Biotest

From Nature for Life

FIGURES 2014 | Annual Report Biotest AG

KEY FIGURES

BIOTEST GOUP		2014	2013	Change in %
Revenue	in € million	**582.0**	500.8	16.2
thereof:				
Germany	in € million	**106.0**	93.4	13.5
Rest of world	in € million	**476.0**	407.4	16.8
thereof:				
Therapy	in € million	**409.8**	386.2	6.1
Plasma & Services	in € million	**157.0**	102.5	53.2
Other Segments	in € million	**15.2**	12.1	25.6
EBITDA	in € million	**85.9**	85.6	0.4
Operating profit (EBIT)	in € million	**53.4**	53.8	–0.7
EBIT in % of revenue	*%*	***9.2***	*10.7*	
Earnings before taxes	in € million	**46.9**	47.8	–1.9
Earnings after taxes	in € million	**19.2**	32.0	–40.0
Structure of expenses:				
Personnel expenses	in € million	**138.2**	126.2	9.5
Research and development costs	in € million	**67.2**	64.6	4.0
Research and development costs in % of revenue	*%*	***11.5***	*12.9*	
Capital expenditure in property, plant and equipment and intangible assets	in € million	**47.1**	42.9	9.8
Financing:				
Cash flow from operating activities	in € million	**–11.4**	–7.2	–58.3
Depreciation and amotisation	in € million	**32.5**	31.8	2.2
Equity (as of 31 December)	in € million	**480.2**	460.7	4.2
Equity ratio (as of 31 December)	*%*	***46.5***	*52.0*	
Balance sheet total (as of 31 December)	in € million	**1,032.6**	886.5	16.5
Employees (full-time equivalents as of 31 December)	amount	**2,158**	1,997	8.1
Earnings per share	€	**1.46**	2.57	–43.2

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DR BERNHARD EHMER
Chairman of the Board of Management

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DEAR SHAREHOLDERS,

Biotest continued to grow in 2014. We significantly increased revenue by over 16 % due to a strong final quarter and thereby exceeded the forecast made in the summer. In Asia in particular we benefited from high demand for our innovative products. Sales of plasma in the US also generated an increase in revenue.

However, we faced challenges in the past financial year caused by political crises, such as in Russia, growing price pressure in international markets and strong competition in the US. Combined with increased costs for our research and development projects, our results thus remained at the previous year's level. Biotest is clearly profitable with an EBIT margin of 9.2 %, from which you, dear Shareholders, will also benefit in the form of a further increase in dividends.

In the past financial year we invested heavily in the future of our company. We once again expanded our research and development activities compared to the previous year, as a result of the progress made in clinical studies using innovative, internally developed preperations. Because today's research gives rise to tomorrow's products – and income – we made key forward-looking decisions in the 2014 financial year.

The interim analysis of our American phase III study with Civacir® was a highlight. We showed that our drug markedly reduces the reinfection rate in hepatitis C patients following liver transplantation. There is no accepted treatment at present to prevent this reinfection and Civacir® could provide crucial help. We intend to publish the final results of the study at the end of 2015 and the next stages in development will be established then.

Work with our monoclonal antibodies is proceeding apace. We will soon be able to present the initial results of "TREAT 2b", the biggest study in our company's history. More than 300 patients with

rheumatoid arthritis were treated with tregalizumab (BT-061), which we developed. If it is successful, our cooperation partner AbbVie will decide when the phase III study will begin. This would produce a significant milestone payment to us. The situation is similar with indatuximab ravtansine (BT-062). If the study results with the drug, used to treat multiple myeloma, are positive – they are also expected in 2015 – a landmark decision by our partner ImmunoGen is in prospect.

However, in the past financial year, we faced a headwind in the US regarding our immunoglobulin Bivigam®. The marketing of this product is not progressing as we had planned due to strong competition. As a result, we scaled down production temporarily, which had a negative impact on earnings due to the unabsorbed costs incurred.

We continued the internationalisation of the Biotest Group in 2014 and launched products new to the market in different countries. We now generate just under 82 % of our revenue abroad, which is further proof that Biotest has become a globally operating group over the past decade.

In the 2014 financial year the Group generated revenue of € 582.0 million compared to € 500.8 million in the previous year. With this significant increase of more than 16 % we exceeded our revised forecast – a plus of approximately 7 % – made in the summer. Operating profit for 2014 amounted to € 53.4 million and, as forecasted, was roughly in line with the previous year's amount of € 53.8 million. Earnings before taxes (EBIT) also only decreased slightly to € 46.9 million compared to € 47.8 million in 2013. Earnings after taxes (EAT) decreased from € 32.0 million to € 19.2 million due to a significant increase in the tax rate.

2015 will be a pivotal year for Biotest. Over the coming months we are laying the foundation for the future direction of the Biotest Group with different clinical data, possible milestone payments and the continued pursuit of our "Biotest Next Level" expansion programme. A billion in revenue by 2020 is our goal. We can achieve this with the initiated doubling of capacity. A further surge in growth is also possible with our new and further developments, such as our IgM Concentrate or the use of indatuximab ravtansine (BT-062) for the treatment of solid tumours.

I would like to sincerely thank all our employees for their commitment, drive and dedication. 2015 will be an exciting year for you and us as Board members!

We want to further increase our revenue in the current year through our core business – probably in the low single-digit percentage range. The noticeable competitive environment in the US and somewhat stronger price pressure in Europe is affecting earnings. In addition, the situation in the crisis regions and the cost for the planned capacity expansion at Dreieich will have a stronger impact than in the 2014 financial year. As Biotest works together with partners in developing new preparations, R&D costs to incur in the financial year depend to a large extent on the progress made in these projects and the resulting further decisions. However, we expect that the Biotest Group will continue to perform positively and are aiming for EBIT in the range of some € 50 million.

We would like to sincerely thank you, our valued shareholders, business partners and financing banks and will be pleased if you continue to support us on our exciting journey.

Cordially yours,

Dr Bernhard Ehmer
Chairman of the Board of Management

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

A. BASIS OF THE GROUP

I. BUSINESS MODEL OF THE GROUP

The Biotest Group (hereinafter: Biotest) with its headquarters in Dreieich, Germany, is an international supplier of biological medicines. Products currently on the market and new developments are obtained from human blood plasma as well as manufactured using biotechnology methods. The main indication areas are haematology, clinical immunology and intensive care medicine.

A. CORPORATE STRUCTURE

The consolidated financial statements include the parent company, Biotest AG, together with 16 other fully consolidated companies. In the past financial year new subsidiaries were founded in France and Turkey. As the Turkish company is still dormant, it was not included in the scope of consolidation in 2014. The complete list of participating interests of Biotest is provided in Section F.10 of the notes to the consolidated financial statements.

Biotest AG has issued ordinary and preference shares, both of which are listed in the Prime Standard of the German stock exchange (Deutsche Börse). The preference shares are listed on the SDAX. See the "Management Declaration" available on the company website for detailed information regarding the corporate structure, management and controlling.

B. SEGMENTS OF BIOTEST

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

C. ADDED VALUE

The Biotest Group covers the entire value chain for production of its main products, plasma proteins, from the collection of human blood plasma, the raw material, to marketing and sales. Production takes place both at the headquarters in Dreieich, Germany, as well as in Boca Raton, Florida, USA, where the US subsidiary, Biotest Pharmaceuticals Corporation (BPC), is located. 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 over 80 countries in the world by local partnerships. Their sales and distribution activities are centrally managed strategically from Biotest headquarters in Dreieich.

Human blood plasma is the basis for manufacturing the current Biotest products. Biotest currently operates 27 own collection centres in Europe and in the US to obtain this raw material as well as for the purposes of selling some of it to contractual partners. In these centres, blood is taken from qualified and strictly monitored healthy donors and the required blood plasma is separated by plasmapheresis (splitting). This is then processed further into the respective Biotest preparations at the production sites or is sold as intermediate product.

Regarding monoclonal antibodies under development, which are manufactured using biotechnology methods and not from human blood plasma, value is generated for Biotest by further advancement of the projects and the associated commercial potential that can be anticipated. Biotest also covers the essential elements of the value chain at its international locations. Furthermore, resources are supplemented by collaboration with well-known partners.

The "Biotest Next Level" project, the largest expansion programme in the Company's history, was started in 2013 in order to further strengthen the value chain and to exploit the global growth potential. The aim is to double production capacity over the next few years through the acquisition of new plots of land and the construction of further buildings and facilities in Dreieich. Building work continued as planned in different sites in the past financial year.

