biotest Group signed an agreement to sell its US companies. The sale includes the US activities of the Biotest Group, which were reported in the Plasma & Services segment. Until the completion of the sale, the Biotest Group transferred its interests in the US companies to a US trustee on 19 January 2018. As a result of the transfer, the business attributable to these companies is classified as discontinued operations. The previous year's figures were adjusted accordingly. Please refer to the respective explanations in Chapter F.

The business segments of the Biotest Group are as follows:

The **Therapy segment** essentially includes plasma proteins and biotherapeutics. 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 contract 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 the 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 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	2018	348.5	45.3	6.5	400.3	6.0	**406.3**
	2017	313.7	58.2	6.2	378.1	163.1	**541.2**
Operating profit (EBIT)	2018	9.4	3.8	–2.6	10.6	194.8	**205.4**
	2017	–15.0	19.9	–14.2	–9.3	27.3	**18.0**
Investments in associates and joint ventures	2018	1.9	–	–	1.9	–	**1.9**
	2017	2.3	–	–	2.3	38.1	**40.4**
Capital expenditure*	2018	60.2	0.2	0.1	60.5	–	**60.5**
	2017	111.6	–	0.1	111.7	3.6	**115.3**
Scheduled depreciation**	2018	22.0	0.8	1.8	24.6	–	**24.6**
	2017	19.7	0.8	1.8	22.3	3.9	**26.2**

* 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	**2018**	2017
Operating profit (EBIT) (continuing and discontinued operations)	**205.4**	**18,0**
Value adjustments on financial instruments measured at fair value	–5.1	–
Financial income	15.8	24.5
Financial expenses	–27.3	–43.4
Results from associates and joint ventures	–0.2	–12.1
Earnings before taxes (EBT) (continuing and discontinued operations)	**188.6**	**–13.0**
Income taxes **(continuing and discontinued operations)**	–6.9	9.5
Earnings after taxes (EAT)	**181.7**	**–3.5**

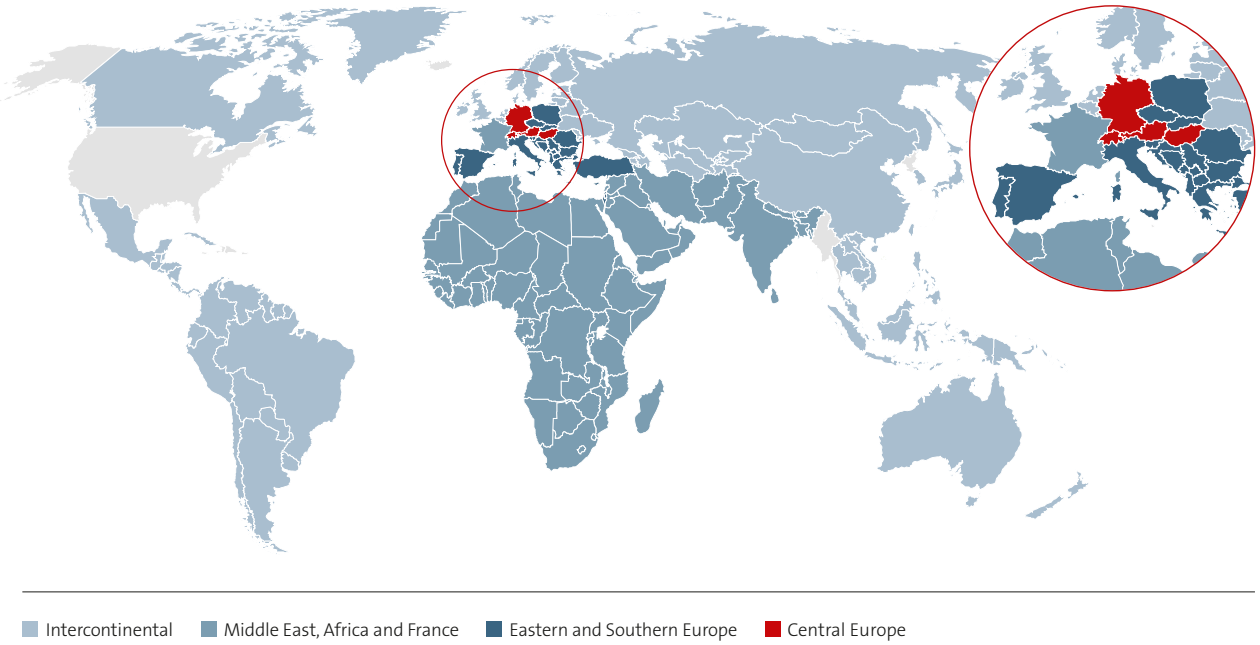
SEGMENT INFORMATION BY REGION (CONTINUING OPERATIONS)*

	Revenue with third parties based on customer's seat		**Revenue with third parties based on company's seat**	
in € million	**2018**	2017	**2018**	2017
Central Europe	152.1	139.4	349.6	334.1
East and South Europe	66.7	61.1	31.2	28.2
Intercontinental	75.9	74.5	19.5	15.8
Middle East, Africa and France	105.6	103.1	–	–
Biotest Group	**400.3**	**378.1**	**400.3**	**378.1**
thereof:				
Germany	110.8	103.2	320.2	297.9
Rest of world	289.5	274.9	80.1	80.2

* The Group redefined the geographical breakdown in the financial year. The previous year's figures have been adjusted accordingly.

There was no significant trade between the individual segments.

THE FOUR SALES REGIONS OF BIOTEST



Intercontinental | Middle East, Africa and France | Eastern and Southern Europe | Central Europe

D. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

D 1 REVENUE

RECOUNT OF REVENUES FROM CONTRACTS WITH CUSTOMERS

To illustrate the impact of economic factors on the nature, amount, timing and uncertainty of revenues and the cash flows generated from them, Biotest Group revenues can be classified into the following categories:

in € million				Segments
Categories	Therapy	Plasma & Services	Other Segments	**Total**
Type of products and services				
Sale of Biotest products	348.5	–	–	**348.5**
Toll manufacturing of blood plasma	–	45.3	–	**45.3**
Sale of merchandise	–	–	6.5	**6.5**
	348.5	**45.3**	**6.5**	**400.3**
Geographical markets				
Central Europe	134.0	12.0	6.1	**152.1**
East and South Europe	66.7	–	–	**66.7**
Intercontinental	71.7	4.2	–	**75.9**
Middle East, Africa and France	76.1	29.1	0.4	**105.6**
	348.5	**45.3**	**6.5**	**400.3**
Time of realising revenue				
Goods transferred at a given time	348.5	–	6.5	**355.0**
Services transferred over a period of time	–	45.3	–	**45.3**
	348.5	**45.3**	**6.5**	**400.3**

The Biotest Group's order backlog from unfulfilled delivery and service obligations amounted to € 61.8 million on the balance sheet date (previous year: € 140.0 million). These delivery and service obligations are generally fulfilled within a maximum period of one year. Additional performance obligations of € 18 million result from the future transfer of technology and know-how; these proceeds will be realised over a period of at least five years.

The previous year's sales were mainly impacted by the recall of the human albumin product and its limited availability in the amount of € 17.4 million.

D 2 COST OF MATERIALS

in € million	**2018**	2017
Raw materials, consumables and supplies	159.8	155.2
Services purchased	25.5	19.9
	185.3	**175.1**

The increase in the cost of materials can be attributed to the increase in sales revenues in 2018.

D 3 PERSONNEL EXPENSES

in € million	2018	2017
Wages and salaries	108.5	99.6
Social security contributions	18.6	21.5
Pension costs	4.4	4.7
	131.5	**125.8**

Personnel expenses include expenses for termination benefits in the amount of € 3.7 million (previous year: € 1.3 million).

The average number of employees converted to full-time equivalents in continuing and discontinued operations in financial year 2018 was 1,639 (previous year: 2,472). Converted to full-time equivalents, the Biotest Group employed 1,663 people as of 31 December 2018 (previous year: 2,474).

As of 31 December 2018, the Biotest Group employed 1,770 people in continuing and discontinued operations (previous year: 2,683).

The personnel expenses for employees of the discontinued operations are part of the net income of the discontinued operations.

Employees are allocated to the following functional areas:

in full-time equivalents	2018	2017
Production	1,105	1,865
Administration	182	212
Distribution	186	213
Research and development	190	184
	1,663	**2,474**

D 4 RESEARCH AND DEVELOPMENT COSTS

Expenses for research and development totalling € 48.5 million (previous year: € 55.4 million) are recognised in full in the statement of income. No development costs were capitalized.

D 5 OTHER OPERATING INCOME

in € million	2018	2017
Insurance reimbursements and other refunds	10.2	24.0
Income from service agreements	0.8	1.0
Reversal of other provisions	0.9	0.2
Other	1.7	0.5
	13.6	**25.7**

Insurance income and other reimbursements mainly include € 2.7 million in insurance reimbursements for the product recall of human albumin and € 2.1 million for damage in freeze-drying as well as € 5.0 million for the removal of impurities and defects in the media systems. The previous year mainly included special payments from the termination of long-term supply contracts in the amount of € 18.6 million as well as insurance refunds in the amount of € 5.0 million.

In financial year 2018, the Biotest Group recognised government grants of € 0.2 million (previous year: € 0.3 million) in income; these relate to wage subsidies of € 0.2 million (previous year: € 0.3 million) and wage replacement benefits. Grants for research and development projects were not recognised in 2018.

D 6 OTHER OPERATING EXPENSES

in € million	2018	2017
Expenses incurred in connection with provision of services	2.3	2.9
Donations	0.2	0.1
Other	1.5	1.2
	4.0	**4.2**

D 7 FINANCIAL INCOME

in € million	2018	2017
Income from currency translation	11.5	23.4
Interest income	3.3	0.6
Other	1.0	0.4
	15.8	**24.4**
Thereof financial instruments of measurement categories according to IFRS 9 respectively IAS 39:		
Financial assets measured at amortised cost (AC)	6.6	–
Financial liabilities measured at amortised cost (FLAC)	4.5	6.1
Loans and receivables (LaR)	–	0.5
Financial liabilities held for trading (FLHfT)	–	1.2

Income from currency translation includes income from realised foreign exchange gains in connection with foreign currency receivables and payables and income from the measurement of foreign currency positions as of the reporting date.

Income from currency hedging and interest hedging income are reported separately in 2018 due to the changes in IFRS 9.

D 8 FINANCIAL EXPENSES

in € million	2018	2017
Currency translation expenses	6.3	26.0
Interest expenses	9.4	7.5
Depreciation of other financial assets	–	4.9
Net interest expenses for pensions	1.5	1.4
Early repayment penalties and waiver fees	9.3	–
Fees in connection with financial liabilities	0.5	0.7
Interest rate hedging costs	–	0.5
Other	0.1	0.2
	27.1	**41.2**
Thereof financial instruments of measurement categories according to IFRS 9 respectively IAS 39:		
Financial assets measured at amortised cost (AC)	3.2	–
Financial liabilities measured at amortised cost (FLAC)	19.3	8.5
Financial assets held for trading (FAHfT)	–	1.7
Financial liabilities held for trading (FLHfT)	–	0.8
Loans and receivables (LaR)	–	8.5

Expenses from currency translation include expenses from realised foreign exchange losses in connection with foreign currency receivables and payables.

In 2018, interest rate hedging expenses are reported separately due to interest hedging costs the changes in IFRS 9.

Interest expenses include interest in the amount of € 6.0 million for shareholder loans (previous year: € 0.0 million).

D 9 FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

in € million	2018	2017
Interest hedging costs	–0.9	–
Interest hedge income	0.8	–
Currency hedging costs	–8.0	–
Currency hedging income	3.0	–
	–5.1	**–**
of which from financial instruments in measurement categories in accordance with IFRS 9:		
Income from financial assets at fair value through profit or loss (FAFVtPL)	1.2	–
Income from financial liabilities at fair value through profit or loss (FLFVtPL)	2.7	–
Expenses from financial assets at fair value through profit or loss (FAFVtPL)	3.1	–
Expenses from financial liabilities at fair value through profit or loss (FLFVtPL)	5.9	–

The reported interest hedging costs and income include expenses and income from the valuation of interest hedging transactions at fair value.

The reported expenses and income from currency hedging include expenses and income from the valuation of currency hedging transactions at fair value.

D 10 RESULT FROM JOINT VENTURES

In financial year 2018, losses by joint ventures of € 0.2 million (previous year: € 0.1 million in profits) were recognised.

D 11 INCOME TAXES

in € million	2018	2017
Taxes for the financial year	1.5	0.9
Tax income from other periods	–5.4	–3.2
Current taxes	**–3.9**	**–2.3**
Deferred taxes	**10.8**	**–7.3**
Income tax expenses (previous year: income tax income)	**6.9**	**–9.6**

Deferred tax expenses incurred on items credited directly to equity amounted to € 0.2 million (previous year: income of € 0.4 million).

The tax income unrelated to the accounting period mainly results from tax refunds due to the tax audit of Biotest AG for the years 2012–2014, which was completed in 2018.

The deferred taxes of € 12.2 million recognised in the previous year on the German Group's tax loss carryforwards were written down by € 11.2 million after € 1 million had been utilised, as it is uncertain whether these loss carryforwards will be utilised in the near future.

