Biotest

From Nature for Life

RESEARCH. PROGRESS. RESPONSIBILITY. | Annual Report 2019

KEY FIGURES

BIOTEST GROUP		**2019**	2018*
Revenues	€ million	**419.1**	400.3
thereof:			
Germany	€ million	**117.4**	110.8
Rest of World	€ million	**301.7**	289.5
thereof:			
Therapy	€ million	**371.9**	348.5
Plasma & Services	€ million	**39.5**	45.3
Other Segments	€ million	**7.7**	6.5
EBITDA	€ million	**30.5**	35.2
Depreciation & amortization	€ million	**31.7**	24.6
Operating result (EBIT)	€ million	**-1.2**	10.6
EBIT in % of sales	*%*	**-0.3**	*2.6*
Profit before taxes from continuing operations	€ million	**-1.3**	-6.0
Profit after taxes from continuing operations	€ million	**-4.7**	-12.9
Profit after taxes from discontinued operations	€ million	**-**	194.6
Earnings after taxes (total)	€ million	**-4.7**	181.7
Financing			
Cash flow from operating activities of continuing operations	€ million	**-33.6**	-49.6
Cash flow from operating activities of the discontinued operations	€ million	**-**	-0.4
		31.12.2019	31.12.2018
Equity	€ million	**477.0**	495.2
Equity ratio	*%*	***43.0***	*47.5*
Balance sheet total	€ million	**1,108.4**	1,042.3
Employees in FTEs	number	**1,837**	1,663
Earnings per ordinary share	€	**-0.13**	-0.34

* Continuing Operations

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1

DR. MICHAEL RAMROTH
CEO / CFO

2

DR. GEORG FLOß
Chief Operations Officer

DEAR READERS,

2019 was a good year for Biotest. As expected, sales increased in the mid-single-digit percentage range by almost 5 % compared to 2018 to € 419.1 million. Efforts to find a co-marketing and co-development partner were not successfully completed in 2019. Nevertheless, with an operating result (EBIT) of € –1.2 million, Biotest performed better than previously forecasted. Without the expenses for the Biotest Next Level project aimed at doubling capacity and the development of three new plasma protein products, we could report operating profit of € 68.6 million.

Biotest products are often the only effective therapy option for many seriously ill patients. We are therefore all the more pleased that our products generated good study results again in 2019 and passed important approval hurdles.

A particular highlight was the completion of a long-term study in patients with Haemophilia A, who were treated with our product Haemoctin® SDH. The study data was collected over 18 years. A total of over 1,400 patient years were analysed. In particular, the excellent efficacy and the very good tolerability of our preparation Haemoctin® SDH in the prophylaxis against bleeding could be demonstrated in permanent therapy.

Our research activities focus on the products IgG Next Generation, Trimodulin and Fibrinogen. They form the core of the product portfolio that will be manufactured in the new Biotest Next Level production facility. Research projects on these preparations progressed according to schedule in 2019. The first phase III study for IgG Next Generation in the indication idiopathic thrombocytopenic purpura (ITP) was completed and the study report submitted to the regulatory authority.

In the first months of 2020, Biotest already had another authorisation success: The product Cytotect CP Biotest received marketing authorisation in the UK in January. Patients in the UK now benefit from an additional treatment option to avoid clinical manifestations of a cytomegalovirus (CMV) infection. Biotest is currently the only provider of a CMV hyperimmunoglobulin in Europe.

Human blood plasma is the precious raw material that enables us to manufacture life-saving drugs. For this reason, Biotest expanded the Group's own network of plasma stations again in 2019 and integrated a new collection centre in Germany, the Czech Republic and Hungary into the network of 22 stations. Hereby, we have further expanded the strategically important self-supply with blood plasma.

As part of our Biotest Next Level expansion project, which will significantly increase both our productivity and our production capacity, the first of three approval inspections by the regulatory authorities at the Dreieich site in was passed in November 2019. The media supply to the production and the clean rooms were successfully approved by the authorities. In the next inspection planned for June 2020, the focus will be on the qualification of the production facilities, the in-process laboratories and the entire documentation of the future production operation. An inspection of the production of the so-called consistency batches is expected to accompany the production in the fourth quarter of 2020.

Another notable success was that the first production runs for the production of the new immunoglobulin preparation IgG Next Generation were carried out successfully as planned at the end of 2019.

Important milestones were also reached for Biotest Next Level in terms of capitalisation and personnel recruitment in 2019: We financed the steps to put our new production facilities into operation in the summer of 2019 by concluding a new financing contract for € 240 million. In addition, over 130 new jobs were created last year at the site in Dreieich, and more than 170 across the entire Group. Biotest is also planning further new hires in the current year to bring the employees needed to operate the new production facilities on board.

The use of the human raw material blood plasma and the manufacture of preparations for seriously ill patients have firmly anchored a clear view of responsible entrepreneurship in the culture of Biotest. We also assume corporate responsibility to get involved in maintaining an environment worth living in, for example with activities to promote climate protection. In order to integrate climate protection into the everyday work of our nearly 2,000 employees, for the first time in 2019, Biotest participated in the project "Climate Savers – Lifesavers" funded by the Federal Ministry for the Environment and is therefore part of the National Climate Protection Initiative.

We would like to thank all our employees for their commitment in the past year. Without their commitment, the positive development of our Company would not be possible. Our thanks also go to our customers, suppliers, plasma donors and our shareholders for the trust they have placed in us. It is a pleasure for us to have you continue to accompany Biotest in 2020.

Kind regards,

Dr Michael Ramroth Dr Georg Floß

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019

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 the material steps of the value chain, such as preclinical and clinical development of the preparations, plasma collection, production, worldwide marketing and sales.

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.

Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, an indirectly controlled subsidiary of Creat Group Co. Ltd., Nanchang, People's Republic of China (Creat), has held an 89.88% share of the voting share capital in Biotest AG and 44.95% of the total share capital of Biotest AG since 31 January 2018.

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 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 in January 2018 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 essential stages of the value chain for the manufacture of its main products, plasma proteins, such as preclinical and clinical development of the preparations, plasma collection, production, worldwide 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 around 90 countries in the world via local partners. The sales and distribution activities are centrally managed strategically from Biotest's headquarters in Dreieich.

Human blood plasma is the basis for manufacturing Biotest products. To obtain this raw material for its own production as well as for the purposes of selling some of it to contractual partners, Biotest currently operates 22 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.

Biotest is also developing an early-stage new haemophilia preparation. The development of monoclonal antibodies has been terminated.

In order to expand the product range and increase capacity, Biotest started planning for the Biotest Next Level project in 2013. By constructing further buildings and equipment at the Dreieich site, 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 qualification of the clean rooms and media systems were completed, so that they were approved by the Darmstadt regional council in November 2019. At the same time, the commissioning of the actual process plants began, the acceptance of which is planned by the Darmstadt regional council for 2020.

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 development projects 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)
Vihuma®	Haemophilia A (acute therapy and prophylaxis)
Therapeutic area Clinical Immunology	
Cytotect®	Prophylaxis of cytomegalovirus (CMV) infection
Fovepta®	Hepatitis B prophylaxis in new-borns
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 and SID**
Intratect® 100 g/l (10%)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes, autoimmune diseases as well as the neurological indications CIDP, MMN and SID**
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-094 (Cytotect 70)*	Prevention of cytomegalovirus infection (CMV) in the foetus during pregnancy with mother's CMV infection
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 severe community-acquired pneumonia)
Pentaglobin®	Severe bacterial infection

* Preparations in the development phase (status as of 31 December 2019)

** Chronic Inflammatory Demyelinating Polyneuropathy (CIDP); multifocal motor neuropathy (MMN); secondary immune deficiency (SID)
Additional indications for Chronic Inflammatory Demyelinating Polyneuropathy (CIDP), multifocal motor neuropathy (MMN) and an expansion in the field of secondary immune deficiencies (SID) have been received in 22 European countries.

Status as of 31 December 2019
Commercialisation in Europe, Asia, South America and the Middle East; Launch of Haemoctin®
in double concentration in Europe; other countries to follow
Commercialisation in Europe and other regions
Commercialisation in Germany and Austria
Commercialisation in Europe, Asia, South America, Africa and the Middle East
Commercialisation in Asia, South America, Africa and the Middle East
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 other regions
Clinical development; ongoing phase III study
Clinical development; Phase III study completed.
Commercialisation in Europe, South America, Asia and the Middle East
Marketing in Europe
Phase III study completed. The data is currently being prepared for publication.
Commercialisation in Europe, South America, Asia, Africa and Middle East; Launch in Europe, Japan, USA and Israel
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 the number of employees

As of 31 December 2019, Biotest employed 1,837 persons expressed as full-time equivalents. This represents an increase of 10.5% compared to 1,663 full-time equivalents at the end of 2018. As of 31 December 2019, 1,243 full-time equivalents (67.7%, previous year: 66.5%) were assigned to Biotest AG. Around four out of five employees (79.1%) worked in Germany (previous year: 79.2%).

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. 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 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 2019, 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 expand the product range, the Biotest Group has been expanding its capacities at the Company's headquarters in Dreieich since 2013. The Biotest Next Level project will expand the product portfolio and double fractionation capacities by 2021. In the future, profitability shall be increased by extracting five instead of three product lines from the raw material plasma while simultaneously increasing the profitability.

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 value of the Company 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:

MASSGEBLICHE STEUERUNGSKENNZAHLEN AUF KONZERNEBENE

Indicator	Calculation method	Value as of 31/12/2019	Value as of 31/12/2018
Return on Capital Employed (ROCE)	EBIT/capital employed*	–0.1%	1.2%
EBIT margin	EBIT/sales	–0.3%	2.6%
EBT margin	EBT/sales	–0.3%	–1.5%
Contribution margin	(Sales – cost of sales)/sales	30.7%	33.7%
Cash flow from operating activities	See cash flow statement for a detailed calculation	-33.6 Mio. €	-49.6 Mio. €
Cost of sales ratio	Cost of sales/sales	69.3%	66.3%
Marketing and distribution expense ratio	Cost of marketing and distribution/sales	11.8%	12.9%

* 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 activities. 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. The respective share that Biotest holds in the total market or in a specific market segment represents an important indicator in sales. 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 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 is performed for the management of research and development projects. Development time lines, costs, probabilities of success, risks, strategic importance and market size as well as the commercial potential also in the form of a net present value analysis are used for this. On the basis of the portfolio analysis, a Company-wide prioritisation of the projects and hence a focus of the organisation on the strategically important projects is achieved.

IV. RESEARCH AND DEVELOPMENT (GENERAL)

As part of 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. Research activities focus on the new products IgG Next Generation, Trimodulin and Fibrinogen. These form the core of the product portfolio intended for production in the new Biotest Next Level production facility.

In addition, existing products are also systematically developed to further increase patient benefit or to achieve new indications and approvals in additional countries. For the reporting period, the development and market launch of Haemoctin® with a double concentration, in particular, should be emphasized. It reduces the volume of infusion for patients. Data on the efficacy and tolerability of Haemoctin® as part of a long-term study was published in 2019.

The monoclonal antibody BT-061 was sold in July 2019. All activities related to the immune conjugate BT-062 and the monoclonal antibody BT-063, including the clinical studies, have also been completed and both development projects have now been terminated.

The preclinical development of a new haemophilia preparation is progressing as planned with respect to results. In addition, the search for a development partner for the clinical phases and subsequent international marketing was started.

A detailed schedule of the progress made in the research and development projects carried out in financial year 2019 is shown in the "Research and Development" section of the Business Report.

The Biotest Group's research and development costs amounted to € 53.4 million in financial year 2019 (previous year: € 48.5 million). € 52 million of this related to plasma proteins and € 1.4 million to monoclonal antibodies. These expenses amounted to 12.7% of sales after 12.1% in the same period of the previous year. The number of employees (converted into FTEs) in research and development was 204 FTEs as of 31 December 2019, slightly up from 31 December 2018 (190 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 2019.[1] Global production grew by 3.0% last year and the growth rate thus fell by 0.7 percentage points compared to the growth level in 2018.[2] Economic researchers expect the growth rate to increase slightly to 3.1% in 2020 and to 3.4% in 2021.[3] The weakness of industrial production and global trade in particular caused the global growth momentum to slow down in 2019.[4] The risks to the further development of economic growth include, among other factors, ongoing trade conflicts, an impending general strike in France and the uncertainties regarding the exact design of future regulations between the EU and the UK after a Brexit.[5]

For Germany, the IfW expects GDP growth to slow down in 2019 by 0.5%.[6] According to the IfW, the worldwide increased political uncertainty is largely responsible for the current economic weakness in Germany.[7] The growth rate is expected to increase to 1.1% in 2020 and to 1.5% in 2021.[8] The researchers see a better development of industry starting in the second half of 2020 as decisive for the increased growth rate, which is indicated by the development of mood indicators and order intake.[9] The development of construction investment and private consumer spending continues to be robust, [10] the latter being driven by increasing household incomes.[11]

Due to the spread of the coronavirus, the IfW expects that the temporary slump in production in China will initially make itself felt in Germany through the loss of export orders and, in a second stage, that production will be hampered by a lack of supplies. While the effects on demand were already noticeable in the first quarter, the German economy would not be hit with full force by the supply bottlenecks from Asia until spring. In addition, the domestic economy would be negatively affected wherever human interaction is restricted as a prophylactic measure. If economic life in Asia gradually returns to normal in the coming months, the IfW expects a drastic but comparatively short slump in economic activity here. The low point should then be reached in the second quarter.[12]

The IfW expects GDP growth to weaken in the United States (2019: 2.3%; 2020: 1.5%; 2021: 1.7%), while forecasts for the euro region (2019: 1.2%; 2020: 1.2%; 2021: 1.5%) [13] and Asia (2019: 5.6%; 2020: 5.8%; 2021: 5.8%) [14] show a slight upward trend. With the exception of the Brexit year 2020, the United Kingdom is expected to show a stable development (2019: 1.3%; 2020: 0.6%; 2021: 1.4%).[15] A clearly positive development is forecast for Latin America (2019: -0.5%; 2020: 0.8%; 2021: 2.1%).[16]

In January 2020, the International Monetary Fund (IMF) had forecast global economic growth of +3.3% for the current year (2019: +2.9%). As a result of the spread of the coronavirus, the IMF's global growth expectation was reduced by 0.1 percentage points as of February 2020. The IMF's reduced forecast is based on the assumption that the economic situation in China will normalise in the second quarter and that the impact on the global economy will therefore be relatively minor and short-lived.[17]

Due to the high global medical demand for plasma protein products, the Biotest Group is only to a lesser extent 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.

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

[1] Kiel Institute for the World Economy (2019), Economic reports from Kiel, World economy in winter 2019. S. 2.
[2] Ibid. p. 2.
[3] Ibid. p. 8.
[4] Ibid. p. 3-4.
[5] Ibid. p. 8-11.
[6] Kiel Institute for the World Economy (2019), Economic reports from Kiel, German economy in winter 2019, p. 3.
[7] Ibid. p. 10.
[8] Ibid. p. 3.
[9] Ibid. p. 3.
[10] Ibid. p. 6.
[11] Ibid. p. 7.

12 Kiel Institute for the World Economy (2020), Comment by Prof. Dr. Stefan Kooths, Head of Forecasting Centre, https://www.ifw-kiel.de/de/publikationen/medieninformationen/2020/kommentar-auftragseingaenge-verarbeitendes-gewerbe-fruehindikator-vermittelt-nur-noch-rueckspiegeloptik/

[13] Kiel Institute for the World Economy (2019), Economic reports from Kiel, World economy in winter 2019. p. 10.

[14] Ibid. p. 13.
[15] Ibid. p. 12.
[16] Ibid. p. 13.

17 International Monetary Fund (2020), Remarks by IMF Managing Director Kristalina Georgieva to G20 on Economic Impact of COVID-19, https://www.imf.org/en/News/Articles/2020/02/22/pr2061-remarks-by-kristalina-georgieva-to-g20-on-economic-impact-of-covid-19

regions of the world. For example, industry experts expect the global demand for the immunoglobulin (IgG) market to grow by 7 to 8% annually as a long-term target corridor.[18] Blood plasma is increasingly being collected in order to meet the growth in demand. For example, the amount of plasma collected in the United States increased by around 9% in the first seven months of the 2019 financial year compared to the same period of the previous year.[19] With the increasing amount of plasma collected, the industry is also preparing for the additional fractionation capacities that are currently emerging 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. 10.[20] The market volume for immunoglobulins in the USA increased in the first half of 2019 compared to the same period of the previous year with growth rates in the upper to mid-single-digit percentage range.[21] By contrast, the market volume in Europe developed more slowly over the same period than in the USA.[22] The German market also developed positively last year in terms of sales volume – both for general practitioners and for hospitals.[23] The average price in German hospitals showed a positive development in the course of 2019.[24]

The long-term growth of the global albumin market is estimated at an annual growth rate of around 6%.[25]

The demand for plasmatic Factor VIII products is also continuing to increase. Growth is being 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. By 2021, growth of 1 to 2% p. a. is predicted for the plasmatic Factor VIII preparations.[26] The recombinant sector is significantly shaped by the introduction of new Factor VIII preparations, 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 2019

Goals for 2019: Target-performance comparison

For financial year 2019, the Board of Management forecasted a mid-single-digit percentage increase in sales for continuing business operations.

The Biotest Group generated sales of € 419.1 million from continuing operations in financial year 2019, compared to € 400.3 million in the previous year. This corresponds to a 4.7% increase in sales.

EBIT of continuing operations in financial year 2019 was € –1.2 million after € 10.6 million in the previous year. At the beginning of 2019, the Board of Management had forecasted EBIT for continuing operations of € –5 million to € +5 million in the event of a successfully completed partnering and EBIT of between € –15 and € –35 million without partnering. On 4 December 2019, Biotest announced that efforts to find a co-marketing and co-development partner could not be successfully completed in 2019. The EBIT forecast for business development without partnering was nevertheless raised to a value in the range of € –3 million to € –13 million. This was due to the reallocation of selected plasma products to attractive sales markets.

The Company had forecasted a return on capital employed (ROCE) of around –2% to –4% (without partnering). The ROCE of the continuing operations was –0.1% for financial year 2019 as EBIT exceeded the forecast.

For the cash flow from operating activities, an amount of approximately € –60 million to € –90 million (without partnering) was forecasted. At € –33.6 million, the forecast target value was exceeded. The main reason for this was the improved operating result.

[18] Biotest Market and Pricing Insights based on MRB (2016, 2017), Plasma Protein Therapeutics Association (PPTA) (2019), Markets and Markets (2019), Allied Market Research (2018), Credit Suisse (Nov 2019).
[19] PPTA (2019).
[20] CMS.gov, IQVIA (Nov 2019).
[21] PPTA (2019), Credit Suisse (Jan 2019).
[22] Insight Health (Oct 2019), IQVIA (Nov 2019), PPTA (2019).
[23] Insight Health (Oct 2019), IQVIA (Oct 2019).
[24] IQVIA (Oct 2019).
[25] Biotest Market and Pricing Insights based on MRB (2017), Markets and Markets (2019).
[26] Biotest Market and Pricing Insights based on MRB (2016).

The Biotest Group's core business (adjusted EBIT in continuing operations) is clearly positive at € 68.6 million.

in € million	2019	2018
EBIT	**-1.2**	**10.6**
Expenses for Biotest Next Level*	68.4	53.4
Expenses for monoclonal antibodies	1.4	3.9
Expenses for strategic reorientation	-	1.3
Expenses for human albumin recall taking into account the insurance compensation or income from insurance compensation	-	-2.1
Adjusted EBIT	**68.6**	**67.1**

* 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.

Other events in the course of business

In financial year 2019, Biotest further expanded its network of the Group's own plasma collection centres in Europe. Plasma Service Europe GmbH, Dreieich, Germany, a wholly owned subsidiary of Biotest AG, acquired a plasmapheresis centre in Hanover in January 2019. In April 2019, Biotest received the operating license for the ninth plasmapheresis centre in Hungary from the Hungarian health authority OTH. The centre is located in the capital, Budapest. In December, another centre was opened in Iglau (Jihlava), Czech Republic. This is the fourth plasmapheresis centre in the Czech Republic. The Group's own network of plasma collection stations in Europe has now been expanded to 22 stations for long-term security of the plasma supply. Three further plasma collection stations are to follow in financial year 2020.

At its meeting on 7 March 2019, the Supervisory Board appointed Dr Michael Ramroth Chairman of the Board of Management of Biotest AG with effect from 1 May 2019. Dr Bernhard Ehmer resigned from the Management Board on 30 April 2019.

At the 2019 Annual General Meeting, the shareholders of Biotest AG voted on 7 May 2019 to distribute a dividend of € 0.04 per preferred share. In total, an amount of around € 0.8 million was distributed.

On 24 June 2019, Biotest signed a financing contract with a term of five years for a volume of € 240 million. This finances the further steps for commissioning the Biotest Next Level facilities in the next few years. We refer to the corresponding explanations in section G 6 Capital management of the notes to the consolidated financial statements.

Biotest Real Estate Corporation, Wilmington, Delaware, USA, a 100% subsidiary of Biotest AG, sold a property in Boca Raton, Florida, USA in November 2019.

In 2019, Biotest received insurance compensation of € 10.5 million.

Group business strategy and implementation in financial year 2019

Internationalisation

The Biotest Group opened up new countries in the past financial year with additional approvals and thus further strengthened its international orientation. In financial year 2019, Cytotect® CP was newly approved in Italy and Spain, Intratect® 100g/l (10%) in Pakistan, Fovepta® in Algeria, Kazakhstan and Indonesia, Hepatect® CP in Algeria and Albiomin® in Hong Kong. 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). In March 2019, Biotest received approval for the halved solvent volume of the factor VIII preparation Haemoctin® SDH in 13 European countries and several countries outside Europe.

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 its profitability. Biotest's product expansion focuses on the plasma protein business.