D. PRODUCT PORTFOLIO

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

PRODUCTS AND DEVELOPMENT PROJECTS OF BIOTEST

Product	Lead indication	Status
Indication area Haematology		
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)	Marketing in Europe. Asia. South America. Near East and other regions
Haemonine®	Haemophilia B (acute therapy and prophylaxis)	Marketing in Europe and other regions
Indatuximab ravtansine (BT-062)*	Multiple myeloma	Clinical development; ongoing phase I/II studies
	Solid tumours (breast cancer. bladder cancer)	Clinical development; ongoing phase I/II studies
Indication area Clinical Immunology		
Bivigam® **	Primary immune deficiency (PID)	Marketing in the US
Cytotect®	Prophylaxis of cytomegalovirus (CMV) infection	Marketing in Europe. Asia. Central and South America and other regions
Fovepta®	Hepatitis B prophylaxis in newborns of mothers infected with the hepatitis B virus (HBV)	Marketing authorisation in Germany; import licence for Vietnam and Algeria
Hepatect® CP	Prophylaxis of hepatitis B reinfection	Marketing in Europe. Asia and South America; new marketing authorisations in Norway. Finland and Iran
Nabi-HB®	Post-exposure prophylaxis after injury with HBV-contaminated material	Marketing in the US
Intratect® 50 g/l (5 %ige Lösung)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Marketing in Europe. Asia. Near and Middle East and other regions
Intratect® 100 g/l (10 %ige Lösung)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Marketing in Europe; marketing authorisation applied for in other countries
Varitect®	Varicella zoster virus infection	Marketing in Europe. Asia and South America

PRODUCTS AND DEVELOPMENT PROJECTS OF BIOTEST

Product	Lead indication	Status
Zutectra®	Prophylaxis of hepatitis B (HBV) reinfection following liver transplantation	Marketing in Europe and Asia
	Prophylaxis of hepatitis B (HBV) reinfection following liver transplantation one to two weeks after transplantation	Clinical development; phase III study completed
BT-063*	Systemic lupus erythematosus (SLE)	Clinical development; preparation of a phase IIa study
BT-094 (Cytotect 70)*	Prevention of CMV infection of the foetus during pregnancy of CMV-infected mother	Clinical development; ongoing phase III study
Civacir® */**	Prophylaxis of hepatitis C reinfection following liver transplantation	Clinical development; ongoing phase III study
Tregalizumab (BT-061)*	Rheumatoide arthritis. psoriasis	Clinical development; ongoing phase IIb study in rheumatoide arthritis
Indication area Intensive Care Medicine		
Albiomin® (20 % and 5 %)	Blood volume depletion	Marketing in Europe. Asia. South America. China and Near East
Biseko®	Volume and serum protein depletion	Marketing in Europe and Asia
Cofact®	Deficiency of clotting factors	Marketing in Germany and Austria
Fibrinogen*	Fibrinogen deficiency	Clinical development; ongoing phase I/II study
IgM Concentrate*	Severe bacterial infection	Clinical development; ongoing phase II study
Pentaglobin®	Severe bacterial infection	Marketing in Europe. Asia. South America and Near East

* Preparations under development (status: 31 December 2014)
** Trademark refers to the US

E. HUMAN RESOURCES

Change in number of employees

As of 31 December 2014 Biotest employed a staff of 2,158 full-time equivalents. This represents an increase of 8.1 % compared to 1,997 full-time equivalents at the end of 2013. This increase is primarily attributable to new positions in research and development and production at Biotest AG as well as at the new plasma collection centres of Biotest Pharmaceuticals Corporation (BPC) and Plazmaszolgálat Kft. in Hungary, which were created to cover the increased demand for plasma. As of 31 December 2014 878 full-time positions (40.7 %, previous year: 40.1 %) were assigned to Biotest AG and another 910 full-time positions (42.2 %, previous year: 43.0 %) to BPC. About half of all employees (1,075) worked in Germany.

Remuneration

The next tranche of the Long Term Incentive Programme for success-based remuneration of management staff was issued on 15 May 2014. This variable remuneration component is based on the achievement of predefined targets. The programme is described in detail in Section F1 (Long Term Incentive Programme) of the consolidated financial statements.

Personnel and organizational development

As part of the planned expansion of the production capacities at Dreieich, personnel requirements will also significantly increase over the next few years. For this reason the focus in 2014 was mainly on wide-ranging information and recruiting activities, which also served to present Biotest as an attractive employer in the region.

Biotest has for some time been a partner of the Ci3 Cluster, the top cluster for individualised immune intervention, in which companies and academic institutions bundle their research activities, predominantly in the areas of autoimmune diseases, oncology and infection. At Ci3 showcase in March 2014, about 100 participants from colleges, university hospitals and the industry got a general idea of Biotest's activities under the title "From Nature for Life: development and production of biological medicines". Furthermore, the clinical study of indatuximab ravtansine (BT-062) in solid tumours is being supported by financial aid from the Ci3 Cluster.

Collaboration with Goethe University in Frankfurt was further strengthened in the past financial year: in addition to supporting internships and doctoral, master and bachelor theses, an information event ("Presenting Biotest") was held for students in August 2014. Around 60 future pharmacists, doctors and biologists used the opportunity to find out about career prospects in the pharmaceutical industry and Biotest as a potential employer.

"Biological medicines: new treatment options – opportunities and challenges", an event that Biotest organised jointly with the Frankfurt Biotech Alliance, provided a further occasion for an exchange of ideas with the industry. At this, Biotest introduced itself to more than 100 participants, including representatives of biotech companies, patent lawyers, investors and students as an innovative company and attractive employer.

In addition, Biotest redesigned its "International Leadership & Management Programme" with the aim of promoting and developing employees as part of the Company's growth plans. This is also the purpose of training provided on intercultural cooperation, which provides for the increasing challenges to business culture and conduct in the international context.

A further focus of our activities in the past year was on the structured identification of management potential, as the aim is to fill the additional management positions, including team and group leaders, required for the "Biotest Next Level" project mainly from the Company's own ranks. This process to identify potential resulted, amongst other things, in the setting up of the "Industrial foreman in the chemical industry" ("Industriemeister Chemie") continuing education course in 2014. In the past financial year six production employees took part in this two-year training course.

Furthermore, Biotest is providing incentives to enrol in part-time studies through the targeted sponsorship of Bachelor's and Master's degree programmes. In 2014 a total of eight employees were enrolled in study courses – "B.Sc. Process Technology", "B.S. Biopharmaceutical Science" and "B.Sc. Information Systems" – set up in partnership with the University of Applied Sciences Bingen, Provadis University, Frankfurt am Main, and FOM University of Applied Sciences for Economics and Management in Frankfurt am Main.

International entry-level programmes are also becoming increasingly important, given the further expansion of the Biotest Group and the demographic situation. Among other initiatives, five university graduates (of which two are new hires in 2014) are currently participating in the "Biopharmaceutical Products" trainee programme.

Traineeships

Biotest AG has also reinforced its commitment to vocational training over the past year. A total of 46 trainees (previous year: 27) were employed at Biotest in eight professions as of 31 December 2014. Furthermore, Biotest will also train chemical laboratory technicians starting from September 2015.

The quality of the Company's trainee programmes is reflected in the final examination results of the graduates over the past few years. Two of them were honoured by the Offenbach Chamber of Industry and Commerce for their exceptional examination results. Biotest was also awarded a certificate for the promotion of young talents from the Offenbach Employment Agency. This recognises the special dedication to promoting junior staff of companies that show a commitment to staff training and corporate social responsibility.

Family-friendly company

In addition to offering a wide variety of flexible part-time work schemes, Biotest is significantly increasing the opportunities for family-friendly work by constructing a company day care centre for children. Construction started on the day care centre in spring of 2014. It is located in the immediate vicinity of the Company headquarters in Dreieich and will provide places for up to 80 children between the ages of eight months and six years. It is scheduled to be opened at the beginning of July 2015. Biotest is thus providing its employees with the opportunity of better reconciling their professional life and raising children.

F. EXTERNAL FACTORS INFLUENCING THE BUSINESS

Regulatory environment

Biotest's manufacturing facilities for plasma proteins are subject to mandatory inspection and approval by the Darmstadt Regional Government Commission and the Paul Ehrlich Institute (PEI) as well as by the United States Food and Drug Administration (FDA).

In the member states of the European Union, plasma proteins are authorised under the centralised marketing authorisation procedure or by mutual recognition of national marketing authorisations. In the US the market authorisations for Biotest preparations are subject to the provisions of the FDA. In the international environment the marketing authorisations are issued by the respective national regulatory authorities.

The regulatory and authorising agencies for monoclonal antibodies in both Europe and the US are the same as those for plasma proteins.

The legal and regulatory requirements for the marketing authorisation of Biotest preparations are subject to routine and event-driven changes. The marketing authorisation requirements are constantly being tightened in the international environment. These developments led to rising costs in the 2014 financial year for marketing authorisation procedures with national and international authorities.

II. GROUP STRATEGY

The core element of Biotest's strategy is a clear focus on marketing and the further development of biological products in the three indication areas of haematology, clinical immunology and intensive medicine.

An important factor in implementing this strategy is utilizing internal resources to cover key portions of the value chain. These include research and development (R&D), plasma collection, production, quality assurance and distribution. The existing expertise, especially in the areas of plasma collection and fractionation, is used to offer available capacity to the market in the form of primary and intermediate products as well as toll manufacturing.

In addition to the systematic continuation of in-house research and development, the Company is focusing its marketing authorisation and marketing activities on the further internationalisation and diversification of the portfolio, amongst others by the consistent lifecycle management of existing products. After successfully establishing a position in European markets, which was further strengthened in financial year 2014 by establishing a subsidiary in France and the authorisation of Intratect®, Hepatect® CP and Albiomin® in Scandinavia, the focus is now increasingly on the USA, Asia and South America. In the past financial year Biotest was able to open up another important market with significant potential following the receipt of marketing authorisation for the preparation Albiomin® 20 % in China at the end of October 2014. Market authorisation was also issued for Zutectra® in Singapore and Taiwan in the current financial year. In addition, the developing markets in North Africa, Russia and the former Soviet republics as well as in Mexico and Brazil amongst others are becoming increasingly important.

In the 2013 financial year the Biotest Group decided to expand production capacity at its company headquarters at Dreieich so as to continue to participate in future global market growth. Production capacity will be doubled by 2018/2019 under the "Biotest Next Level" project. This project should further strengthen the Company's competitiveness on the global markets but also contribute to achieving the target sales figure of € 1 billion by the year 2020.