Applying the unchanged nominal income tax rate of 29.0%, the expected tax expense for financial year 2018 differs from the effective amounts as follows:

in € million	2018	2017
Earnings before taxes	**–6.0**	**–26.0**
Expected tax income	**–1.7**	**–7.5**
Unrecognised tax loss carryforwards	0.5	0.4
Offsetting against tax losses from previous years	–0.1	–4.3
Depreciation of deferred tax assets	11.2	0.0
Current tax income relating to other periods	–5.4	–3.2
Tax effect of adjustments to deferred taxes from previous years	3.0	2.1
Tax effect of non-deductible expenses	1.6	0.6
Tax effect of tax-free income	–0.5	0.0
Tax effect of the application of foreign tax rates and the use of foreign tax losses carried forward	–0.1	1.6
Other effects	–1.6	0.7
Income tax disclosed in the statement of income	**6.9**	**–9.6**

The calculated tax rate of 29.0 % is based on a corporate 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 12 AUDITOR'S FEE

On 15 May 2018, the Annual General Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for financial year 2018.

The total fee paid to the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in financial year 2018 amounted to € 2.4 million (previous year: € 0.7 million), of which € 0.1 million (previous year: € 0.1 million) relates to the previous year. The fee of € 2.2 million (previous year: € 0.5 million) relates to the audit of the financial statements, of which € 0.1 million (previous year: € 0.1 million) relates to the previous year. Furthermore, € 0.0 million (previous year: € 0.1 million) relate to fees for other confirmation services and € 0.2 million (previous year: € 0.1 million) to fees for tax consulting services, both of which relate to services rendered in the current financial year and are not included for the previous year.

Of the total calculated fee, € 1.7 million is attributable to special audits initiated by the parent company of Biotest AG and charged to it.

E. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

E 1 INTANGIBLE ASSETS

All intangible assets are allocated to a non-current assets.

in € million	Goodwill	Patents, licenses and similar rights	Leased assets	Advance payments made	Total
Cost of purchase					
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 scope of consolidation	0.1	0.4	–	–	0.5
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**
Additions	–	0.5	–	1.0	1.5
Reclassifications	–	0.8	–	–0.8	–
Disposals	–	–0.1	–	–	–0.1
Currency translation differences	–0.2	–0.1	–	–	–0.3
Balance as of 31 December 2018	**8.0**	**20.0**	**9.6**	**5.5**	**43.1**
Accumulated depreciation					
Balance as of 31 December 2016	**1.0**	**31.8**	**9.6**	**–**	**42.4**
Reclassification to discontinued operations	–	–18.4	–	–	–18.4
Depreciation's for the financial year	–	1.6	–	–	1.6
Currency translation differences	–0.1	–0.1	–	–	–0.2
Balance as of 31 December 2017	**0.9**	**14.9**	**9.6**	**–**	**25.4**
Depreciation for the financial year	–	1.6	–	–	1.6
Disposals	–	–0.1	–	–	–0.1
Currency translation differences	–0.1	–0.1	–	–	–0.2
Balance as of 31 December 2018	**0.8**	**16.3**	**9.6**	**–**	**26.7**
Carrying amount as of					
31 December 2017	7.3	4.0	–	5.3	16.6
31 December 2018	**7.2**	**3.7**	**–**	**5.5**	**16.4**

In connection with the sale of the US companies, Biotest reclassified the goodwill from the Plasma & Services segment to discontinued operations as of 31 December 2017. From there, this goodwill was disposed of as planned in financial year 2018 as a result of the completion of the sale of the US companies.

An impairment test was performed as of 30 September 2018 for the goodwill of the Therapy 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 11.59 % (previous year: 11.98 %) was applied for the impairment test of the goodwill of the Ther-

apy segment, which is based on the relevant WACC (weighted average cost of capital). The expected cash flows were determined on the basis of the five-year financial plan prepared by the management. For the contribution to value from 2024 onwards, it is supplemented by perpetuity. Perpetuity is calculated on the basis of the average values for the years 2019 to 2023. A growth rate of +0.5 % (previous year: +0.5 %) was assumed for the Therapy segment in perpetuity.

The results of the impairment test essentially depend on the revenue growth rates and the EBIT margin assumed in business planning. In the detailed planning, average revenue growth of 1.6 % p.a. with an average EBIT margin of 20.3 % were assumed for the Therapy segment.

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	
	Planning	Scenario
Revenue growth	1.6 %	0.6 %
EBIT margin	20.3 %	19.3 %
Discount factor after taxes	8.9 %	9.9 %
Growth rate	0.5 %	–0.5 %

The carrying amounts of intangible assets subject to an impairment test in the amount of € 7.2 million (previous year: € 7.3 million) refer to the cash-generating unit Therapy.

Amortisation of intangible assets in the financial year is included in the following items of the income statement:

in € million	**2018**	2017
Cost of sales	0.3	0.3
Marketing and distribution costs	0.1	0.1
Administrative expenses	1.1	1.1
Research and development costs	0.1	0.1
	1.6	**1.6**

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	Advance payments made	**Total**
Acquisition / production costs						
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 scope of consolidation	0.2	0.1	–	–	0.1	0.4
Reclassifications	77.7	5.4	3.7	–	–86.8	–
Disposals	–0.2	–	–0.1	–	–0.1	–0.4
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**
Additions	8.5	–	2.6	–	47.9	59.0
Reclassifications	10.1	9.6	1.1	–	–20.8	–
Disposals	–	–	–0.2	–	–	–0.2
Currency translation differences	–0.2	–0.2	–	–	–	–0.4
Balance as of 31 December 2018	**305.4**	**154.0**	**92.4**	**4.6**	**205.5**	**761.9**
Accumulated depreciation						
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
Currency translation differences	0.1	–	–0.1	–	–	–
Balance as of 31 December 2017	**66.3**	**94.6**	**64.2**	**1.3**	**–**	**226.4**
Depreciation for the financial year	8.7	8.9	5.2	0.2	–	23.0
Disposals	–	–	–0.2	–	–	–0.2
Balance as of 31 December 2018	**75.0**	**103.5**	**69.2**	**1.5**	**–**	**249.2**
Carrying amount as of						
31 December 2017	220.7	50.0	24.7	3.3	178.4	477.1
31 December 2018	**230.4**	**50.5**	**23.2**	**3.1**	**205.5**	**512.7**

Advance payments in financial year 2018 mainly include capital expenditure incurred as part of the expansion of capacity at the Dreieich site.

Investments for the expansion of production capacity (Biotest Next Level) amounted to € 39.9 million in financial year 2018 (previous year: € 91.5 million). Additions to property, plant and equipment include borrowing costs in the amount of € 1.2 million (previous year € 0.6 million).

The Biotest Group had entered into commitments to acquire fixed assets in the amount of € 19.9 million as of 31 December 2018 (previous year: € 27.7 million).

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

in € million	**2018**	2017
Cost of sales	16.9	14.5
Marketing and distribution costs	0.3	0.2
Administrative expenses	5.4	5.5
Research and development costs	0.4	0.5
	23.0	**20.7**

E 3 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 are accounted for using the equity method.

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

The investors have agreed to gradually provide the company with equity of up to € 4.0 million. The shareholder resolutions required for this are adopted separately based on the financial requirements. To date, Biotest Pharma GmbH has contributed € 1.6 million in capital. The subscribed capital of BioDarou P.J.S. Co. amounts to 37.5 billion rials as of 31 December 2017 (previous year: 37.5 billion) and is fully paid-in.

Because 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 2017 are reported.

The change in the exchange rate of the rial resulted in a foreign currency valuation of € –0.2 million (previous year: € –2.0 million), which was recognised in other comprehensive income.

The joint venture had the following assets and liabilities:

The value of non-current assets amounted to € 0.5 million (previous year: € 0.7 million) and current assets to €13.9 million (previous year: € 22.6 million) respectively on 31 December 2017.

Non-current liabilities were measured at € 0.5 million (previous year: € 0.4 million) and current liabilities at € 10.6 million (previous year: € 18.2 million) respectively on 31 December 2017.

Sales revenue amounted to € 13.5 million (previous year: € 23.2 million) and net loss of the company was € 0.3 million (previous year: net profit in the amount of € 0.3 million) for financial year 2017.

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

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

As a result of the political developments in financial year 2018, the framework conditions for business relations with Iran, in particular with regard to the processing of payment transactions, have worsened.

E 4 OTHER FINANCIAL ASSETS

in € million	2018 Total	2018 thereof non-current	2017 Total	2017 thereof non-current
Cash deposits with banks (financial assets measured at amortised cost)	15.2	–	–	–
Surrender claim against trustee from the sale of shares in ADMA Biologics Inc. (financial assets at fair value through profit or loss)	17.9	–	–	–
Loan to third parties (previous year: to associates) (financial assets measured at amortized cost, previous year: loans and receivables)	7.3	7.3	6.9	6.9
Refunds from the termination of long-term supply contracts (financial assets measured at amortised cost, previous year: loans and receivables)	6.1	–	11.7	5.8
Insurance refunds (financial assets measured at amortised cost)	5.0	–	–	–
Receivables from joint ventures (financial assets measured at amortized cost, previous year: loans and receivables)	0.1	–	0.1	0.1
Other receivables (financial assets measured at amortised cost)	1.9	–	–	–
Derivative financial instruments (financial assets at fair value through profit or loss, previous year: Financial assets held for trading)	0.1	–	0.6	–
Pension fund (financial assets at fair value through profit or loss, previous year: financial assets at fair value through profit or loss)	0.1	0.1	0.2	0.2
	53.7	**7.4**	**19.5**	**13.0**

The cash deposits made with banks in financial year 2018, mainly for guarantees issued and a long-term loan to third parties (previous year: to associated companies), are recognised at amortised cost.

Financial assets at fair value through profit or loss include the surrender claim against the trustee from the sale of shares in ADMA Biologics Inc., fund shares and derivative financial instruments. The fair value of the surrender claim against the trustee is determined by reference to the share price of ADMA Biologics Inc. as of 31 December 2018, less a discount. The discount is determined on the basis of the size of the block of shares, the trading volume, the profitability of the company and the urgency of the sale. The market values of the fund units on the balance sheet date are reported in writing by the custodian bank.

E 5 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets		Equity and liabilities		Recognised through profit or loss	
in € million	**2018**	2017	**2018**	2017	**2018**	2017
Intangible assets	–	–	–	0.4	–0.4	–
Property, plant and equipment	–	0.2	7.2	8.0	–0.8	–0.1
Other financial assets	0.9	0.8	0.9	0.6	0.2	0.4
Inventories	6.7	8.6	0.1	0.1	1.9	2.9
Trade receivables	–	–	0.6	12.9	–12.3	0.1
Contract assets	–	–	8.8	–	8.8	–
Other provisions	1.0	1.6	–	0.2	0.4	–1.3
Financial liabilities	1.0	2.4	–	0.1	1.3	1.7
Pension provisions	11.4	11.2	–	0.1	–0.2	–0.5
Other liabilities	0.6	1.3	–	0.9	–0.3	1.7
Contract liabilities	0.8				–0.8	
Other statement of financial position items	–	1.2	0.1	–	1.3	0.6
Tax value of the recognised loss carried forward	1.2	12.9	–	–	11.7	–12.8
Total deferred taxes	**23.6**	**40.2**	**17.7**	**23.3**	**10.8**	**–7.3**
Less netting of deferred tax assets and liabilities	–15.0	–20.7	–15.0	–20.7		
Deferred tax assets / liabilities	**8.6**	**19.5**	**2.7**	**2.6**		

The Group has usable tax loss carryforwards of € 3.8 million (previous year: € 45.7 million), which are available to various Group companies with and without time limits and can be offset against expected future taxable income of the respective company or other Group companies. € 1.4 million of the loss carryforwards recognised are subject to a tax rate of 24.0 % (previous year: € 2.3 million) and € 2.4 million to a tax rate of 9 % (previous year: € 1.4 million).

Deferred taxes are not recognised for tax loss carryforwards of € 52.3 million (previous year: € 15.3 million), as the utilisation of these carryforwards in the near future is not sufficiently certain at this time. Of the unrecognized loss carryforwards, € 38.6 million (previous year: € 0) relate to the domestic companies and € 13.7 million (previous year: € 15.3 million) to the foreign companies. In addition, € 41.9 million (previous year: € 3.7 million) of the unrecognized loss carryforwards relate to unlimited carryforwards, € 1.9 million (previous year: € 3.1 million) can be carried forward for up to five years and € 8.5 million (previous year: € 8.5 million) for five years.

There were no loss carryforwards attributable to discontinued operations (previous year: € 70.7 million).

In the Biotest Group, in some countries several years have not yet been definitively assessed by tax audits. Adequate provisions have been made for the years that have not yet been assessed.

As of 31 December 2018, as in the previous year, no deferred tax liabilities were recognised for taxes on non-assigned profits of subsidiaries or joint ventures of the Biotest Group. The temporary differences in connection with shares in subsidiaries and joint ventures for which no deferred taxes are recognised amount to € 0.7 million (previous year: € 0.6 million).

E 6 INVENTORIES

in € million	2018	2017
Raw materials, consumables and supplies	64.9	28.9
Work in progress	104.3	79.4
Finished goods and merchandise	39.1	38.6
	208.3	**146.9**

As of the balance sheet date, the Biotest Group had inventories of € 0.7 million (previous year: € 0.0 million) with a turnover of more than one year due to the launch of a new product.