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 suited for the treatment and prevention of haemorrhage in children and adults with haemophilia A (congenital Factor VIII deficiency). It is intended to offer an alternative to patients deciding on a recombinant product. In studies with previously-treated patients, the 4th generation recombinant clotting factor proved to be safe, effective and tolerable.

In addition, Biotest entered into a cooperation in 2018 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.

Research and development

Research and development costs in continuing operations increased by 10.1% to € 53.4 million in 2019 (same period last year: € 48.5 million). Development projects with monoclonal antibodies account for € 1.4 million thereof.

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/study design	Number of study participants	Status as of 31 December 2019
Therapeutic area Clinical Immunology				
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 around 25.000 pregnant women	Publication of the study data in preparation
IgG Next Generation				
Phase III primary immunodeficiency (PID)	991	Multiple dosing. 12-month treatment duration	60 planned	Adult recruitment completed; Recruitment of children completed
Phase III immune thrombocytopenia (ITP)	992	Multiple dose		Study 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 has ended
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 new-borns, is used in combination with an HBV vaccination immediately after birth. Fovepta® was newly approved in Algeria, Kazakhstan and Indonesia in 2019.

Biotest received approval for Hepatect® CP in Algeria in 2019.

Cytotect® CP was newly approved in Italy and Spain in the third quarter of 2019.

Intratect® 100g/l (10%) was newly approved in Pakistan in February 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). Implementation of the indication extension in countries outside Europe is ongoing.

Therapeutic area Intensive Care Medicine

Albiomin® was granted new approval in Hong Kong in financial year 2019.

Therapeutic area Haematology

In March 2019, Biotest received approval for the halved solvent volume of the factor VIII preparation Haemoctin® SDH for the

commercial sizes Haemoctin SDH 500 and 1000 in 13 European countries. The market launch in countries outside Europe is planned.

Plasma and Services

The Biotest Group has had a plasmapheresis centre in Hanover since January 2019. In April 2019, Biotest received the operating license for the ninth plasmapheresis centre in Hungary. In December, the fourth plasmapheresis centre was opened in the Czech Republic. As of 31 December 2019, Biotest now operates 22 plasma collection centres in Europe.

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

A. EARNINGS POSITION

The Biotest Group generated revenues from continuing operations of € 419.1 million in financial year 2019. This represents an increase of 4.7% compared to the previous year, in which sales of € 400.3 million were generated.

In the core segment Therapy, the Biotest Group has reallocated selected plasma products to attractive sales markets and increased sales volumes. As a result, sales in this segment rose by 6.7% to € 371.9 million. These positive effects were partially offset by lower sales in the Plasma & Services segment of € 5.8 million (–12.8%), which can be attributed to the reduced toll manufacturing to expand the capacities for our own production.

After € 6.0 million in the previous year, Biotest shows no revenues from the discontinued operations.

DEVELOPMENT OF SALES BY SEGMENTS

in € million	2019	2018	Change in %
Therapy	371.9	348.5	6.7
Plasma & Services	39.5	45.3	-12.8
Other Segments	7.7	6.5	18.5
Biotest Group	**419.1**	**400.3**	**4.7**

The Biotest Group is a globally active company. In financial year 2019, 72.0% of sales were generated outside Germany. Biotest reports in the four sales regions "Central Europe," "East and South Europe," "Intercontinental" and "Middle East, Africa and France." All sales regions except Middle East, Africa and France recorded growth rates in the one to two-digit percentage range for sales in 2019. The strongest growth was recorded in East and South Europe (+27.7% or € +18.5 million) and Central Europe (+14.1% or € 21.4 million). The main reason for the positive development was the increase in sales of Intratect®.

DEVELOPMENT OF SALES BY REGIONS

in € million	2019	2018	Change in %
Central Europe	173.5	152.1	14.1
East and South Europe	85.2	66.7	27.7
Intercontinental	82.6	75.9	8.8
Middle East, Africa and France	77.8	105.6	-26.3
Biotest Group	**419.1**	**400.3**	**4.7**

Costs of sales increased by 9.3% in financial year 2019 from € 265.5 million to € 290.3 million. The increase is primarily due to the higher business volume evident in sales growth as well as expenses in the ramp-up phase of the new Biotest Next Level production facility.

Despite the higher sales, marketing and sales costs decreased by 3.9% compared to the previous year and amounted to € –49.6 million in financial year 2019 (same period of the previous year: € 51.6 million). Their share of sales decreased by 1.1 percentage points from 12.9% in 2018 to 11.8% in financial year 2019. This development is due to regional changes in the distribution of sales.

PRIMARY P&L ITEMS OF THE BIOTEST GROUP*

in € million	2019	in % of sales	2018	in % of sales
Cost of sales	–290.3	69.3	–265.5	66.3
Marketing and distribution costs	–49.6	11.8	–51.6	12.9
Administrative expenses	–31.3	7.5	–31.6	7.9
Research and development costs	–53.4	12.8	–48.5	12.1
Other operating income and expenses	7.2	1.7	9.6	2.4
Financial result	–0.2	0.0	–16.4	4.1

* Expenses are marked with a negative sign.

Administrative expenses decreased slightly in financial year 2019 by 0.9% from € 31.6 million to € 31.3 million. Accordingly, the administrative expense ratio fell to 7.5% after 7.9% in the previous year.

Research and development costs rose to € 53.4 million in financial year 2019 (same period of the previous year: € 48.5 million). Their share of sales in the past financial year was 12.7% (same period of the previous year: 12.1%). The main reason for the increase was the production of clinical material for the IgG Next Generation and Trimodulin development projects.

Other operating expenses rose from € 4.0 million in financial year 2018 to € 6.3 million due to the amortization of a so far not used sales license in the amount of € 2.6 million. Other operating income in 2019 was at the previous year's level of € 13.5 million (same period of the previous year: € 13.6 million). Other operating income in 2019 includes insurance compensation in the amount of € 10.5 million (same period of the previous year: € 9.8 million).

The changes in valuation allowances for financial assets measured at amortised cost amounted to € –2.8 million in 2019 (same period of the previous year: € –2.1 million).

EBIT for financial year 2019 was € –1.2 million after € 10.6 million in the same period of last year. The EBIT margin was thus - 0.3% for 2018 after 2.6% in the previous financial year. The main reason for the slightly negative EBIT was the disproportional increase in manufacturing costs. Although efforts to find a co-development and co-marketing partner were not successfully completed in 2019, EBIT was significantly better than the € –15 to € –35 million originally expected for this scenario. The EBIT range of € –3 million to € –13 million raised for this scenario in December 2019 was also slightly exceeded, as selected plasma products were reallocated to attractive sales markets.

EBIT of the discontinued operation amounted to € 0.0 million after € 194.8 million in the previous year. In 2018, 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.

The financial result improved to € –0.2 million in financial year 2019 after € –16.4 million in the previous year. The main reasons were the income of € 12.8 million from value adjustments of the surrender claim against trustee from the sale of shares in ADMA Biologics Inc., USA, as well as lower financial expenses. In the previous year, financial expenses were burdened by early repayment penalties and waiver fees in the amount of € 9.3 million.

Earnings before taxes (EBT) for the continuing operations of the Biotest Group amounted to € -1.3 million after € –6.0 million in the same period of the previous year. EBT from discontinued operations resulted in € 0.0 million after € 194.6 million in the same period of the previous year.

Compared to the previous year, tax expenses in the 2019 financial year fell to € –3.4 million (previous year: € 6.9 million). In the previous year, tax expenses mainly resulted from the write-down of deferred tax assets in the amount of € 11.2 million and from tax refunds for previous years in the amount of € 5.4 million. Earnings after taxes from continuing operations were € -4.7 million after € –12.9 million in 2018.

Earnings after taxes from the discontinued operation were € 0.0 million after € 194.6 million in the same period of the previous year and were significantly influenced in 2018 by the recognition of the capital gain from the sale of the US companies.

Total earnings after taxes (EAT) of the Biotest Group from continuing and discontinued operations were thus € –4.7 million (same period last year: € 181.7 million). This results in earnings per ordinary share of € –0.13 € after € – 0.34 € in the previous year.

KEY PERFORMANCE FIGURES OF THE BIOTEST GROUP CONTINUING OPERATIONS

in € million	2019	2018	Change in %
EBIT	–1.2	10.6	111.3
EBT	–1.3	–6.0	–78.3
EAT	–4.7	–12.9	–63.6

B. ASSET POSITION

Total assets as of 31 December 2019 increased compared to 31 December 2018 by € 66.1 million from € 1,042.3 million to € 1,108.4 million.

Non-current assets increased by € 38.4 million to € 585.6 million after € 547.2 million on the previous year's balance sheet date. Much of this development is due to the first-time adoption of IFRS 16 Leases and the associated recognition of rights-of-use asset in the amount of € 26.0 million. Property, plant and equipment was € 521.9 million above the previous year's value of € 512.7 million, which is mainly due to further investments in the Biotest Next Level project.

Current assets as of 31 December 2019 were € 522.8 million, € 27.7 million more than the value as of 31 December 2018 of € 495.1 million. The reason for the increase in inventories from € 208.3 million to € 280.1 million as of 31 December 2019 was the securing of the operational business in 2020. Trade receivables decreased from € 118.7 million to € 107.7 million as of 31 December 2019 as a result of payments made during the financial year as of the reporting date. Other assets decreased from € 22.9 million to € 9.0 million and other financial assets from € 46.3 million to € 25.4 million. The main reasons were the reduced surrender claim against trustee from the sale of shares in ADMA Biologics Inc, Delaware, USA, due to a partial sale, and the payment of insurance reimbursements and reimbursements from the termination of long-term supply contracts.

Cash and cash equivalents of € 60.8 million were roughly at the previous year's level (31 December 2018: € 61.9 million). Assets held for sale were recognised at € 0.0 million as of 31 December 2019 (31 December 2018: € 6.1 million). This was due to the sale of the undeveloped property in Boca Raton, Florida, USA, during the financial year.

On the liabilities side of the balance sheet, equity fell by € 18.3 million to € 476.9 million (31 December 2018: € 495.2 million) due to the negative result for the period, actuarial losses recognised directly in equity and dividend payment. The equity ratio of 43.0% was below the level of the previous year, but still in a very solid range (31 December 2018: 47.5%).

Total liabilities rose to € 631.5 million in the past financial year (31 December 2018: € 547.1 million). This increase resulted mainly from the partial drawing of the loan of € 50.0 million negotiated in the summer of 2019 and from the accounting of leasing liabilities in the amount of € 26.7 million corresponding to the recognition of the rights-of-use assets in accordance with IFRS 16 Leases.

Long-term liabilities as of 31 December 2019 stood at € 516.5 million (31 December 2018: 421.5 million). Long-term liabilities increased from € 328.7 million to € 402.9 million as of 31 December 2019. The main reason was the raising of the new loan, which was negotiated in the summer 2019. As of 31 December 2019, pension provisions amounted to € 109.5 million after € 88.9 million on the previous year's balance sheet date. The main reasons for the increase were actuarial losses from financial assumptions and adjustments based on experience.

Short-term liabilities decreased from € 125.6 million to € 115.0 million, mainly due to the settlement of trade payables.

The long-term capital available to the Company (equity, pension provisions and non-current financial liabilities) covered 89.4% (previous year: 87.6%) of total assets as of 31 December 2019. Net debt increased from € 267.5 million to € 348.7 million as of 31 December 2019.

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 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 2019. 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 , which will not fall due before 2025 as a result of the new financing.

On 24 June 2019, Biotest signed a financing agreement with a term of 5 years for a volume of € 240 million. This will finance the further steps towards commissioning Biotest Next Level facilities in the years to come. The financing agreement was closed on 2 July 2019. A loan in the amount of € 50 million had been drawn as of 31 December 2019. This financing agreement includes a covenant to be met, which is monitored monthly by Biotest. Restrictions apply in particular with regard to the sale and collateralisation of assets.

As collateral, the Biotest Group has arranged a first-rank land charge in the total amount of € 240 million on the real estate located in Dreieich. At the balance sheet date, the real estate collateralised by the Biotest Group had a carrying amount of € 215.8 million.

Furthermore, Biotest AG has completely pledged its shares in Biotest Pharma GmbH, Dreieich.

In addition, a global assignment with regard to current and future cash pooling receivables was agreed in a separate contract dated 28 June 2019. At the balance sheet date, this affects receivables from affiliated companies in the amount of € 24.6 million.

Biotest Pharma GmbH, Dreieich, and Biotest Grundstücksverwaltungs GmbH, Dreieich, have joined the financing agreement as further guarantors.

Cash flow from operating activities of continuing operations increased from € –49.6 million in the previous year to € –33.6 million in financial year 2019. Especially inventories increased in amount of € 71.8 million as of the balance sheet date to secure the operating business in 2020. Operating cash flow before changes in working capital amounted to € 31.5 million (previous year: € 35.6 million). Cash flow from changes in working capital increased year-on-year to € –59.3 million after € –79.5 million in the previous year. Interest and taxes paid totalled € –5.8 million after € –5.7 million in the previous year.

Cash flow from investing activities of continuing operations amounted to € –8.0 million between January and December 2019 compared to € –50.8 million in the previous year. The main reasons for the lower proceeds were in particular the completion of the construction phase of the Biotest Next Level project and the reduced surrender claim against trustee from the sale of ADMA Biologics Inc. shares. In financial year 2019, there is no cash flow from investing activities from discontinued operations (previous year: € 251.6 million), which in the previous year resulted from the purchase price payment for the US plasma companies.

Cash flow from financing activities for continuing operations amounted to € 40.5 million in financial year 2019 (previous year: € –111.2 million), mainly due to the fact that a new loan was drawn.

Cash and cash equivalents from continuing operations decreased to € 60.8 million at the end of 2019 compared to € 61.9 million on 31 December 2018.

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 43.0% as of 31 December 2019, Biotest has exceeded this target value. Biotest is financed by a subordinated shareholder loan of € 290 million and by new financing in a volume of € 240 million, which was drawn in the amount of € 50 million as of 31 December 2019.

Together, equity and the long-term component of debt financing are intended to cover fixed assets. The capital structure is described in Sections E 12 and G 6 of the Notes.

V. GENERAL STATEMENT ON THE ECONOMIC POSITION OF THE COMPANY

The Biotest Group met its sales forecasts for financial year 2019 and exceeded its EBIT forecast.

For financial year 2019, the Board of Management has forecasted a mid-single-digit percentage increase in sales for continuing business operations.

The Biotest Group generated revenues from continuing operations of € 419.1 million in financial year 2019 after € 400.3 million the year before. This equates to a 4.7% increase in sales.

EBIT in continuing operations in financial year 2019 was € –1.2 million after € 10.6 million the previous year. At the beginning of 2019, the Board of Management had forecasted an EBIT of the continuing operations of € –5 million to € +5 million in the event of a successfully completed partnering and EBIT of between € –15 million and € –35 million without partnering. On 4 December 2019, Biotest announced that efforts to find a co-marketing and co-development partner could not be successfully completed in 2019. The EBIT forecast for business development without partnering was nevertheless raised to a value in the range of € –3 million to € –13 million. This was due to the reallocation of selected plasma products to attractive sales markets.

In addition, the Company made great progress with the important Biotest Next Level project last year. The qualification of the clean rooms and media systems were granted so that they were approved by the Darmstadt regional council in November 2019. At the same time, the commissioning of the actual process plants began, the acceptance of which is planned for 2020 by the Darmstadt regional council.

In addition, three new plasmapheresis stations were opened in 2019, 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. Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, granted Biotest subordi-

nated shareholder loans of € 290.0 million in 2018. In 2019, Biotest signed a financing agreement with a term of 5 years for a volume of € 240 million. In this context, the term of the shareholder loans was extended until January 2025. They are therefore available to Biotest AG in the long term. This finances the further steps for commissioning the Biotest Next Level facilities in the next few years.

C. SUPPLEMENTARY REPORT

On 4 January 2020, Ms Christine Kreidl, member of the Supervisory Board of Biotest AG, stepped down from the Supervisory Board at her own request.

On 12 February 2020, Ms Simone Fischer was appointed a new member of the Supervisory Board of Biotest AG.

The currently prevailing high level of uncertainty regarding the further spread of the coronavirus and possible economic consequences cannot be conclusively assessed at the time of preparing the financial statements. If the spread of the coronavirus continues over the long term, this could have a negative impact, for example, on the willingness of the population to donate blood plasma or on the health and operational capability of employees. In addition, the conduct of business in the regions affected by a pandemic/epidemic could be adversely affected and thus adversely affect the net assets, financial position and results of operations.

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 2020 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 facilities. Only in the area of hyperimmunoglobulins marketing authorisations in new markets could further increase sales. Nevertheless, this sales growth could be jeopardised in 2020 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.

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 2020 as well. However, the ramp-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 one or two years.

B. DIRECTION OF THE GROUP IN FINANCIAL YEAR 2020

The general direction of the Biotest Group in financial year 2020 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 global demand for immunoglobulins (IgG) will continue to increase by 7 to 8% annually in the coming years.[27] The prices of these preparations developed positively in 2019 due to the tense supply situation worldwide.[28]

For plasmatic coagulation factors, the Biotest Group expects the world market volume to increase by about 1 to 2% per year through 2021.[29]

D. EXPECTED DEVELOPMENT OF THE BIOTEST GROUP

Expected business and earnings situation of the Biotest Group

For financial year 2020, the Board of Management expects sales growth of about 10%. Earnings in 2020 will be influenced

[27] Biotest Market and Pricing Insights based on MRB (2016, 2017), Plasma Protein Therapeutics Association (PPTA) (2019), Markets and Markets (2019), Allied Market Research (2018), Credit Suisse (Nov 2019).

[28] IQVIA (Oct 2019), www.cms.gov

[29] Biotest Market and Pricing Insights based on MRB (2016).

by various factors. Besides the expected expenses of € 80 million 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 and Asia, could also have an impact. Based on the aforementioned factors, the Board of Management expects EBIT to be between € –10 million and € –5 million. As a result, the Board of Management expects a return on capital employed (ROCE) of around –1% to –0.5% and cash flow from operating activities of around € –50 million to € –45 million for 2020. For EBIT adjusted for the impact on earnings of the Biotest Next Level project, the Board of Management anticipates an increase to € 70 million to € 85 million.

Expected financial position and cash flows of the Biotest Group

The Biotest Group strives for a balanced financing structure with regard to the ratio of both debt to equity capital and from short-term to long-term loan 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. Investments by the Biotest Group with a volume of around € 30 million to € 40 million are planned for financial year 2020, of which around a quarter will be used for further investments in the expansion of existing and new plasma centres in Europe. In addition to the organic growth described above and the financing thereof, partnerships could represent a future strategic option.

Financing in 2019 was essentially through shareholder loans and the financing concluded on 24 June 2019. These essential sources of funding, which are available to Biotest AG in the long term, can secure the financing needs arising from the Biotest Next Level project and other activities.

The forecast for the financial year 2020 was prepared on the assumption that the spread of the coronavirus will not have any significant negative impact on Biotest's business performance. However, the high level of uncertainty currently prevailing with regard to the further spread of the coronavirus and possible economic consequences limits the certainty of the planning assumptions.

Expected developments in the segments

Therapy segment

The following significant advances and developments are expected in the Therapy segment in the current financial year 2020:

Therapeutic area Haematology

Haemoctin®: The reduced volume of the Haemoctin® 500 and Haemoctin® 1000 International Units (I.E.) is expected to be launched in other countries in 2020. In a declining market, Biotest aims to stabilise the product volume, particularly by concentrating on the German market, Turkey and the Middle East.

Haemonine®: Also with this product, Biotest is concentrating on maintaining its position in the main markets and preparing the launch in Turkey due to the declining market trend.

Vihuma®: In financial year 2020, Biotest expects the storage conditions to be changed from permanent refrigerator storage (2 – 8 ° C) to temporary storage at room temperature. With this change, Biotest enables patients to have a more comfortable therapy. This will help to consolidate Biotest's position on the German market, where the company will maintain its position thanks to its full-range strategy.

Therapeutic area Clinical Immunology

Of particular interest for **Cytotect® CP** in 2020 is the focus on bone marrow transplants in all EU countries, including the UK, and Russia, and registration in Turkey and other Asian countries. Sales of Cytotect® CP can be increased both by the market launch there and by new approvals.

Intratect® 50 g/l (5%) and Intratect® 100g/l (10%): 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 they have been granted, they will be launched on the market. Following the expansion of the approval of Intratect, 50 g/l and Intratect 100 g/l in 2019 to include the neurological indications chronic inflammatory demyelinating polyneuropathy (CIDP) and multifocal motor neuropathy (MMN) as well as an expansion in the area of secondary immune defects (SID), an increased use in these areas is expected for 2020. For this reason and to differentiate from the competition of immunoglobulins, many of the future activities will focus on the field of SIDs. Biotest expects significant growth in Germany, Great Britain, Romania, Turkey and various countries in the Middle East. Biotest is also planning to launch Intratect® in the growth market of Brazil.

IgG Next Generation: The second registration study for IgG Next Generation is also scheduled to be completed in 2020: The Phase III trial (no. 991) in the treatment of primary immunodeficiency (PID) patients has now included the intended number of adult patients and children. The one-year treatment and observation period is running, so that the study can be completed the next year and the study report can be prepared. The other phase III study (no. 992) for the treatment of immune thrombocytopenia (ITP) was already completed in 2019.

Hepatect® CP, Zutectra® and Fovepta®: Biotest is the market leader for hepatitis B immunoglobulins.

The strategy is to maintain market share in the overall declining market segment (post-transplant prophylaxis) and to develop other applications and indications (beyond the transplantation strategy). In the vertical transmission prevention segment, the focus is on the launch of Fovepta® in new countries.

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.

Therapeutic area Intensive Care Medicine

Albiomin®: In 2020, Biotest is planning to employ a new communications strategy with the aim of further expanding its own positioning in the higher price segment. Biotest will complete the introduction of Albiomin® in China in 2020, which started with the first import in 2019, and focus on the premium segment of this large market.

Human serum albumin: Biotest successfully strengthened its activities in the area of the use of albumin in the industrial sector in 2020. This new market segment is also to be expanded in the future, especially through cooperation with international partners.