In addition to sales of existing products, Biotest focuses on additional lead indications with high medical need as for the monoclonal antibodies and plasma proteins that are currently under clinical development. Following market authorisation these products will significantly enhance the product range in the future. They are characterised by a specific mechanism of action that distinguishes them from other therapeutic approaches, either approved or in development.

In addition to the consistent continuation of the Company's own research and development efforts, opportunities for increasing business volume through acquisitions and in-licensing are being carefully examined. In-licensing activities are taking place as part of cooperation agreements in particular with regard to the expansion of the technology platform or for product improvements.

III. BUSINESS PERFORMANCE MANAGEMENT

Biotest is managed using both financial and non-financial indicators, whose changes influence the enterprise value in different ways. Financial and non-financial performance indicators are measured continuously and are part of the monthly reports to the Board of Management.

These reports include an analysis of actual figures and their variances 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 together with their actual values are shown in the table below:

KEY PERFORMANCE INDICATORS AT THE GROUP LEVEL

Indicator	Calculation method	Value as of 31 December 2014	Value as of 31 December 2013
Return on Capital Employed (RoCE)	EBIT/ capital employed	6.9 %	8.8 %
EBIT margin	EBIT/sales	9.2 %	10.7 %
EBT margin	EBIT/sales	8.1 %	9.5 %
Contribution margin	(Sales – cost of sales) /sales	38.6 %	41.5 %
Cash flow from operating activities	See cash flow statement for a detailed calculation	€ –11.4 million	€ –7.24 million
Cost of sales ratio	Cost of sales/sales	61.4 %	58.5 %
Distribution expense ratio	Distribution expenses/sales	12.7 %	12.0 %

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

Sales figures are an important indicator of Biotest's share of the overall market or target market segment.

In addition, the structure of receivables and their associated risks are continuously analysed. Inventories are measured and verified on a monthly basis.

B. MANAGEMENT OF R&D PROJECTS

An regular portfolio analysis is performed for the management of research and development projects. Parameters for development guidelines, costs, risks, strategic importance, market size as well as the commercial potential in the form of a net present value analysis are used for this.

C. NON-FINANCIAL PERFORMANCE INDICATORS

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

IV. RESEARCH AND DEVELOPMENT (GENERAL)

Research and development are the foundations for future growth under the corporate strategy. In this area the further development of existing products as well as the new development of products opens up significant potential. Great importance is attached to both research and development in the area of plasma proteins and the development of monoclonal antibodies. A detailed schedule of the progress made in the research and development projects carried out in financial year 2014 is shown in the "Research and development" Section of the Economic Report.

Biotest's research and development costs amounted to € 67.2 million for the 2014 financial year (previous year: € 64.6 million). The ratio of these costs to sales amounted to 11.5 % compared to 12.9 % in the previous year.

The number of employees (converted to full-time employees) engaged in research and development was 208 as of 31 December 2014 and has again increased significantly compared to 31 December 2013 (171 full-time employees).

B. ECONOMIC REPORT

I. BUSINESS AND GENERAL FRAMEWORK

Growth in the global economy lost momentum in 2014 and the outlook for the future increasingly deteriorated over the course of the year. This is mainly attributable to the increasing uncertainty caused by political crises, for example in Russia, Ukraine, Syria, Libya and Iraq. The tense debt situation in various countries is also dampening growth expectations.

Experts at the IMF reported an increase in the global real gross domestic product (GDP) of 3.3 % compared to 2013. The increase in the previous year was also 3.3 %. Economists predict a slight increase in the growth of global real gross domestic product of 3.5 % for 2015. It was 3.8% in October 2014.[1]

Following a reduction in economic output of 0.5 % in 2013, GDP grew again in the eurozone in 2014 by 0.8 %.[2] However, uncertainty regarding the debt crisis in various countries, particularly in Southern Europe, continues to be a noticeable factor. The European Commission's autumn forecast expects economic output to grow by 1.1 % in real terms in the current year. The main reason underlying the subdued growth is continuing weak domestic demand. The European Commission remains cautious for 2016 and is forecasting GDP growth of 1.7 %.[3]

In contrast, the US economy was fairly robust during 2014. Following economic growth of 2.2 % in 2013[4], the Fed, the US Federal Reserve, expects an increase in real GDP for 2014 of between 2.3 % and 2.4 % compared to the previous year. According to the Fed, growth of between 2.6 % and 3.0 % should be achieved in the current year 2015. Nevertheless, the US Federal Reserve is also pointing to a cooling down of the global economy and the risks that this poses to the US economy.[5]

During the course of the year the euro depreciated significantly against the US dollar and was quoted at its annual high of EUR/USD 1.3953 on 8 May 2014. The European common currency subsequently depreciated significantly and was quoted at its annual low of EUR/USD 1.2141 on 31 December 2014. Overall, the euro depreciated by some 11.1 % during the course of the year. In addition, the weaker Russian rouble compared to the euro resulted in Biotest having to significantly reduce the sales price of its products in euros in order to prevent an even sharper fall in sales. Exchange rates of importance to Biotest are set out in Section B.3 of the notes to the consolidated financial statements.

In principle, the Biotest Group is only marginally dependent on economic cycles due to the high level of medical needs throughout the world and the diversification of its business. However, it cannot be excluded that the operating business will be impacted, particularly by local crises.

1 International Monetary Fund (IMF). World Economic Outlook Update. 20 January 2015

2 International Monetary Fund (IMF). World Economic Outlook Update. 20 January 2015

3 European Commission. European Economic Forecast. Autumn 2014. as of: 07 November 2014

4 International Monetary Fund (IMF). World Economic Outlook Update. 20 January 2015

5 Board of Governors of the Federal Reserve System. minutes of the Federal Open Market Committee. 17 December 2014

II. INDUSTRY-SPECIFIC FRAMEWORK

The market for immunoglobulins and albumins, the best-selling products of the Biotest Group, continues to show stable growth. The volume of immunoglobulin sold in 2013 was again significantly higher at 132 tonnes than in 2012 (122 tonnes).[6] A further increase to about 142 tonnes is expected for the past financial year of 2014. Demand is constantly increasing in established markets such as the USA and Europe as well as in other regions of the world. Annual increases of 5–10 % are expected for Europe and the United States until 2015, whereas the increase in other regions is likely to be in the range of 10–20 %.[7] However, Biotest's assessment of the growth forecasts is more cautious and it considers the growth rates at the bottom end of the range to be more realistic. Industry experts expect global demand to increase at an annual rate of 6–8 % as a long-term target range.[8]

GLOBAL MARKET FOR IMMUNOGLOBULINS*

	2013 market volume in tonnes	Share of global market as a %
USA	64	49
Europe	32	24
Other regions	36	27

* Estimates based on data from the Marketing Research Bureau[9]

The prices for intravenous immunoglobulins (IVIG) have remained broadly stable during the course of the year. Prices in the EU are still 25–30 % below those in the United States.[10] Although the German market grew positively in the first three quarters of 2014 in terms of volume, the prices achieved were somewhat below those of the previous year. With the market growth of IVIG in Germany, the Biotest product Intratect® was able to record market share gains and to maintain its market share at an overall stable level at roughly constant prices.

The market demand for albumins is also increasing constantly. According to information received by Biotest, a worldwide volume of about 750 tonnes is expected for the past financial year. Approx. 700 tonnes were sold on the world market in 2013.[11] Demand in 2020 is likely to be about 965 tonnes of albumins, which is equivalent to an average annual growth rate from 2013 of between 4 % and 6 %. In addition to the established markets much of the growth will continue to be generated in other regions of the world. This is particularly true for China, where industry experts expect the market to grow by an annual average rate of 10 % until 2020.[12]

After safety warnings were issued in June 2013 by the FDA and the European PRAC (Pharmacovigilance Risk Assessment Committee) with regard to solutions containing hydroxethly starch (HES), the market for human albumin is showing a clear upward trend.[13] It is expected that solutions containing HES will lose further market share in the current year, and that this will be offset on an ongoing basis by replacement products such as crystalloids or human albumin.

The demand for plasma factor VIII products is continuing to increase. The growth is mainly driven by factor VIII therapies that are becoming increasingly established in other regions. It is forecast that the global market will increase by 4.0 % p.a. until 2020.[15] An increase of 2 % p.a. is expected for the plasmatic factor VIII products and about 6 % p.a. for the recombinant factor VIII products segment. The recombinant segment will benefit considerably from the introduction of new factor VII products, which, however, could intensify competition and thereby significantly increase price pressure in the market as a whole.

6 Marketing Research Bureau (2013). The worldwide plasma proteins market 2012

7 UBS Investment Research. June-14 Plasma Price & Supply Survey. 18 September 2014

8 Goldman Sachs: Global: Medical Technology: Medical Supplies. 25 August 2014

9 Marketing Research Bureau (2013). The worldwide plasma proteins market 2012

10 UBS Investment Research. June-14 Plasma Price & Supply Survey. 18 September 2014

11 Estimates based on data of the Marketing Research Bureaus (2013). The worldwide plasma proteins market 2012

12 Marketing Research Bureau (2014). Albumin Usage and Demand Forecast in China 2013 – 2020

13 IMS Health Germany. as of: December 2013

14 Marketing Research Bureau. Global Forecasts of the Factors VIII and IX. 2014

III. BUSINESS PERFORMANCE

A. BIOTEST IN 2014

2014 goals: Target-performance comparison

Despite the challenging environment the Biotest Group met its forecast, adjusted in August 2014, for sales and operating profit (EBIT) for the past financial year. The Group generated sales growth of 16.2 % compared to the previous year, which clearly exceeded the self-imposed target of 7 %. The strong sales performance in the fourth quarter was responsible for this significant increase. The EBIT of € 53.4 million is at the previous year's level (€ 53.8 million) and in line with the forecast. An increase of approx. 10 % was originally forecasted for both key figures. This forecast was adjusted due to the lower sales of Bivigam® in the US, increased R&D costs resulting from the accelerated production of clinical trial material and the impact of political crises in Russia and the Middle East.