Impairment losses recognised on inventories amounted to € 35.5 million as of the reporting date (previous year: € 45.1 million). The respective inventories have a residual carrying amount of € 76.9 million (previous year: € 61.3 million) after being written down to their net realisable value.

The previous year's write-downs of inventories in the amount of € 15.5 million were consumed in fiscal year 2018 and reversed in the amount of € 1.2 million. In addition, inventories were written down by € 7.4 million. Additions to and reversals of write-downs of inventories are reported under cost of sales.

E 7 TRADE RECEIVABLES

Trade receivables are typically do within one year. As in the previous year, none of the trade receivables totalling € 118.7 million (previous year: € 133.8 million) were classified as non-current. They are comprised as follows:

in € million	2018	2017*
Trade receivables (gross)	134.5	149.3
Sale of trade receivables	–8.6	–8.2
Allowance for bad debts	–7.2	–7.3
Trade receivables (net)	**118.7**	**133.8**

* including receivables from toll manufacturing

The allowance for bad debts is calculated as the difference between the nominal amount of the accounts receivable and the estimated net recoverable amount. An external service provider was used to examine receivables that do not show any concrete indications of impairment in individual cases.

As of the reporting date, Biotest AG has sold trade receivables totalling € 7.2 million (previous year: € 6.7 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 € 1.4 million (previous year: € 1.5 million) had been sold as of the reporting date. As in the previous year, these receivables were fully derecognised.

IT-supported processes are in place to identify trade receivables intended for factoring. These receivables are measured at fair value through profit or loss (FAFVtPL) on the basis of the expected derecognition process. However, it is assumed that the fair value of these receivables corresponds to the carrying amount, as the full carrying amount was always reimbursed by the factoring companies in previous years. Consequently, there are no revaluation effects from receivables valued in accordance with FAFVtPL.

Allowances for expected credit losses for trade receivables developed as follows:

in € million	2018	2017
Balance as of 31 December	**7.3**	**6.2**
Effect of initial application of IFRS 9	–1.5	–
Balance as of 1 January	**5.8**	**6.2**
Reclassification to of contract assets	–0.4	–
Additions	2.9	3.3
Utilisation	–0.4	–
Reversals	–0.7	–2.2
Balance as of 31 December	**7.2**	**7.3**

Default risk positions are spread across the Group's sales regions as follows:

in € million	31.12.2018	01.01.2018
Central Europe (CEU)	0.8	0.8
East and South Europe (EASE)	1.1	1.2
Intercontinental (ICON)	0.1	0.3
Middle East, Africa and France (MEAF)	5.2	3.5
Allowances for expected credit losses	**7.2**	**5.8**

Net trade receivables are denominated in the following currencies:

in € million	2018	2017
EUR	90.9	99.5
USD	22.5	23.3
GBP	2.0	2.0
HUF	1.6	1.7
BRL	1.4	6.8
Other currencies	0.3	0.5
Trade receivables (net)	**118.7**	**133.8**

E 8 CONTRACT ASSETS

The contract assets from toll manufacturing of € 30.5 million relate to conditional claims for the full fulfilment of contractual obligations from toll manufacturing contracts. The resulting benefit obligations are generally paid by Biotest over a period of up to twelve months. Receivables from this business, which are usually due between 90 and 120 days, are recognised when the right to receive the consideration becomes unconditional. This is the case when the biological drugs produced from the blood plasma provided by the customer are delivered to the customer. These are service transactions that have been valued at the corresponding production costs incurred plus profit shares, where these can be reliably estimated.

In the previous year, contract assets were included in trade receivables.

They are composed as follows:

in € million	2018	2017
Contract assets (gross)	30.8	–
Allowances for expected credit losses	–0.3	–
Contract assets (net)	**30.5**	**–**

Default risks are accounted for by making value adjustments. The allowance for doubtful accounts is calculated as the difference between the nominal amount of the contract assets and the estimated net recoverable amount. An external service provider was used to examine the portfolios of contract assets that do not show any concrete indications of impairment in individual cases.

The allowances for expected credit losses on contractual assets developed as follows

in € million	2018	2017
Balance as of 1 January	**0.0**	**–**
Reclassification from trade receivables	0.4	–
Additions	–	–
Utilisation	–	–
Reversals	–0.1	–
Balance as of 31 December	**0.3**	**–**

E 9 OTHER ASSETS

	2018		2017	
in € million	**Total**	**thereof non-current**	Total	thereof non-current
Value added and other tax receivables	14.8	0.1	7.4	–
Deferred income	1.5	0.1	1.5	0.2
Payments in advance	6.4	–	0.5	–
Other assets	0.4	–	1.4	0.1
	23.1	**0.2**	**10.8**	**0.3**

As in the previous year, allowances for bad debts were not recognised on other assets in financial year 2018.

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

in € million	2018	2017
Carrying amount	**23.1**	**10.8**
Unimpaired and not past due as of the reporting date	23.1	10.8

Other assets are denominated in the following currencies:

in € million	2018	2017
EUR	20.7	9.2
USD	-	0.3
GBP	0.1	0.1
HUF	1.1	1.0
Other currencies	1.2	0.2
	23.1	**10.8**

E 10 CASH AND CASH EQUIVALENTS

in € million	2018	2017
Bank balances	61.1	22.0
Cash in hand	0.8	0.3
	61.9	**22.3**

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

Biotest AG made cash deposits with banks in financial year 2018 to secure its operating business. As of 31 December 2018, an amount of € 15.2 million had been deposited. The amount is reported under other current financial assets as of 31 December 2018.

E 11 EQUITY

Subscribed capital is fully paid in and amounts to € 39,571,452 on 31 December 2018 (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 2018, 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 informed 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 Mrs. 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 Mrs. 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, 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 in this offer. 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 that existed up to that point was resolved with the execution of the takeover.

The proposed appropriation of net profit for the year 2018 provides for dividend payments of € 0.8 million (previous year: € 0.8 million). A dividend of € 0.00 per share (previous year: € 0.00 per share) will be paid on the ordinary shares and a dividend of € 0.04 per share (previous year: € 0.04 per share) on the preference shares. In accordance with a resolution passed by the Annual General Meeting regarding dividend payments, preference shares are entitled to a preference dividend of € 0.04 per share. Furthermore, 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 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 share capital of € 33.8 million at the time. The Board of Management has not made use of this authorization to date.

By resolution of the Annual General Meeting on 15 May 2018, the Board of Management was authorized, with the approval of the Supervisory Board, to increase the Company's share capital by up to € 19,785,726.00 (authorized capital) on one or more occasions until 14 May 2023, by issuing new bearer ordinary shares and/or new non-voting bearer preference shares in exchange for cash contributions by issuing new bearer preference shares (non-voting preference shares). The authorization includes the authority to issue further preference shares that are equal to the previously issued non-voting preference shares in the distribution of profits or company assets. The shareholders have a subscription right. The subscription right may also be structured in whole or in part as an indirect subscription right within the meaning of Section 186 (5) sentence 1 AktG. The Board of Management is also authorized to determine the further details of the implementation of capital increases from authorized 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	**2018**	2017
Earnings after taxes from continuing operations	–12.9	–16.4
Additional dividend on preference shares	–0.4	–0.4
Profit adjusted for additional dividend rights (continuing operations)	**–13.3**	**–16.8**
Number of shares outstanding (weighted average)	39.571.452	39.571.452
Basic and diluted earnings per ordinary share in € (continuing operations)	–0.34	–0.42
Additional dividend rights per preference share in €	0.02	0.02
Basic and diluted earnings per preference share in €	–0.32	–0.40

No additional transactions involving ordinary shares or potential ordinary shares took place 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 the life expectancy of the participants.

Assets of € 2.8 million (previous year: € 2.6 million) were held by a trustee, Biotest Vorsorge Trust e.V., in financial year 2018 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	2018	2017
Net present value of defined benefit obligations		
From pension plans	82.7	81.1
From similar obligations	9.0	7.8
	91.7	**88.9**
Fair value of plan assets		
For pension plans	1.3	1.5
For similar obligations	1.5	1.1
	2.8	**2.6**
Net defined benefit liability		
From pension plans	81.4	79.6
From similar obligations	7.5	6.7
	88.9	**86.3**

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

in € million	2018	2017
Current service cost	4.4	4.7
Net interest expenses	1.5	1.4
Total expenses recognised in profit and loss	**5.9**	**6.1**
Actuarial gains due to experience adjustments (previous year: losses)	–0.7	0.3
Actuarial losses (previous year: gains) due to changes in financial assumptions	0.3	–1.3
Actuarial losses from changes in demographic assumptions	1.0	–
Return on plan assets (excluding amounts included in net interest expense)	0.1	–0.1
Revaluations recognised directly in the statement of comprehensive income	**0.7**	**–1.1**
Defined benefit costs	**6.6**	**5.0**

Actuarial losses of € 0.7 million (previous year: gains of € 1.1 million) were recognised directly in equity in financial year 2018. Actuarial losses totalling € 32.2 million (previous year: € 31.5 million) have been recognised directly in equity to date.

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

in € million	2018	2017
Net present value of defined benefit obligation as of 1 January	**88.9**	**87.4**
Current service cost	4.4	4.7
Interest expense	1.6	1.5
Expenses recognised in the consolidated statement of income	**6.0**	**6.2**
Actuarial gains (previous year: losses) due to experience adjustments	–0.7	0.3
Actuarial losses (previous year: gains) due to changes in financial assumptions	0.3	–1.3
Actuarial losses due to changes in demographic assumptions	1.0	–
Revaluations recognised directly in the statement of comprehensive income	**0.6**	**–1.0**
Pension benefits paid	–3.8	–3.7
Net present value of defined benefit obligation as of 31 December	**91.7**	**88.9**

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

in € million	2018	2017
Fair value of plan assets as of 1 January	**2.6**	**3.6**
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 expenses)	–0.1	0.1
Revaluations recognised directly in the statement of comprehensive income	**–0.1**	**0.1**
Contribution by the employer	0.2	–
Payments from plan assets	–	–1.2
Fair value of plan assets as of 31 December	**2.8**	**2.6**

The following payments are expected to be made in subsequent years based on the current pension obligations:

in € million	2018	2017
In the next 12 months	4.0	3.7
Between 2 and 5 years	14.9	15.3
Between 5 and 10 years	25.3	25.1
After 10 years	91.1	85.7
Total expected payments	**135.3**	**129.8**

The weighted average term of the defined benefit plans is 14.2 years (previous year: 14.6 years) as of 31 December 2018.

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

in € million	2018	2017
Cash and cash equivalents	0.7	1.1
Fund shares	2.1	1.5
	2.8	**2.6**

The calculation is based on the following actuarial assumptions:

in %	2018	2017
Discount rate as of 31 December	1.6–2.1	1.6–2.1
Expected return on plan assets	2.1	2.1
Rate of increase for wages and salaries	3.4	3.4
Rate of interest for pensions	1.8	1.8
Employee turnover rate	0.0–9.4	0.0–7.5

Actuarial assumptions are based on empirical values with the exception of the discount rate.

As of 31 December 2018, the Group applied the new 2018 G mortality tables published by Heubeck in 2018. The application of the new mortality tables led to an increase in the defined benefit obligation of € 1.0 million, which was recognised directly in equity as a change in demographic assumptions.

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 2018.

Parameter	Parameter change	**Impact on the pension obligation** in € million
Rate of interest	Increase by 50 basis points	–6.0
Rate of interest	Decrease by 50 basis points	6.7
Salary trend	Increase by 50 basis points	1.4
Salary trend	Decrease by 50 basis points	–1.3
Pension trend	Increase by 100 basis points	7.9
Pension trend	Decrease by 100 basis points	–6.6
Life expectancy	Increase by one year	3.4

€ 9.0 million (previous year: € 8.8 million) was recognised as expense for defined contribution plans in the financial year and is broken down as follows:

in € million	2018	2017
Defined contribution plans of the Company	0.1	0.3
Employer contributions to statutory insurance scheme	8.9	8.5
	9.0	**8.8**

E 13 OTHER PROVISIONS

in € million	Personnel -related provisions	Litigation risks	Provisions for sales agreements	Miscellaneous other provisions	Total	thereof current
Balance as of 31 December 2017	**8.6**	**1.9**	**3.2**	**10.9**	**24.6**	**22.1**
Additions	10.2	–	1.4	2.3	**13.9**	
Utilisation	–7.1	–0.1	–1.0	–3.1	**–11.3**	
Reversals	–1.5	–0.2	–0.1	–1.6	**–3.4**	
Reclassifications	–0.5	–	–	0.5	**–**	
Balance as of 31 December 2018	**9.7**	**1.6**	**3.5**	**9.0**	**23.8**	**22.6**

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 G 1.

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

The provisions for sales agreements mainly include provisions for contractual penalties.

Other miscellaneous provisions include provisions for guarantees and similar items.

Additions to provisions in financial year 2018 mainly comprise additions of € 8.0 million (previous year: € 6.9 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 and severance payments.