Pentaglobin®: The development of pentaglobin will be advanced through various collaborations in 2020. These include in particular two multi-centric randomised clinical studies in the indications peritonitis and sepsis, which are initiated and carried out by Professor Marx (Aachen) and Professor Girardis (Modena), as well as the international Pentaglobin Register PERFORM of the University of Jena.

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. The inclusion of all necessary patients has been completed. Treatments of patients with bleeding events are currently continuing in this part of the study. The study is to be completed in 2020.

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 as part of a major surgical operation is currently underway. The first patients with acquired fibrinogen deficiency were treated. Inclusion and treatment of patients will continue in 2020.

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 optimization on a production scale in 2018 and 2019. Preparations for the phase III study will continue in 2020 and submission is planned for the second half of 2020.

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 the 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 2019.

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 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. The IT-supported risk management system of the Company fulfils the requirements of the risk management under stock corporation law. Risk management processes are documented in detail, and the relevant documents are stored in the risk management system.

The 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 includes the medium and long-term risks as well as the following short-term risk areas: Market risks, process and production risks, financial risks, employee risks, organisational risks, research and development risks as well as legal and compliance. 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.

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 SAP 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 reporting packages of the Group companies are subjected to the controls established in the consolidation software SAP BPC, any differences in consolidation processes are analysed and, if necessary, corrected.

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.

Access to the company premises (access control) and the (accounting-related) IT systems (access authorizations, passwords) are protected against access by unauthorised persons.

The single-entity and consolidated financial statements are audited 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. The internal audit department also reports in detail to the Board of Management, the management team and the Supervisory Board at least once a year.

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 asset position, 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 to € 5 million	M	M	H	H
€ 1.0 to € 2.5 million	L	M	M	H
< € 1.0 million	L	L	M	M

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

If risk-limiting measures have been taken, the residual risk is reported in consideration of the implemented actions.

Environmental and industry risks

Economic risks

Biotest would not be able to permanently escape the consequences of a far-reaching, long-lasting, 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, there is a significant increase in demand for polyvalent immunoglobulins, both in the USA, in Europe and in some non-European countries, with a simultaneous limited supply resulting in price increases in numerous countries.

On the other hand, we see risks from increasing cost pressure in the healthcare sector of highly developed markets. The reason for these risks is that states are increasingly adopting coercive measures to reduce the cost of medicines. 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. As a further coercive measure, governments try to reduce prices in their own countries by referring to countries with lower prices (so-called price baskets).

An additional reason for the risk of increasing cost pressure is that the increasing parallel imports from other European countries with lower prices, as intended by the legislator, can 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.

According to the observations of the Biotest Group, the demand for plasmatic coagulation factors is increasing less than for recombinant factors and for the so-called non-factor preparations (e.g. emicizumab [Hemlibra]). The use of non-factor supplements is expected to increase further in the coming years. Furthermore, the pharmacy requirement for the coagulation factor preparations will be introduced in Germany in 2020. 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 to the previous year.

Political changes in the legal framework can also harbour a sales market risk: In many European countries, maximum limits for the consumption of medicinal products were set. Pharmaceutical companies are thereby required to reimburse the health authority 100% of the amount sold above the specified ceiling.

Entry into a market is associated with high costs for marketing authorisations of products as well as infrastructure costs such as, for example, the founding 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.

In 2018, 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 planned sale of Biotest end products in the US market could not be fully realised, as only products made from American plasma are permitted to be sold there. Furthermore, 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. 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 (previous year: 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 2019. 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 classifies the political risks as high risks as in the previous year.

Corporate strategy risks

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

Biotest began developing three new products, the associated manufacturing processes and building new production capacities in 2013.

Risks arise from the transfer and scale-up (e.g. volume of the plasma pool from 2,075l to 4,200l) of processes in development or existing processes to the new systems. Further risks lie in the validation of the new installations and processes planned for 2020 and their acceptance inspection by both the regional council of Darmstadt and the Paul Ehrlich Institute in Langen, also planned for 2020.

These further milestones could not be reached if, for example, there were still considerable delays in the networking, system integration and implementation of the automation of the individual plant components that have not yet been tested, if errors or programming deficits were discovered. If serious problems or delays were to occur, the possibility of a value adjustment of the Biotest Next Level systems could possibly not 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. The Board of Management considers this to be 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.

In order to expand its product range and increase its production capacity, Biotest started planning the Biotest Next Level project in 2013. Biotest plans to expand the product range by building additional production buildings and plants at the Dreieich location. In the past financial year, the first of three inspections were carried out by the Darmstadt regional council. The acceptance was carried out for clean rooms and ultrapure media. 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 loss of suppliers from Great Britain in the event of 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 purchase volumes 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 2019. 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. The compliance processes were further developed in 2019 primarily through the conception of an electronic compliance check process as well as the establishment of processes for the prevention of money laundering and for database-supported compliance checks of business partners.

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 addition, the legal and compliance departments actively counter antitrust risks that are typical for a manufacturer of medicinal products from blood plasma such as Biotest. The Biotest Group's compliance officers met and exchanged information in 2019. 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. 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 heads of Group companies may only undertake business transactions with a material effect on the Group's earnings position, financial position, cash flows and results of operations or the Group's risk position with the prior approval of the Group's management. Information events on compliance topics and on the Code of Ethics and Conduct are held regularly for distributors and agents.

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. Another audit on the publication of payments to specialist group members took place in the second half of 2019.

In Italy, the Naples public prosecutor's office brought a charge of illegal price fixing, among other charges, against 16 people in 2014. Two of the 16 accused are employees of Biotest. The proceedings are ongoing. The subsidiary is not the target of the investigations.

In connection with Biotest AG's Russian business, the authorities terminated the investigations against Biotest AG and most of the accused persons at Biotest AG in 2017. The public prosecutor's office in Frankfurt/Main has filed charges against three of the Company's managers and the competent court has agreed to admit the charges.

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 programmes. 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 cybercriminality is also becoming increasingly important. The Board of Management considers the information technology risks to be moderate.

Financial and currency risks

A large part of the financing is secured by a subordinated shareholder loan of € 290 million. On 24 June 2019, Biotest signed a financing agreement with a term of 5 years for a volume of € 240 million. This finances the further steps for commissioning the Biotest Next Level facilities in the next few years. In addition, further long-term loans in the amount of € 30 million were concluded. The Board of Management considers the financial risks to be moderate. Interest rate risks exist for the variable interest liabilities, since the interest burden can change due to changes in the agreed market interest rate. Changes in interest rates can have a positive or negative impact on earnings. Interest rate risks are currently not hedged. The Board of Management considers the Interest rate risk to be low (previous year: moderate).

As an international Company, Biotest AG does business in various currencies. Changes in exchange rates create opportunities and risks for the business results of Biotest AG. The risks are determined centrally and suitable measures are derived to control them. The currency risks are hedged, as far as reasonable and possible, by using derivative financial instruments such as forward exchange contracts. As a general rule, only underlying transactions already executed are hedged. Sales in US dollars continue to be offset by purchases in the same currency (natural hedging). 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. If the business incurs losses as a result of a currency devaluation (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

Biotest AG is dependent on the fact that due financial liabilities can be refinanced, if necessary, and existing financing commitments are kept. If reliable and timely financing cannot be guaranteed, the willingness to pay could be jeopardised. With the two financing modules for a subordinated shareholder loan of € 290.0 million and the financing contract concluded in 2019, Biotest AG has balanced and sustainably diversified its financing structure. Biotest AG has a stable financing basis through 2024. The financing agreement concluded in 2019 includes a financial ratio to be met. If this financial ratio is not met, the financial parties have the right to terminate the agreement prematurely. Additional ongoing efforts in working capital management strengthen the Company's internal financing power. In addition, at the end of December 2019, Biotest AG had cash in hand and bank balances in the amount of € 60.8 million, from which the current business and the upcoming investments are financed.

Due to the financing contract concluded in the summer of 2019, the financing risk is assessed as low by the Management Board (previous year: 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. The terms pharmacovigilance and drug safety stand for drug monitoring and drug safety. 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 Corporate Drug Safety. 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 2019. 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 topics. 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 Group companies. The Board of Management currently considers the risks in this area to be low.

Biotest recognises deferred tax assets to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilised. 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 considers this risk to be low.

Risks associated with pandemics/epidemics

Biotest is an internationally operating group. In this context, the outbreak of the coronavirus could have a negative impact, in particular on the conduct of business in regions affected by a pandemic/epidemic. The spread of the disease could also have a negative impact on the willingness of the population to donate blood plasma or on the health and operational capability of employees. This could have an adverse effect on the net assets, financial position and results of operations.

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 certain changes in the assessment of the individual risks described above occurred in the financial year due to external and internal condi-

tions, the stable overall risk assessment has not changed significantly. There are currently no identifiable risks that could jeopardise the Biotest Group'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 further development 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. The marketing of albumin also offers opportunities in the non-therapeutic 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 its 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 could result in opportunities for Biotest to gain a better foothold in the Chinese market. Additional opportunities in production and distribution can also result from the collaboration with other companies within the Group such as the British plasma man-

ufacturer Bio Products Laboratory Ltd., Elstree, United Kingdom (BPL), Shanghai RAAS Blood Products Co., Ltd., Shanghai, People's Republic of China, and Anhui Tonrol Pharmaceutical Co., Ltd., Anhui, People's Republic of China.

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 are benefits 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 incidental 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 incidental 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. The board members also receive a social security grant.

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.

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%.

Dr Bernhard Ehmer's contract ended on 30 April 2019. The Supervisory Board decided that its one-year variable remuneration is based solely on the achievement of the Company's goals for financial year 2019. This means that 40% of the one-year variable remuneration is calculated based on the target achievement of EBIT and operating cash flow and 20% on return on capital employed (ROCE).

Discretionary bonus

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 was granted to the members of the Board of Management in the previous year and was paid during the financial year 2019.

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 described in detail in Chapter G1 of the Notes to the consolidated financial statements. 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 ("a new investment"). In contrast to its predecessor, the programme is no longer dependent on the share price, but has two internally defined objectives (success factors). The term of the programme was set up identically to the predecessor programme

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 ("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 the LTIP 2018 (LTIP 2017) covers the achievement of goals in the different stages of the Biotest Next Level investment project (BNL project). 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.

Like the LTIP 2018, the LTIP 2019 is based on the allocation of virtual shares by the Supervisory Board to the Management Board.

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

$$\frac{\text{(Target goal 1 from 2019 + 2020 + 2021 + Target goal 2 from 2019 + 2020 + 2021) * Participation Shares}}{100} \times \text{Annual remuneration of Participant} = \text{Incentive payment}$$

As in the two previous years, the first success factor of the LTIP 2019 consists of qualitative goals that relate to different stages of the Biotest Next Level (BNL project) investment project. A BNL target was formulated for each year of the LTIP 2019, which increases the target achievement factor when reached. Goals that lie further in the future are given greater weight. That means achieving the 2019 BNL goal increases the factor by 0.01, while achieving the 2020 and 2021 BNL goals increase the factor by 0.02 each. On the other hand, missing or partially achieving a BNL goal does not change the goal achievement factor. The maximum achievable success factor for the success target category BNL targets is 0.05.

The second success factor of the LTIP 2019 relates to the EBITDA margin. An EBITDA target margin was set for each year of the LTIP 2019, which increases the target achievement factor when reached. The target figures for the EBITDA margins for 2019 were taken from the budget (as of February 2019) and for 2020 and 2021 from the 10-year plan (as of 11 July 2018). Here, too, goals that lie further in the future were given more weight. That means reaching the EBITDA margin in 2019 increases the factor by 0.01, while reaching the EBITDA margin

in 2020 and 2021 increases the factor by 0.02 each. If the target EBITDA margin is undercut by up to 10%, the success factor is granted proportionately by means of linear interpolation. On the other hand, over-performance does not lead to a further increase in the success factor, so the maximum achievable success factor for the success target category EBITDA margin is 0.05.

No multiplier is provided for in the LTIP 2019.

Like the LTIP 2018, the LTIP 2019 contains the holdback clause for the members of the Board of Management.

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 comprises the fixed remuneration until the end of the term. 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 entitlements, the severance payment also includes up to twice the annual fixed remuneration. Overall, however, the severance payment amounts to a maximum of three times the annual fixed remuneration as well as the proportional variable remuneration components as shown above and the value in use of the company car granted.

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 a Board of Management assignment.

Remuneration for the current financial year

Total compensation of the members of the Board of Management in office in 2019

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 2019 for the various remuneration components.

in € thousand	Dr. Bernhard Ehmer				Dr. Michael Ramroth				Dr. Georg Floß			
	2018	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2019 Minimum	2019 Maximum
Non-performance-based												
Fixed remuneration	425	141	141	141	355	426	426	426	315	378	378	378
Benefits in kind	32	11	11	11	43	38	38	38	37	39	39	39
Total non-performance-based components	**457**	**152**	**152**	**152**	**398**	**464**	**464**	**464**	**352**	**417**	**417**	**417**
Performance-based												
Excluding long-term incentive effect (not share-based):												
Annual variable remuneration - cash portion	318	92	–	92	265	242	–	252	235	214	–	223
Including long-term incentive effect (share-based):												
Including long-term incentive effect (not share-based):												
Variable remuneration (LTIP) - cash portion	19	72	–	602	56	165	–	1,516	50	147	–	1,345
Total performance-based components	**337**	**164**	**–**	**694**	**321**	**407**	**–**	**1,768**	**285**	**361**	**–**	**1,578**
Pension expense (service cost)	75	–	–	–	293	405	405	405	251	251	251	251
Total compensation (GCGC)	**869**	**316**	**152**	**846**	**1,012**	**1,276**	**869**	**2,637**	**888**	**1,029**	**668**	**2,246**
Less pension expense (service cost)	75	–	–	–	293	405	405	405	251	251	251	251
Total remuneration (DRS 17)	**794**	**316**	**152**	**846**	**719**	**871**	**464**	**2,232**	**637**	**778**	**417**	**1,995**

Due to a transfer error, the previous year's figures for pension expenses were adjusted.

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 2019 amounts to € 1,965 thousand (prior year: € 2,150 thousand). The pension expense is not to be included in this amount.

Compensation inflows to members of the Board of Management in office in 2019

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	
	2018	**2019**	2018	**2019**	2018	**2019**
Non-performance-based						
Fixed remuneration	425	141	355	426	315	378
Benefits in kind	32	11	43	38	37	39
Total non-performance-based components	**457**	**152**	**398**	**464**	**352**	**417**
Performance-based						
Excluding long-term incentive effect (not share-based):						
Annual variable remuneration - cash portion	268	318	244	265	214	235
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	**268**	**318**	**328**	**265**	**288**	**235**
Pension expense (service cost)	–	54	–	–	–	–
Total compensation (GCGC)	**725**	**524**	**726**	**729**	**640**	**652**

Overview of pension commitments for the members of the Board of Management in office in 2019

in € thousand	Present value of all pension commitments excluding deferred remuneration		Present value of deferred remuneration	
	Present cash value	Present cash value	Present cash value	Present cash value
	2018	**2019**	2018	**2019**
Dr. Bernhard Ehmer	1,927	2,366	78	79
Dr. Michael Ramroth	3,551	5,705	631	865
Dr. Georg Floß	2,910	4,790	–	–
	8,388	**12,861**	**709**	**944**

Due to a transfer error, the information on the present value of deferred compensation of the previous year was adjusted.

Assets amounting to € 2,835 thousand (previous year: € 1,793 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 € 10,318 thousand (prior year: € 7,257 thousand) were formed for this purpose. Pension payments amounting to € 603 thousand (previous year € 484 thousand) were made to former members of the Management Board in financial year 2019. Dr Bernhard Ehmer has already been included in the pension provisions for former Executive Board members and their surviving dependents. Pension provisions were determined in accordance with IAS 19 Employee Benefits.

After leaving the company on 30 April 2019, the former Chairman of the Board of Management, Dr Bernhard Ehmer, worked for Biotest AG as a consultant on strategic issues until and including 31 October 2019. In this context, Dr Bernhard Ehmer received a fee of € 120 thousand.

In financial year 2019, 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 2019, 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

The Board members participated in the non-share-based LTIP 2019 programme with allocated shares (Dr Michael Ramroth and Dr Georg Floß each with 1,800 shares). A provision of € 79 thousand was formed for this tranche. Of this amount, € 42 thousand is attributable to Dr Michael Ramroth and € 37 thousand to Dr Georg Floß. All three Board of Management mem-

bers 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 € 185 thousand was formed for this tranche. Of this amount, € 72 thousand is attributable to Dr Bernhard Ehmer, € 60 thousand to Dr Michael Ramroth and € 53 thousand to Dr Georg Floß.

The Board of Management members participated in last year's LTIP 2017 programme by making a personal investment (Dr Michael Ramroth and Dr Georg Floß each with 1,800 preference shares). A provision of € 121 thousand was formed for this tranche. Of this amount, € 64 thousand is attributable to Dr Michael Ramroth and € 57 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. If VAT is payable on the Supervisory Board remuneration, this is paid by Biotest AG. 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 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 2019:

in € thousand 2019	**Fixed remuneration**	**Total remuneration**
Rolf Hoffmann (Chairman since 30 August 2017)	135	135
Tan Yang (Deputy Chairman since 1 March 2018)	72	72
Dr. Cathrin Schleussner	48	48
Kerstin Birkhahn	44	44
Christine Kreidl	59	59
Jürgen Heilmann	44	44
	402	**402**

The members of the Supervisory Board were paid the following remuneration for 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**

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 2019 and 2018 as part of their employment contracts. These amounts were based on collective bargaining agreements and/or company pay rates 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). Its management, decision-making and control mechanisms are based on the Company's Articles of Association together with the relevant statutory provisions. The current version of the declaration in accordance with section 315d of the German Commercial Code (Handelsgesetzbuch – HGB) is available for download on the Company's website at 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 IN ACCORDANCE WITH SECTION 315A OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – HGB)

The subscribed capital of Biotest AG amounts to 39,571,452 (as of 31 December 2019) 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. Biotest is not aware of any other voting rights or transfer restrictions.

As of 31 January 2018, the takeover bid by Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, was completed and Tiancheng (Germany) Pharmaceutical Holdings AG, Munich, Germany, received 89.88% of the voting ordinary shares. It therefore holds the majority of the ordinary shares with voting rights.

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 2019, 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.

In accordance with the resolution of the Annual General Meeting on 7 May 2015, the Company is authorized, in accordance with Section 71 (1) no. 8 AktG to acquire ordinary bearer shares and / or preferred bearer shares up to 10% of the existing share capital of € 33,767,639.04 at the time of the general meeting. At no time may the shares acquired together with other Treas-

ury 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 give Biotest AG flexibility in future financing and capital measures, resolutions passed at the Annual General Meeting on 7 May 2019 created new authorised capital and replaced the previous authorised capital, which the Board of Management had not made use of. Section 4 (5) of the Articles of Association has been repealed and revised as follows: "The Board of Management is authorised, with the approval of the Supervisory Board, until 6 May 2024, to issue the Company's share capital by issuing new bearer shares and / or issuing new bearer preference shares without voting rights against cash contributions and / or contributions in kind, once or several times to increase up to € 19,785,726.00 (authorised capital). The authorisation 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 authorised to determine 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. The authorised capital has not yet been used, not even partially.

Material agreements between Biotest AG and third parties that take effect in the event of a change of control exist with regard to the financing agreement concluded on 24 June 2019 for the long-term financing of Biotest AG and, within this framework, of the Group.