Group business strategy and implementation in the 2014 financial year

Internationalisation

In the 2014 financial year the Biotest Group expanded its presence in important international markets, opened up new regions by obtaining market authorisations and thereby created an even broader base for the Group. The expansion of the Group's international presence led to an increase in marketing and distribution costs. The receipt of marketing authorisation for Albiomin® 20 % in China on 31 October 2014 was a milestone in the internationalisation of the Company.

In addition, Biotest was also able to gain additional distribution partners in the former CIS countries. The Biotest products Intratect®, Haemoctin®, Pentaglobin® and Albiomin® were launched in these markets. However, negative effects on our operating business in these regions cannot be excluded over the short and medium term due to the current overall political situation in Russia and its neighbouring countries.

The Biotest Group is constantly expanding its product range in other international markets through marketing authorisations and market introductions of products: In addition to Albiomin® 20 % in China, marketing authorisation was obtained for Intratect®, Hepatect® CP and Albiomin® in Scandinavia. Biotest also received marketing authorisation for Intratect® 50 g/l (5 % solution) and Intratect® 100 g/l (10 % solution) in Mexico. Marketing of Intratect® 100 g/l (10 % solution) has started In Denmark, Norway, Slovenia as well as in several countries in the Near and Middle East. Other approvals for this product have been applied for and should be received shortly. The product Hepatect® CP was launched In Norway, Finland and Iran. Hepatect® CP is used for prophylaxis of HBV reinfection after liver transplant due to HBV-induced liver failure. Zutectra®, a product for hepatitis B reinfection prophylaxis after liver transplant, received marketing authorisation in Singapore and Taiwan in the current financial year.

However, the voluntary recall of individual Bivigam® batches in the US caused a delay in the marketing of the product. The reason for the recall was the possibility that, due to manufacturing tolerances, the integrity of the 100 millilitre glass vials could not be guaranteed in very few cases. However, no such defects were reported from the market. The bottling of Bivigam® 50ml/5g was not affected. In addition to the direct financial impact of the recall that had already been recognised in the 2013 consolidated financial statements, this together with an ongoing challenging market environment led to lower sales of Bivigam®. As a result, production of the product was temporarily scaled down, which had a negative impact on the earnings performance of the Biotest Group in the 2014 financial year due to incurred unabsorbed costs. The maximum sales potential of about USD 100 million per year for Bivigam® will therefore be achieved later than planned.

Research and development

Research and development is the basis for the future development of the Company and constitutes an integral part of the Biotest Group's strategy. Important progress was made in the following development projects in the 2014 financial year:

Indication area Haematology

Indatuximab ravtansine (BT-062): Treatment of patients in the phase I/II study (no. 975) of indatuximab ravtansine (BT-062) for monotherapy of multiple myeloma, a malignant disease of the bone marrow, was concluded. The final clinical study report is expected in the second quarter of 2015, when the current data acquisition is complete.

In an ongoing phase I/II study (no. 983), in which the safety and efficacy of indatuximab ravtansine (BT-062) are being investigated in combination with lenalidomide and dexamethasone, recruitment has ended and the treatment of the 47 patients in total, who had already undergone intensive prior treatment, is being continued. The study comprises three different dosages. The maximum tolerated dose of this combined treatment was set at 100 mg/m².

At the 56th annual meeting of the American Society of Hematology (ASH) in San Francisco, USA, in December 2014, Biotest presented new clinical data from the ongoing study: the combined therapy shows good efficacy over all dose groups, with complete or partial remission in about 80 % of the patients. At the 100 mg/m² dose this response rate was actually 83 %.

Because of these promising results, an amendment to the protocol was submitted in order to study the safety and efficacy of indatuximab ravtansine (BT-062) in combination with pomalidomide and dexamethasone in patients who were treated previously at least with lenalidomide and bortezomib and did not respond at all or responded only very briefly to their last treatment.

Since not only multiple myeloma cells but also numerous solid tumours exhibit high expression of the CD138 receptor, Biotest is currently conducting a clinical phase I/II monotherapy study (no. 989) in Belgium and Germany. In this study, patients with triple-negative metastatic breast cancer (that is, tumours that would not be candidates for treatment with oestrogen-, progesterone- or HER 2-directed therapies) and patients with metastatic bladder cancer are treated with indatuximab ravtansine (BT-062) and the product candidate is studied for efficacy and safety. The first patients with these indications have already been treated in the last few months.

In the course of the preparations for the phase III study, the production process for the antibody was optimised. Initial production will start in March 2015 and by then will comprise other steps to optimise production.

Research cooperation with EpiVax Inc. regarding non-immunogenic haemophilia A therapy: A study is being conducted jointly with EpiVax Inc., Providence, USA (EpiVax), on a new type of non-immunogenic haemophilia A therapy. In this research the clotting factor VIII will be changed in such a way that the patient's immune system is no longer able to respond with the formation of inhibitory antibodies. Antibodies against the therapeutic clotting factor VIII are a frequent side effect of factor VIII replacement therapy. These render the factor ineffective and lead to haemorrhages that are difficult to treat. The joint development – using EpiVax's so-called proprietary immunomodulating "Tregitope" technology – is currently in the pre-clinical testing phase.

Indication area Clinical Immunology

BT-063: In preparation for a phase IIa study (no. 990) in patients diagnosed with systemic lupus erythematosus (SLE), a toxicity study involving a three-month treatment period and subsequent follow-up was concluded. In addition, the trial drug for the clinical study was produced. This study was submitted to the authorities in the first quarter of 2015.

BT-094 (Cytotect 70): Even after comprehensive screening of nearly 16,000 pregnant women, the number of maternal CMV infections has remained far below the number expected from the literature. Biotest has therefore decided to stop recruiting additional pregnant women and to analyse the data available to date. The medical need for prevention of CMV infection of the foetus when the mother has CMV infection is high since there is no alternative treatment for these women at present.

Civacir®: More than half of the planned patients have already been enrolled in the pivotal phase III study (no. 988) in the US. Civacir will be used for the prophylaxis of hepatitis C reinfection following liver transplantation.

Liver transplantation is often the only treatment option in end-stage liver failure as a result of infection with the hepatitis C virus (HCV). However, reinfection of the newly transplanted liver can occur rapidly because of hepatitis C virus still present in the patient's body. At present there is no recognised treatment to prevent this reinfection as the currently available virostatic drugs are not used in the first six months after the transplant on account of toxicity, problems with tolerability and drug interactions. About 30 % of patients require a further liver transplant within just five years.

In November 2014 Biotest presented new interim study results at the conference of the American Association for the Study of Liver Diseases (AASLD) in Boston, USA. The tolerability of Civacir® was presented as outstanding and comparable to the safety profile of other immunoglobulin products. The study is being conducted in 24 study sites in the US and includes two treatment groups and a control group in which patients were not given the investigational product. While 35 % of the participants in the control group demonstrated a HCV reinfection rate, no reinfection was observed with the high dosage of Civacir®.

Tregalizumab (BT-061): For the continuing development of the monoclonal antibody tregalizumab (BT-061) in collaboration with AbbVie Inc., Chicago, USA, (AbbVie) Biotest received a preliminary payment of 3.9 million USD for the production of clinical study material. Patient recruitment for this clinical phase IIb (TREAT 2b – **T** cell **RE**gulating **A**rthritis **T**rial **2b**, Nr. 986) for the treatment of rheumatoid arthritis (RA) ended in September 2014 with 321 patients. The 24-week placebo-controlled treatment phase is continuing. TREAT 2b is currently being conducted in more than 80 study centres in 14 countries. Publication of the initial clinical results is planned for the second quarter of 2015.

Zutectra®: The phase III study (ZEUS – **Z**utectra **E**arly **US**e, Nr. 987) was concluded as planned in the fourth quarter of 2014 and the final report is expected in the first quarter of 2015. Zutectra® has been authorised in the European Union since 2009 for the indication of prevention of hepatitis B virus (HBV) reinfection in patients six months after liver transplantation due to HBV-induced liver failure. The objective is to submit the ZEUS study data in the first half of 2015 to obtain marketing authorisation for the use of Zutectra® just one week after the transplantation. This study involves 20 study centres in Italy, France, England and Spain.

Indication area Intensive Care Medicine

Fibrinogen: In the clinical phase I/II study (no. 984) for the fibrinogen concentrate currently under development, 14 of 20 patients were treated in the first part of the study. In this part of the study, patients who suffer from a congenital fibrinogen deficiency are treated with a single dose in order to evaluate the pharmacokinetic properties, tolerability and safety of the fibrinogen concentrate. In the second part of the study, investigating the dose of fibrinogen best suited to the individual patient for acute bleeding or as prophylaxis for planned surgery with a bleeding tendency, nine patients have already been treated.

IgM Concentrate: After expanding the number of patients in the ongoing phase II study (no. 982) to 160, 150 patients were treated in the past year. The study data are expected in the second half of 2015.

The following table provides an overview of current Biotest studies.