E 14 FINANCIAL LIABILITIES

in € million	2018	2017
Non-current liabilities		
Subordinated shareholder loan	295.8	–
Promissory notes	8.5	119.9
Unsecured non-subordinated loans	–	155.5
Unsecured other loans	21.3	8.1
Long-term share of liabilities from finance leases	3.1	3.3
	328.7	**286.8**

in € million	2018	2017
Current liabilities		
Promissory notes	–	95.5
Unsecured non-subordinated loans	–	23.7
Unsecured other loans	0.5	0.2
Short-term share of liabilities from finance leases	0.2	0.2
	0.7	**119.6**

The core of the debt financing is a subordinated, final maturity euro shareholder loan from Tiancheng (Germany) Pharmaceuticals Holding AG with a term of two years from the date of utilisation. The loan was granted in the first half of 2018 and is due in 2020.

The promissory notes of originally issued € 210 million concluded in October 2013 is divided into the following tranches in the amount of € 8.5 million:

Promissory notes	Currency	Term	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 in the previous year were repaid in the financial year.

As of 31 December 2018, there are no committed bilateral credit lines. The committed bilateral credit lines in the amount of € 95.5 million were unused at the end of the previous year.

Information on the hedging of exchange rate and interest risks can be found in Section G 4 Financial risk management.

The pricing and repayment terms as well as the maturity profile of financial liabilities are shown below:

2018 (in € million)	**Total**	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Subordinated shareholder loan:				
Euro – fixed at 2.5 %	295.8	–	295.8	–
Promissory notes:				
Euro – fixed at 3.1 to 3.8 %	4.5	–	4.5	–
Euro – variable at 1.0 %	4.0	–	4.0	–
Other loans:				
Euro – fixed at 1.9 to 4.0 %	21.6	0.3	–	21.3
Euro – variable at 0.7 %	0.2	0.2	–	–
Liabilities from finance leases:				
Euro – fixed at 2.5 %	3.3	0.2	0.7	2.4
	329.4	**0.7**	**305.0**	**23.7**

The pricing and repayment terms as well as the maturity profile of the previous year's financial liabilities are shown below:

2017 (in € million)	**Total**	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 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 loan liabilities:				
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 liabilities from finance leases are redeemed as follows:

in € million	**2018**			2017		
	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	1.0	0.3	0.7
Due in > 5 years	2.7	0.3	2.4	3.0	0.4	2.6
	4.0	**0.7**	**3.3**	**4.3**	**0.8**	**3.5**

The sum of future minimum lease payments as of the reporting date of € 4.0 million (previous year: € 4.3 million) equates to a present value of € 3.3 million (previous year: € 3.5 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 € 267.5 million (previous year: € 384.1 million) as of the reporting date and is derived as follows:

in € million	2018	2017
Shareholder loans	295.8	–
Financial liabilities to third parties	30.3	402.9
Liabilities from finance leases	3.3	3.5
	329.4	**406.4**
Cash and cash equivalents	61.9	22.3
	61.9	**22.3**
Net debt	**267.5**	**384.1**

E 15 OTHER LIABILITIES

in € million	2018	2017
Liabilities for commissions payable	16.1	18.7
Deferred liabilities	2.0	1.8
Wage tax liabilities	1.8	1.5
Liabilities from derivative financial instruments	0.1	0.9
Deferred income	0.2	0.7
Social Security liabilities	0.6	0.6
Value added tax liabilities	0.3	0.4
Other liabilities	2.5	3.7
	23.6	**28.3**

Other liabilities with a term to maturity of over one year amounted to € 0.0 million (previous year: € 1.3 million) in this financial year.

E 16 CONTRACT LIABILITIES

In this financial year, obligations from contractual reimbursements amounting to € 2.5 million were shown separately under contract liabilities. In the previous year, these were reported under trade payables.

F. DISCONTINUED OPERATIONS

Biotest Pharmaceutical Corporation, Boca Raton, USA, (BPC) closed the sale of its therapy and contract manufacturing activities to ADMA Biologics Inc., Ramsey, USA, (ADMA) 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 contract manufacturing agreements, inventories and intermediates worth € 4.9 million and the employees of the US therapy business were transferred to ADMA. Furthermore, BPC 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 should receive two plasmapheresis stations, which are currently operated by ADMA, on 1 January 2019.

ADMA Biologics Inc., with registered office in Ramsey, USA, was 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 included 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. Until the closing of the sale, Biotest transferred its stake in BUC to a US trustee on 19 January 2018 for settlement and execution of the agreement dated 22 December 2017. With the transfer of the shares to the US trustee on 19 January 2018, the Group lost control over the US companies. At that time, the US companies were deconsolidated and a claim for restitution against the US trustee was recognised in the balance sheet.

On 14 May 2018, Biotest AG, Biotest Pharmaceuticals Corporation and ADMA Biologics Inc. signed a share transfer, amendment and waiver agreement relating to the sale of BPC's therapy and contract processing activities completed on 6 June 2017. Biotest Pharmaceuticals Corporation transferred 8,519,160 non-voting shares to ADMA. In consideration, ADMA waived, among other things, the right to repurchase two ADMA plasma collection stations from BPC and possible liability claims against BPC and Biotest arising out of the transaction completed on 6 June 2017. The transfer of the non-voting shares resulted in a loss of $ 17.0 million, which is reported in income from discontinued operations.

On 9 July 2018, Biotest AG and Grifols Shared Services North America, Inc., Los Angeles, USA, entered into an amendment to the agreement dated 22 December 2017. Under this agreement, the voting shares in ADMA will not be sold to Grifols. The purchase price agreed in the agreement dated 22 December 2017 was reduced accordingly. The voting shares in ADMA Biologics Inc. were transferred to a US trustee for subsequent sale. Biotest now accounts for a claim against the US trustee in the amount of € 17.9 million.

On 31 July 2018, the US competition authority FTC approved the sale of the US companies to Grifols Shared Services North America, Inc., a subsidiary of Grifols S.A., Barcelona, Spain. The sale was completed with a total consideration of € 180.5 million, including retained assets and disposal costs. The gain on disposal reported in the income from discontinued operations amounted to € 162.4 million before reclassification of currency differences from currency translation differences accumulated in equity to the income statement in the amount of € 32.6 million and the result of the US companies until deconsolidation in the amount of € –0.4 million.

As of 31 December 2018, the following retained assets from the US companies are reported in the consolidated financial statements:

- An undeveloped plot of land in Boca Raton, Florida, USA (transfer on 20 July 2018)
- A receivable from a customer in the contract manufacturing sector due to premature termination of a contract in 2017 (assignment dated 19 January 2018)
- A loan to ADMA Biologics Inc. (Assignment dated 20 July 2018)
- A claim against the U.S. trustee for the proceeds of the sale of the voting shares in ADMA

In the income statement as well as the segment reporting and cash flow statement, the values of the discontinued operations are shown separately from the continuing operations in the current financial year and in the previous year.

The earnings after taxes of the discontinued operations are as follows:

in € million	**2018**	2017
Income from discontinued operations	6.0	163.1
Expenses from discontinued operations	–6.4	–160.6
Earnings before taxes of discontinued operations	**–0.4**	**2.5**
Income taxes from discontinued operations	–	–0.1
Earnings after taxes from discontinued operations before the measurement and disposal result	**–0.4**	**2.4**
Measurement and disposal result from discontinued operations before taxes	195.0	10.5
Taxes on the measurement and disposal result	–	–
Measurement and disposal result from discontinued op-erations after taxes	**195.0**	**10.5**
Earnings after taxes of discontinued operations	**194.6**	**12.9**

The amount of the consideration received in connection with the sale of the US companies relate to:amounts to € 253.8 million. The consideration received consists exclusively of cash and cash equivalents.

Control was lost over the following assets and liabilities: intangible assets and property, plant and equipment in the amount of € 29.0 million, inventories in the amount of € 23.1 million, trade receivables and other assets in the amount of € 22.3 million and cash and cash equivalents in the amount of € 6.7 million, other provisions in the amount of € 7.3 million, trade payables and other liabilities in the amount of € 6.7 million.

The assets held for sale relate to the following items:

in € million	2018	2017
Intangible assets	–	7.9
Property, plant and equipment	–	21.8
Investments in associates	–	38.1
Inventories	–	21.5
Trade receivables	–	18.0
Other assets	–	8.7
Cash and cash equivalents	–	3.8
	–	**119.8**
Vacant land	6.1	5.8
Assets held for sale	**6.1**	**125.6**
Other provisions	–	7.4
Trade payables	–	4.4
Other liabilities	–	2.3
Liabilities in connection with assets held for sale	**–**	**14.1**

The only asset held for sale is a vacant land in Boca Raton, USA, with a carrying amount of € 6.1 million as of 31 December 2018. The decision to sell the property was made in the 2017 financial year.

Between the transfer of the shares in the US companies to the US trustee on 19 January 2018 and the closing of the sale on 1 August 2018, Biotest was unable to access the property. As a result, the closing of the sale of the property in the 2018 financial year was delayed, but further concretized. This property is expected to be sold in the course of financial year 2019.

G. OTHER DISCLOSURES

G 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 decided to introduce a Long-Term Incentive Programme (LTIP 2009), renewable annually subject to the approval of the Supervisory Board.

In the past years (2010 to 2016), the LTIP 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. Compared to previous years, this LTIP is a non-share-based programme.

The programme launched in the previous year was slightly modified in 2018. The new programme (LTIP 2018) does not require any personal investment by the participant in the purchase of preference shares to participate in the programme, but is otherwise unchanged from LTIP 2017. LTIP 2018 runs from May 2018 to 31 December 2020.

LONG-TERM INCENTIVE PROGRAMME 2018 / TRANCHE 2018 (LTIP 2018)

For the first time, participation in the LTIP 2018 does not require that participants make investments of their own by purchasing preference shares of Biotest AG.

Because, unlike its predecessors, the new programme is no longer dependent on the share price, but rather two internally defined targets (performance factors) were selected, the LTIP does not have to be reported in accordance with IFRS 2.

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 made in the predecessor programme, depending on the additional number of preferred shares to be made ("additional investment"), is no longer required for the LTIP 2017.

Since the LTIP 2017, unlike the predecessor programme, no longer depends on the stock market price, but rather on two internally defined targets (performance factors), the LTIP 2017 does not have to be reported in accordance with IFRS 2.

LONG-TERM INCENTIVE PROGRAMME 2009 / TRANCHE 2016 (LTIP 2016)

The 2016 tranche of the Long-Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2016.

The LTIP 2016 was terminated early with the acquisition by Tiancheng (Germany) Holding Pharmaceutical Holdings AG, Munich, Germany. The program was settled in January 2018.

A payment of € 431 thousand was made for the 2016 tranche in financial year 2018.

LONG-TERM INCENTIVE PROGRAMME 2009 / TRANCHE 2015 (LTIP 2015)

The 2015 tranche of the Long-Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2015.

No payments were made for the 2015 tranche in financial year 2018.

FURTHER GENERAL INFORMATION ON 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 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.

G 2 FINANCIAL INSTRUMENTS

G 2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Biotest Group classifies financial instruments in accordance with its accounting treatment. Here, derivatives form a separate class.

One class may contain several different items from the statement of financial position. The Biotest Group classifies financial instruments as follows:

Class of financial instruments	Item from the statement of financial position	Measurement category according to IFRS 9
Financial assets recognized at amortised cost	Trade receivables	AC
	Contractual assets	AC
	Other financial assets	AC
	Cash and cash equivalents	AC
Financial assets recognised at fair value through profit or loss	Trade receivables	FAFVtPL
	Other financial assets	FAFVtPL
Financial liabilities recognized at amortised cost	Financial liabilities	FLAC
	Trade payables	FLAC
	Contractual liabilities	FLAC
	Other liabilities	FLAC
	Liabilities from finance leases	FLAC
Derivatives	Other financial assets	FAFVtPL
	Other financial liabilities	FLFVtPL

The measurement categories under IFRS 9 are abbreviated as follows: financial assets measured at amortised cost (AC), financial assets measured at fair value through the other comprehensive income (FAFVtOCI), financial assets measured at fair value through profit and loss (FAFVtPL), financial liabilities measured at amortised cost (FLAC), financial liabilities measured at fair value through profit and loss (FLFVtPL).

Financial instruments were reclassified in financial year 2018 as a result of the first-time application of IFRS 9 (see table in Section A).