Furthermore, termination rights that take effect in the event of a change of control still exist in the remaining promissory note loan agreements. So far, however, they have not been asserted 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 passenger 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, 20 March 2020

Dr. Michael Ramroth
Chairman 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 2019

in € million	Note	2019	2018
Revenue	D 1	419.1	400.3
Cost of sales		–290.3	–265.5
Gross profit		**128.8**	**134.8**
Other operating income	D 5	13.5	13.6
Marketing and distribution costs		–49.6	–51.6
Administrative expenses		–31.3	–31.6
Research and development costs	D 4	–53.4	–48.5
Other operating expenses	D 6	–6.3	–4.0
Change in impairments on financial assets measured at amortised cost		–2.8	–2.1
Operating profit		**–1.2**	**10.6**
Fair value adjustments on financial instruments measured at fair value	D 9	10.3	–5.1
Financial income	D 7	4.2	15.8
Financial expenses	D 8	–14.7	–27.1
Financial result		**–0.2**	**–16.4**
Result from joint ventures	D 10	0.1	–0.2
Earnings before taxes		**–1.3**	**–6.0**
Income taxes	D 11	–3.4	–6.9
Earnings after taxes from continuing operations		**–4.7**	**–12.9**
Earnings after taxes from discontinued operations	F	–	194.6
Earnings after taxes (total)		**–4.7**	**181.7**
Attributable to:			
Equity holders of the parent		**–4.7**	**181.7**
thereof from continuing operations		–4.7	–12.9
thereof from discontinued operations		–	194.6
Non-controlling interests		**–**	**–**
thereof from continued operations		–	–
thereof from discontinued operations		–	–
		–	–
Earnings per ordinary share in €	E 12	**–0.13**	**4.58**
thereof from continuing operations		–0.13	–0.34
thereof from discontinued operations		–	4.92
Additional dividend rights per preference share in €	E 12	**0.02**	**0.02**
thereof from continuing operations		0.02	0.02
thereof from discontinued operations		–	–
Earnings per preference share in €	E 12	**–0.11**	**4.60**
thereof from continuing operations		–0.11	–0.32
thereof from discontinued operations		–	4.92

The notes are an 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 2019

in € million	2019	2018
Consolidated profit for the period	**–4.7**	**181.7**
Exchange difference on translation of foreign operations	0.3	–1.5
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	**0.3**	**–34.1**
Actuarial losses from defined benefit pension plans	–18.1	–0.7
resulting income tax effect	5.2	0.2
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods	**–12.9**	**–0.5**
Other comprehensive income, net of tax	**–12.6**	**–34.6**
Total comprehensive income, net of tax	**–17.3**	**147.1**
thereof from continuing operations	–17.3	–14.9
thereof from discontinued operations	–	162.0
Attributable to:		
Equity holders of the parent	**–17.3**	**147.1**
thereof from continuing operations	–17.3	–14.9
thereof from discontinued operations	–	162.0
Non-controlling interests	**–**	**–**
thereof from continuing operations	–	–
thereof from discontinued operations	–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the Biotest Group as of 31 December 2019

in € million	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Intangible assets	E 1	13.8	16.4
Property, plant and equipment	E 2	521.9	512.7
Right-of-use assets	E 3	26.0	–
Investments in joint ventures	E 4	1.9	1.9
Other assets	E 10	5.7	0.2
Other financial assets	E 5	7.6	7.4
Deferred tax assets	E 6	8.7	8.6
Total non-current assets		**585.6**	**547.2**
Current assets			
Inventories	E 7	280.1	208.3
Contract assets	E 9	38.1	30.5
Trade receivables	E 8	107.7	118.7
Current income tax assets		1.7	0.4
Other assets	E 10	9.0	22.9
Other financial assets	E 5	25.4	46.3
Cash and cash equivalents	E 11	60.8	61.9
		522.8	**489.0**
Assets held for sale	F	–	6.1
Total current assets		522.8	495.1
Total assets		**1,108.4**	**1,042.3**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		39.6	39.6
Share premium		219.8	219.8
Retained earnings		222.2	53.9
Share of profit or loss attributable to equity holders of the parent		–4.7	181.7
Equity attributable to equity holders of the parent	E 12	**476.9**	**495.0**
Non-controlling interests		–	0.2
Total equity	E 12	**476.9**	**495.2**
Non-current liabilities			
Provisions for pensions and similar obligations	E 13	109.5	88.9
Other provisions	E 14	2.7	1.2
Financial liabilities	E 15; E 3	402.9	328.7
Other liabilities	E 16	0.3	–
Deferred tax liabilities	E 6	1.1	2.7
Total non-current liabilities		**516.5**	**421.5**
Current liabilities			
Other provisions	E 14	22.3	22.6
Current income tax liabilities		2.8	2.8
Financial liabilities	E 15; E 3	7.5	0.7
Contract liabilities	E 17	–	2.5
Trade payables		52.2	73.4
Other liabilities	E 16	30.2	23.6
Total current liabilities		115.0	125.6
Total liabilities		**631.5**	**547.1**
Total equity and liabilities		**1,108.4**	**1,042.3**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

of the Biotest Group for the period from 1 January to 31 December 2019

in € million	Note	2019	2018
Earnings before taxes from continuing operations		–1.3	–6.0
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment, and right-of-use assets	E 1; E 2; E 3	31.7	24.7
Other non-cash income and expense items		–	–0.1
Gains / Losses from joint ventures	D 10	–0.1	0.2
Losses from the disposal of property, plant and equipment		0.1	–
Changes in pension provisions	E 13	0.9	0.4
Financial result	D 7; D 8	0.2	16.4
Operating cash flow before changes in working capital		**31.5**	**35.6**
Changes in other provisions	E 14	1.2	–0.8
Changes in inventories. receivables and other assets		–44.3	–90.7
Changes in trade payables and other liabilities		–16.2	12.0
Cash flow from changes in working capital		**–59.3**	**–79.5**
Interest paid		–4.7	–12.5
Taxes paid (previous year: received)		–1.1	6.8
Cash flow from operating activities from continuing operations		**–33.6**	**–49.6**
Cash flow from operating activities from discontinued operations		–	–0.4
Cash flow from operating activities		**–33.6**	**–50.0**
Payments for investments in intangible assets and property, plant and equipment		–34.1	–54.6
Proceeds from the disposal of property, plant and equipment and assets held for sale		6.9	–
Interest received		0.8	3.8
Proceeds from disposal of other financial assets		18.4	–
Cash flow from investing activities from continuing operations		**–8.0**	**–50.8**
Cash flow from investing activities from discontinued operations		–	251.6
Cash flow from investing activities		**–8.0**	**200.8**
Dividend payments for the previous year	E 12	–0.8	–0.8
Proceeds / Payment for cash deposit	E 5; E 11	2.7	–15.2
Proceeds from the assumption of financial liabilities	E 15	46.4	500.0
Payments for the redemption of financial liabilities	E 15	–4.0	–595.2
Payments for the redemption of leasing liabilities		–3.8	–
Cash flow from financing activities from continuing operations		**40.5**	**–111.2**
Cash flow from financing activities from discontinued operations		–	–
Cash flow from financing activities		**40.5**	**–111.2**
Cash changes in cash and cash equivalents		–1.1	39.6
Exchange rate-related changes in cash and cash equivalents		–	–
Cash and cash equivalents on 1 January	E 11	61.9	22.3
Cash and cash equivalents on 31 December	E 11	**60.8**	**61.9**
Less cash and cash equivalents at the end of the period from discontinued operations	E 11	–	–
Cash and cash equivalents at the end of the period from continuing operations	E 11	**60.8**	**61.9**

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of the Biotest Group for the period from 1 January 2018 to 31 December 2019

in € million	Subscribed capital	Share premium	Accumulated differences from currency translation	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
As of 1 January 2018	**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 the 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**
As of 1 January 2019	**39.6**	**219.8**	**–4.2**	**239.8**	**495.0**	**0.2**	**495.2**
Acquisition of minority interests	–	–	–	–	–	–0.2	–0.2
Gains/losses recognised directly in equity	–	–	0.3	–12.9	–12.6	–	–12.6
Net result for the period	–	–	–	–4.7	–4.7	–	–4.7
Total comprehensive income	**–**	**–**	**0.3**	**–17.6**	**–17.3**	**–**	**–17.3**
Dividend payments	–	–	–	–0.8	–0.8	–	–0.8
As of 31 December 2019	**39.6**	**219.8**	**–3.9**	**221.4**	**476.9**	**–**	**476.9**

The notes are an integral part of the consolidated financial statements.

NOTES

A. GENERAL INFORMATION

The Biotest Group consists of the parent company, Biotest Aktiengesellschaft (Biotest AG), with its registered office in Dreieich, Germany, and its domestic and foreign subsidiaries. The Group's headquarters are located at Landsteinerstrasse 5, 63303 Dreieich, Germany. Biotest AG is registered in the Commercial Register of the District Court of Offenbach am Main under HRB 42396. Biotest is a provider and developer of biological and biotechnological pharmaceutical products. With a value-added chain that ranges from pre-clinical and clinical development to worldwide sales, Biotest 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 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.

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 1,837 staff worldwide as of the reporting date (previous year 1,663).

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 2019.

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.

Due to the presentation in million euros, rounding differences of +/- one decimal place may occur when adding up the amounts shown.

The chosen masculine form always refers equally to female or diverse persons. Due to better legibility, we have refrained from using a consistent double designation. 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 20 March 2020.

CHANGES IN ACCOUNTING AND VALUATION METHODS

New standards and interpretations used for the first time:

IFRS 16 Leases

The standard "IFRS 16 Leases" was applied for the first time in the financial year 2019 and adopted as of 1 January 2019 in accordance with the transitional provisions. As part of the transition to IFRS 16, assets for rights of use of leased assets in the amount of € 16.1 million and lease liabilities in the amount of € 16.1 million were recognised as of 1 January 2019.

The conversion to IFRS 16 was carried out according to the simplified modified retrospective approach. The rights of use were measured in the amount of the corresponding lease liabilities, with the corresponding exercise of options. Comparative information for previous year periods was not adjusted in application of the corresponding transitional regulations.

As part of the first-time adoption of IFRS 16, the Group decided to apply the option under IFRS 16.5 in conjunction with IFRS 16.C9(a) and not to apply the new regulations to leases of low-value assets and short-term leases (i.e. leases with a term of no more than twelve months at the date of commitment). In addition, the Group has applied the relief provisions of IFRS 16.C3 and has not reviewed agreements that were not classified as leases under IAS 17 "Leases" in conjunction with IFRIC 4 "Determining whether an arrangement contains a lease" in accordance with the definition of a lease as set out in IFRS 16. The Biotest Group does not make use of the option to include leases of other intangible assets not excluded under IFRS 16 in the scope of IFRS 16.

In addition, further first-time adoption facilitation options were exercised for leases classified as operating leases until 31 December 2018 in accordance with IAS 17. These include the waiver of an impairment test of the rights of use at the time of transition to IFRS 16, the treatment of leases with a remaining term of less than 12 months as of 1 January 2019 as short-term leases, no recognition of initial direct costs for leases at the time of transition to the new regulation and the assessment of existing renewal and termination options in the course of the transition on the basis of current information and knowledge. There were no onerous leases at the time of first-time adoption. No uniform discount rate is used for portfolios of leases.

The lease liabilities were discounted at the present value of the remaining lease payments using the incremental borrowing rate as of 1 January 2019. For further information on the composition of the incremental borrowing rate and the determination of the lease term, please refer to the explanations given in the section on general accounting policies.

The rights of use are shown separately in the balance sheet and the lease liabilities are shown under financial liabilities. The reconciliation from off-balance sheet lease obligations as of 31 December 2018 to the lease liabilities reported in the balance sheet as of 1 January 2019 is as follows:

in € million	1 January 2019
Operating lease obligations as of 31 December 2018	17.9
less non-leasing components (service components)	–4.1
less facilitation of application for short-term leases and leases for low-value underlying assets	–0.3
less payment obligations as of 31 December 2018 under agreements in which the leased asset is provided on or after 1 January 2019	–1.8
adjustments due to different estimates of extension and termination options	5.1
less effect from discounting	–0.7
Lease liabilities from leases previously classified as operating leases due to first-time adoption of IFRS 16 as of 1 January 2019	16.1
Lease liabilities from finance leases as of 1 January 2019	3.3
Total lease liabilities as of 1 January 2019	19.4

The weighted average interest rate was 2.7% as of 1 January 2019.

The following table contains the reconciliation of the closing items as of 31 December 2018 in accordance with IAS 17 to IFRS 16 as of 1 January 2019.

in € million	1 January 2019	Effects IFRS 16	31 December 2018 without adoption of IFRS 16
Assets			
Intangible assets	16.4	–	16.4
Property, plant and equipment	509.6	–3.1	512.7
Rights of use	19.2	19.2	–
Other non-current assets	18.1	–	18.1
Non-current assets	563.3	16.1	547.2
Other current assets	495.1	–	495.1
Current assets	495.1	–	495.1
Balance sheet total	1,058.4	16.1	1,042.3
Equity and Liabilities			
Total equity	495.2	–	495.2
Accruals & provisions	90.1	–	90.1
Financial liabilities	340.4	11.7	328.7
Deferred tax liabilities	2.7	–	2.7
Long-term liabilities	433.2	11.7	421.5
Accruals & provisions	22.6	–	22.6
Financial liabilities	5.1	4.4	0.7
Other short-term liabilities	102.3	–	102.3
Short-term liabilities	130.0	4.4	125.6
Balance sheet total	1,058.4	16.1	1,042.3

Other standards

The following amended standards and interpretations recognised by the EU had no 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 2019. 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
- Changes to IFRS 9, IAS 39 and IFRS 7 Reform of reference interest rates
- Amendments to IAS 1 Classification of Liabilities by Maturity

The Group has not opted for early adoption of any standards, interpretations or amendments that have been published but are not yet effective.

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: 12) foreign companies in which Biotest AG directly or indirectly holds the majority of the voting rights.

BioDarou P.J.S. Co., based in Tehran, Iran, is included in the consolidated financial statements at equity as a joint venture.

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

Tiancheng (Germany) Pharmaceutical Holdings AG ("Tiancheng"), Munich, holds the majority of voting rights in Biotest AG. 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 2019. 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.

- 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 of the previous year 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 were disclosed as a separate item in the statement of income and the statement of financial position. No non-controlling interests existed in the financial year.

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 associates and 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	**2019**	2018	**31/12/2019**	31/12/2018
USD	1.1196	1.1815	1.1234	1.1450
GBP	0.8772	0.8848	0.8508	0.8945
RUB	72.4593	74.0551	69.9563	79.7153
CHF	1.1127	1.1549	1.0854	1.1269
HUF	325.2300	318.8300	330.5300	320.9800
BRL	4.4135	4.3087	4.5157	4.4440

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 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

A lease is an agreement that transfers the right to use an asset for an agreed period of time in return for payment. The Biotest Group concludes leasing agreements with partners outside the Group only in the function of lessee. Against this background, only the relevant accounting and valuation principles from the lessee's perspective are presented below.

Until 31 December 2018, the Biotest Group has accounted for leases in accordance with IAS 17 and IFRIC 4. Whether or not an agreement constitutes or contains a leasing relationship was determined based on its economic content. For this purpose, an assessment was 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 were rented or leased and the Biotest Group bore a substantial portion of the risks and rewards associated with the leased assets, such contracts were classified as finance leases. These were 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 was concluded.

Amortisation were recognised over the expected useful life or shorter contract term. If necessary, impairment losses were recognised in accordance with IAS 36. Accordingly, future lease payment obligations were recognised as liabilities. The interest portion of lease payments was 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 were not transferred to the Biotest Group under the lease agreement, the lease was classified by the lessor as an operating lease. In this case, lease payments were amortised over the term of the lease on a straight-line basis through profit or loss.

The Group has applied the new standard IFRS 16 Leases since 1 January 2019. Under this standard, Biotest Group, as the lessee, generally recognises for all leases assets for the rights of use of leased assets and liabilities for the payment obligations assumed at present values in the balance sheet. For those contracts that contain non-leasing components in addition to leasing components, only the leasing components are treated in accordance with the new regulations. Non-leasing components are treated as expenses.

The valuation of lease liabilities includes the following leasing payments:

- Fixed payments (less leasing incentives to be provided by the lessor)
- Variable payments linked to an index or interest rate

Payment obligations arising from residual value guarantees, from the exercise of purchase options deemed reasonably certain and from penalties in the event of termination are not relevant for the Biotest Group's leases.

Lease payments are discounted at the interest rate implicit in the lease if this can be determined. Otherwise they are discounted at the incremental borrowing rate. As the basis for determining the incremental borrowing rate, the Biotest Group used base interest rates appropriate to the term, including premiums for country risks and currency risks.

Rights of use are valued at acquisition cost, which can be broken down as follows:

- lease liability,
- lease payments made at or before deployment, less lease incentives received,
- initial direct costs, and
- dismantling obligations.

Subsequent measurement is at amortised cost. Rights of use are amortised on a straight-line basis over the period of the contractual relationship.

For leased assets of low value and for short-term leases (less than twelve months), use is made of the application facilities and the payments are recognised as expenses in the income statement on a straight-line basis. Furthermore, the new rules are not applied to leases of intangible assets.

In general, the Biotest Group uses a planning horizon of five years to determine the term of a lease at the time when the leased asset is made available for use, in order to assess the exercise of termination and extension options. It is therefore generally assumed that renewal or termination options falling within this period can be reliably assessed with reasonable certainty with regard to the extension or non-cancellation period due to increasing uncertainty in future forecasts. If a longer lease term is contractually fixed, which may be the case for material real estate of the Group, the longer lease term is used as the basis.

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

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.

B 11 OTHER FINANCIAL ASSETS

Other 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:

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. By definition, this category also includes 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:

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 three 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. In the event of a default, an impairment loss is recognized in the amount of the losses actually incurred. 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.

Derecognition:

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.

Embedded derivatives:

In addition, there are embedded derivatives that are part of a hybrid loan agreement, which essentially contains a non-derivative host contract. Since the underlying financial liability is measured at amortised cost, the embedded derivative is recognised separately from the host contract and designated at fair value through profit or loss.

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.

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 transferred 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 sale comprised the Biotest Group's US activities in the Plasma & Services segment.

The assets held for sale were measured at the lower of the carrying amount and fair value less the expected costs to sell. Depreciation and amortisation of these assets were suspended.

In the previous year, discontinued operations were 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.

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. 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 under other liabilities.

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 14).

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 leasing contracts (previous year 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.

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, determining the term of leases, determining the incremental borrowing rate for leases 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 capitalise 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.

Sales to third parties and the operating result of discontinued operations comprise the US activities of the Biotest Group until the sale was closed on 19 January 2018 and the corresponding valuation and disposal result. 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 preclinical and clinical development of monoclonal antibodies.

The Plasma & Services segment includes the areas of plasma sales, contract manufacturing and know-how transfer.

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 agreements with Bio-Rad Medical Diagnostics GmbH, Dreieich, for a previously sold business division. The income and expenses from these service contracts 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	2019	371.9	39.5	7.7	**419.1**	–	**419.1**
	2018	348.5	45.3	6.5	400.3	6.0	**406.3**
Operating profit (EBIT)	2019	0.5	1.0	–2.7	**–1.2**	–	**–1.2**
	2018	9.4	3.8	–2.6	10.6	194.8	**205.4**
Investments in joint ventures	2019	1.9	–	–	**1.9**	–	**1.9**
	2018	1.9	–	–	1.9	–	**1.9**
Capital expenditure*	2019	50.4	–	0.7	**51.1**	–	**51.1**
	2018	60.2	0.2	0.1	60.5	–	**60.5**
Scheduled depreciation & amortisation**	2019	26.3	3.3	2.1	**31.7**	–	**31.7**
	2018	22.0	0.8	1.8	24.6	–	**24.6**

* Defined as the sum of additions to intangible assets, property, plant and equipment and in financial year 2019 including right-of-use assets

** Defined as the sum of scheduled depreciation of property, plant and equipment, amortisation of intangible assets and in financial year 2019 including right-of-use assets
Due to the first-time adoption of IFRS 16, both the information on investments and scheduled depreciation and amortisation can only be compared with the previous year to a limited extent.

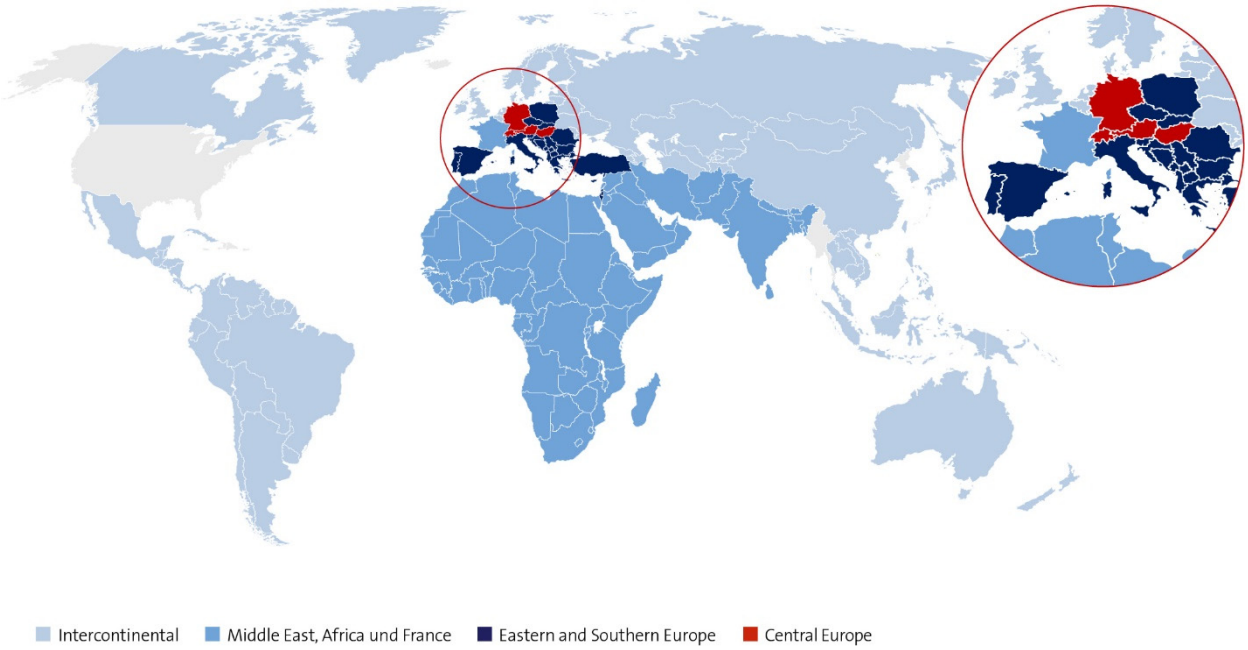
RECONCILIATION OF TOTAL SEGMENT RESULTS TO EARNINGS AFTER TAX OF THE BIOTEST GROUP (CONTINUING AND DISCONTINUED OPERATIONS)

in € million	2019	2018
Operating profit (EBIT) (continuing and discontinued operations)	**–1.2**	**205.4**
Value adjustments on financial instruments measured at fair value	10.3	–5.1
Financial income	4.2	15.8
Financial expenses	–14.7	–27.3
Results from associates and joint ventures	0.1	–0.2
Earnings before taxes (EBT) (continuing and discontinued operations)	**–1.3**	**188.6**
Income taxes (continuing and discontinued operations)	–3.4	–6.9
Earnings after taxes (EAT)	**–4.7**	**181.7**

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	2019	2018	2019	2018
Central Europe	173.5	152.1	364.6	349.6
East and South Europe	85.2	66.7	22.4	31.2
Intercontinental	82.6	75.9	32.1	19.5
Middle East, Africa and France	77.8	105.6	–	–
Biotest Group	**419.1**	**400.3**	**419.1**	**400.3**
thereof:				
Germany	117.4	110.8	331.6	320.2
Rest of world	301.7	289.5	87.5	80.1

There was no significant trade between the individual segments.



D. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

D 1 REVENUE

ANALYSIS 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Type of products and services								
Sale of Biotest products	371.9	348.5	–	–	–	–	371.9	348.5
Toll manufacturing and know-how transfer	–	–	39.5	45.3	–	–	39.5	45.3
Sale of merchandise	–	–	–	–	7.7	6.5	7.7	6.5
	371.9	**348.5**	**39.5**	**45.3**	**7.7**	**6.5**	**419.1**	**400.3**
Geographical markets								–
Central Europe	152.8	134.0	13.0	12.0	7.7	6.1	173.5	152.1
East and South Europe	80.0	66.7	5.2	–	–	–	85.2	66.7
Intercontinental	82.6	71.7	–	4.2	–	–	82.6	75.9
Middle East, Africa and France	56.5	76.1	21.3	29.1	–	0.4	77.8	105.6
	371.9	**348.5**	**39.5**	**45.3**	**7.7**	**6.5**	**419.1**	**400.3**
Time of realising revenue								–
Goods transferred at a given time	371.9	348.5	–	–	7.7	6.5	379.6	355.0
Services transferred over a period of time	–	–	39.5	45.3	–	–	39.5	45.3
	371.9	**348.5**	**39.5**	**45.3**	**7.7**	**6.5**	**419.1**	**400.3**

The Biotest Group's order volume from unfulfilled delivery and service obligations amounted to € 105.0 million on the balance sheet date (previous year: € 61.8 million). These delivery and service obligations are generally fulfilled within a maximum period of one year. Additional performance obligations of € 12.9 million (previous year: € 18.0 million) result from the future transfer of technology and know-how; these proceeds will be realised over a period of at least four years.

D 2 COST OF MATERIALS

in € million	**2019**	2018
Raw materials, consumables and supplies	197.4	199.3
Services purchased	32.5	25.5
	229.9	**224.8**

The increase in the cost of materials can be attributed to the increase in sales revenues and plasma purchase prices in 2019. In the previous year's report, the corresponding figure for 2018 was € 39.5 million too low due to a transmission error and was adjusted accordingly.

D 3 PERSONNEL EXPENSES

in € million	2019	2018
Wages and salaries	118.3	108.5
Social security contributions	21.3	18.6
Pension costs	4.8	4.4
	144.4	**131.5**

Personnel expenses include expenses for termination benefits in the amount of € 1.8 million (previous year: € 1.7 million).

The average number of employees converted to full-time equivalents in continuing and discontinued operations in financial year 2019 was 1,800 (previous year: 1,639). Converted to full-time equivalents, the Biotest Group employed 1,837 staff as of 31 December 2019 (previous year: 1,663).

Employees are allocated to the following functional areas:

in full-time equivalents	2019	2018
Production	1,245	1,105
Administration	193	182
Distribution	195	186
Research and development	204	190
	1,837	**1,663**

D 4 RESEARCH AND DEVELOPMENT COSTS

Expenses for research and development totalling € 53.4 million (previous year: € 48.5 million) are recognised in full in the statement of income. No development costs were capitalised.

D 5 OTHER OPERATING INCOME

in € million	2019	2018
Insurance reimbursements and other refunds	11.0	10.2
Government grants	0.8	0.2
Income from service agreements	0.6	0.8
Reversal of other provisions	0.6	0.9
Other	0.5	1.5
	13.5	**13.6**

Insurance income and other reimbursements mainly include refunds for the removal of impurities and defects in the media systems in the amount of € 10.5 million (previous year: € 5.0 million). The previous year mainly included insurance refunds for the product recall of human albumin in the amount of € 2.7 million and for freeze-drying damage in the amount of € 2.1 million.

In financial year 2019, the Biotest Group recognised government grants of € 0.8 million (previous year: € 0.2 million) in income.

D 6 OTHER OPERATING EXPENSES

in € million	2019	2018
Expenses incurred in connection with provision of services	2.1	2.3
Donations	0.3	0.2
Sales licence write off	2.6	–
Other	1.3	1.5
	6.3	**4.0**

The write-off relates to a so far unused distribution license in the amount of € 2.6 million.

D 7 FINANCIAL INCOME

in € million	2019	2018
Income from currency translation	2.3	11.5
Interest income	1.2	3.3
Other	0.7	1.0
	4.2	**15.8**
Thereof financial instruments of measurement categories:		
Financial assets at fair value through profit or loss (FAFVtPL)	1.8	0.3
Financial assets measured at amortised cost (AC)	1.3	6.6
Financial liabilities measured at amortised cost (FLAC)	0.4	4.5

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.

D 8 FINANCIAL EXPENSES

in € million	2019	2018
Currency translation expenses	2.1	6.3
Interest expenses	8.5	9.3
Interest expenses from leases (prior year: finance leases)	0.6	0.1
Net interest expenses for pensions	1.6	1.5
Early repayment penalties and waiver fees	0.1	9.3
Fees in connection with financial liabilities	1.8	0.5
Other	–	0.1
	14.7	**27.1**
Thereof financial instruments of measurement categories:		
Financial assets at fair value through profit or loss (FAFVtPL)	1.9	1.1
Financial assets measured at amortised cost (AC)	0.9	3.2
Financial liabilities measured at amortised cost (FLAC)	10.7	19.3

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

Interest expenses include interest in the amount of € 7.3 million for shareholder loans (previous year: € 6.0 million).

The change in financial expenses resulted, among other things, from the decrease in currency translation expenses of € 4.2 million, early repayment fees and waiver fees of € 9.2 million and the increase in fees for financial liabilities of € 1.3 million.

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

in € million	**2019**	2018
Income from value adjustments of the surrender claim against trustee from the sale of shares in ADMA Biologics Inc.	12.8	–
Currency hedging costs	–3.3	–8.0
Currency hedging income	0.7	3.0
Interest hedging costs	–	–0.9
Interest hedging income	–	0.8
Income from value adjustments of other derivatives	0.1	–
	10.3	–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)	13.0	1.2
Income from financial liabilities at fair value through profit or loss (FLFVtPL)	0.6	2.7
Expenses from financial assets at fair value through profit or loss (FAFVtPL)	1.0	3.1
Expenses from financial liabilities at fair value through profit or loss (FLFVtPL)	2.3	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

Profits from joint ventures of € 0.1 million (previous year: € –0.2 million in losses) were recognised in financial year 2019.

D 11 INCOME TAXES

in € million	**2019**	2018
Taxes for the financial year	1.2	1.5
Tax income from other periods	–1.3	–5.4
Current taxes	**-0.1**	**-3.9**
Deferred taxes	**3.5**	**10.8**
Income tax expenses	**3.4**	**6.9**

Deferred taxes from items credited directly to equity amounted to € 5.2 million (previous year: € 0.2 million).

Tax income from other accounting periods relates to tax refunds for previous years of Biotest AG.

The deferred taxes formed in the previous year on the interest carryforward of the German Group in the amount of € 0.6 million were written off, as it is not possible to expect the interest carryforward to be used in the near future with the necessary certainty.

Applying the unchanged nominal income tax rate of 29.0%, the expected tax expense for financial year 2019 differs from the effective amounts as follows:

in € million	**2019**	2018
Earnings before taxes	**–1.3**	**–6.0**
Expected tax income	**–0.3**	**–1.7**
Unrecognised interest/tax loss carryforwards	4.4	0.5
Offsetting against tax losses from previous years	0.1	–0.1
Depreciation of deferred tax assets	0.6	11.2
Current tax income relating to other periods	–1.3	–5.4
Tax effect of adjustments to deferred taxes from previous years	–	3.0
Tax effect of non-deductible expenses	0.1	1.6
Tax effect of tax-free income	–	–0.5
Tax effect of the application of foreign tax rates and the use of foreign tax losses carried forward	–	–0.1
Other effects	–0.2	–1.6
Income tax expenses disclosed in the statement of income	**3.4**	**6.9**

D The calculated tax rate of 29.0% is based on a corporate tax rate of 15.0%, a solidarity surcharge of 5.5% and the weighted trade tax rates of the municipalities of Biotest AG's business premises of 13.2%.

D 12 AUDITOR'S FEE

On 7 May 2019, the Annual General Meeting of Biotest AG elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for financial year 2019.

The total fee paid to the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in financial year 2019 amounted to € 1.0 million (previous year: € 2.4 million), of which € 0.3 million (previous year: € 0.1 million) relates to the previous year. The fee of € 0.9 million (previous year: € 2.2 million) relates to the audit of the financial statements, of which € 0.3 million (previous year: € 0.1 million) relates to the previous year. Furthermore, € 0.1 million (previous year: € 0.2 million) relate to fees for tax consulting services for services rendered in the current financial year and in which no fee is included for the previous year.

Of the total fee calculated, € 0.0 million (previous year: € 1.7 million) is attributable to special audits initiated by the parent company of Biotest AG which were invoiced to the parent company.

E. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

E 1 INTANGIBLE ASSETS

All intangible assets are allocated to non-current assets.

in € million	Goodwill	Patents, licenses and similar rights	Leased assets	Advance payments made	**Total**
Cost of purchase					
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**
Additions	–	1.6	–	0.3	1.9
Reclassifications	–	10.8	–9.6	–1.2	–
Disposals	–	–	–	–	–
Currency translation differences	–	–	–	–	–
Balance as of 31 December 2019	**8.0**	**32.4**	**–**	**4.6**	**45.0**
Accumulated amortisation					
Balance as of 31 December 2017	**0.9**	**14.9**	**9.6**	**–**	**25.4**
Amortisation 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**
Amortisation for the financial year	–	1.8	–	2.6	4.4
Reclassifications	–	9.6	–9.6	–	–
Disposals	–	–	–	–	–
Currency translation differences	–	0.1	–	–	0.1
Balance as of 31 December 2019	**0.8**	**27.8**	**–**	**2.6**	**31.2**
Carrying amount as of					
31 December 2018	7.2	3.7	–	5.5	16.4
31 December 2019	**7.2**	**4.6**	**–**	**2.0**	**13.8**

An impairment test was performed as of 30 September 2019 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 12.35% (previous year: 11.59%) was applied for the impairment test of the goodwill of the Therapy segment, which is based on the relevant WACC (weighted average cost of capital). 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 2025 onwards, it is supplemented by perpetual annuities. Perpetual annuities are calculated on the basis of the average values for the years 2020 to 2024. A growth rate of +0.5% (previous year: +0.5%) was assumed for the Therapy segment in perpetual annuities.

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 4.3% p.a. with an average EBIT margin of 18.8% 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. None of the scenarios results in a need for impairment of goodwill.

Parameter	**Therapy segment**	
	Planning	Scenario
Revenue growth	4.3%	3.5%
EBIT margin	18.8%	17.3%
Discount factor after taxes	9.0%	10.0%
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: € 7.2 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	**2019**	2018
Cost of sales	0.4	0.3
Marketing and distribution costs	0.1	0.1
Administrative expenses	1.2	1.1
Research and development costs	0.1	0.1
Other operating expenses	2.6	–
	4.4	**1.6**

E 2 PROPERTY, PLANT AND EQUIMPMENT

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 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**
Reclassification to the item rights of use due to first-time adoption of IFRS 16	–	–	–	–4.6	–	–4.6
Additions	4.5	1.2	4.3	–	26.0	36.0
Reclassifications	–	0.5	2.2	–	–2.7	–
Disposals	–	–0.2	–3.8	–	–1.2	–5.2
Currency translation differences	–0.1	–	–	–	–	–0.1
Balance as of 31 December 2019	**309.8**	**155.5**	**95.1**	**–**	**227.6**	**788.0**
Accumulated depreciation						
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
Currency translation differences	–	–	–	–	–	–
Balance as of 31 December 2018	**75.0**	**103.5**	**69.2**	**1.5**	**–**	**249.2**
Reclassification to the item rights of use due to first-time adoption of IFRS 16	–	–	–	–1.5	–	–1.5
Depreciation for the financial year	9.2	8.3	5.3	–	–	22.8
Disposals	–	–0.2	–3.8	–	–	–4.0
Currency translation differences	–0.4	–	–	–	–	–0.4
Balance as of 31 December 2019	**83.8**	**111.6**	**70.7**	**–**	**–**	**266.1**
Carrying amount as of						
31 December 2018	230.4	50.5	23.2	3.1	205.5	512.7
31 December 2019	**226.0**	**43.9**	**24.4**	**–**	**227.6**	**521.9**

Advance payments in financial year 2019 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 € 25.8 million in financial year 2019 (previous year: € 39.9 million). Additions to property, plant and equipment include borrowing costs in the amount of € 1.5 million (previous year € 1.2 million).

The Biotest Group had entered into commitments to acquire fixed assets in the amount of € 10.0 million as of 31 December 2019 (previous year: € 19.9 million).

Depreciation of property, plant and equipment for the financial year is included in the following items in the statement of income. The "leased assets" from finance leases with a carrying amount of € 3.1 million as of 31 December 2018, which were

previously recognised in accordance with IAS 17, have been reclassified from the item property, plant and equipment to the item rights of use:

in € million	2019	2018
Cost of sales	16.3	16.9
Marketing and distribution costs	0.2	0.3
Administrative expenses	5.9	5.4
Research and development costs	0.4	0.4
	22.8	**23.0**

E 3 LEASES

The following table shows the carrying amounts of the rights-of-use assets recognised in the balance sheet and their changes during the financial year. All rights-of-use assets listed below are allocated to non-current assets.

in € million	Rights of use for buildings	Rights of use for motor vehicles	Rights of use of other equipment, furniture and fixtures	**Total**
Acquisition / production costs				
Balance as of 31 December 2018	**–**	**–**	**–**	**–**
Reclassification from tangible assets	4.6	–	–	4.6
Effect of first-time adoption of IFRS 16	14.6	1.3	0.2	16.1
Balance as of 1 January 2019	**19.2**	**1.3**	**0.2**	**20.7**
Additions	11.9	0.7	0.6	13.2
Disposals	–2.1	–0.2	–	–2.3
Currency translation differences	–	–	–	–
Balance as of 31 December 2019	**29.0**	**1.8**	**0.8**	**31.6**
Accumulated depreciation				
Balance as of 31 December 2018	**–**	**–**	**–**	**–**
Reclassification from tangible assets	1.5	–	–	1.5
Effect of first-time adoption of IFRS 16	–	–	–	–
Balance as of 1 January 2019	**1.5**	**–**	**–**	**1.5**
Depreciation for the financial year	3.6	0.8	0.1	4.5
Disposals	–0.3	–0.1	–	–0.4
Currency translation differences	–	–	–	–
Balance as of 31 December 2019	**4.8**	**0.7**	**0.1**	**5.6**
Carrying amount as of				
31 December 2018	–	–	–	–
31 December 2019	**24.2**	**1.1**	**0.7**	**26.0**

The Biotest Group mainly rents plasma collection stations in Germany, Hungary and the Czech Republic as well as office buildings. The rental agreements relating to the plasma stations of Plasma Service Europe GmbH and to commercial and office premises of Biotest AG in Dreieich contain in part price adjustment clauses based on the consumer price index in Germany. Some of the rental agreements for the plasma collection stations of Plazmaszolgalát Kft. in Hungary and Cara Plasma s.r.o. in the Czech Republic contain price adjustment clauses based on the "Harmonized Index of Consumer Prices" of the European Union (EUROSTAT HICP). In addition, rental agreements with extension and termination options exist for the majority of the plasma stations in Germany and Hungary as well as for some of the offices and commercial premises at the

Dreieich site; these options have terms of between 48 and 60 months. Please refer to section B6 Leasing for information on the assessment of the exercise of extension and termination options.

Longer-term leases exist in particular for real estate, which represents the largest share of the carrying amount of the rights of use. The real estate contracts have residual terms of 1 to 10 years.

The rights of use of motor vehicles include the rented vehicle fleet. The rental agreements for motor vehicles have remaining terms of 1 to 3 years. In property, plant and equipment, motor vehicles are shown under other facilities, office furniture and equipment.

The rights of use for other facilities, office furniture and equipment mainly relate to rental agreements for furniture, fixtures and multifunction printers. The rental agreements have remaining terms of 1 to 5 years.

Depreciation of right-of-use assets for the financial year is included in the following items of the income statement:

in € million	2019	2018
Cost of sales	2.3	–
Marketing and distribution costs	0.6	–
Administrative expenses	1.5	–
Research and development costs	0.1	–
	4.5	**–**

In financial year 2019, financial liabilities from leases in the amount of € 3.8 million were amortized and € 0.6 million in interest for leases was paid. The total cash outflow from leases including variable lease payments and payments in connection with short-term leases, as well as leases where the underlying asset is of low value, amounted to € 6.4 million in financial year 2019. As of the balance sheet date, future cash outflows amounted to € 26.4 million.

Potential future cash outflows of € 2.0 million were not included in the lease liability as it is not reasonably certain that the leasing agreements will be extended (or not be terminated). Leases entered into by the Biotest Group as lessee but not yet commenced give rise to potential cash outflows of € 0.0 million.

As of 31 December 2019, the Group was obliged to enter into short-term lease agreements for which the corresponding facilitation option is used. The total obligation at this date amounts to € 0.1 million.

The following amounts were recognised in profit or loss in the financial year:

in € million	2019	2018
Depreciation charge for right-of-use assets	4.5	–
Interest expense on lease liabilities	0.6	–
Expense relating to short-term leases	0.3	–
Expense relating to leases of low-value assets	0.5	–
Expense relating to variable lease payments	–	–
Total value in income statement	**5.9**	**–**

Information on the corresponding lease liabilities is provided in section E 15 Financial liabilities. The effects of the first-time adoption of IFRS 16 are presented in section A General Information.

E 4 INVESTMENTS IN JOINT VENTURES

Investments in joint ventures relate to a 49% shareholding held by Biotest Pharma GmbH in BioDarou P.J.S. Co., whose registered office is in Tehran, Iran, and 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 2018 (previous year: 37.5 billion) and is fully paid-in.

As no audited financial statements of BioDarou P.J.S. Co. were available when the consolidated financial statements were prepared, BioDarou P.J.S. Co.'s previous year figures as of 31 December 2018 are reported.

The change in the exchange rate of the rial resulted in a foreign currency valuation of € –0.1 million (previous year: € –0.2 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: € 0.5 million) and current assets to € 14.4

million (previous year: € 13.9 million) respectively on 31 December 2018.

Non-current liabilities were measured at € 0.6 million (previous year: € 0.5 million) and current liabilities at € 10.6 million (previous year: € 10.6 million) respectively on 31 December 2018.

Sales revenue amounted to € 14.5 million (previous year: € 13.5 million) and net profit of the company was € 0.2 million (previous year: net loss in the amount of € 0.3 million) for financial year 2018.

Plasma Gostar Pars (P.J.S.), headquartered in Tehran, Iran, was dissolved effective 26 May 2018. BioDarou P.J.S. Co. held a 60% share in Plasma Gostar Pars (P.J.S.).

As a result of the political developments in financial year 2019, the framework conditions for business relations with Iran, in particular with regard to the processing of payment transactions, have worsened.

E 5 OTHER FINANCIAL ASSETS

in € million	2019 Total	2019 thereof non-current	2018 Total	2018 thereof non-current
Cash deposit with banks (financial assets measured at amortised cost)	12.5	–	15.2	–
Surrender claim against trustee from the sale of shares in ADMA Biologics Inc. (financial assets at fair value through profit or loss)	12.4	–	17.9	–
Loan to third parties (financial assets measured at amortised cost)	7.4	7.4	7.3	7.3
Refunds from the termination of long-term supply contracts (financial assets measured at amortised cost)	–	–	6.1	–
Insurance refunds (financial assets measured at amortised cost)	–	–	5.0	–
Receivables from joint ventures (financial assets measured at amortised cost)	–	–	0.1	–
Other receivables (financial assets measured at amortised cost)	0.2	–	1.9	–
Derivative financial instruments (financial assets at fair value through profit or loss)	0.3	–	0.1	–
Pension fund (financial assets at fair value through profit or loss)	0.2	0.2	0.1	0.1
	33.0	**7.6**	**53.7**	**7.4**

The cash deposits made with banks in financial year 2019, mainly for guarantees issued and a long-term loan to third parties, are recognised at amortised cost.

Financial assets at fair value through profit or loss include the surrender claim against trustee from the sale of shares in ADMA Biologics Inc., fund shares and derivative financial instruments. The fair value of the surrender claim against trustee is determined by reference to the share price of ADMA Biologics Inc. as of 31 December 2019, less a discount. The discount is determined on the basis of the size of the block of shares, the trading volume, and 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. As of 31 December 2018, there was a surrender claim against trustee relating to 10.1 million shares in ADMA Biologics Inc. The surrender claim was partially collected in the 2019 financial year due to the sale of approximately 60% of the shares. The cash inflow generated by this amounted to € 18.4 million. In addition, the valuation as of 31 December 2019 resulted in an increase in value of € 5.0 million which was recognised in profit or loss.

E 6 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	**2019**	2018	**2019**	2018	**2019**	2018
Intangible assets	–	–	–	–	–	–0.4
Property, plant and equipment	–	–	7.4	7.2	0.2	–0.8
Right-of-use assets	–	–	4.9	–	–1.3	–
Other financial assets	0.9	0.9	0.9	0.9	–	0.2
Inventories	8.2	6.7	0.1	0.1	–1.5	1.9
Trade receivables	0.3	–	0.1	0.6	–0.8	–12.3
Contract assets	–	–	11.2	8.8	2.4	8.8
Deferred expenses	–	–	1.2	–	1.2	–
Other provisions	1.5	1.0	–	–	–0.5	0.4
Financial liabilities	5.9	1.0	–	–	1.3	1.3
Pension provisions	16.2	11.4	–	–	0.5	–0.2
Other liabilities	0.4	0.6	1.1	–	1.3	–0.3
Contract liabilities	1.1	0.8	–	–	–0.4	–0.8
Other statement of financial position items	0.1	–	0.1	0.1	–0.1	1.3
Tax value of the recognised loss carried forward	–	1.2	–	–	1.2	11.7
Total deferred taxes	**34.6**	**23.6**	**27.0**	**17.7**	**3.5**	**10.8**
Less netting of deferred tax assets and liabilities	–25.9	–15.0	–25.9	–15.0		
Deferred tax assets / liabilities	**8.7**	**8.6**	**1.1**	**2.7**		

As of 31 December 2019, the Group has no utilizable tax loss carryforwards (previous year: € 3.8 million). The loss carryforward existing as of 31 December 2018 was almost completely utilized in fiscal year 2019.