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/ study design	Number of study participants	Status as of 31 December 2014
Indication area Haematology				
Indatuximab ravtansine (BT-062)				
Phase I Multiple myeloma	969	Repeated single dose. intravenously every 21 days. 10 – 200 mg/m²	32	Study concluded
Phase I/II Multiple myeloma	975	Repeated multiple dosing. intravenously on day 1. 8 and 15; every 28 days. dose escalation 40 – 160 mg/m²	35	Patient treatment concluded
Phase I/II Multiple myeloma	983	Combination with lenalidomide and dexamethasone based on 975 design (repeated multiple dosing);	47 (phase I)	Patient recruitment concluded
		Combination with pomalidomide and dexamethasone	15 (phase II)	Protocol amendment submitted
Phase I/Iia Breast cancer. bladder cancer	989	Repeated multiple dosing. intravenously	80	Patient recruitment ongoing

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/ study design	Number of study participants	Status as of 31 December 2014
Indication area Clinical Immunology				
BT-063				
Phase IIa Systemic lupus erythematosus (SLE)	990	Multiple intravenous doses. 3-month treatment duration. placebo-controlled	36	Submission Q1 2015
BT-094 (Cytotect 70)				
Phase III Cytomegalovirus (CMV) infection transmitted in pregnancy	963	Multiple dosing in pregnant women with primary CMV infection (seroconversion) Control group without treatment	Screening of about 16.000 pregnant women	Patient recruitment ended; study ongoing
Civacir®				
Phase III HCV-induced liver transplantation	988	IV dose after HCV-induced liver transplantation for reinfection prophylaxis	84	First part of the study concluded; patient recruitment for the second part of the study is ongoing
Tregalizumab (BT-061)				
Phase IIb Rheumatoid arthritis	979	Combination with methotrexate. subcutaneous up to 75 mg. multiple dosing. treatment duration twelve weeks. placebo-controlled	128	Study concluded
Phase I Use in volunteers Pharmacodynamics/ pharmacokinetics study	985	Subcutaneous up to 200 mg. single dose	36	Study concluded
Phase IIb „TREAT 2b“ (**T** cell **RE**gulating **A**rthritis **T**rial **2b**) Rheumatoid arthritis	986	Combination with methotrexate. subcutaneous. up to 75 mg. multiple dosing. treatment duration 24 weeks with subsequent option 24-week extension phase. placebo-controlled	321	Patient treatment in the main part of the study concluded; treatment in the extension phase is ongoing
Zutectra®				
Phase III „ZEUS“ (**Z**utectra **E**arly **US**e) Hepatitis B reinfection in the early phase after liver transplantation	987	Zutectra® (s.c. HBIG); multiple dosing after liver transplantation	49	Study concluded
Indication area Intensive Care Medicine				
Fibrinogen				
Phase I/II Congenital fibrinogen deficiency	984	Single dose to determine pharmacokinetics. dosage and frequency of treatment of acute bleeds in the case of treatment individually according to patient	20	Patient recruitment ongoing
IgM Concentrate				
Phase II Severe community acquired pneumonia	982	Multiple dosing in severe community acquired pneumonia; treatment for five days. i.v. administration. placebo-controlled double-blind study	160	Patient recruitment ongoing

Marketing and distribution

Indication area Clinical Immunology

Fovepta®: In the 2013 financial year marketing of the product in the first country in the world was started in Vietnam under an import licence. Vietnam was selected as this innovative product is particularly important for countries with a high hepatitis B infection rate (Southeast Asia, South and Central America). Newborns of mothers infected with hepatitis B can be protected against transmission of the viral infection by a subcutaneous dose immediately after birth. Further marketing authorisations have been submitted so that sales should begin following authorisation.

Marketing authorisation will be sought in other countries in 2015/2016, especially in Asia and the Near East.

Intratect® 100 g/l (10 % solution:): In the 2014 financial year Intratect® 100 g/l (10 % solution) obtained marketing authorisation in Denmark, Norway, Mexico and Vietnam. Further marketing authorisations in the international area have been submitted to the national authorities so that sales should also begin in these countries. For 2015 marketing of Intratect® 100 g/l (10 % solution) for the first time is planned in Greece, Spain and the United Arab Emirates.

Hepatect® CP: Marketing authorisation was obtained in the past financial year in Norway, Finland and Iran for this product, developed for prophylaxis of hepatitis B reinfection.

Indication area Intensive Care Medicine

Albiomin®: At the end of October 2014 Biotest obtained marketing authorisation for Albiomin® 20 % (20 % human albumin) in China. Human albumin is used to stabilise the circulation in severe diseases such as burns and in chronic diseases of the liver and kidney and in other complications associated with protein loss. Together with its marketing partner Wanbang Biopharmaceuticals, Shanghai, China – a subsidiary of Fosun Pharma, one of the largest pharmaceutical companies in China – Biotest will be represented in the Chinese market from 2015 with Albiomin® 20 %. In addition, Biotest obtained marketing authorisations for Albiomin® in the Scandinavian market in 2014.

Pentaglobin®: New information regarding multiresistant bacteria, among others in Italy, led to a marked growth in sales in 2014 for the immunoglobulin product. Furthermore, marketing authorisation was obtained in Serbia and Vietnam. For the current 2015 financial year, Biotest is seeking to resume marketing in Brazil and Mexico.

Social responsibility

With its products and their indications, the Biotest Group operates in a highly ethical environment. Biotest's products help to save lives and confer a degree of normality on the daily lives of many (chronic) patients. Furthermore, the company is engaged in various scientific medical initiatives, research projects and measures taken by patient organisations.

In the 2014 financial year, the first lots of the Biotest product Haemoctin® were supplied jointly with the World Federation of Haemophilia as part of "Project Recovery". The recipients were patients without other access to treatments for bleeding. "Project Recovery" is a cooperation between different companies and patients' organisations, with the objective of providing haemophilia patients world-wide with urgently needed treatment. Haemophilia is a lifelong, inherited bleeding disorder that affects about one in 10,000 people worldwide. Close to 75 % of patients receive little or no treatment. Through the WFH Humanitarian Aid Programme the product will be provided free of charge to patients in developing countries. In addition to production Biotest is also responsible for the entire coordination process and shipping logistics. This important commitment was highlighted at this year's World Congress of the WFH in Melbourne, Australia by the Federation's chairman Alain Weill as a major success for the WFH Humanitarian Aid Programme.

As in previous years, Biotest AG has also supported patient organisations in the 2014 financial year in many ways at the national and international level. In the area of immunology Biotest is providing both financial and organisational support to the "International Patient Organisation for Primary Immunodeficiency" (IPOPI) in its work to improve diagnostic for patients with immunological diseases and the access of patients to appropriate therapy.

Finally, Biotest is also working at the political level, amongst other things, as part of the "Plasma Protein Therapeutics Association" (PPTA) to improve the situation of patients suffering from rare diseases and on a general arrangement for the cross-border and necessary treatment of these target groups. In addition, with respect to the extraction and processing of blood plasma, Biotest is also subject to strict safety standards that exceed the regulatory requirements.

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

A. RESULTS OF OPERATIONS

The Biotest Group generated sales of € 582.0 million in the 2014 financial year. This amounts to a significant increase of 16.2 % compared to the previous year, in which sales of € 500.8 million were achieved. The growth rate gradually increased during the course of the year. The Biotest Group was able to achieve significant sales increases in all three segments. Whilst sales in the core segment Therapy increased from € 386.2 million to € 409.8 million, the Plasma & Services segment made a substantial contribution to the sales growth with an increase of 53.2 % to € 157.0 million. Sales also increased in the Other Segments from € 12.1 million to € 15.2 million.

SALES BY SEGMENT

in € million	**2014**	2013	Change in %
Therapy	409.8	386.2	6.1
Plasma & Services	157.0	102.5	53.2
Other Segments	15.2	12.1	25.6
Biotest	**582.0**	**500.8**	**16.2**

The internationalisation of the Biotest Group is progressing further and, despite differing challenges, the Group was able to grow in all markets. Whilst sales increased by 13.5 % in Germany, they only increased by 5.9 % in the rest of Europe, due to increased price pressure. Sales also increased significantly in Central and South America (+ 27.3 %) as well as in the Middle East and Africa (+ 26.9 %). Sales were 14 % above the previous year's level in the other Asian countries and Pacific region. Sales of plasma, which more than compensated for the lower Bivigam® sales, were the main reason for the 26.2 % increase in sales in the US.

Sales of the Biotest product Bivigam® were below the planned volume due to the market launch of two new immunoglobulin products and the resulting sharp increase in competitive pressure in the US market. This resulted in the production of the product being scaled down, which had a negative impact on earnings performance. Overall, the breakdown of Group sales has shifted in the past financial year further towards foreign markets. In the period between January and December 2014 the Biotest Group generated 81.8 % of its sales outside of Germany (previous year: 81.3 %).

SALES BY REGION

in € million	**2014**	2013	Change in %
Germany	106.0	93.4	13.5
Rest of Europe	188.1	177.7	5.9
USA	100.3	79.5	26.2
Central and South America	8.4	6.6	27.3
Middle East and Africa	152.3	120.0	26.9
Other Asia and Pacific	26.9	23.6	14.0
Biotest	**582.0**	**500.8**	**16.2**

The substantial growth in sales is reflected in an increase in the cost of sales. These increased from € 293.2 million to € 357.5 million in the 2014 financial year. The cost of sales ratio increased disproportionately due to lower margin business transacted in the fourth quarter and was 61.4 % (previous year: 58.5 %). Another reason for the increase was the € 7.7 million reduction (calculated according to the percentage of completion method) in the amount recognised on a pro rata basis with regard to the upfront payment received from AbbVie for the joint development of the monoclonal antibody tregalizumab (BT-061).