G 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 according to IFRS 9		Measurement basis in the statement of financial position according to IAS 17
Item of the statement of financial position	Measurement class in accordance with IFRS 9	Carrying amount as of 31 December 2018	Amortised acquisition costs	At fair value through profit or loss	
Assets					
Trade receivables	AC	112.7	112.7	–	–
Trade receivables	FAFVtPL	6.0	–	6.0	–
Contractual assets	AC	5 30.5	30.5	–	–
Other financial assets					
Reimbursements from the termination of long-term supply agreements	AC	6.1	6.1	–	–
Cash deposits with banks	AC	15.2	15.2	–	–
Insurance claim	AC	5.0	5.0	–	–
Derivatives without a hedging relationship's	FAFVtPL	0.1	–	0.1	–
Claim for restitution from trustee	FAFVtPL	17.9	–	17.9	–
Loans to third parties (previous year: associates)	AC	7.3	7.3	–	–
Receivables from joint ventures	AC	0.1	0.1	–	–
Annuity fund	FAFVtPL	0.1	–	0.1	–
Miscellaneous other financial assets	AC	1.9	1.9	–	–
Cash and cash equivalents	AC	61.9	61.9	–	–
Equity and liabilities					
Trade payables	FLAC	73.4	73.4	–	–
Contractual liabilities	FLAC	2.5	2.5	–	–
Financial liabilities					
Subordinated shareholder loans	FLAC	295.8	295.8	–	–
Unsecured bank liabilities	FLAC	8.5	8.5	–	–
Other unsecured loans	FLAC	21.8	21.8	–	–
Liabilities from finance leases	FLAC	3.3	–	–	3.3
Other liabilities					
Primary financial liabilities	FLAC	23.6	23.6	–	–
Derivatives without a hedging relationship	FLFVtPL	0.1	–	0.1	–

Fair value as of 31 December 2018	Measurement category according to IAS 39	Carrying amount as of the 31 December 2017	Measurement basis in the statement of financial position according to IAS 39				Measurement basis in the statement of financial position according to	Fair value as of 31 December 2017
			Amortised acquisition costs	Acquisition costs	At fair value through profit or loss	At fair value through profit or loss		
112.7	LaR	133.8	133.8	–	–	–	–	133.8
6.0								
30.5								
6.1	LaR	11.7	11.7	–	–	–	–	11.7
15.2								
5.0								
0.1	FAHfT	0.6	–	–	–	0.6	–	0.6
17.9								
8.1	LaR	6.9	6.9	–	–	–	–	6.9
0.1	LaR	0.1	0.1	–	–	–	–	0.1
0.1	FAFVtPL	0.2	–	–	–	0.2	–	0.2
1.9								
61.9	n/a	22.3	22.3	–	–	–	–	22.3
73.4	FLAC	65.0	65.0	–	–	–	–	65.0
2.5								
301.5								
8.6	FLAC	394.6	394.6	–	–	–	–	374.7
20.7	FLAC	8.3	8.3	–	–	–	–	7.1
3.3	n/a	3.5	–	–	–	–	3.5	3.5
23.6	FLAC	27.4	27.4	–	–	–	–	27.4
0.1	FLHfT	0.9	–	–	–	0.9	–	0.9

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

in € million			Measurement basis in the statement of financial position according to IFRS 9			
Categories	Measurement category according to IFRS 9	Carrying amount as of 31 December 2018	Amortised cost of purchase	At fair value through equity	At fair value through profit or loss	Fair value as of 31 December 2018
Financial assets measured at amortised cost	AC	240.7	240.7	–	–	240.7
Financial assets at fair value through profit or loss	FAFVtPL	24.1	–	–	24.1	24.1
Financial liabilities measured at amortised cost	FLAC	428.9	428.9	–	–	433.6
Financial liabilities at fair value through profit or loss	FLFVtPL	0.1	–	–	0.1	0.1

in € million			Measurement basis in the statement of financial position according to IAS 39					
Categories	Measurement category according to IAS 39	Carrying amount as of 31 December 2017	Amortised cost of purchase	Cost of purchase	At fair value through equity	At fair value through profit or loss	Measurement basis in the statement of financial position according to 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 recognized at amortised cost	FLAC	495.3	495.3	–	–	–	–	474.2
Financial liabilities held for trading	FLHfT	0.9	–	–	–	0.9	–	0.9

G 2.4 NET GAIN OR LOSS BY MEASUREMENT CATEGORY

The net gain or loss for financial year 2018 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 2018
Financial assets measured at amortised cost	0.5	–	2.9	–2.1	–	1.3
Financial assets measured at fair value through profit or loss	–	–1.9	–0.8	–	–	–2.7
Financial liabilities measured at amortised cost	–15.5	–	0.7	–	–	–14.8
Financial liabilities measured at fair value through profit or loss	–	–3.2	–	–	–	–3.2
Total	**–15.0**	**–5.1**	**2.8**	**–2.1**	**–**	**–19.4**

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 2017
Loans and receivables	–0.3	–	–2.9	–5.9	–	–9.1
Financial assets held for trading	–	–1.7	6.6	–	–	4.9
Financial liabilities held for trading	–	0.4	–	–	–	0.4
Financial liabilities measured at amortised cost	–8.4	–	6.0	–	–	–2.4
Total	**–8.7**	**–1.3**	**9.7**	**–5.9**	**–**	**–6.2**

All components of the net gain or loss are recorded under other financial expenses or other financial income. Exceptions to this are value adjustments on trade receivables and other financial assets. These are reported in the change in valuation allowances on financial assets measured at amortised cost.

The result from the subsequent measurement of financial instruments allocated to the fair value through profit and loss category (previous year: assets and liabilities held for trading) includes a loss of € 5.1 million (previous year: € 1.3 million), which includes both interest rate and currency effects.

G 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 2018. Financial liabilities repayable on demand are always allocated to the earliest time period.

in € million		Cash flow in 2019			Cash flow in 2020		
Item of the statement of financial position	Carrying amount as of 31 December 2018	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments
Primary financial liabili-ties:							
Liabilities to shareholder	–295.8	–	–	–	–15.4	–	–290.5
Liabilities to financial insti-tutions	–8.5	–0.2	–0.1	–	–0.2	–0.1	–5.5
Liabilities from finance leases	–3.3	–0.1	–	–0.1	–0.1	–	–0.2
Other interest-bearing liabilities	–21.8	–0.5	–	–0.2	–0.5	–	–
Trade payables	–73.4	–	–	–73.4	–	–	–
Other liabilities	–23.6	–	–	–23.5	–	–	–0.1
Derivative financial liabili-ties:							
Currency derivatives with-out a hedging relationship	–0.1	–	–	–0.1	–	–	–
Derivative financial as-sets:							
Currency derivatives with-out a hedging relationship	0.1	–	–	0.1	–	–	–

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 repay-ments	Fixed interest	Variable interest	Principal repay-ments
Primary financial liabili-ties:							
Liabilities to financial insti-tutions	–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 liabili-ties:							
Currency derivatives with-out a hedging relationship	–0.1	–	–	–0.1	–	–	–
Interest rate derivatives without a hedging relationship	–0.8	–0.5	–	–	–0.2	–	–
Derivative financial as-sets:							
Currency derivatives with-out a hedging relationship	0.6	–	–	0.6	–	–	–

Cash flow in 2021			Cash flow in 2022			Cash flow in 2023			Cash flow nach 2023		
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
–	–	–	–	–	–	–	–	–	–	–	–
–0.1	–	–	–0.1	–	–	–0.1	–	–3.0	–	–	–
–0.1	–	–0.2	–0.1	–	–0.2	–0.1	–	–0.2	–0.4	–	–2.4
–0.5	–	–	–0.5	–	–	–0.5	–	–	–2.2	–	–21.0
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

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	–	–	–	–	–	–		–	–		–
–	–	–	–	–	–	–	–	–	–	–	–

G 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.

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.

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, liabilities to the shareholder 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 2018.

G 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 does not make use of 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. € 0.1 million (previous year: € 0.6 million) is disclosed under other financial assets and € 0.1 million (previous year: € 0.9 million) under other liabilities as of 31 December 2018.

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 select 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 € 1.5 million (previous year: € 0.7 million) were recognised for these receivables.

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

Possible default risks for primary financial instruments that are not held at fair value through profit or loss are taken into account through value adjustments for expected credit losses due to internal and external rating classifications.

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	2018	2017
Trade receivables	118.7	133.8
Contract assets	30.5	–
Other financial assets	53.7	19.5
Cash and cash equivalents	61.9	–

To cover the default risk, corresponding value adjustments are made in the amount of the expected credit default in accordance with IFRS 9.5.5. The simplified approach is mainly used for trade receivables. Default probabilities for individual customers or customer groups are determined for this purpose. These are based on rating information from an external service provider.

Based on the risk classifications, the carrying amounts per rating class are shown below:

in € million	Internal rating level	External rating level
31 December 2018		
Trade receivables	14.1	104.7
Contract assets	30.8	–
Other financial assets	8.9	–
Total	**53.8**	**104.7**

The Biotest Group does not hold any assets that are impaired upon initial recognition or upon settlement (purchased or originated credit impaired, POCI).

MARKET RISK

Market 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	**2018**	2017	**2018**	2017
Cash and cash equivalents	10.2	–	1.0	–
Trade receivables	22.5	23.3	2.0	2.0
Other primary financial assets	27.1	18.6	–	–
Other derivative financial assets	0.2	0.4	–	0.1
Trade payables	–7.6	–2.0	–0.3	–0.3
Liabilities to financial institutions	–	–41.9	–	–
Other primary financial liabilities	–4.5	–3.3	–	–0.1
Other derivative financial liabilities	–	–0.1	–	–
Net position	**47.9**	**–5.0**	**2.7**	**1.7**

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	
	2018	2017	**2018**	2017
Currency futures	42.7	83.6	–0.1	0.6

See section B 3 for information about the main 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.

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. Due to changes in the financing structure (please also refer to the explanations made in Section E 14 Financial liabilities), the interest rate hedges expired by September 2018 or were terminated prematurely.

The following interest rate hedges were in place as of 31 December 2018:

in € million	Nominal amount		Market values	
	2018	2017	**2018**	2017
Interest rate swaps	–	30.0	–	–0.8

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.

LIQUIDITY RISK

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

The Biotest Group finances itself with long-term bank loans, promissory notes and factoring. With the takeover by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, the loan agreements were cancelled due to the change of control in 2018.

The Biotest Group had no access to contractually agreed credit lines as of 31 December 2018:

in € million	**2018**	2017
Loans drawn down	326.1	403.8
Loans not drawn down	–	95.5

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 in it.

A maturity overview illustrating how cash flows from liabilities as of 31 December 2018 impact the Group's liquidity position is provided in Section G 2.4.

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

in € million	**1 January 2018**	Cash flows	Changes in exchange rates	Other	**31 Dec 2018**
Financial liabilities	**402.9**	–95.0	–0.6	18.8	**326.1**
Liabilities from finance leases	**3.5**	–0.2	–	–	**3.3**
Total	**406.4**	**–95.2**	**–0.6**	**18.8**	**329.4**

The item "Other" mainly includes the effects of accrued but not yet paid interest on interest-bearing loans as well as the one-time conversion of trade payables amounting to € 13.0 million into financial liabilities.

The Biotest Group classifies interest paid as cash flow from operating activities.

G 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 2018, the financial result would have been € 0.5 million lower (previous year: € 1.3 million higher).

If the euro had depreciated by 10 % against all currencies as of 31 December 2018, the financial result would have been € 0.7 million higher (previous year: € 0.2 million lower).

The hypothetical impact on profit or loss of € 0.5 million or € 0.7 million results from the following currency sensitivities:

in € million	Appreciation of the EUR by 10 %	Depreciation of the EUR by 10 %
EUR to USD	–1.0	1.2
EUR to GBP	0.5	–0.5
	–0.5	**0.7**

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) 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 2018 had been 100 basis points higher, the fair values of the financial instruments would have been € 0.0 million higher (previous year: € 0.4 million higher). The hypothetical impact on profit or loss of € 0.7 million (previous year: € 0.0 million) arises from the potential effects from interest rate derivatives of € 0.0 million (previous year: € 0.4 million) and primary financial liabilities of € 0.7 million (previous year: € – 0.4 million).

Considering the very low reference interest rates as of the balance sheet date, a sensitivity analysis in the event of a downward deviation in the market interest rate level is not performed for reasons of insignificance.

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.

G 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 47.5 % as of 31 December 2018 (previous year: 35.5 %). 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 financial year 2018. 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 the 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 by 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 financial year 2013, 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 financial year 2014, 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 financial year 2015, 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 financial year 2016, the Biotest Group contractually agreed loans totalling € 60.0 million under the KfW energy efficiency programme.

In financial year 2017, the Biotest Group contractually agreed to 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 financial year 2017. These loans have a term of 10 years with a grace period of two years and bear interest at a fixed rate.

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

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.

The KfW loans taken out in the financial years 2014 to 2017 were repaid in full in financial year 2018 due to the special termination rights. The promissory note loan issued in 2013 was repaid in financial year 2018 down to the amount of € 8.5 million as a result of the special termination rights.

The financing is secured by a subordinated shareholder loan of € 290 million and long-term loans of € 21 million. The shareholder loan is subordinated to senior liabilities and all other non-subordinated liabilities of Biotest AG. The lender may not assert its claims under this agreement for as long as this would result in the insolvency or over-indebtedness of the borrower.

G 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 € 29.6 million (previous year: € 16.7 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. Cash deposits in the amount of € 15.2 million were made with banks as collateral.

There are contingent liabilities of € 22.7 million (previous year: € 22.7 million) from collateral for liabilities of affiliated companies.

Contingent liabilities of € 1.1 million (previous year: € 1.3 million) result from fees in connection with the tender business. The amount considered justified by Biotest is accounted for by a provision of € 0.5 million.

As in the previous year, there were no contingent claims as of the balance sheet date.

G 8 OTHER FINANCIAL COMMITMENTS

in € million	in 2019	2020 to 2023	starting in 2024	Total
Commitments under long-term supply agreements with fixed purchase volumes	9.9	53.6	30.6	94.1
Commitments under long-term service agreements	11.4	41.0	–	52.4
Future payments under rental and operating lease contracts	5.0	12.1	4.1	21.2
Commitments to purchase property, plant and equipment	19.8	0.1	–	19.9
	46.1	**106.8**	**34.7**	**187.6**

Commitments under long-term supply agreements with fixed purchase volumes primarily relate to supply agreements for the years 2019 to 2025, under which Biotest is to receive products worth € 94.1 million (previous year: € 91.0 million) in subsequent years.