Deferred taxes are not recognised for tax loss carryforwards of € 63.6 million (previous year: € 52.3 million), as the utilisation of these carryforwards in the near future is not reasonably certain at this time. Of the unrecognised loss carryforwards, € 47.1 million (previous year: € 38.6 million) relate to the domestic companies and € 16.5 million (previous year: € 13.7 million) to the foreign companies. In addition, € 50.4 million (previous year: € 41.9 million) of the unrecognised loss carryforwards relate to unlimited carryforwards, € 5.4 million (previous year: € 1.9 million) can be carried forward for up to five years and € 7.8 million (previous year: € 8.5 million) for five years.

Deferred taxes are not recognized in the year under review for the interest carryforward of € 4.9 million that existed as of 31 December 2019, as it is not possible to calculate with the reasonable certainty that this interest carryforward will be utilized in the near future. The interest carryforward can be carried forward indefinitely.

The deferred taxes recognized as of 31 December 2018 in the amount of € 0.6 million on the interest carryforward of € 2.2 million were written off in the 2019 financial year.

The deferred tax assets of the German Biotest Group amounting to € 7.3 million on temporary differences are long-term and are estimated to be usable on the basis of positive medium-term expectations.

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 2019, as in the previous year, no deferred tax liabilities were recognised for taxes on non-distributed earnings 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 € 2.1 million (previous year: € 2.4 million).

E 7 INVENTORIES

in € million	2019	2018
Raw materials, consumables and supplies	76.4	64.9
Work in progress	119.2	104.3
Finished goods and merchandise	84.5	39.1
	280.1	**208.3**

As of the balance sheet date, the Biotest Group had inventories of € 1.4 million (previous year: € 0.7 million) with a turnover of more than one year.

Impairment losses recognised on inventories amounted to € 21.7 million as of the reporting date (previous year: € 35.5 million). The respective inventories have a residual carrying amount of € 93.0 million (previous year: € 76.9 million) after being written down to their net realisable value.

The previous year's write-downs of inventories in the amount of € 15.0 million (previous year: € 15.5 million) were consumed in the financial year 2019 and reversed in the amount of € 4.3 million (previous year: € 1.2 million). In addition, inventories were written down by € 5.5 million (previous year: € 7.4 million). Additions to and reversals of write-downs of inventories are reported under cost of sales.

E 8 TRADE RECEIVABLES

Trade receivables are typically due within one year. As in the previous year, none of the trade receivables totalling € 107.7 million (previous year: € 118.7 million) were classified as non-current. They are comprised as follows:

in € million	2019	2018
Trade receivables (gross)	130.8	134.5
Sale of trade receivables	–13.3	–8.6
Allowance for bad debts	–9.8	–7.2
Trade receivables (net)	**107.7**	**118.7**

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 € 9.3 million (previous year: € 7.2 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 € 4.0 million (previous year: € 1.4 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. The fair value is the transaction price less a purchase price discount.

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

in € million	2019	2018
Balance as of 31 December	**7.2**	**7.3**
Effect of initial adoption of IFRS 9	–	–1.5
Balance as of 1 January	**7.2**	**5.8**
Reclassification to of contract assets	–	–0.4
Additions	3.5	2.9
Utilisation	–0.1	–0.4
Reversals	–0.8	–0.7
Balance as of 31 December	**9.8**	**7.2**

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

in € million	2019	2018
Central Europe (CEU)	0.1	0.8
Eastern and South Europe (EASE)	1.2	1.1
Intercontinental (ICON)	1.2	0.1
Middle East, Africa and France (MEAF)	7.3	5.2
Allowances for expected credit losses	**9.8**	**7.2**

Net trade receivables are denominated in the following currencies:

in € million	2019	2018
EUR	84.1	90.9
USD	12.4	22.5
GBP	1.9	2.0
HUF	3.9	1.6
BRL	2.7	1.4
Other currencies	2.7	0.3
Trade receivables (net)	**107.7**	**118.7**

E 9 CONTRACT ASSETS

The contract assets from toll manufacturing of € 38.1 million (previous year: € 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.

They are composed as follows:

in € million	2019	2018
Contract assets (gross)	38.5	30.8
Allowances for expected credit losses	–0.4	–0.3
Contract assets (net)	38.1	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	2019	2018
Balance as of 1 January	**0.3**	**–**
Reclassification from trade receivables	–	0.4
Additions	0.2	–
Utilisation	–	–
Reversals	–0.1	–0.1
Balance as of 31 December	**0.4**	**0.3**

E 10 OTHER ASSETS

	2019		2018	
in € million	**Total**	**thereof non-current**	Total	thereof non-current
Value added and other tax receivables	3.6	–	14.8	0.1
Deferred income	9.0	5.6	1.5	0.1
Payments in advance	0.6	–	6.4	–
Other assets	1.5	0.1	0.4	–
	14.7	**5.7**	**23.1**	**0.2**

As of 31 December 2019, ancillary financing costs of € 7.5 million were capitalised under prepaid expenses, € 5.6 million of which are non-current and will be amortised over the financing period. With regard to the new financing agreement, we refer to the comments in section E 15.

As in the previous year, allowances for bad debts were not recognised on other assets in financial year 2019.

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

in € million	2019	2018
Carrying amount	**14.7**	**23.1**
Unimpaired and not past due as of the reporting date	14.7	23.1

Other assets are denominated in the following currencies:

in € million	2019	2018
EUR	13.3	20.7
BRL	0.3	–
GBP	0.1	0.1
HUF	0.8	1.1
Other currencies	0.2	1.2
	14.7	**23.1**

E 11 CASH AND CASH EQUIVALENTS

in € million	2019	2018
Bank balances	60.5	61.1
Cash in hand	0.3	0.8
	60.8	**61.9**

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 2019 to secure its operating business. As of 31 December 2019, an amount of € 12.5 million (previous year: € 15.2 million) had been deposited. The amount is reported under other current financial assets as of 31 December 2019.

E 12 EQUITY

Subscribed capital is fully paid in and amounts to € 39,571,452 on 31 December 2019 (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 2019, 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 44.95% 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 proposed appropriation of net profit for the year 2019 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 authorisation to date.

By resolution of the Annual General Meeting on 7 May 2019, the authorisation of the Board of Management to increase the share capital (Authorised Capital) contained in Article 4(5) of the Articles of Association, which the Board of Management has not previously made use of, was replaced by new authorised capital. The Management Board 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 6 May 2024, by issuing new bearer ordinary shares and/or new non-voting bearer preference shares in exchange for cash contributions and/or contributions in kind by issuing new bearer preference shares (non-voting preference shares). The authorisation 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 authorised to determine the further details of the implementation of capital increases from authorised capital.

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

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

in € million	**2019**	2018
Earnings after taxes from continuing operations	–4.7	–12.9
Additional dividend on preference shares	–0.4	–0.4
Profit adjusted for additional dividend rights (continuing operations)	**–5.1**	**–13.3**
Number of shares outstanding (weighted average)	39.571.452	39.571.452
Basic and diluted earnings per ordinary share in € (continuing operations)	–0.13	–0.34
Additional dividend rights per preference share in €	0.02	0.02
Basic and diluted earnings per preference share in €	–0.11	–0.32

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 13 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 € 3.1 million (previous year: € 2.8 million) were held by a trustee, Biotest Vorsorge Trust e.V., in financial year 2019 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	2019	2018
Net present value of defined benefit obligations		
From pension plans	101.5	82.7
From similar obligations	11.1	9.0
	112.6	**91.7**
Fair value of plan assets		
For pension plans	1.5	1.3
For similar obligations	1.6	1.5
	3.1	**2.8**
Net defined benefit liability		
From pension plans	99.9	81.4
From similar obligations	9.6	7.5
	109.5	**88.9**

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

in € million	2019	2018
Current service cost	4.8	4.4
Net interest expenses	1.6	1.5
Total expenses recognised in profit and loss	**6.4**	**5.9**
Actuarial losses due to experience adjustments (previous year: gains)	5.5	–0.7
Actuarial losses due to changes in financial assumptions	12.8	0.3
Actuarial losses from changes in demographic assumptions	–	1.0
Return on plan assets (excluding amounts included in net interest expense)	–0.2	0.1
Revaluations recognised directly in the statement of comprehensive income	**18.1**	**0.7**
Defined benefit costs	**24.5**	**6.6**

Actuarial losses of € 18.1 million (previous year: losses of € 0.7 million) were recognised directly in equity in financial year 2019. Of this amount, € 5.5 million resulted from experience-based adjustments and € 12.8 million from changes in actuarial assumptions. While the latter is mainly due to the change in interest rates in the main plans in Germany from 2.0% to 1.2%, the experience adjustments resulted from adjustments to Management Board salaries and pension increases that deviated from the assumptions, as well as lower employee turnover. Actuarial losses totalling € 50.3 million (previous year: € 32.2 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	2019	2018
Net present value of defined benefit obligation as of 1 January	**91.7**	**88.9**
Current service cost	4.8	4.4
Interest expense	1.6	1.6
Expenses recognised in the consolidated statement of income	**6.4**	**6.0**
Actuarial losses (previous year: gains) due to experience adjustments	5.5	–0.7
Actuarial losses due to changes in financial assumptions	12.8	0.3
Actuarial losses due to changes in demographic assumptions	–	1.0
Revaluations recognised directly in the statement of comprehensive income	**18.3**	**0.6**
Pension benefits paid	–3.8	–3.8
Net present value of defined benefit obligation as of 31 December	**112.6**	**91.7**

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

in € million	2019	2018
Fair value of plan assets as of 1 January	**2.8**	**2.6**
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)	0.2	–0.1
Revaluations recognised directly in the statement of comprehensive income	**0.2**	**–0.1**
Contribution by the employer	–	0.2
Payments from plan assets	–	–
Fair value of plan assets as of 31 December	**3.1**	**2.8**

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

in € million	2019	2018
In the next 12 months	3.9	4.0
Between 2 and 5 years	16.3	14.9
Between 5 and 10 years	27.3	25.3
After 10 years	99.0	91.1
Total expected payments	146.5	135.3

The weighted average term of the defined benefit plans is 15.2 years (previous year: 14.2 years) as of 31 December 2019.

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

in € million	2019	2018
Cash and cash equivalents	0.9	0.7
Fund shares	2.2	2.1
	3.1	**2.8**

Of the provisions for pensions and similar obligations, € 111.6 million (previous year € 90.8 million) relate to pension plans in Germany. The calculation of the German pension plans is based on the following actuarial assumptions:

in %	2019	2018
Discount rate as of 31 December	0.8 - 1.2	1.6 - 2.0
Expected return on plan assets	2.0	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	3.0	3.0

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

As in the previous year, the calculation was based on the published Heubeck 2018 G mortality tables.

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 2019.

Parameter	Parameter change	Impact on the pension obligation in € million
Rate of interest	Increase by 50 basis points	–8.0
Rate of interest	Decrease by 50 basis points	9.0
Salary trend	Increase by 50 basis points	0.6
Salary trend	Decrease by 50 basis points	–0.6
Pension trend	Increase by 100 basis points	10.1
Pension trend	Decrease by 100 basis points	–8.4
Life expectancy	Increase by one year	4.3

€ 9.8 million (previous year: € 9.0 million) was recognised as expense for defined contribution plans in the financial year and is broken down as follows:

in € million	2019	2018
Defined contribution plans of the Company	0.1	0.1
Employer contributions to statutory insurance scheme	9.7	8.9
	9.8	9.0

E 14 OTHER PROVISIONS

in € million	Staff-related provisions	Litigation risks	Provisions for sales agreements	Miscellaneous other provisions	Total	thereof current
Balance as of 31 December 2018	**9.7**	**1.6**	**3.5**	**9.0**	**23.8**	**22.6**
Additions	11.1	–	3.5	1.6	**16.2**	
Utilisation	–7.9	–0.8	–1.6	–2.6	**–12.9**	
Reversals	–0.9	–	–0.6	–0.6	**–2.1**	
Balance as of 31 December 2019	**12.0**	**0.8**	**4.8**	**7.4**	**25.0**	**22.3**

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 2019 mainly comprise additions of € 9.7 million (previous year: € 8.0 million) for profit-sharing and the LTI programme for employees.

The reversals primarily consist of € 0.4 million relating to provisions for profit-sharing, the LTI programme for employees and severance payments.

E 15 FINANCIAL LIABILITIES

in € million	2019	2018
Non-current liabilities		
Subordinated shareholder loan	303.1	295.8
Unsecured promissory notes	2.0	8.5
Secured loans from financial institutions	47.5	–
Unsecured other loans	27.0	21.3
Liabilities from derivative financial instruments	0.6	–
Long-term share of lease liabilities (prior year: finance leases)	22.7	3.1
	402.9	**328.7**

in € million	2019	2018
Current liabilities		
Unsecured promissory notes	2.5	–
Unsecured other loans	0.8	0.5
Liabilities from derivative financial instruments	0.2	–
Current share of lease liabilities (previous year: finance leases)	4.0	0.2
	7.5	**0.7**

A subordinated, final maturity loan in euros from Tiancheng (Germany) Pharmaceuticals Holding AG with an extended term until 2025 forms the core of Biotest AG's financing.

A loan secured by land charges with a term of 5 years until 2024 forms significant additional financing. The loan agreement was signed on 24 June 2019 and has a closing date on 2 July 2019. The total volume amounts to € 240 million, divided into two Term Facilities (B1 and B2) of € 225 million and a Revolving Facility of € 15 million. Biotest AG, Biotest Pharma GmbH and Biotest Grundstückverwaltungs GmbH have provided collateral for the loan in the form of land charges, pledging of shares and assignment of intercompany receivables.

More detailed information on collateral can be found in section G 6 Capital management.

The loan agreement is a "hybrid" contract or structured product within the meaning of IFRS 9, as it contains an (interest) floor and a termination option of the borrower, each of which represents an embedded derivative. For accounting purposes, the embedded derivatives are therefore separated from the host contract and accounted for separately.

In connection with the financing, Biotest AG has undertaken to maintain certain financial relationships ("covenants"). These financial ratios are determined quarterly at the end of each quarter on the basis of the consolidated Group or quarterly financial statements. The financial ratios were always complied with in the financial year 2019.

The promissory notes of originally issued € 210 million concluded in October 2013 is divided into the following tranches in the amount of € 4.5 million:

Promissory note loans	Currency	Term	Interest rate
Tranche 4	EUR	7 years	fixed interest
Tranche 6	EUR	10 years	fixed interest

Tranche 5 of the promissory note loan in the amount of € 4.0 million was fully repaid in financial year 2019.

Credit lines in the amount of € 193.0 million from the promised financing remain unused as of 31 December 2019. There are no other committed bilateral credit lines.

The liabilities from derivative financial instruments reported under financial liabilities include both derivatives for hedging currency risks and embedded derivatives from the hybrid loan agreement.

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:

2019 (in € million)	Total	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Subordinated shareholder loans:				
Euro - fixed at 2.5 %	303.1	–	–	303.1
Secured loans from financial institutions:				
Euro - variable at 3.3 to 6.7 %	47.5	–	47.5	–
Unsecured promissory notes :				
Euro - fixed at 3.1 to 3.8 %	4.5	2.5	2.0	–
Unsecured other loans:				
Euro - fixed at 0.0 to 4.0 %	27.6	0.6	–	27.0
Euro - variable at 0.7 %	0.2	0.2	–	–
Liabilities from derivative financial instruments	0.8	0.2	–	0.6
Lease liabilities:				
Euro - fixed at 0.0 to 4.8 %	24.8	3.6	11.2	10.0
HUF - fixed at 2.4 to 4.5 %	0.3	0.1	0.2	–
CZK - fixed at 1.3 to 3.4 %	0.9	0.1	0.4	0.4
CHF - fixed at 0.7 to 5.0 %	0.2	0.1	0.1	–
GBP - fixed at 0.2 to 3.0 %	0.4	0.1	0.3	–
BRL - fixed at 0.1 to 0.7 %	0.1	–	0.1	–
	410.4	**7.5**	**61.8**	**341.1**

The pricing and repayment terms as well as the maturity profile of the previous year's 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 loans:				
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**

With the first-time adoption of IFRS 16 as of 1 January 2019, additional lease liabilities were recognised. In the previous year, only liabilities from finance leases were recognised in accordance with IAS 17.

The rights of use of leased assets are capitalised with carrying amounts of € 26.0 million (previous year € 3.1 million as leased assets under property, plant and equipment within the framework of finance leases) under the item rights of use.

As the Group companies Plazmaszolgálat Kft. in Hungary and Cara Plasma s.r.o. in the Czech Republic have concluded significant leasing agreements in euros in addition to the Group companies in the euro countries, the majority of the Biotest Group's liabilities from leasing agreements are in euros.

Information on the corresponding right-of-use assets is provided in section E 3 Leases. The effects of the first-time adoption of IFRS 16 are presented in section A General Information.

The conditions and repayment terms of the previous year's finance lease liabilities and their maturity structure are broken down as follows:

in € million	2018		
	Payment	Interest	Repayment
Due in < 1 year	0.3	0.1	0.2
Due in 1 to 5 years	1.0	0.3	0.7
Due in > 5 years	2.7	0.3	2.4
	4.0	**0.7**	**3.3**

Net debt amounted to € 348.7 million (previous year: € 267.5 million) as of the reporting date and is derived as follows:

in € million	2019	2018
Shareholder loans	303.1	295.8
Financial liabilities to third parties	79.7	30.3
Liabilities from finance leases	–	3.3
Lease liabilities	26.7	–
	409.5	**329.4**
Cash and cash equivalents	60.8	61.9
	60.8	**61.9**
Net debt	**348.7**	**267.5**

E 16 OTHER LIABILITIES

in € million	**2019**	2018
Liabilities for commissions payable	18.2	16.1
Deferred liabilities	6.6	2.0
Wage tax liabilities	2.0	1.8
Liabilities from derivative financial instruments	–	0.1
Deferred income	2.1	0.2
Social security liabilities	0.8	0.6
Value added tax liabilities	0.2	0.3
Other liabilities	0.6	2.5
	30.5	**23.6**

Other liabilities with a term to maturity of over one year amounted to € 0.3 million (previous year: € 0.0 million) in this financial year.

E 17 CONTRACT LIABILITIES

In the previous year, obligations from contractual reimbursements amounting to € 2.5 million were shown separately under contract liabilities. The contract liabilities were fully utilised and fulfilled in the financial year 2019.

F. DISCONTINUED OPERATIONS

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 (BUC), 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 for the previous year.

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.

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 previous year in the income from discontinued operations amounted to € 162.4 million before reclassification of currency differences from currency translation 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.

In the previous year, the following retained assets from the US companies were 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 previous year, the values of the discontinued operations were shown separately from the continuing operations in the income statement, segment reporting and statement of cash flows.

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

in € million	2019	2018
Income from discontinued operations	–	6.0
Expenses from discontinued operations	–	–6.4
Earnings before taxes of discontinued operations	**–**	**–0.4**
Earnings after taxes from discontinued operations before the measurement and disposal result	**–**	**–0.4**
Measurement and disposal result from discontinued operations before taxes	–	195.0
Measurement and disposal result from discontinued operations after taxes	**–**	**195.0**
Earnings after taxes of discontinued operations	**–**	**194.6**

The amount of the consideration received in connection with the sale of the US companies amounted to € 253.8 million. The consideration received consisted exclusively of cash and cash equivalents.

In the previous year, 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.

There were no assets held for sale in financial year 2019. The undeveloped property in Boca Raton, USA, which was reported as an asset held for sale in the previous year in the amount of

€ 6.1 million, was sold in the current financial year for € 6.7 million (before costs of disposal).

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 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 Long-term Incentive Programme includes certain employees 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 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.

The programme set up in the previous year was maintained unchanged in 2019. The second tranche of the Long-term Incentive Programme 2019 (LTIP 2019) started on 1 May 2019 and runs until 31 December 2021.

LONG-TERM INCENTIVE PROGRAMME 2019 / TRANCHE 2019 (LTIP 2019)

The programme does not require the participant to make a personal investment by purchasing preferred shares of Biotest AG.

Since the unchanged programme also does not depend on the stock market price, but rather two internally defined targets (performance factors) were selected for this purpose, the LTIP 2019 does not have to be reported in accordance with IFRS 2.

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.

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	Balance sheet item	Valuation class according to IFRS 9
Financial assets measured at amortised cost	accounts receivable trade	AC
	Other financial assets	AC
	Cash and cash equivalents	AC
Financial assets at fair value through profit or loss	accounts receivable trade	FAFVtPL
	Other financial assets	FAFVtPL
Financial liabilities measured at amortised cost	Financial liabilities	FLAC
	accounts payable trade	FLAC
Lease liabilities	Liabilities from leases (as defined in IFRS 16) / finance leases (as defined in IAS 17)	n/a
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).

Lease liabilities (as defined in IFRS 16) do not fall within the scope of IFRS 9.