Marketing and distribution costs also increased significantly to € 74.2 million (ratio to sales: 12.7 %). € 60.1 million was spent in this area in the previous year (ratio to sales: 12.0 %). This reflected in particular the increase in commissions payable due to the significantly higher sales generated in international markets, in which Biotest does not maintain a branch or distribution company.

PRIMARY COST POOLS OF THE BIOTEST GROUP*

in € million	2014	% of sales	2013	% of sales
Cost of sales	–357.5	61.4	–293.2	58.5
Distribution costs	–74.2	12.7	–60.1	12.0
Administrative expenses	–31.6	5.4	–30.6	6.1
Research and development costs	–67.2	11.5	–64.6	12.9
Other operating income and expenses	1.9	0.3	1.5	0.3
Financial result	–6.5	1.1	–7.0	1.4

* Expenses are denoted with a negative sign

Administrative expenses increased disproportionately from € 30.6 million to € 31.6 million. Despite an increase of 8.1 % in the employee base the administrative expense ratio of 5.4 % is considerably below the level of the previous year (6.1 %).

It was decided to accelerate the production of clinical trial material (€ 4.0 million) due to the positive progress made in clinical studies with very good patient recruitment. Research and development costs increased by a further 4.0 % compared to the previous year. Costs in this area amounted in total to € 67.2 million in 2014 compared to € 64.6 million in the 2013 financial year. However, their ratio to sales of 11.5 % was below the previous year level (12.9 %). Substantial costs were also incurred in this area in 2013 for the start of the largest study in the Company's history.

Other operating expenses decreased from € 11.1 million in the 2013 financial year to the current level of € 5.1 million. Other operating income amounted to € 7.0 million and remained below the previous year amount (€ 12.6 million).

Operating profit (EBIT) was maintained at the previous year's level despite the significant increase in costs for production, marketing, distribution and research and development, and amounted to € 53.4 million, 0.7 % below the previous year's amount of € 53.8 million. The EBIT margin decreased by 1.5 percentage points to 9.2 % as the result of the significant growth in sales with a trend towards lower margin business.

This trend and increasing costs for clinical trial material required for further progress to be made in the Civacir® clinical study caused the EBIT contribution of the Therapy segment to decrease by 14.3 % to € 27.5 million. In addition, charges of € 2.6 million incurred in the course of the planned expansion of capacity at Dreieich as part of the "Biotest Next Level" project and had a negative impact on earnings. However, EBIT of the Plasma & Services segment increased by 13.9 % from € 23.7 million to € 27.0 million. This was mainly attributable to increased sales of plasma, particularly in the USA. The loss generated by the Other Segments was substantially reduced to € 1.1 million (previous year: € 2.0 million). The financial result amounted to € –6.5 million compared to € –7.0 million in the previous year.

This resulted in earnings before taxes (EBT) of € 46.9 million for the Biotest Group compared to € 47.8 million in the previous year. Earnings after taxes decreased from € 32.0 million to € 19.2 million due to the high write-downs of deferred taxes in the US subsidiary. Earnings per share were (also as a result of the increased average number of shares under the capital increase in the summer of 2013) € 1.43 in 2014 and € 2.54 in 2013.

KEY PERFORMANCE FIGURES OF THE BIOTEST GROUP

in € million	2014	2013	Change in %
EBIT	53.4	53.8	–0.7
EBT	46.9	47.8	–1.9
EAT	19.2	32.0	–40.0
Earnings per share in €	1.43	2.54	–43.7

B. FINANCIAL POSITION

Balance sheet total extended from € 886.5 million as of 31 December 2013 to € 1,032.6 million as of 31 December 2014 primarily as a result of the loan taken out in the fourth quarter of 2014 for future capital expenditure.

On the assets side both current and non-current assets increased significantly. Property, plant and equipment increased from € 254.9 million to € 282.3 million. This increase was attributable to the capital expenditure incurred for the "Biotest Next Level" expansion project and the strong dollar, which resulted in a revaluation of assets denominated in USD. In addition, other non-current financial assets increased from € 0.2 million to € 5.2 million. These include previous cash and cash equivalents of € 5.0 million which are not yet required for the "Biotest Next Level" investment project and were invested on an interest-bearing basis for terms of more than twelve months.

Current assets increased by 20.8 % to € 679.3 million as at 31 December 2014 (31 December 2013: € 562.5 million). Pre-production for the significant sales volume increases led to an increase in inventories to € 246.0 million (31 December 2013: € 227.0 million). Trade receivables increased to € 181.6 million as of 31 December 2014 as a result of the high level of sales in the fourth quarter (31 December 2013: € 118.5 million). Cash and cash equivalents decreased to € 179.4 million (31 December 2013: € 204.4 million). Their planned reduction resulted from payments for capital expenditure as well as the switch to financial investments with a term of more than three months, which are included in other assets in the amount of € 54.7 million and financial assets in the amount of € 5.0 million.

On the liabilities side equity increased further to € 480.2 million primarily as a result of the positive Group results and effects arising on the currency translation of foreign business operations that were recognised directly through equity and after deducting the dividend payment of € 7.9 million (31 December 2013: € 460.7 million). The equity ratio of 46.5 % was below the level as of 31 December 2013 (52.0 %) due to the significant increase in total assets.

Total debt increased to € 552.4 million (31 December 2013: € 425.8 million). Whilst non-current debt increased by 40.5 %, current debt increased only slightly. Non-current financial liabilities in particular increased from € 226.2 million to € 325.8 million due to additional borrowings. The Biotest Group received an energy efficiency loan totalling € 100.5 million from the Kreditanstalt für Wiederaufbau (KfW) at advantageous terms and conditions for the construction of both the new plasma goods receipt area and new production facility. Pension provisions were increased from € 59.1 million as of 31 December 2013 to € 77.5 million due to actuarial losses resulting from the low interest rate environment and which were recognised directly in equity. Trade payables increased only slightly from € 51.4 million to € 55.5 million, whilst other current liabilities increased significantly to € 32.7 million (31 December 2013: € 26.2 million). This item includes commissions payable resulting from the high level of sales.

The capital available to the Company over the long term (equity, pension provisions and non-current liabilities to banks) covers 85.6 % of total assets (previous year: 84.2 %).

Net debt increased from € 27.1 million to € 92.8 million as of 31 December 2014. Financial assets totalling € 59.7 million disclosed under other financial assets as well as under other assets were included in the calculation.

C. CASH FLOWS

The capital expenditure incurred and the increased borrowings are reflected in the cash flow statement. Cash flow from operating activities in the 2014 financial year amounted to € –11.4 million due to the continued high working capital requirements and increased tax payments. A significantly lower outflow of € 7.2 million was disclosed in the previous year. The significant increase in earnings in the previous year in particular resulted in higher tax payments in 2014.

Cash flow from operating activities amounted to € –102.4 million for the period between January and December 2014 compared to € –32.3 million in the previous year. In accordance with IFRS accounting requirements, payments of € 59.7 million made in connection with the investment in financial assets as part of the short-term financial planning are now included in this item. This includes financial resources that are not currently required and are therefore invested on an interest-bearing basis for a period of more than three months. Capital expenditure In fixed assets increased only slightly from € 42.9 million to € 44.7 million. The additional purchase price payment of € 10.4 million made by Merck KgaA, Darmstadt, Germany, in connection with the sale of the Microbiological Monitoring division was a positive component of this item in 2013.

The free cash flow of € –54.1 million adjusted for the interest-bearing financial investments for 2014 is below the amount of € –39.5 million for 2013.

In the 2014 financial year the Biotest Group generated a positive cash flow from financing activities of € 87.4 million due to the increase in new borrowings and despite the dividends paid (€ –7.9 million) in the second quarter of 2014. This amounted to € 186.9 million in the previous year as a result of the successful capital increase. The raising of KfW loans of € 100.5 million had a significant impact on financing activities in 2014. However, scheduled loan principal repayments were lower than the previous year's amount.

Cash and cash equivalents decreased from € 204.4 million at the end of 2013 to € 179.4 million as of 31 December 2014 taking into account the outflow of funds totalling € 59.7 million into other assets and other financial assets and the borrowings.

The Biotest Group currently has loans of € 325.8 million available over the long term. In addition, credit lines of € 138.2 million have been granted, which were not drawn down as of the reporting date.

No collateral was provided nor were financial indicators agreed for any of the new loans.

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 fully financed in advance.

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 46.5 % as of 31 December 2014 Biotest has an excellent basis for financing its future investments.

In addition, Biotest was able to obtain in 2014 an energy efficiency loan totalling € 100.5 million from the Kreditanstalt für Wiederaufbau (KfW) for the construction of the new plasma goods receipt area and new production facility, which ensures that this project is financed at advantageous terms and conditions.

The total of equity and the non-current components of debt financing should cover non-current assets.

The capital structure is described in Section E.13 of the Notes.

V. SUMMARY ASSESSMENT OF THE BUSINESS SITUATION OF THE COMPANY

The Biotest Group continued its growth course in the 2014 financial year in terms of sales. Sales increased by 16.2 % compared to the previous year. EBIT decreased slightly to –0.7 % below the previous year's level due to the significant increase in costs, especially for research and development, and in part low margin tender business. Biotest has the overall resources to drive forward the operating business and, in particular, the research and development work as planned.

Sales of Bivigam® in the US in 2014 were below expectations due to the competitive environment, which is why production was temporarily scaled down. The maximum sales potential of USD 100 million per year will therefore be achieved later than planned.