Obligations under long-term service agreements mainly relate to purchase commitments under two toll manufacturing agreements for the period from 2019 to 2023 totalling € 52.4 million (previous year: € 59.7 million).

The Biotest Group rents or leases operating equipment as a lessee. Operating leases include vehicle and office equipment with a base rental term of two to five years. In financial year 2018, expenses under rental and operating lease agreements amounted to € 4.7 million (previous year: € 3.2 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. There are also rental agreements with an extension option for the offices of almost all foreign subsidiaries and the majority of all plasma stations; the extension options are designed for between 36 and 120 months.

G 9 RELATED PARTIES

The Biotest Group has reported relationships with the joint venture BioDarou P.J.S. Co., Tehran, Iran, and its subsidiary Plasma Gostar Pars P.J.S., Tehran, Iran, to its sister company Bio Products Laboratory Ltd. ("BPL"), Elstree, UK, to Shanghai RAAS blood products Co., Ltd. ("Shanghai RAAS"), Shanghai, People's Republic of China, to the shareholder Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany ("Tiancheng (Germany)") and to the controlling company Tiancheng International Investment Ltd. ("Tiancheng International"), Hong Kong, People's Republic of China, to the members of the Board of Management and the Supervisory Board and persons closely associated with them as well as to shareholders with a significant influence on Biotest AG.

A) JOINT VENTURES

BioDarou P.J.S. Co. acquired goods and services from Biotest Group companies totalling € 7.4 million during the year (previous year: € 7.1 million). The receivables from joint ventures amounted to € 5.4 million on 31 December 2018 (previous year: € 3.3 million). As of 31 December 2018, there were no liabilities to BioDarou P.J.S. Co. from payments received in advance for future goods deliveries.

B) BIO PRODUCTS LABORATORY LTD.

The Biotest Group acquired goods and services worth € 15.9 million from BPL in financial year 2018. Liabilities to BPL amounted to € 0.1 million on the reporting date. As of 31 December 2018, the receivables from BPL from advance payments on future goods amounted to € 5.7 million.

C) SHANGHAI RAAS BLOOD PRODUCTS CO., LTD.

In financial year 2018, Shanghai RAAS supplied goods amounting to € 0.6 million to distribute the products of Shanghai RAAS to Biotest Hungaria Kft., Budapest, Hungary. As of 31 December 2018, Biotest Hungaria Kft. had no liabilities to Shanghai RAAS.

D) TIANCHENG (GERMANY) PHARMACEUTICAL HOLDINGS AG

Tiancheng (Germany) granted Biotest a shareholder loan. Biotest utilized the shareholder loan on 29 January 2018 for a total of € 190.0 million and on 7 June 2018 for a further € 150.0 million. In the course of 2018, Biotest repaid a total of € 50.0 million plus interest of € 0.2 million. As of 31 December 2018, the shareholder loan amounted to € 290.0 million plus unpaid interest of € 5.8 million.

E) TIANCHENG INTERNATIONAL INVESTMENT LTD.

For financial year 2018, Biotest passed on all costs incurred in connection with the restructuring in the total amount of € 3.3 million to Tiancheng International. As of 31 December 2018, receivables from Tiancheng International for reimbursement amounted to € 0.8 million.

F) 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 was controlled by Dr Cathrin Schleussner. By accepting the voluntary public takeover offer, OGEL GmbH sold its shareholdings on 31 January 2018.

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 2018.

In a notification dated 2 February 2018, Mr. Yuewen Zheng informed the Company that his share of voting rights in Biotest AG exceeded the reporting thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75 % on 31 January 2018 and now amounts to 89.88 %. The voting rights in Biotest AG are attributable to Mr Yuewen Zheng as the ultimate controlling company through the entire chain of subsidiaries beginning with the ultimate controlling company:

- Creat Group Co., Ltd., Nanchang, People's Republic of China
- Creat Tiancheng Investment Holdings Co., Ltd., Nanchang, People's Republic of China
- Tiancheng Fortune Management Limited, Hong Kong, People's Republic of China
- Tiancheng International Investment Limited, Hong Kong, People's Republic of China
- Tiancheng (Germany) Pharmaceutical Holdings AG, München

In 2018, Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, acquired the majority of voting rights in Biotest AG. Tiancheng (Germany) Pharmaceutical Holdings AG

is the direct parent company of the Biotest Group. The next higher parent company to prepare consolidated financial statements is Tiancheng International Investment Ltd, Hong Kong, People's Republic of China. The ultimate controlling company is Creat Group Co. Ltd., Nanchang, People's Republic of China, which is controlled by Dr. Yuewen Zheng.

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

As in the previous year, Plasma Gostar Pars P.J.S. did not acquire any goods or services from Biotest Group companies during the year. In addition, there are no further liabilities to the joint venture as of the 31 December 2018 (previous year: liabilities of € 0.6 million).

G) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Composition of the Boards

As of 31 December 2018, 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 Supervisory Board of Shield Therapeutics PLC, London, UK

Member of the Supervisory Board of Paratek Pharmaceuticals Inc., Boston, Massachusetts, USA

Member of the Supervisory Board of Genmab A/S, Copenhagen, Denmark

Tan Yang,
Hong Kong, People's Republic of China

Managing Director of Creat Capital Company Limited, Hong Kong, People's Republic of China

Deputy Supervisory Board Chairman of Biotest AG (member since March 2018)

Supervisory Board Member of Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany

Member of the Management Board of Bio Products Laboratory Ltd., Elstree, United Kingdom

Member of the Management Board of Tiancheng International Investment Limited, Hong Kong, People's Republic of China

Member of the Management Board of Creat Resources Holding Limited, Tasmania, Australia

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)

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,
Independent consultant, Regensburg, Germany

Member of the Supervisory Board of Biotest AG since August 2017

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

Dr Cathrin Schleussner,
Neu-Isenburg, Germany

Graduate biologist

Managing Director of OGEL Next GmbH, Frankfurt/Main, Germany

Member of the Supervisory Board of Bürgerhospital & Clementine Kinderhospital gGmbH, Frankfurt/Main, Germany

Member of the Supervisory Board of Biotest AG since July 2001

As of 28 February 2018, the following member retired from the Supervisory Board:

Kurt Hardt,
Biberach, Germany

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

Supervisory Board remuneration

Members of the Supervisory Board were paid a total of € 312 thousand in the current financial year (previous year: € 221 thousand), of which € 312 thousand (previous year: € 221 thousand) is attributable to fixed remuneration components and € 0 thousand (previous year: € 0 thousand) to variable remuneration components. Besides the remuneration for the Supervisory Board members in office, this also includes the pro-rata remuneration of the Supervisory Board member whose mandate ended on 28 February 2018 (Kurt Hardt).

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2018 and 2017 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 shown in the Remuneration Report in the Group Management Report in this Annual Report.

Vorstand

Dr Bernhard Ehmer,
Heidelberg, Germany

Chairman of the Board of Management

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

Member of the Supervisory Board of Symphogen A/S, Ballerup, Denmark

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 (Manufacturing)

Remuneration of the Board of Management

Total remuneration of current members of the Board of Management amounted to € 2,150 thousand for financial year 2018 (previous year: € 2,463 thousand). The Board of Management remuneration is broken down into non-performance-based components of € 1,208 thousand (previous year: € 1,358 thousand) and performance-based components of € 943 thousand (previous year: € 1,105 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.

All three Board of Management members with virtual participation shares participated in the non-share-based LTIP 2018 programme (Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Georg Floß, each with 1,800 shares). A provision of € 49 thousand was formed for this tranche. Of this amount, € 19 thousand is attributable to Dr Bernhard Ehmer, € 16 thousand to Michael Ramroth and € 14 thousand to Dr Georg Floß.

For last year's non-share-based LTIP 2017 programme, the Management Board members participated with a personal investment (Dr Michael Ramroth and Dr Georg Floß each with 1,800 preference shares). A provision of € 75 thousand was recognised for the LTIP 2017. Of this amount, € 40 thousand is attributable to Dr Michael Ramroth and € 35 thousand to Dr Georg Floß.

None of the Board of Management members (Dr Bernhard Ehmer, Dr Michael Ramroth and Dr Floß) received a payment from the share-based Long-Term Incentive Programme / Tranche 2015, the disbursements of which were fixed for financial year 2018.

The share-based LTIP 2016 was prematurely terminated due to a change of control clause in connection with the acquisition of Biotest by CREAT. This programme was therefore also settled in financial year 2018. Dr Michael Ramroth received € 84 thousand from the programme and Dr Gregor Floß received € 74 thousand.

The active members of the Board of Management have pension entitlements of € 9,019 thousand (previous year: € 8,118 thousand). As of 31 December 2018, assets in the amount of € 2,355 thousand (previous year: € 1,570 thousand) were transferred to Biotest Vorsorge Trust e.V. to secure pension entitlements against insolvency.

A supplementary agreement to the Board of Management contracts of all active members of the Board of Management contains a severance payment provision which becomes effective if the Board of Management contract is terminated prematurely as a result of a more precisely defined change of control. The severance payment comprises the fixed remuneration up to the end of the term and is limited to a maximum of three times

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

The entitlement does not arise if the termination of the Board of Management contract is due to termination for good cause, illness or incapacity to work or if the Board of Management member has already reached the age of 60 at the time of termination or receives benefits or value advantages from a third party in connection with the change of control.

There are no other one-time or recurring commitments in the event of termination of Board of Management membership.

Provisions of € 7,257 thousand (previous year: € 7,555 thousand) have been set aside for pension obligations to former members of the Board of Management and their surviving dependants. As of the balance sheet date, there were no loans receivable from members of governing bodies.

Pension payments of € 484 thousand (previous year: € 477 thousand) were made to former members of the Board of Management in financial year 2018. Furthermore, as in the previous year, no payments were made to former Board of Management members for profit-sharing or under the LTIP in financial year 2018.

As in the previous year, there were no LTIP-related provisions for former Board of Management members as of 31 December 2018.

A detailed description of the Board of Management compensation system and individualised values are provided in the Remuneration Report in the Group Management Report of this Annual Report.

G 10 LIST OF SHAREHOLDINGS

The following list shows the companies that are directly or indirectly owned by Biotest AG in accordance with § 313 (2) HGB. All figures have been prepared for the purposes of the consolidated financial statements in accordance with IFRS regulations.

Name of company	Seat of company	Equity in € million	Share in the capital in %	Result after taxes in € million
Biotest Pharma GmbH **	Dreieich, Germany	126.3	100.00	0.1
Biotest Grundstücksverwaltungs GmbH *	Dreieich, Germany	10.2	98.00	0.9
Biotest France SAS	Paris, France	0.7	100.00	0.2
Biotest (UK) Ltd.	Birmingham, United Kingdom	2.3	100.00	0.3
Biotest Italia S.r.l.	Milan, Italy	3.9	100.00	0.7
Biotest Austria GmbH	Wien, Austria	2.7	100.00	0.4
Biotest (Schweiz) AG	Rupperswil, Switzerland	2.5	100.00	0.4
Biotest Hungaria Kft.	Budapest, Hungary	3.6	100.00	0.3
Biotest Farmacêutica Ltda.	São Paulo, Brazil	–0.9	100.00	–0.4
Biotest Hellas MEPE	Athens, Greece	–7.9	100.00	–
Biotest Medical S.L.U.	Barcelona, Spain	1.3	100.00	0.3
Plasma Service Europe GmbH */***	Dreieich, Germany	4.4	100.00	1.5
Plazmaszolgálat Kft. *	Budapest, Hungary	1.3	100.00	–1.2
Cara Plasma s.r.o. *	Prague, Czech Republic	–0.3	100.00	–1.5
Biotest Real Estate Corporation	Wilmington (Delaware), USA	6.1	100.00	–
BioDarou P.J.S. Company */*****	Teheran, Iran	4.6	49.00	–
Biotest Pharmaceuticals ILAÇ Pazarlama Anonim Sirketi ****	Istanbul, Turkey	–	100.00	–

* Indirect investment
** After assumption of HGB result by Biotest AG
*** After assumption of HGB result by Biotest Pharma GmbH
**** Non-consolidated company
***** Information as of 31 December 2017

G 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 financial year 2018 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.

G 12 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 1.6 million (previous year: € 1.9 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.

G 13 EVENTS AFTER THE REPORTING DATE

Plasma Service Europe GmbH, Dreieich, Germany, a wholly owned subsidiary of Biotest AG, acquired a plasmapheresis centre in Hanover in January 2019.

In January 2019, Biotest received the extension of the approved indications of Intratect® in 22 European countries to include the neurological indications chronic inflammatory demyelinating polyneuropathy (CIDP) and multifocal motor neuropathy (MMN), as well as an extension in the area of secondary immunodeficiencies (SID).

At its meeting on 7 March 2019, the Supervisory Board appointed Dr Michael Ramroth as Chairman of the Board of Management of Biotest AG with effect from 1 May 2019.