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		
Item of the statement of financial position	Measurement class in accordance with IFRS 9	Carrying amount as of 31 December 2019	Amortised acquisition costs	At fair value through profit or loss	Measurement basis in the statement of financial position according to IFRS 16
Assets					
Trade receivables	AC	102.1	102.1	–	–
Trade receivables	FAFVtPL	5.6	–	5.6	–
Other financial assets					
Reimbursements from the termination of long-term supply agreements	AC	–	–	–	–
Cash deposits with banks	AC	12.5	12.5	–	–
Previous year: Insurance claim	AC	–	–	–	–
Derivatives without a hedging relationship	FAFVtPL	0.3	–	0.3	–
Surrender claim against trustee	FAFVtPL	12.4	–	12.4	–
Loans to third parties	AC	7.4	7.4	–	–
Receivables from joint ventures	AC	–	–	–	–
Annuity fund	FAFVtPL	0.2	–	0.2	–
Miscellaneous other financial assets	AC	0.3	0.3	–	–
Cash and cash equivalents	AC	60.8	60.8	–	–
Equity and liabilities					
Trade payables	FLAC	52.2	52.2	–	–
Financial liabilities					
Subordinated shareholder loans	FLAC	303.1	303.1	–	–
Secured loans from financial institutions	FLAC	47.5	47.5	–	–
Unsecured promissory notes	FLAC	4.5	4.5	–	–
Unsecured other loans	FLAC	27.8	27.8	–	–
Lease liabilities (prior year: liabilities from finance leases)	n.a.	26.7	–	–	26.7
Derivatives without a hedging relationship	FLFVtPL	0.8	–	0.8	–

			Measurement basis in the statement of financial position according to IFRS 9			
Fair value as of 31 December 2019	Measurement class in accordance with IFRS 9	Carrying amount as of 31 December 2018	Amortised acquisition costs	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 2018
102.1	AC	112.7	112.7	–	–	112.7
5.6	FAFVtPL	6.0	–	6.0	–	6.0
–	AC	6.1	6.1	–	–	6.1
12.5	AC	15.2	15.2	–	–	15.2
–	AC	5.0	5.0	–	–	5.0
0.3	FAFVtPL	0.1	–	0.1	–	0.1
12.4	FAFVtPL	17.9	–	17.9	–	17.9
7.4	AC	7.3	7.3	–	–	8.1
–	AC	0.1	0.1	–	–	0.1
0.2	FAFVtPL	0.1	–	0.1	–	0.1
0.3	AC	1.9	1.9	–	–	1.9
60.8	AC	61.9	61.9	–	–	61.9
52.2	FLAC	73.4	73.4	–	–	73.4
274.6	FLAC	295.8	295.8	–	–	301.5
57.3	FLAC	–	–	–	–	–
4.6	FLAC	8.5	8.5	–	–	8.6
27.5	FLAC	21.8	21.8	–	–	20.7
26.7	FLAC	3.3	–	–	3.3	3.3
0.8	FLFVtPL	0.1	–	0.1	–	0.1

In accordance with IFRS 7.29, it was assumed that the fair value of current financial instruments corresponds to the carrying amount.

G 2.3 AGGREGATION OF THE MEASUREMENT CATEGORIES, INCLUDING MEASUREMENTS AND FAIR VALUE

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 2019	Amortised cost of purchase	At fair value through equity	At fair value through profit or loss	Fair value as of 31 December 2019
Financial assets measured at amortised cost	AC	183.1	183.1	–	–	183.1
Financial assets at fair value through profit or loss	FAFVtPL	18.5	–	–	18.5	18.5
Financial liabilities measured at amortised cost	FLAC	435.1	435.1	–	–	416.2
Financial liabilities at fair value through profit or loss	FAFVtPL	0.8	–	–	0.8	0.8

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	42.1	–	–	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	FAFVtPL	0.1	–	–	0.1	0.1

G 2.4 NET GAIN OR LOSS BY MEASUREMENT CATEGORY

The net gain or loss for financial year 2019 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 2019
Financial assets measured at amortised cost	1.1	–	–0.7	–2.8	–	–2.4
Financial assets measured at fair value through profit or loss	–	12.0	–0.1	–	–	11.9
Financial liabilities measured at amortised cost	–10.5	–	0.2	–	–	–10.3
Financial liabilities measured at fair value through profit or loss	–	–1.7	–	–	–	–1.7
Total	**–9.4**	**10.3**	**–0.6**	**–2.8**	**–**	**–2.5**

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

in € million		From subsequent measurement				
Categories	From interest	At fair value	Currency translation	Impairment	From disposal	Net gain/loss 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**

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 includes a gain of € 10.3 million (previous year: loss of € 5.1 million), which includes both interest rate and currency effects.

G 2.5 CASHFLOW 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 2019. Financial liabilities repayable on demand are always allocated to the earliest time period.

in € million		Cashflow in 2020			Cashflow in 2021		
Balance sheet items	Carrying amount as of 31 December 2019	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to shareholders	–303.1	–	–	–	–	–	–
Liabilities to banks	–4.5	–0.2	–	–2.5	–0.1	–	–
Liabilities to fianancial instututions	–47.5	–	–5.7	–	–	–5.7	–
Lease liabilities	–26.7	–0.6	–	–4.0	–0.5	–	–3.7
Other interest-bearing liabilities	–27.8	–1.1	–	–0.8	–1.1	–	–
Trade payables	–52.2	–	–	–52.2	–	–	–
Derivative financial liabilities:							
Foreign exchange derivatives without hedge relationship	–0.2	–	–	–0.2	–	–	–
Embedded derivatives	–0.6	–	–	–	–	–	–
Derivative financial assets:							
Foreign exchange derivatives without hedge relationship	0.3	–	–	0.3	–	–	–

in € million		Cashflow in 2019			Cashflow in 2020		
Balance sheet items	Carrying amount as of 31 December 2018	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities::							
Liabilities to shareholders	–295.8	–	–	–	–15.4	–	–290.5
Liabilities to banks	–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	–	–	–
Derivative financial liabilities:							
Foreign exchange derivatives without hedge relationship	–0.1	–	–	–0.1	–	–	–
Derivative financial assets:							
Foreign exchange derivatives without hedge relationship	0.1	–	–	0.1	–	–	–

Liabilities to financial institutions also include commitment interest based on the current undrawn volume of € 190.0 million.

Cashflow in 2022			Cashflow in 2023			Cashflow in 2024			Cashflow after 2024		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
–	–	–	–	–	–	–	–	–	–49.4	–	–290.0
–0.1	–	–	–0.1	–	–2.0	–	–	–	–	–	–
–	–5.7	–	–	–5.7	–	–	–2.5	–50.0	–	–	–
–0.4	–	–3.3	–0.3	–	–2.8	–0.3	–	–2.6	–0.6	–	–10.3
–1.1	–	–	–1.1	–	–	–1.1	–	–	–1.6	–	–27.0
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–0.6	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

Cashflow in 2021			Cashflow in 2022			Cashflow in 2023			Cashflow after 2023		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repayments
–	–	–	–	–	–	–	–	–	–	–	–
–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
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

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.

For financial (non-derivative) assets measured at fair value, the fair value is determined by reference to the share price of ADMA Biologics Inc. taking into account a discount. The discount is estimated based on the size of the share package, the trading volume, the profitability of the company and the urgency of the sale. The estimates are derived from historical experience. The fair value is assigned to hierarchy level 3.

In the case of derivative financial assets or liabilities (currency transactions and embedded derivatives) 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 financial institutions, 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.

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 concluded a hybrid loan agreement containing embedded derivatives 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 financial liabilities. € 0.3 million (previous year: € 0.1 million) is disclosed under other financial assets and € 0.8 million (previous year: € 0.1 million) under other financial liabilities as of 31 December 2019.

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 € 3.6 million (previous year: € 1.5 million) were recognised for these receivables.

Credit insurance has been obtained from various companies for certain customers in certain countries. Economic risks are covered by credit insurance in the amount of € 24.3 million and

political risks in the amount of € 26.4 million. 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	2019	2018
Trade receivables	107.7	118.7
Contract assets	38.1	30.5
Other financial assets	33.0	53.7
Cash and cash equivalents	60.8	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 Classification	External Rating Classification
31 December 2019		
Requests from deliveries and services	19.8	87.9
Contract assets	38.1	–
Cash and cash equivalents	–	60.8
Other financial assets	–	33.0
Total	**57.9**	**181.7**

Biotest categorises all of the assets listed above into credit grades and makes value adjustments of between 0.01% and 4.69% depending on the credit grade and origin of the corresponding debtor. In addition, individual value adjustments are also made for cases of insolvency or particularly bad debts, which can amount to up to 100%.

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. There are also foreign currency risks from leasing contracts concluded in foreign currency (mainly HUF and CZK). 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	**2019**	2018	**2019**	2018
Cash and cash equivalents	8.5	10.2	1.1	1.0
Trade receivables	12.4	22.5	–	2.0
Other primary financial assets	20.3	27.1	–	–
Other derivative financial assets	0.3	0.2	–	–
Trade payables	–2.4	–7.6	–0.2	–0.3
Liabilities to financial institutions	–	–	–	–
Lease liabilities	–	–	–	–
Other primary financial liabilities	–3.0	–4.5	–	–
Other derivative financial liabilities	–	–	–0.2	–
Net position	**36.1**	**47.9**	**0.7**	**2.7**

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	
	2019	2018	**2019**	2018
Foreign exchange derivatives	44.3	42.7	0.1	–0.1

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 and the embedded derivatives of the hybrid loan agreement give rise to an interest-related risk from changes in fair value.

As in the previous year, there were no interest rate hedging transactions as of 31 December 2019.

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 through shareholder loans, long-term loans from financial institutions and other loans, promissory note loans, leasing agreements and factoring.

As of 31 December 2019, the Biotest Group has a contractually agreed credit line:

in € million	**2019**	2018
Loans drawn down	385.2	326.1
Loans not drawn down	193.0	–

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 2019 impact the Group's liquidity position is provided in Section G 2.D.

The changes in liabilities from financing activities are as follows:

in € million	**1 January 2019**	Cash flows	First-time adoption of IFRS 16	Addition of RoU assets in 2019 (non-cash)	Modifications of leases (non-cash)	Exchange rate changes	Other	**31 December 2019**
Financial liabilities	**326.1**	42.4	–	–	–	–	15.2	**383.7**
Lease liabilities (previous year: liabilities from finance leases)	**3.3**	–3.8	16.1	13.2	–2.4	0.3	–	**26.7**
Total	**329.4**	**38.6**	**16.1**	**13.2**	**–2.4**	**0.3**	**15.2**	**410.4**

in € million	**1 January 2018**	Cash flows	Exchange rate changes	Other	**31 December 2018**
Financial liabilities	**402.9**	–95.0	–0.6	18.8	**326.1**
Liabilities from finance leases	**3.5**	–0.2	–	–	**3.3**
Summe	**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 € 6.0 million (previous year: € 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 under observation as of 31 December 2019, the financial result would have been € 8.1 million higher (previous year: € 0.5 million lower).

If the euro had depreciated by 10 % against all currencies under observation as of 31 December 2019, the financial result would have been € 8.1 million lower (previous year: € 0.7 million higher).

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

in € million	Appreciation of the EUR by 10%	Depreciation of the EUR by 10%
EUR to USD	7.0	–7.0
EUR to GBP	1.1	–1.1
	8.1	**–8.1**

It should be noted that the sensitivity analysis required by IFRS 7 only takes into account exchange rate risk on financial assets and liabilities but not translation risk. If translation risk had been taken into account, the effect would have been different.

INTEREST RATE RISK

For interest rate risk, a sensitivity analysis serves to illustrate the effects of changes in market interest rates on interest income and expenses, other income components and, where applicable, equity.

Changes in the market interest rates of primary financial instruments with fixed interest rates only impact income if recognised at fair value. Financial instruments with fixed interest rates measured at amortised cost are therefore not exposed to interest rate risk as defined by IFRS 7.

Changes in the market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps, interest rate caps and embedded derivatives) 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 2019 had been 100 basis points higher, the fair values of the financial instruments would have been € 0.6 million higher (previous year: € 0.0 million higher). The hypothetical impact on profit or loss of € 1.2 million (previous year: € 0.7 million) arises from the potential effects from interest rate derivatives of € 0.6 million (previous year: € 0.0 million) and primary financial liabilities of € 0.6 million (previous year: € 0.7 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 2019 had been 100 basis points higher or 0 basis points lower, equity would have remained unchanged. Please see the remarks in Section E 13 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.

The sensitivity analysis relates to the surrender claim against the trustee arising from the sale of shares in ADMA Biologics Inc. If the share price on 31 December 2019 had been 10% higher (10% lower), the fair value would have been € 1.2 million higher (€ 1.2 million lower).

If the package discount had been 10% higher (10% lower) at 31 December 2019, the fair value would have been 5.3% lower (5.3% higher).

Other price-related risks have 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 43.0% as of 31 December 2019 (previous year: 47.5%). 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 the financial year 2019. 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 had fixed and variable interest rates. The tranche with a maturity of 10 years has a fixed rate coupon. A liability from promissory note loans in the amount of € 4.5 million remains on the balance sheet date 2019.

The financing is secured by a shareholder loan including accrued interest in the amount of € 303.1 million and a long-term loan of € 30.0 million, of which € 27.0 million is currently drawn down. The shareholder loan is subordinated to senior liabilities and all other non-subordinated liabilities of Biotest AG. The shareholder may not assert its claims under this agreement for as long as this would result in the insolvency or over-indebtedness of the borrower.

A secured "hybrid" loan agreement with a total volume of € 240 million is a further key financing instrument. As of 31 December 2019, € 50 million of the volume provided had been drawn. This financing agreement includes a covenant to be met, which is monitored monthly by Biotest. Restrictions apply in particular with regard to the sale and collateralisation of assets.

As collateral, the Biotest Group has arranged a first-rank land charge in the total amount of € 240 million on the real estate located in Dreieich. On the balance sheet date, the real estate secured by the Biotest Group had a carrying amount of €215.8 million.

Furthermore, Biotest AG has completely pledged its shares in Biotest Pharma GmbH, Dreieich.

In addition, a global assignment with regard to current and future cash pooling receivables was agreed in a separate contract dated 28 June 2019. This affects receivables from affiliated companies in the amount of € 24.6 million at the balance sheet date.

Biotest Pharma GmbH, Dreieich, and Biotest Grundstücksverwaltungs GmbH, Dreieich, have joined the financing agreement as further guarantors.

Further information is provided in section E 15 Financial liabilities.

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 € 12.4 million (previous year: € 29.6 million). These relate mainly to guarantees for the delivery of goods and the performance of services, in which the probability of a

claim against the Biotest Group is considered low. Cash deposits in the amount of € 12.5 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 € 1.8 million (previous year: € 1.1 million) result from fees in connection with the tender business. In the financial year, the full amount was recognized as a provision. In the previous year, the amount considered justified by Biotest was 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 2020	2021 to 2024	starting in 2025	Total
Commitments under long-term supply agreements with fixed purchase volumes	38.3	319.3	348.3	705.9
Commitments under long-term service agreements	19.0	53.7	–	72.7
Commitments to purchase property, plant and equipment	10.8	–	–	10.8
	68.1	**373.0**	**348.3**	**789.4**

Commitments under long-term supply agreements for intermediates with fixed purchase volumes relate to supply agreements for the years 2020 to 2025, under which Biotest is to receive products worth € 94.9 million (previous year: € 94.1 million) in subsequent years.

The strong increase results from the conclusion of plasma supply contracts for the years 2020 to 2029, which include minimum purchase quantities with a volume of € 611.1 million.

In addition, Biotest AG has concluded further plasma supply contracts with various suppliers. These contracts include obligations for Biotest AG to purchase plasma. The amount of the obligations depends on the availability of the natural resource plasma (willingness of the population to donate).

Obligations under long-term service agreements mainly relate to purchase commitments under two toll manufacturing agreements for the periods from 2020 to 2023 totaling € 72.7 million (previous year: € 52.4 million).

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 (dissolved on 26 May 2018), 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 € 4.9 million during the year (previous year: € 7.4 million). The receivables from joint ventures amounted to € 5.4 million on 31 December 2019 (previous year: € 5.4 million). As of 31 December 2019, 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 € 2.1 million (previous year: € 15.9 million) from BPL in financial year 2019. Liabilities to BPL amounted to € 0.8 million (previous year: € 0.1 million) on the reporting date.

C) SHANGHAI RAAS BLOOD PRODUCTS CO., LTD.

In financial year 2019, Shanghai RAAS supplied goods amounting to € 0.0 million (previous year: € 0.6 million) to distribute the products of Shanghai RAAS to Biotest Hungaria Kft., Budapest, Hungary. As of 31 December 2019, Biotest Hungaria Kft. had no liabilities to Shanghai RAAS.

D) TIANCHENG (GERMANY) PHARMACEUTICAL HOLDINGS AG

Tiancheng (Germany) granted Biotest a shareholder loan. Biotest utilised 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. Biotest did not repay the loan in 2019. In the previous

year, Biotest repaid a total of € 50.0 million plus interest of € 0.2 million. As of 31 December 2019, the shareholder loan amounted to € 290.0 million (previous year: € 290.0 million) plus unpaid interest of € 13.1 million (previous year: € 5.8 million).

E) TIANCHENG INTERNATIONAL INVESTMENT LTD.

For financial year 2019, Biotest passed on all costs incurred in connection with the restructuring in the total amount of € 1.3 million (previous year: € 3.3 million) to Tiancheng International. As of 31 December 2019, receivables from Tiancheng International for reimbursement amounted to € 0.0 million (previous year: € 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.

Even beyond 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 due to her membership in the Supervisory Board. As in the previous year, expenses incurred by related parties of the Schleussner family were low in 2019.

In July 2019, OGen GmbH acquired the monoclonal antibody

BT-061 from Biotest. With effect from 1 January 2019, Biotest purchased the 2% minority interest in Biotest Grundstücksverwaltungs GmbH from Dr Cathrin Schleussner and Dr Martin Schleussner.

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, Munich

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.

Kreissparkasse Biberach was a related party until 1 February 2018. The company maintains employee custody accounts for the Long-Term Incentive Programme.

Plasma Gostar Pars P.J.S. was liquidated on 26 May 2018.

G) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Composition of the Boards

As of 31 December 2019, 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,
Shareholder representative,

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 Naga UK TopCo Limited, Elstree, UK
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, Deutschland
Administrative employee of Biotest AG, Dreieich, Germany
Employee representative on the Supervisory Board of Biotest AG (member since September 2011)

Christine Kreidl,
Regensburg, Germany
Shareholder representative
Independent consultant, Regensburg, Germany
Member of the Supervisory Board of Biotest AG since August 2017 until 4 January 2020
Deputy Chairwoman of the Supervisory Board of Singulus Technologies AG, Kahl/Main, Germany (until 10 August 2019)

Simone Fischer
Wiesbaden, Deutschland
Shareholder representative
Graduate in business administration, auditor and tax consultant
Member of the Supervisory Board of Biotest AG (member since 12 February 2020)
Partner at Bouffier Kaiser & Partner m.b.B, Wirtschaftsprüfer, Steuerberater, Wiesbaden, Germany
Managing Director of Bouffier Kaiser GmbH Wirtschaftsprüfungsgesellschaft, Wiesbaden

Dr. Cathrin Schleussner,
Neu-Isenburg, Germany
Shareholder representative
Graduate biologist
Managing Director of OGEL Next GmbH, Frankfurt/Main, Germany, and OGen 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

Supervisory Board remuneration

Members of the Supervisory Board were paid a total of € 402 thousand in the current financial year (previous year: € 312 thousand), of which € 402 thousand (previous year: € 312 thousand) is attributable to fixed remuneration components and € 0 thousand (previous year: € 0 thousand) to variable remuneration components.

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2019 and 2018 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.

Board of Management

Dr. Michael Ramroth,
Mörfelden-Walldorf, Deutschland
Chairman of the Board of Management (since 1 May 2019), Chief Financial Officer

Dr. Georg Floß, Marburg, Deutschland
Member of the Board of Management (Manufacturing)

The following member retired from the Board of Management on 30 April 2019:

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

Remuneration of the Board of Management

The total remuneration of the Board of Management active in financial year 2019, including the pro rata remuneration of the member of the Board of Management whose mandate ended on 30 April 2019 (Dr. Bernhard Ehmer), amounted to € 1,965 thousand (previous year € 2,150 thousand). The Board of Management remuneration is broken down into non-performance-based components of € 1,033 thousand (previous year:

€ 1,208 thousand) and performance-based components of € 932 thousand (previous year: € 943 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.

Like the LTIP 2018, the LTIP 2019 is based on the allocation of virtual participation shares by the Supervisory Board to the members of the Board of Management. Two members of the Board of Management (Dr Michael Ramroth and Dr Georg Floß, each with 1,800 shares) have participated in the non-share-based LTIP 2019 programme. A provision of € 79 thousand was formed for this tranche. Of this amount, € 42 thousand is attributable to Dr Michael Ramroth and € 37 thousand to Dr Georg Floß.

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 € 185 thousand was formed for this tranche. Of this amount, € 72 thousand is attributable to Dr Bernhard Ehmer, € 60 thousand to Dr Michael Ramroth and € 53 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 € 121 thousand was recognised for the LTIP 2017. Of this amount, € 64 thousand is attributable to Dr Michael Ramroth and € 57 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 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 Georg Floß received € 74 thousand.

The active members of the Board of Management have pension entitlements of € 13,805 thousand (previous year: € 9,097 thousand). As of 31 December 2019, assets in the amount of € 2,835 thousand (previous year: € 1,793 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 € 10,318 thousand (previous year: € 7,257 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 € 603 thousand (previous year: € 484 thousand) were made to former members of the Board of Management in financial year 2019. 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 2019.

As in the previous year, there were no LTIP-related provisions for former Board of Management members as of 31 December 2019.

After leaving the company on 30 April 2019, the former Chairman of the Board of Management, Dr Bernhard Ehmer, worked for Biotest AG as a consultant on strategic issues until and including 31 October 2019. In this context, Dr Bernhard Ehmer received a fee of € 120 thousand.

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	126.4	100.0	2.1
Biotest Grundstücksverwaltungs GmbH *	Dreieich, Germany	10.2	100.0	–
Biotest France SAS	Paris, France	0.8	100.0	–
Biotest (UK) Ltd.	Birmingham, UK	3.1	100.0	0.6
Biotest Italia S.r.l.	Milan, Italy	–0.1	100.0	1.0
Biotest Austria GmbH	Vienna, Austria	2.1	100.0	–0.1
Biotest (Schweiz) AG	Rupperswil, Switzerland	2.5	100.0	0.1
Biotest Hungaria Kft.	Budapest, Hungary	3.6	100.0	0.4
Biotest Farmacêutica Ltda.	São Paulo, Brazil	–1.7	100.0	–0.8
Biotest Hellas MEPE	Athens, Greece	–7.9	100.0	–
Biotest Medical S.L.U.	Barcelona, Spain	1.7	100.0	0.4
Plasma Service Europe GmbH */***	Dreieich, Germany	4.3	100.0	–0.1
Plazmaszolgálat Kft. *	Budapest, Hungary	–0.5	100.0	–1.7
Cara Plasma s.r.o. *	Prague, Czech Republic	–2.6	100.0	–2.3
Biotest Real Estate Corporation	Wilmington (Delaware), USA	6.3	100.0	–
BioDarou P.J.S. Company */*****	Teheran, Iran	3.7	49.0	0.2
Biotest Pharmaceuticals ILAÇ Pazarlama Anonim Sirketi ****	Istanbul, Turkey	–	100.0	–

* 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 2018

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 2019 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. For the first time, Biotest Grundstücksverwaltungs GmbH, Dreieich, is also making use for the 2019 financial year of the exemption option pursuant to Section 264 (3) HGB to the extent that the annual financial statements are not published.