In addition, the market entry of plasma protein products into other lucrative regions that has already occurred or is upcoming, as well as further developments in the area of monoclonal antibodies over the medium- and long-term, will provide additional profit potential. The financial position that has been sustainably strengthened by the successful capital measures implemented in 2013 and the balanced financing structure form the foundation for the planned future growth of the Biotest Group.

C. SUPPLEMENTARY REPORT

Dr Bernhard Ehmer became Chairman of the Board of Management of Biotest AG on 1 January 2015 following the planned retirement of Professor Dr Schulz for reasons of age.

D. OUTLOOK, RISK AND OPPORTUNITIES REPORT

I. OUTLOOK

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

The Board of Management is predicting a positive performance of the Biotest Group for the current year. The demand for plasma protein preparations is on a constant growth curve throughout the world. In addition, the start of the marketing of new as well as existing products will create further sales potential over the short and medium term. However, sustained price pressure on immunoglobulins in the US and Europe, which is likely to continue in 2015, as well as the continued tense situation in the crisis regions of the world could present a challenge.

With the course set for 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 2015. In the opinion of the Board of Management, the Biotest Group will continue to remain on its profitable growth path in the current financial year from this very strong base.

B. DIRECTION OF THE GROUP IN THE 2015 FINANCIAL YEAR

The general direction of the Biotest Group in the 2015 financial year will not change from today's perspective.

C. MARKET DEVELOPMENTS

Target markets

According to current studies, global demand for immunoglobulins will continue to increase by 6 – 8 % annually over the coming years.[15] The prices of these preparations are coming under increasing pressure throughout the world. Although slight price increases were achieved at the beginning of 2014 in the important US market, average prices were already declining the fourth quarter. This trend will continue in 2015.

The Biotest Group expects the global market volume for plasmatic clotting factors to increase by about 2 % per year until 2020.[16] In addition, the marketing of Albiomin® 20 % that has already started in China offers new sales potential over the medium term in a market, for which an average growth of 10 % per year until 2020 is predicted.[17]

There is significant future sales potential for the Biotest Group in the area of monoclonal antibodies. Sales in the entire rheumatoid arthritis market amounted to about USD 20 billion in 2013. Sales for the indication psoriasis, which could be treated with tregalizumab (BT-061), were almost USD 7.0 billion in the same period. Preparations to treat multiple myeloma (Biotest indatuximab ravtansine (BT-062) development project) generated worldwide sales of USD 6.5 billion. Further sales are forecasted up to 2018 in all product groups as part of new or extensions to existing marketing authorisations.[18] Furthermore, the treatment of various solid tumours with indatuximab ravtansine (BT-062) offers significant additional sales opportunities following marketing authorisation for corresponding indications.

D. EXPECTED PERFORMANCE OF BIOTEST

Expected business and earnings situation of Biotest

Following very sharp increases in sales in the last two years, the Board of Management expects an increase in sales in the low single-digit percentage range in this year.

The slight price pressure in the US and the somewhat stronger price pressure in Europe is affecting earnings. In addition, the situation in the crisis regions and the cost for the planned capacity expansion at Dreieich will have a stronger impact than in the 2014 financial year. As Biotest works together with partners in developing new preparations, R&D costs incurred in the financial year depend to a large extent on the progress made in the projects and the resulting further decisions. Costs relating to the already started "Biotest Next Level" expansion project will probably be twice as high in 2015 as in 2014. However, as the Board of Management expects the Biotest Group to continue to perform positively, EBIT in the range of € 50 million is expected. As a result, the Management Board expects a Return on Capital Employed (RoCE) of approx. 6 % and cash flow from operating activities between € 60 and 65 million to be generated for 2015.

Expected financial position and cash flows of the Biotest Group

The main focus of the Biotest Group will be on a balanced financing structure, both in terms of the ratio of debt to equity and the ratio of short-term to long-term debt financing.

The Group will use a substantial portion of the cash and cash equivalents received over the last few years for the "Biotest Next Level" project to cover the planned expansion of capacity at Dreieich. Furthermore, the increase in current assets required for the sales growth must be financed.

Capital expenditure of up to € 118.4 million is planned for the Biotest Group for the 2015 financial year, of which a substantial portion is attributable to the "Biotest Next Level" project. However, further capital expenditure will be incurred for the expansion of existing and the building of new plasma centres in the US for BPC and for completion of the construction of the plasma goods receipt area and virological laboratories at Dreieich.

15 Goldman Sachs: Global: Medical Technology: Medical Supplies. 25 August 2014

16 Marketing Research Bureau. Global Forecasts of the Factors VIII and IX. 2020

17 Marketing Research Bureau (2014). Albumin Usage and Demand Forecast in China 2013 – 2020

18 Evaluate Pharma. Yearly Product sales and forecast. 23 January 2014

In addition to the organic growth described above and the financing thereof, the in-licensing of market-ready products could represent a future strategic option.

There are sufficient financial resources available to meet the increase in investments as well as the increase in sales and the associated working capital. The Company's growth program also has solid financing available for the long term.

Expected developments in the segments

Therapy segment

The following significant advances and developments are expected in the therapy segment in the current 2015 financial year:

Indication area Haematology

Indatuximab ravtansine (BT-062): Following the conclusion of the ongoing data acquisition, the final clinical study report for the phase I/II study (no. 975) with indatuximab ravtansine (BT-062) for monotherapy of multiple myeloma, a malignant disease of the bone marrow, is expected in the second quarter of 2015.

Because of promising results, an amendment to the protocol was submitted for the phase I/II study (no. 983), in which the safety and efficacy of indatuximab ravtansine (BT-062) in combination with lenalidomide and bortezomib are being investigated. The study will be expanded to include 15 more patients in order to study the safety and efficacy of indatuximab ravtansine (BT-062) in combination with pomalidomide and dexamethasone in patients after previous treatment lenalidomide and bortezomib.

Since not only multiple myeloma cells but also numerous solid tumours exhibit a high degree of expression of the CD-138 receptor, Biotest is currently conducting a clinical phase I/II monotherapy study (no. 989) in Belgium and Germany. In this study, patients with triple-negative metastatic breast cancer (that is, tumours that would not be candidates for treatment with oestrogen-, progesterone- or HER 2-directed therapies) and patients with metastatic bladder cancer will be treated with indatuximab ravtansine (BT-062) and the product candidate will be studied for efficacy and safety.

In preparation for the phase III study, production of the study product will start in March 2015. In addition, Biotest is currently in negotiation with the authorities to agree the preclinical study programme.

Indication area Clinical Immunology

BT-063: A phase IIa study (no. 990) of the treatment of patients diagnosed with systemic lupus erythematosus (SLE) was submitted to the authorities in the first quarter of 2015.

Civacir®: Patient recruitment for the phase III study (no. 988) will be concluded in 2015.

Fovepta®: The first non-European marketing authorisation is expected in India in 2015 and others have been submitted. Marketing authorisation will be sought in other countries in 2015 and 2016, especially in Asia and the Near East.

Intratect® 100g/l (10 % solution): In 2015 marketing of Intratect® 100 g/l (10 % solution) for the first time is planned in Greece, Spain and the United Arab Emirates.

Tregalizumab (BT-061): Publication of the initial results of the clinical phase IIb study (**T**cell **RE**gulating **A**rthritis **T**rial **2b**, Nr. 986), for the treatment of rheumatoid arthritis (RA), is planned for the second quarter of 2015. This, the biggest study in the company's history, will be used for further development of the monoclonal antibody tregalizumab (BT-061) and will be the basis for a decision by AbbVie to continue the collaboration.

Zutectra®: The phase III study (ZEUS – **Z**utectra **E**arly **US**e, no. 987) was concluded as planned in the fourth quarter of 2014 and the final report is expected in the first quarter of 2015. Zutectra® has been authorised in the European Union since 2009 for the indication of prevention of hepatitis B virus (HBV) reinfection in patients six months after liver transplantation due to HBV-induced liver failure. The objective is to obtain marketing authorisation for the use of Zutectra® one to two weeks after the transplantation with the ZEUS study data in the second half of 2015.

Indication area Intensive Care Medicine

Fibrinogen: The phase I/II study (no. 984) will be continued in order to collect pharmacokinetic parameters as well as in the acute "on demand" treatment.

IgM Concentrate: The results of the phase II study (no. 982) in the indication severe community acquired pneumonia (sCAP) are expected in the second half of 2015.

Pentaglobin®: In 2015 Biotest is seeking to resume marketing of the immunoglobulin product in Brazil and Mexico.

Plasma & Services segment

Company strategy within the Plasma & Services segment aims to achieve maximum utilisation of the existing plasma production capacities. Any plasma not required is sold by Biotest to third parties. Available plasma is processed to products or sold, as needed.

Due to the constant high demand for Biotest products and planned significant increase in production capacity as part of "Biotest Next Level" it is expected that toll manufacturing will remain at about the same level as in 2014.

With growing capacities in the Biotest Group, sales in the Plasma & Services segment will continue to grow in the medium term over the next few years, while profitability remains steady.

II. RISK REPORT

As a global Group in a highly advanced field of technology, Biotest is subject to a variety of risk factors that could negatively impact business activities and can therefore result in negative forecast and target variances. When and where risks resulting from its business activities or external factors will materialise – if at all – cannot always be predicted and may be partially or completely beyond the control of Biotest.

Sales and profits, along with the Group's financial position and cash flows, may be negatively affected. The risk report describes the risks to which Biotest is exposed, both as a Group and at the segment level. At the same time it explains how the Group deals with these risks and how they are controlled and managed. An assessment by the Board of Management of the likelihood that any of the individual risks described will materialise is given below.