G 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, 21 March 2019

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, 21 March 2019

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

INDEPENDENT AUDITOR'S REPORT

To Biotest Aktiengesellschaft
Report on the audit of the consolidated financial statements and of the group management report

Opinions

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 2018, 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 2018, 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 2018. In accordance with the German legal requirements, we have not audited the content of the group non-financial statement included in section G. of the group management report or the group 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 2018, and of its financial performance for the fiscal year from 1 January to 31 December 2018, 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 group non-financial statement or the group 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. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided 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 2018. 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. 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.

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. At the end of fiscal year 2017, there were delays in the BNL project. In the second quarter of 2018, the Company resumed putting the facilities into service, which had been interrupted by the delays. The first products from the BNL project are scheduled to be delivered in 2021. 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 reconciled these with the internal communication and revised budgets. We requested and received documents about the future planning of the project. 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 and assessed 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."

2. 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. Furthermore, the US reimposed sanctions against Iran in the fiscal year. 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 flow 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 considered the measurement assumptions applied by the Board of Management by comparing them with our expectations derived from past payment behavior. We investigated any differences by making inquiries. We also checked the arithmetical accuracy of the calculation models 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" and section B.15 "Financial instruments" 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.7 "Trade receivables." In the group management report we further refer to the comments in section D.II. "Risk report" with the comments on "Political risks" contained therein in section E. "Risk assessment and description of significant risk categories."

3. RECOVERABILITY OF DEFERRED TAX ASSETS

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

The Group assesses the usability of the net deferred tax assets and the deferred tax assets on loss carryforwards on the basis of the tax plans drawn up for the relevant companies. The tax plans are prepared on the basis of the corporate plans and the planning for the individual companies derived therefrom. These are highly dependent on the executive directors' assessment and assumptions and entail uncertainty due to the related scope for judgment. The recoverability of deferred tax assets is therefore a key audit matter.

Auditor's response

As part of our audit, we obtained an understanding of the calculation of the temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts, the calculation of deferred taxes thereon as well as on tax loss carryforwards. To this end, we also

involved our internal tax specialists in the audit. We assessed the recoverability of the deferred tax assets recognized on the basis of the internal forecasts of future taxable income prepared by the Company and critically reviewed the underlying assumptions. In this regard, we reconciled the forecasts of future taxable income to the plan prepared by the Board of Management and approved by the Supervisory Board and examined them for consistency and arithmetical accuracy. We also assessed the underlying planning horizon with regard to the usability of the deferred tax assets. Moreover, we assessed the completeness of disclosures in the consolidated financial statements.

Our procedures did not lead to any reservations relating to the recoverability of deferred tax assets.

Reference to related disclosures

With regard to the recognition and measurement principles used to recognize deferred taxes, refer to the information provided in section B.21 "Taxes" and section B.23 "Uncertain estimates and judgment" and for information on taxes to section D.11 "Income taxes" and section E.5 "Deferred tax assets and liabilities" of the notes to the consolidated financial statements.

4. DISPOSAL OF SHARES AND DECONSOLIDATION OF BIOTEST US CORPORATION, BOCA RATON, USA, AND BIOTEST PHARMACEUTICALS CORPORATION, BOCA RATON, USA

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

On 19 January 2018, the final outstanding condition for the takeover offer by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, announced on 18 May 2017 was met by the approval granted by CFIUS (Committee on Foreign Investment in the United States). In connection with the approval by CFIUS, Biotest concluded an agreement on the disposal of its US companies Biotest Pharmaceuticals Corporation (BPC), Boca Raton, USA, and Biotest US Corporation, Boca Raton, USA. The two US companies were deconsolidated following the loss of control on 19 January 2018.

The sale of the US companies to Grifols Shared Services North America, Inc., Los Angeles, USA, was executed with the approval of the FTC (Federal Trade Commission) on 31 July 2018.

We considered this to be a key audit matter given the official requirements, the related complexity of the contractual arrangements and the significant effects on the consolidated financial statements.

Auditor's response

The focus of our procedures was the segregation of the discontinued operations from continuing operations and the measurement and calculation of the gain on deconsolidation. Our procedures included the reconciliation of the gross purchase price including purchase price adjustments and the net assets to the contract of sale and the closing statement of financial position. Furthermore, we obtained an understanding of the assumptions regarding the segregation and measurement of the assets and liabilities using internal reports as well as the underlying contracts and discussed them with the Company's executive directors. We examined the calculation of the gain on deconsolidation and the reclassification of currency translation differences in the statement of comprehensive income and reconciled the purchase price payment received to the contractual documents and bank statements.

Our procedures did not lead to any reservations regarding the disposal of shares and deconsolidation of Biotest US Corporation, Boca Raton, USA, and Biotest Pharmaceuticals Corporation, Boca Raton, USA

Reference to related disclosures

Refer to the information provided in section B.2 "Consolidation methods" and section F. "Discontinued operations" as well as section B.III.A "Biotest in 2018" of the notes to the consolidated financial statements for details of the recognition and measurement principles applied.

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 group non-financial statement contained in section G. of the group management report and the group 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report with regard to the other information already provided to us.

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 15 May 2018. We were engaged by the Supervisory Board on 14 November 2018. 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 2018
- Review of the system to ensure compliance with the requirements under Sec. 32 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] for the period from 1 January to 31 December 2018
- Review of Biotest Aktiengesellschaft's IFRS reporting package pursuant to the audit instructions of the group auditor of Tiancheng International Investment Limited, Hong Kong, People's Republic of China, as of 31 January 2018.
- Procedures in connection with Biotest Aktiengesellschaft's IFRS reporting package pursuant to the audit instructions of the group auditor of Tiancheng International Investment Limited, Hong Kong, People's Republic of China, as of 31 December 2016, 31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018, respectively.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Clemens Schier.

Eschborn/Frankfurt am Main, 21 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schier	Eichenauer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SUPERVISORY BOARD REPORT

The constitution of a stock corporation according to the German Stock Corporation Act strictly and imperatively distinguishes between the management and the supervision of the management. While management is the responsibility of the Board of Management only, the Supervisory Board is obliged to advise and supervise management by the Board of Management. In its function as a controlling body, the Supervisory Board unconditionally fulfilled its duties according to statutory law, the Articles of Association and Rules of Procedure in the financial year 2018. Guided by the principles of responsible and good corporate governance, 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, risk management and compliance. 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.

Where according to applicable law or the Articles of Association approval of the Supervisory Board is necessary for certain transactions, the Supervisory Board passed resolutions to the extent required.

The Chairman of the Supervisory Board also maintained intensive personal and telephone contact with the Chairman of the Board of Management on a monthly basis in addition to the Supervisory Board meetings to obtain information on the business development, key business transactions and upcoming decisions as well as long-term perspectives and considerations on emerging developments. Moreover, the Chairman of the Supervisory Board and the Chairman/Chairwoman of the Audit Committee automatically received all Internal Audit reports. The members of the Supervisory Board discussed current issues with the Board of Management also outside of the meetings.

A member of the Supervisory Board expressed interest in acquiring certain assets of the Company in the area of research and development. The respective Supervisory Board member informed the Supervisory Board of the conflict of interests and did not participate in the relevant consultations. Other than that, there were no conflicts of interests involving members of the Board of Management or Supervisory Board during the financial year 2018, which require immediate disclosure to the Supervisory Board and must be reported to the Annual Shareholders' Meeting.

In the financial year 2018, the preparations and the measures to ensure refinancing of the Company were of great importance to the discussions in the Supervisory Board. Moreover, the discussions in the Supervisory Board were characterised by consultations on a variety of strategic goals and projects, in particular the divestiture of all blood plasma collection centers in the Unites States, Biotest AG's position within the Creat-Group as well as the supply of blood plasma to ensure the needs of the Company.

The Supervisory Board held 15 regular meetings in the financial year 2018. One resolution was adopted by way of a written circular procedure. In relation to the performance of their duties, members of the Supervisory Board received sufficient opportunity in the Committees as well as in full composition to critically and thoroughly assess all reports and draft resolutions provided by the Board of Management. During discussions they had the opportunity to introduce their own proposals.

MAIN FOCUS AT SUPERVISORY BOARD DELIBERATIONS

In addition to the topics mentioned above, the regular deliberations of the Supervisory Board in the 2018 financial year focused on the planning and current business development of the Company, in particular the developments and impacts in relation to the public takeover offer of Tiancheng (Germany) Pharmaceutical Holdings AG, the acquisition company of Creat Group Corporation. In all matters, the Supervisory Board was continuously informed by the Board of Management about the situation and current developments. Any questions arising were discussed immediately and comprehensively. Thus, the Supervisory Board always received the most up-to-date information.

At the meeting on 16 January 2018, the Supervisory Board discussed the current business developments and the budget for 2018 presented by the Board of Management. After the details had been discussed, the Supervisory Board approved the 2018 budget. In the course of the meeting, the Board of Management provided an overview of the key developments in the procedure for the foreign trade approval of the public takeover offer of Tiancheng (Germany) Pharmaceutical Holdings AG for the shares of Biotest AG by the US authority CFIUS (Committee on Foreign Investment in the United States). Following the consultation, the Supervisory Board encouraged the Board of Management to take reasonable measures, which are necessary to obtain the approval. In addition, the Board of Management provided a detailed overview of refinancing options which were evaluated by a auditing firm. At the same meeting, the Supervisory Board unanimously approved the target of a women's quota of 25 % in the Board of Management and 30 % in the Supervisory Board by 2022.

At the Supervisory Board meeting on 7 February 2018, the Board of Management presented a timetable and further steps to be taken in connection with the closing of the takeover by Creat Group Corporation. The meeting also focused on the key financial figures for the financial year 2017 and the budget for 2018. The Board of Management presented the business strategy plan for the years 2018 to 2027 to the Supervisory Board, to which the Supervisory Board had no objections. The Audit Committee reported about its discussions on the independence of the auditor. Another integral item on the agenda was the development of the Biotest Next Level (BNL) investment program.

At its meeting on 13 March 2018, the Board of Managment informed the Supervisory Board about the current business situation of the Group until February 2018. Other items on the agenda included the status of the BNL project and strategic steps following the takeover by Creat Group Corporation. The Board of Management presented the annual financial statements for Biotest AG and the Group for the financial year 2017. The auditor present explained the results of his audit. Upon the recommendation of the Audit

Committee and after its own review, the Supervisory Board unanimously approved the annual financial statements for the Group and for Biotest AG as well as the non-financial statement (sustainability report). The Supervisory Board inter alia approved the Supervisory Board Report, the Corporate Governance Report and the Declaration of Compliance for the financial year 2017. The proposal to the annual general meeting for the appropriation of profits was approved. The Supervisory Board also approved the new terms of the Long Term Incentive Program for 2018–2020, the targets for the Board of Management for 2018 and the fulfillment of the targets for 2017 by the members of the Board of Management. The Supervisory Board resolved to amend its Rules of Procedure so that the Audit Committee now has up to four members. The agenda for the annual general meeting 2018 was adopted.

The meeting on 14 May 2018 was dominated by strategic considerations. Measures in connection with the sale of all plasma collection centers in the U.S. to Grifols were discussed with the Board of Management. Other topics of discussion included business developments and existing refinancing of the Company. Further, the financial report for 1st Quarter was discussed.

At the meeting held on 30 May 2018 and 5 June 2018, the subjects of discussion were once again the status of the sale of the plasma collection centers in the U.S. and the refinancing of the Company. The Board of Management was asked numerous questions by the Supervisory Board on the financial situation of the Company, which the Board of Management answered comprehensively and in detail.

Discussions on the Company's refinancing and strategic measures, in particular the sale of the US plasma collection centers, were continued at the meetings on 12 June 2018, 20 June 2018 and 26 June 2018.

The refinancing of the Company was also a central topic at the meeting on 10 July 2018. After detailed discussion of the options for action, the Supervisory Board approved the conclusion of a loan facility on the terms explained by the Board of Management. In the further course of the meeting, the Supervisory Board was informed by the Board of Management about the latest developments regarding the sale of the US business, the group performance up to June 2018, the business activities in Turkey and Iran and the implementation of strategic measures. As part of the BNL project, the Supervisory Board approved the planned hiring of personnel and other strategic projects.

At its meeting on 18 July 2018, the Supervisory Board noted that the company's refinancing was guaranteed.

A further Supervisory Board meeting was held on 18 September 2018, at which the Board of Management had the opportunity to provide the Supervisory Board with comprehensive information on the Company's business development up to August 2018, the refinancing, the status of the sale of the US business, the status of the BNL project and other strategic projects. How to ensure the long-term supply of blood plasma was also the subject of the discussions. The Compliance Officer provided an overview of the Company's compliance structure, including the processes and projects implemented.

At the meeting on 18 October 2018, the Board of Management informed the Supervisory Board about current business developments and various scenarios for securing the supply of blood plasma in the coming years. Following discussions on this, the Supervisory Board asked the Board of Management for a cost-benefit analysis of the scenarios presented.

At the meeting on 5 December 2018, the Board of Management informed the Supervisory Board about current business developments, the 2019 budget and the status of ongoing strategic projects. The Board of Management also provided an overview of the status of the research results. The Audit Committee, Governance Committee and Personnel and Compensation Committee reported on the deliberations of the committees in the past financial year. The Supervisory Board noted that all compliance incidents that occurred in 2018 had been investigated.