G 12 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 0.8 million (previous year: € 1.6 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

On 4 January 2020, Ms Christine Kreidl, a member of the Supervisory Board of Biotest AG, resigned from the Supervisory Board at her own request.

On 12 February 2020, Ms Simone Fischer was appointed as a new member of the Supervisory Board of Biotest AG.

The currently prevailing high level of uncertainty regarding the further spread of the coronavirus and possible economic consequences cannot be conclusively assessed at the time of preparing the financial statements. If the spread of the coronavirus continues over the long term, this could have a negative impact, for example, on the willingness of the population to donate blood plasma or on the health and operational capability of employees. In addition, the conduct of business in the regions affected by a pandemic/epidemic could be adversely affected and thus adversely affect the net assets, financial position and results of operations.

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, 20 March 2020

Dr. Michael Ramroth
Chairman 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, 20 March 2020

Biotest Aktiengesellschaft

Board of Management

Dr Michael Ramroth
Chairman 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 2019, 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 2019, 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 2019. In accordance with the German legal requirements, we have not audited the content of the management declaration on corporate governance that is part of the group management report and was published on the website cited in 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 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, 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 management declaration 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 2019. 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. "General statement on the economic position of the company" and D. I. D. "Expected development of the Biotest

Group". Please also refer to group management report section D.II. "Risk report" and the information on "Corporate strategy risks" presented there 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. 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 assets, liabilities, financial position and financial performance 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 valuation risk. In light of the judgment exercised in valuation, the valuation of receivables and measurement of 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 valuation 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 valuation 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 valuation 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 "Revenue"; 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 8 "Trade receivables." Please also refer to group management report section D.II. "Risk report" and the information on "Sales market risks" and "Political risks" presented there 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 recoverability of the net deferred tax assets and the deferred tax assets on loss carryforwards on the basis of the tax planning drawn up for the relevant companies. The tax planing is prepared on the basis of the corporate planning 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 6 "Deferred tax assets and liabilities" of the notes to the consolidated financial statements.

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 management declaration on corporate governance referred to above and the following other components of the annual report, of which we obtained a version prior to issuing the auditor's report, in particular:

- the section "Foreword" in 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;
- the Corporate Governance Report and
- the group non-financial report

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

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 7 May 2019. We were engaged by the Supervisory Board on 6 August 2019. 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 2019.
- 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 2019
- Review of Biotest Aktiengesellschaft's IFRS reporting package pursuant to the audit instructions of the group auditor of Tiancheng International Investment Limited, Hong Kong, China, as of 31 December 2019.
- Performance of agreed-upon procedures for Biotest Aktiengesellschaft in connection with a financial covenant to be complied with as of 31 December 2019.

German Public Auditor responsible for the engagement

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

Eschborn/Frankfurt am Main, 20. March 2020

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 the 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. The Supervisory Board, in its function as a controlling body and guided by the principles of responsible and good corporate governance, unconditionally fulfilled its duties according to statutory law, the Articles of Association and Rules of Procedure in the financial year 2019. 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 coherent and timely manner by means of written and oral reports on all matters which were of fundamental importance to the Company, including such decisions which do not require 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.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board also maintained fortnightly intensive personal and telephone contact with the Chairman of the Board of Management to obtain information on the business development, key business transactions and upcoming decisions as well as long-term perspectives and considerations on emerging developments. The Chairman of the Supervisory Board and the Chairwoman of the Audit Committee also 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.

There were no conflicts of interests involving members of the Board of Management or Supervisory Board during the financial year 2019, which require immediate disclosure to the Supervisory Board and must be reported to the Annual Shareholders' Meeting.

In the financial year 2019, the preparations and the measures to ensure liquidity and refinancing of the Company were of great importance to the discussions in the Supervisory Board. Moreover, the discussions in the Supervisory Board were characterized by consultations on the composition of the Board of Management and succession to the office of the Chairman of the Management Board after Dr Ehmer has retired, the progress of the BNL (Biotest Next Level) project, 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 six regular meetings and ten telephone conferences in the financial year 2019. One resolution was adopted by way of 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. They had the opportunity to introduce their own proposals during discussions.

MAIN FOCUS AT SUPERVISORY BOARD DELIBERATIONS

In addition to the topics mentioned above, the regular deliberations of the Supervisory Board in the 2019 financial year focused on the planning and current business development of the Company. Any questions

arising were discussed immediately and comprehensively. Thus, the Supervisory Board always received the most up-to-date information.

In a telephone conference on 16 January 2019, the Supervisory Board discussed the current business developments and the budget for 2019 presented by the Board of Management. After the details had been discussed, the Supervisory Board approved the revised 2019 budget. Another integral item on the agenda was the discussion on the succession planning for the Board of Management after the retirement of Dr Ehmer on 30 April 2019. Mr Tan Yang was excused for his absence during the telephone conference.

At the meeting on 7 March 2019, the Board of Management informed the Supervisory Board about the current business situation of the Group until February 2019. Other items on the agenda included the status of the BNL project and bonus payments to the members of the Board of Management. The Board of Management presented the annual financial statements for Biotest AG and the group for the financial year 2018. The auditor present explained the results of his audit, its services in addition to the statutory audit and confirmed, that an unqualified audit opinion will be provided for the year end statement of Biotest AG. The Supervisory Board approved amongst others the Supervisory Board Report, the Dependency Report and the non-financial statement (Sustainability Report), the EMIR-Report and the Declaration of Compliance for the financial year 2018 as well as the qualification profile for the composition of the Supervisory Board. The Supervisory Board further resolved on proposing Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as statutory auditor for the financial statements 2019 to the Annual Shareholders' Meeting.

At this meeting after extensive consultation and assessment of the qualification of Dr Ramroth and the review of external alternatives, Dr Ramroth was appointed Chairman of the Board of Management with effect from 1 May 2019. At the same time, a resolution was passed to amend the service contracts of Dr Ramroth and Dr Floß as well as the rules of procedure for the Board of Management and a temporary consultancy contract with Dr Ehmer for the transition period after his retirement from the Board of Management was discussed. The Supervisory Board also approved the new terms of the Long Term Incentive Program for 2019-2021, the targets 2019 for the Board of Management and the target fulfilment of the members of the Board of Management for 2018 as well as bonus payments to the members of the Board of Management for extraordinary performance in connection with the implementation of the takeover offer by CREAT. The agenda for the Annual Shareholders' Meeting 2019 was discussed. In addition, the Supervisory Board was informed about the decision of the Federal Court of Justice in relation to the business of the Company in Russia and its impacts on the proceedings still pending against three managers of the Company. The Supervisory Board also discussed the transaction between Grifols S.A. and Shanghai RAAS and its possible impact on Biotest AG. Dr Ramroth reported on the results of the Supervisory Board's efficiency review. The Chairwomen of the Audit Committee and the Governance Committee reported on the activities of the Committees.

Following detailed discussions at the meeting dated 21 March 2019, the Supervisory Board, upon the recommendation of the Audit Committee and following its own review, unanimously approved the 2018 annual financial statements for the Group and for Biotest AG as well as the resolution on the distribution of profits and adopted the agenda for the 2019 Annual Shareholders' Meeting.

The meeting of 6 May 2019 was dominated by discussions on the business development in the first quarter, the liquidity situation of the Company and its refinancing needs as well as preparations for the Annual Shareholders' Meeting.

In nine telephone conferences between 3 April 2019 and 23 June 2019, the Supervisory Board was regularly informed about the liquidity situation and the status of negotiations for new financing of the Company. In the telephone conference on 23 June 2019, the Board of Management presented the outcome of these negotiations. The Supervisory Board approved the conclusion of a loan agreement at the negotiated terms and conditions and authorised the Board of Management to conclude this agreement.

At the meeting on 25 and 26 July 2019, the Board of Management had the opportunity to inform the Supervisory Board in detail about the Company's business development in the first half of 2019, the financing, the 10-year plan, the status of the BNL project and other strategic options for the Company. The Supervisory Board was also informed about new legal developments and adjusted and adopted the 2019 target agreement for the Board of Management on the basis of updated figures.

At the meeting on 9 October 2019, the Chairwoman of the Governance Committee reported on its discussions. The Board of Management informed the Supervisory Board about current business developments and the outlook up to the end of the financial year as well as the positive progress of the BNL project. In addition, various scenarios for securing the blood plasma supply in the coming years were discussed. The Board of Management also reported on the sale of the assets in relation to the monoclonal antibody BT-061 and the discontinuation of activities relating to the other monoclonal antibodies (BT-062, BT-063).

The business development, the outlook for the 2019 financial results and the 2020 budget, as well as the current status of the BNL project and measures to ensure blood plasma supply for 2020 were discussed at the meeting on 4 December 2019. In addition, the Chairwoman of the Governance Committee reported on succession planning for one retiring member of the Supervisory Board.

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 2019:

Personnel and Compensation Committee

Rolf Hoffmann (Chairman)

Kerstin Birkhahn

Tan Yang

Audit Committee

Christine Kreidl (Chairwoman)

Rolf Hoffmann

Jürgen Heilmann

Tan Yang

Governance Committee

Dr. Cathrin Schleussner (Chairwoman)

Christine Kreidl

Rolf Hoffmann

Tan Yang

In the 2019 financial year, the Audit Committee met with the Board of Management in three meetings, one resolution was adopted by way of written circular procedure and one discussion took place via telephone conference. At its first meeting in the 2019 financial year, held on 6 March 2019, the Audit Committee discussed the status of the 2018 audit of the annual financial statements and the distribution of profits and the 2019 audit focus of the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung). Following detailed discussions, the Audit Committee decided to propose to the

Supervisory Board the approval of the non-financial statement (Sustainability Report), the report on the audit in accordance with Section 20 para. 1 of the German Securities Trading Act (EMIR Report) and, after submission of the relevant declaration of independence for 2019, to propose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the statutory auditor for the 2019 financial statements. The Audit Committee's discussions on 21 March 2019 focused on the single-entity and consolidated financial statements for 2018 presented by the Board of Management and other reports in relation to the 2018 financial statements. The auditor present at the meeting presented the results of his audit and answered the questions asked by the Audit Committee in this regard. Following the discussions, the Audit Committee decided to propose to the Supervisory Board to approve the proposal for the distribution of profits, the single-entity and consolidated financial statements for 2018. On 23 June 2019, after discussion by telephone, the Audit Committee proposed to the Supervisory Board to conclude the new loan agreement negotiated by the Board of Management to cover the Company's financing needs. On 7 September 2019, the Audit Committee resolved by circular resolution to instruct FAS Steuerberatungsgesellschaft mbH, Frankfurt am Main, to assist the Company in the tendering process and selection of a new auditor for the 2021 financial year. At the meeting on 4 December 2019, the Audit Committee discussed the results of the internal audit, risk management and key parameters of the 2019 audit. The key audit matters for 2019 were determined. The auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft gave an overview of the performed services in 2019 and the expected services for 2020, which were approved by the Audit Committee after review. Further, the audit plan for the internal audit 2020 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 financial year under review, it met twice, on 12 February 2019 and on 6 March 2019. The meetings mainly dealt with Dr Ehmer's succession planning and bonus payments to the members of the Board of Management. After extensive discussions, the Committee decided to propose to the Supervisory Board the resolution on bonus payments and the appointment of Dr Ramroth as Chairman of the Management Board to succeed Dr Ehmer. The Personnel and Compensation Committee also discussed the long-term incentive program for the years 2019 - 2021, the 2019 targets for the Board of Management and the achievement of targets by the members of the Board of Management for 2018.

The Governance Committee met twice in 2019, on 6 March 2019 and on 9 October 2019, and after detailed discussion, the Governance Committee decided to propose a qualification profile for the Supervisory Board to the Supervisory Board for decision. It also presented the results of Kienbaum's efficiency review and resolved to propose to the full Supervisory Board to approve the Declaration of Compliance. Topics of discussion at the meeting on 9 October 2019, included succession planning for one retiring member of the Supervisory Board, the planned changes to the German Stock Corporation Act and the German Corporate Governance Code as a result of ARUG II, and the conclusion of a consulting agreement with Dr Ehmer.

CORPORATE GOVERNANCE

Also in 2019, 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 16 March 2020, 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

Dr Ehmer's term of office ended on 30 April 2019 and he has retired from the Board of Management. The Supervisory Board appointed Dr Ramroth as Chairman of the Board of Management and reorganized the distribution of responsibilities between Dr Ramroth and Dr Floß. The Supervisory Board thanks Dr Ehmer for his consistently constructive and trusting cooperation.

There were no personnel changes in the Supervisory Board in the financial year 2019. In the current financial year, the following changes have taken place in the Supervisory Board: With effect from 4 January 2020, Ms Kreidl resigned from her office as a member of the Supervisory Board. On 12 February 2020, Ms Simone Fischer was appointed by court decision as her successor until the end of the next Annual Shareholders' Meeting. On 19 February 2020, the Supervisory Board appointed Ms Fischer as a member of the Governance Committee and as a member and Chairwoman of the Audit Committee.

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 2019 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 24 and 30 March 2020 as well as at the meeting of the Supervisory Board on 30 and 31 March 2020. In all three 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 2019. 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 2019 would not have been possible.

Dreieich, 23 March 2020

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 the international level.

Notes regarding the GCGC

The government commission on the German Corporate Governance Code adopted amendments to the Code in its plenary session last on 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 7 March 2019, which referred to the German Corporate Governance Code 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 has not 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 and therefore continuously does not follow the recommendation in Section 3.8 para 3 of the German Corporate Governance Code to set. Biotest AG has set in its view an appropriate deductible for its Supervisory Board members. As explained in the last Declaration of Compliance a deductible equivalent to the deductible for members of the Board of Management would be not in proportion to the current remuneration levels for Supervisory Board duties.

- The Supervisory Board has not determined the targeted level of benefits – also based on the length of time served on the Board of Management – and has not taken into account the annual expense for the Company derived from this. Biotest AG therefore does not comply with the recommendation set forth in Section 4.2.3 para. 3. 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. 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.

- According to Section 5.4.1 para. 1 sentence 1 of the German Corporate Governance Code, the Supervisory Board should specify concrete targets for its composition and develop a qualification profile for the collegiate body. On 7 March 2019, the Supervisory Board established a qualification profile and targets for its composition. Thus, Biotest AG has only complied with the recommendation from this date.

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 described deviations.

Dreieich, 16 March 2020

For the Management Board

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 7 May 2019 in Frankfurt am Main. 97.53% 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, deletion of the existing authorised capital and creation of a new authorised capital and amendment to the Articles of Association) were approved by a clear majority.

STATUS OF THE IMPLEMENTATION OF THE TARGETS AND QUALIFICATION PROFILE FOR THE COMPOSITION OF THE SUPERVISORY BOARD

Qualification profile and targets for the composition of the supervisory board

Requirements on the composition of the supervisory board

Qualification profile for the collegiate body

The Supervisory Board shall have the competencies which are considered essential for the activities and business of the Biotest Group. This includes in particular extensive and in-depth knowledge and experience in

- the management of a mid-size, internationally operating company;
- the healthcare/life science/pharma sector;
- the areas of production, marketing, sales and digitization;
- the main markets in which Biotest operates;
- business administration;
- the area of governance/compliance/risk management.

In addition, with regard to the requirements of Section 100 para 5 of the German Stock Corporation Act (Aktiengesetz - "AktG"), at least one member of the Supervisory Board must have expertise in the field of accounting or auditing and the Supervisory Board members in general must be familiar with the pharmaceutical industry.

As the communication at the meetings and the documents for their preparation are in English, each member of the Supervisory Board should have a good command of the English language.

Independence and Potential Conflicts of Interests

More than half of the Supervisory Board members shall be independent within the meaning of Section 5.4.2 of the German Corporate Governance Code. It is being understood that an employment relationship within the Biotest Group or membership or activity in an employee representative body does not affect the independence of an employee representative.

As far as shareholder representatives and employee representatives are considered separately, more than half of each of them shall be independent in accordance with Section 5.4.2 of the German Corporate Governance Code.

Potential conflicts of interests shall not exist in relation to at least half of the shareholder representatives, in particular no conflicts of interests which may arise as a result of consulting or board activities with shareholders, customers, lenders or other third parties.

No more than two former members of the Board of Management shall be members of the Supervisory Board.

Diversity

In favour of diversity, the Supervisory Board shall take into account different professional and international experiences, in particular also an appropriate participation of women and men for its composition. Pursuant to Section 96 para. 2 AktG, the Supervisory Board comprises of at least 30 percent women and at least 30 percent men. Shareholder and employee representatives bear joint responsibility for fulfilling these participation quotas.

International Expertise

At least one shareholder representative shall have many years of international experience.

Requirements for individual members of the supervisory board

General Requirements Profile

Supervisory Board members shall have entrepreneurial or operational experience and general knowledge of the pharmaceutical industry, in particular in the area of plasma protein products and biotherapeutic drugs manufacturing. Based on their knowledge, skills and professional experience, the members of the Supervisory Board should be able to perform their duties in an internationally operating company.

With regard to election proposals to the annual general meeting, particular attention shall be paid to the personality, integrity, motivation and independence of the candidates. Supervisory Board members shall comply with the limitation of supervisory board mandates as set out in the Rules of Procedure for the Supervisory Board and generally comply with the recommended limitation of supervisory board mandates in accordance with Section 5.4.5 of the German Corporate Governance Code.

Time Availability

Each member of the Supervisory Board ensures that he/she can make available the expected time required for the duly exercise of his/her mandate. The following must be taken into account:

- At least five ordinary Supervisory Board meetings are held each year, each of which requires an appropriate period of time for preparation.
- Sufficient time shall be reserved for the examination of the annual and consolidated financial statements.

- Membership in one or more committees requires additional time.
- Additional extraordinary Supervisory Board or committee meetings may be necessary to deal with special situations or special topics.

Age Limit

The members of the Supervisory Board shall not be older than 68 years at the time of their election.

Standard term of Supervisory Board mandate

Members of the Supervisory Board shall generally not be on the Supervisory Board for more than 15 years or three terms of office.

Election proposals for the Supervisory Board to the annual general meeting shall take these targets into account and at the same time aim to reflect the qualification profile for the full Supervisory Board.

Status of implementation

In its current composition, the Supervisory Board fulfils nearly all the requirements of the qualification profile for the collegiate body and the individual members, in particular the requirements in relation to professional and personal qualifications and with regard to the knowledge, skills and experience essential for Biotest AG, as well as internationality.

Only Dr. Cathrin Schleussner has been a member of the Supervisory Board since 2001 and has, thus, been a member for more than 15 years. Until 15 June 2018, Dr. Cathrin Schleussner was managing director of OGEL GmbH, based in Frankfurt am Main, which was the majority shareholder of Biotest AG until the sale of the ordinary shares to Tiancheng (Germany) Pharmaceutical Holdings GmbH in the course of the public takeover offer of 18 May 2017. As the majority shareholder, OGEL GmbH had the right to send a representative to the Supervisory Board of Biotest AG in accordance with the Articles of Association as applicable at the time.

In the 2019 financial year, the composition of the Supervisory Board did not change, so that the above-mentioned targets and qualification profile could not be taken into account in election proposals to the Annual General Meeting.

Ms Christine Kreidl resigned from the Supervisory Board with effect from 4 January 2020. With effect from 12 February 2020, Ms. Simone Fischer was appointed by court as a member of the Supervisory Board of the Company. The selection of Ms. Simone Fischer took into account the qualification profile for the Supervisory Board. In particular, she has experience and expertise in the field of accounting and auditing.

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 2019 the following directors' dealings was concluded at Biotest AG:

Date	Person obligated to report	Function/Matter	Type and place of the transaction	Financial instrument	ISIN	Number of shares	Price in €	Business volume in €
02/05/2019	Dr Frank Velte	Vice President Region Central Europe	Sale Tradegate	Preference shares	DE0005227235	750	21.50	16,125.00

GLOSSARY / TECHNICAL TERMS

A

ALBUMIN (OR HUMAN ALBUMIN)

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

ANTIBODIES

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

ANTIBODY DEFICIENCY SYNDROME

The body's inability to produce sufficient antibodies. A distinction is made between primary (congenital) and secondary (acquired) antibody deficiency syndromes.

AUTOIMMUNE DISEASE

Activity of the immune system directed against tissues and cells of one's own body.

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 AND SAFETY MONITORING BOARD

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.

IIMMUNOGLOBULIN 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

LIVER INSUFFICIENCY

Also called liver failure, meaning that the liver ceases to fuction.

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.

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

Hematologicial disase; malignant plasma cell growth in the bonemarrow.

P

PAUL-EHRLICH-INSTITUT (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.

POMALIDOMID

Pomalidomid 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 Lenalidomid and 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 COSTS (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.

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H

HEDGE ACCOUNTING

Accounting technique. Creates hedging relationships between the underlying transaction and the derivative financial instruments used for hedging purposes.

HYBRID FINANCIAL INSTRUMENT

Host contract with embedded derivative.

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.

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.

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EAT

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FINANCIAL CALENDAR

8 MAY 2020
Three-month report for 2020

8 MAY 2020
Annual General Meeting

13 AUGUST 2020
Half-year report for 2020

12 NOVEMBER 2020
Nine-month report for 2020

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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 plannings, 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 forward-looking 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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