At the meeting on 17 December 2018, the Supervisory Board discussed the impact of strategic measures within the Creat Group on Biotest AG.

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 2018:

Personnel and Compensation Committee

Rolf Hoffmann (Chairman)

Kerstin Birkhahn

Kurt Hardt (until 28 Februar 2018)

Tan Yang (since 13 March 2018)

Audit Committee

Christine Kreidl (Chairwoman)

Rolf Hoffmann

Jürgen Heilmann

Tan Yang (since 13 March 2018)

Governance Committee

Dr Cathrin Schleussner (Chairwoman)

Christine Kreidl

Rolf Hoffmann

Tan Yang (since 13 March 2018)

The Audit Committee met with the Board of Management at three meetings in the financial year 2018. At the first meeting in financial year 2018 on 6 February 2018, the Audit Committee discussed the independence of the auditor. In the course of the meeting, the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft had the opportunity to report in detail on the provision of non-audit services in financial year 2018. The Audit Committee noted that, 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 compromised the independence of the auditor. Later that meeting, the Audit Committee discussed the status of the audit for 2017 as well as the auditor's planned services in 2018. The Audit Committee's discussions on 12 March 2018 focused on the individual and consolidated financial statements for 2017 as well as other reports in relation to the financial statement 2017 presented by the Board of Management. The auditor, who was present, explained the results of his audit and answered the questions posed by the Audit Committee. Following the discussions, the Audit Committee decided to propose to the Supervisory Board to approve the proposal on the appropriation of profits, the 2017 individual and consolidated financial statements, the non-financial statement (sustainability report), the report on the review pursuant to Section 20 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz) (the EMIR report) and – after presentation of the independence declaration for 2018 – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the 2018 financial statements. At the meeting on 4 December 2018, the Audit Committee discussed the results of the internal audit, risk management and key parameters of the 2018 audit. The key audit matters for 2018 were determined. The auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft gave an overview of the performed services in 2018 and the expected services for 2019, which were approved by the Audit Committee after review. Further, the audit plan for the internal audit 2019 was presented and approved.

The Personnel and Compensation Committee performs tasks in relation to Board of Management matters and prepares personnel decisions for the full Supervisory Board. In the year under review, it met – partly together with the Governance Committee – three times, on 12 March 2018, on 10 July 2018 together with the Governance Committee and on 4 December 2018. The meetings dealt with various issues relating to personnel organization and collective bargaining. The Personnel and Compensation Committee further discussed on the Long Term Incentive Program for the years 2018–2020, the targets for the Board of Management for 2018 and the fulfillment of the targets for 2017 by the members of the Board of Management.

The Governance Committee met in three sessions in 2018, on 12 March 2018, on 10 July 2018 together with the Personnel and Compensation Committee and on 4 December 2018. After detailed discussion, the Governance Committee decided to propose the approval of the Declaration of Compliance to the full Supervisory Board. It also dealt with strategic issues, the refinancing of the Company, the efficiency review of the Supervisory Board and the review of the remuneration of the Supervisory Board. Subject matters of the meeting dated 4 December 2018 were amongst others the planned amendments to the German Corporate Governance Code as well as an efficiency check of the Supervisory Board.

CORPORATE GOVERNANCE

Also in 2018, the Supervisory Board continuously complied with the further development of corporate governance standards within the Company. 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). On 7 March 2019, 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

Upon the successful completion of the takeover bid, Supervisory Board member Kurt Hardt resigned from office effective as of 28 February 2018, with the result that Mr Tan Yang has succeeded him as a full member of the Supervisory Board. At its meeting on 7 February 2018, the Supervisory Board unanimously elected Mr Tan Yang as Deputy Chairman of the Supervisory Board with effect from 1 March 2018. Mr Tan Yang was also elected as member of all committees at the meeting on 13 March 2018. There were no other personnel changes in the Supervisory Board in the 2018 financial year.

By circular resolution dated 9 August 2018, Dr Bernhard Ehmer was unanimously elected as a member of the Board of Management for a further term of six months, beginning on 1 November 2018 and ending on 30 April 2019. He was also elected Chairman of the Board of Management for the new term of office. In addition, the Supervisory Board unanimously approved the amendment of the service contract with Dr Bernhard Ehmer and its conclusion. There were no further personnel changes in 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 2018 as well as the management report and the group management report and provided an unqualified opinion. Further, the aforementioned auditor reviewed the report on the Company's relations to affiliated companies (dependency report) and provided an unqualified opinion:

Based on our audit performed in accordance with professional standards and our professional judgment, we confirm that:
1. The factual statements contained in the report are correct.
2. The consideration paid by the Company for the legal transactions stated in the report was not excessive.

The external auditor engaged by the Supervisory Board to review the content of the separate non-financial statement also issued an unqualified audit opinion. The abovementioned documents, the auditor's report, the dependency report, the separate non-financial statement 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 meetings of the Audit Committee on 6 and 21 March 2019 as well as at the meetings of the Supervisory Board on 7 and 21 March 2019. In all four 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 individual and consolidated financial statements, the management report and group management report, the Board of Management's proposal on the appropriation of the net profit, the dependency report as well as the non-financial statement, the Supervisory Board raised no objections and approved of the auditor's and external auditor's audit results. According to the final result of the review of the dependency report, the Supervisory Board also raised no objections to the declaration of the Board of Management on the dependency report. The Supervisory Board adopted the single entity and consolidated financial statements as prepared by the Board of Management for the financial year 2018. 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 continuous commitment and constructive cooperation, without which the positive performance of the Company in the difficult financial year 2018 would not have been possible.

Dreieich, 21 March 2019

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 which came into force on 24 April 2017. The following information refers to the German Corporate Governance Code in 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 13 March 2018, which referred to the German Corporate Governance Code in the version dated 5 May 2015 and in the version dated 7 February 2017, Biotest AG has complied with all recommendations of the German Corporate Governance Code 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 3 requires the Supervisory Board to determine the targeted level of benefits – also based on the length of time served on the Board of Management – and to take into account the annual expense for the Company derived from this. The Board of Management members are included in the company pension scheme of Biotest AG. They each have been given an individual commitment. The corresponding benefits are not derived from a pre-defined level of benefits so that the recommendation set forth in Section 4.2.3 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 AG did not follow the recommendation set forth in Section 5.3.3 of the German Corporate Governance Code to form an own supervisory board nomination committee, 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 recommends 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. So far Biotest AG has partially not followed the recommendations.

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 Vice Chairman of the Supervisory Board, Tan Yang who 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, is fulfilled with three independent members.

With effect as of 7 March 2019 the Supervisory Board has now established specific targets for its composition in accordance with Section 5.4.1 para 2 sentence 1, 2 of the German Corporate Governance Code.

- Section 5.4.1 para 2 sentence 1 of the German Corporate Governance Code recommends the preparation of a qualification profile for the Supervisory Board. So far, Biotest AG has partially not followed this recommendation. Despite the absence of a comprehensive qualification profile, the Supervisory Board has always taken into consideration that its members have sufficient knowledge, skills and professional experience, which is necessary to fulfill their duties. With effect as of 7 March 2019 the Supervisory Board has now established a qualification profile in accordance with Section 5.4.1 para 2 sentence 1 of the German Corporate Governance Code.
- 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 so far, these targets could not be taken into account when making proposals to the competent election body or to the General Meeting. Thus, Biotest AG has not followed this recommendation in the past.
- So far, Biotest AG has only followed the recommendation laid out in Section 5.4.1 para. 4 sentence 1 of the German Corporate Governance Code partially as for the past election qualification profile 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 at that time 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 so far, corresponding reporting in the Corporate Governance Report was not possible. Therefore, Biotest AG has not followed the recommendation in Section 5.4.1 para. 4 sentence 3 of the German Corporate Governance Code in the past.
- Provided that the members of the Supervisory Board are granted a performance –based remuneration, Section 5.4.6 para 2 of the German Corporate Governance Code recommends that such remuneration is to be based on the sustained performance of the company. This is generally understood as a multi-year basis for calculating performance-based remuneration. Biotest AG has not complied with this recommendation until 1 June 2018. Until then the Supervisory Board members have received an annual variable remuneration for each past financial year based on the amount of the dividend paid pursuant to the Articles of Association. On 15 May 2018 the General Meeting resolved on a new remuneration system for the Supervisory Board with effect as of 1 June 2018, which no longer includes a performance-based remuneration.

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, 7 March 2019

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 15 May 2018 in Frankfurt am Main. 93.1 % 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, changes to the Articles of Association (Deletion of § 9 (a) (Right to appointment representatives to the Supervisory Board) and § 20 sec. 1 (Chair of the General Meeting)), deletion of the existing authorised capital and creation of a new authorised capital and amendment to the Articles of Association, changes to the remuneration of the Supervisory Board 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 2018 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 €
19.01.2018	Dr Michael Ramroth	Member of the managing body	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	31,711	19.00	602,509.00
19.01.2018	Dr Georg Floß	Member of the managing body	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	8,400	19.00	159,600.00
19.01.2018	Dr Christina Erb	Head of Corporate HR	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	1,440	19.00	27,360.00
19.01.2018	Dr Hermann Keuper	Senior Vice President Manufacturing	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	750	19.00	14,250.00
19.01.2018	Stephan Fleck	Vice President Corporate Controlling	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	600	19.00	11,400.00
19.01.2018	Jürgen Kintzel	Vice President IT	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	750	19.00	14,250.00
22.01.2018	OGEL GmbH	Person closely associated with: Dr Cathrin Schleussner (Member of the administrative or supervisory body)	Disposal/Outside a trading venue	Ordinary shares	DE0005227201	10,013,417	28.50	285,382,384.50
22.01.2018	Dr Cathrin Schleussner	Member of the administrative or supervisory body	Disposal*/Outside a trading venue	Ordinary shares	DE0005227201	10,013,417	28.50	285,382,384.50
23.01.2018	Peter Seith	Senior Vice President Quality Operations	Disposal/Outside a trading venue	Preference shares	DE000A2E4TV6	900	19.00	17,100.00
24.01.2018	Herr Schleussner	Person closely associated with: Dr Cathrin Schleussner (Member of the administrative or supervisory body)	Disposal/Outside a trading venue	Ordinary shares	DE0005227201	8,940	28.50	254.790.00
25.01.2018	Dr Cathrin Schleussner	Member of the administrative or supervisory body	Disposal**/Outside a trading venue	Ordinary shares	DE0005227201	48,135	28.50	1.371.847.50
06.02.2018	Joshua Schleussner	Person closely associated with: Dr Cathrin Schleussner (Member of the administrative or supervisory body)	Disposal/Outside a trading venue	Ordinary shares	DE0005227201	8,940	28.50	254.790.00
22.02.2018	Josefine Buth	Corporate Regulatory Affairs	Disposal/ (Joint deposit of securities with husband) Outside a trading venue	Preference shares	DE0005227235	100	26.15	2.605.10
22.02.2018	Josefine Buth	Corporate Regulatory Affairs	Disposal/(Joint deposit of securities with husband) 5000 € – level reached; Outside a trading venue	Preference shares	DE0005227235	100	26.15	2.615.00
05.09.2018	Dr Martin Reinecke	Senior Vice President plasma alliances and proteine supply	Disposal/Xetra	Preference shares	DE0005227235	100	24.35	2.435.00
12.10.2018	Dr Martin Reinecke	Senior Vice President plasma alliances and proteine supply	Disposal/Xetra	Preference shares	DE0005227235	3,400	23.80	80.920.00

* on the grounds of the takeover offer of Tiancheng (Germany) Holding AG by the holder of the shares OGEL GmbH (ISIN of the tendered ordinary shares: DE 000A2E4TS2)

** on the grounds of the takeover offer of Tiancheng (Germany) Holding AG for ordinary shares directly held by Dr Cathrin Schleussner (ISIN of the tendered ordinary shares: DE 000A2E4TS2

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.

C

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

CLOTTING FACTORS
Proteins responsible for blood coagulation.

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

D

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

DEXAMETHASONE
A drug used, among other things, in combination with lenalidomide to treat multiple myeloma and in the treatment of various tumours. Dexamethasone has an anti-inflammatory action and a dampening effect on the immune system.

DOSE ESCALATION
Increase in the dosage of a drug.

F

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

FIBRINOGEN
Protein produced in the liver that plays a central part in blood clotting. During clotting, it is converted to fibrin, which acts like a glue in the blood for sealing wounds. A fibrinogen deficiency is one possible cause of blood clotting disorders.

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

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

H

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

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

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

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.

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.

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 AMORTISED COST (AC)
A financial instrument class as defined in IFRS 9.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FAFVTPL)
A financial instrument class as defined in IFRS 9.

FINANCIAL LIABILITIES AT AMORTISED COST (FLAC)
A financial instrument class as defined in IFRS 9.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FLFVTPL)
A financial instrument class as defined in IFRS 9.

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 class as defined in IFRS 9.

L

LOANS AND RECEIVABLES (LAR)
A financial instrument class as defined in IFRS 9.

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

7 MAY 2019
Three-month report for 2019

7 MAY 2019
Annual Shareholders' Meeting

14 AUGUST 2019
Half-year report for 2019

14 NOVEMBER 2019
Nine-month report for 2019

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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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