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

B. RISK MANAGEMENT AND CONTROLLING

Biotest systematically identifies and evaluates operational and strategic risks. All risks with fundamental implications and a reasonable likelihood of arising are closely monitored. Risk management processes are documented in detail, and the relevant documents are stored in the risk management system.

The implemented risk management system is aimed at identifying and evaluating risks that might negatively impact the compliance of the consolidated financial statements with the rules. Furthermore, any risks identified are limited, with the involvement of external specialists if required. Lastly, the risk management system is used to evaluate the impact of identified risks on the consolidated financial statements and to map these risks.

Our monthly internal reports include an assessment of major potential risks. In addition, every six months the Risk Management Committee reviews the current risk situation in all segments and drafts a detailed risk report, which is submitted to the Board of Management. This report covers the following risk areas: market risks, process and production risks, financial risks, personnel risks and organisational risks.

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

All Biotest employees must behave in a risk-conscious manner within the scope of their responsibilities. The management staff is responsible for controlling and managing risks. There are about 60 risk reporters within the Group who cover all potential risks. All risk reporters are subject to binding principles for dealing with risks.

The Internal Audit department reviews risk management and controlling standards and procedures regularly for appropriateness and effectiveness. The last audit took place in 2012. The next audit is scheduled for 2015 according to the plan.

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

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

Single entity and consolidated financial statements are prepared using recognised systems. Internal control processes have been established in each Group company through organisational procedures and clear responsibilities, including separation of duties through the dual control principle.

Companies enter data for the consolidated financial statements into a standardised, detailed reporting package, the content of which is agreed upon on a monthly basis by the departments responsible for finance and controlling. All single entity financial statements prepared by Group companies undergo plausibility checks, and any differences in consolidation processes are analysed and corrected where necessary.

Measures undertaken in the preparation of the consolidated financial statements are subject to electronic and manual checks. Further checks at the consolidated financial statement level include target performance comparisons and analyses of changes in items on the statement of financial position and statement of income.

Confidential data and documents are protected against access by unauthorised persons. This applies to accounting-related IT systems (access authorisation, passwords, encryption) and all business premises (access control, access privileges).

The single-entity and consolidated financial statements are either audited or reviewed by external auditors.

The Internal Audit department reviews business processes in all segments and subsidiaries. Its powers, duties and position within the Group are laid down in the internal audit guidelines. Audits are conducted in accordance with an annual internal audit plan established by the Board of Management and the Supervisory Board's Audit Committee. Individual audit findings are submitted to the Board of Management in a timely manner. In addition, once a year the Internal Audit department submits a detailed report to the Board of Management and the members of the Audit Committee.

D. RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Biotest uses derivative financial instruments to hedge currency and interest rate positions. The corresponding contracts are concluded taking due account of the defined risk limits. Section F.4 of the Notes to the consolidated financial statements contains a detailed description of the risk management system with regard to financial instruments.

E. DESCRIPTION OF SIGNIFICANT RISK CATEGORIES

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

Environmental and industry risks

Economic risks

Biotest would not be able to permanently escape the consequences of a far-reaching, long-lasting recession, even if its direct effects were limited. The risk of a downturn in sales may result from lower demand and rising pressure from customers to reduce prices.

Another potentially dampening effect is the possibility that Biotest will be forced to reduce or discontinue supplies to individual markets. This could be the case if the Company is unable to adequately hedge against default on corresponding receivables or only at much less favourable terms.

If a country's overall economic position deteriorates to such an extent that serious consequences for its solvency and its health care system are feared, Biotest may be forced to discontinue deliveries to such countries in order to reduce risk. The Board of Management considers the economic risks to be slightly elevated and is closely monitoring developments.

Sales market risks

Sales market risks consist of risks associated with price, quantity, substitution and payment default.

The Biotest Group is reducing the risk of short-term fluctuations in sales volumes and prices by expanding into additional international markets and establishing longer-term supply agreements. Nevertheless, the risk remains, especially in the case of individual tendered contracts in the Therapy segment, that the volume of sales could be lower than planned.

The economic and political situation in the Near East has also deteriorated significantly due to the current crises, which is severely restricting patient care and sales opportunities in these areas. This is likely to have a negative impact on our operating business, which cannot yet be quantified.

The risk of sharp price decreases for plasma proteins has not increased based on the price trend of the past few years. However, it continues to be classified as high. Cost pressure is becoming increasingly important in highly developed health care markets – also in the wake of the financial crisis. Countries are increasingly adopting enforcement measures in order to reduce drug prices. Examples of this are manufacturer discounts and price moratoria in Germany as well as mandatory discounts in Greece and Italy. In addition, efforts of countries to reduce prices in their own country by referring to countries with lower prices are increasing.

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

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

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

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

Procurement market risks

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

Political risks

Biotest generates a portion of its sales via tender business. In certain countries, business of this kind may be subject to a high level of political influence, which may in certain cases be to Biotest's disadvantage. Because Biotest acts with a high level of risk awareness in this market sector, the associated risk may be regarded as minor.

Biotest maintains relationships with companies all over the world. In unfavourable circumstances, a destabilisation of the political situation in individual countries could impair business relationships and prospects. In extreme cases, the political and economic system of individual countries may be subject to destabilising effects. These may include currency export restrictions or import and export bans, which could threaten business relationships between Biotest and typically government-run institutions in such countries.

The situation in several countries in the Near and Middle East has destabilised further in some cases in 2014. Because Biotest is represented in these countries, it is exposed to increased risk. An additional risk worth mentioning is that it is becoming increasingly difficult to collect payment for product deliveries currently excluded from embargo and sanction measures, from countries that are otherwise subject to an embargo. Biotest is trying to minimise these difficulties through intensive contact with their banks and by explaining the underlying transactions.

The destabilisation in Russia together the depreciation of the rouble is having a significant negative effect on Biotest's business.

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.

Corporate strategy risks

Research and development risks

New drugs undergo several preclinical trials and clinical studies prior to marketing authorisation and market launch. There is a risk that a previously assumed therapeutic effect may not be confirmed or that unexpected medical risks will negatively impact the benefit/risk balance. As development programmes must be adjusted, where necessary, to take account of new information, the associated costs cannot always be exactly predicted – unexpected additional costs may be incurred. Changes to the environment such as the requirements for marketing authorisation or later reimbursement for new drugs can influence the development tasks. For example, constantly increasing requirements to prove the additional benefits of new products compared to already existing products, or demonstrate health economic benefit, are playing an increasingly important role in the development of drugs. Proving these benefits is necessary as early as possible during the product development stage, as otherwise there is a high risk that the company will not be able to obtain a sufficiently high price on the market to cover the costs of development.

The progress of development projects is constantly monitored through milestone planning. New data obtained from clinical and preclinical development is evaluated in regular interim analyses to create a reliable basis for decisions on the further course of these projects.

Performance-related risks

Process and production risks

Process and production risks include those that could impair the ability to provide efficient and environmentally friendly goods and services due to inefficient structures or production processes or material damage to plant and machinery. Personnel risks in production arise from possible deliberate or accidental misconduct by employees that might negatively affect production efficiency or safety.

Biotest constantly monitors and analyses its production processes in order to take early action against any risks that may arise. All employees involved in production become familiar with production workflows by reviewing our operating procedures. To combat possible risks, extensive, precisely documented standards and operating procedures are maintained and staff members regularly attend training sessions. One of the Company's main focus areas is hygiene. Increased risk is not currently evident in this area.

Supplier relationship risk

There is a risk that individual business or cooperation partners may fail to duly meet their obligations or may terminate existing agreements. The Biotest Group is also at risk of claims brought against it for possible breach of duty on the part of its partners. Given that its business relationships generally last many years and in view of the close dialogue maintained with suppliers, the Board of Management believes that the probability that these risks will materialise is very low.

Risks relating to plasma as a raw material

There is a very low risk that plasma contaminated with currently known but undetected, or previously 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 previously unknown bacteria, viruses or prions could result in tighter legislative controls on plasma-based drugs. In the event of reports from the market of suspected contaminated end products, these will be entered and analysed as part of the pharmacovigilance system. In the very unlikely case of a confirmed contamination this would result in a risk-minimising measure being taken, e.g. recall of the batch. This is not considered an increased risk.

The test procedures employed by Biotest are in line with the latest scientific standards. The manufacturing process includes several steps for viral inactivation or viral depletion. Contamination of end products is thus highly unlikely.

Compliance

There is a fundamental risk of corruption in competing for supply contracts and in procurement. Biotest Group employees could improperly influence the awarding of contract by granting or accepting undue advantages. The Biotest Group has again strengthened its compliance measures in the 2014 financial year in order to counteract this risk. An international compliance system, which takes country-specific features into account and is periodically adjusted in accordance with current requirements, has been established for this purpose in close collaboration with the Company's Compliance, Legal and IT departments. Local compliance regulations were updated as well as standard agreements and clauses.

Furthermore, a compliance creditor process was created in the 2014 financial year, through which data for the planned publication from 2016 of all monetary contributions paid to all "Health Care Professionals" (HCPs) and "Health Care Organisations" (HCOs) since the beginning of 2015 can be documented and then published from the middle of 2016 onwards. This will also meet the transparency rules within the meaning of the Code of Conduct of the "Arzneimittel und Kooperation im Gesundheitswesen" (AKG e. V.) (Organisation for Medicinal Products and Cooperation within the Health Sector).

Employees in all departments of the Biotest Group regularly receive training on current developments in the compliance field (e.g. transparency rules). All employees regularly receive basic training.

The heads of Group companies may only undertake business transactions with a material effect on the Group's financial position, cash flows and results of operations or the Group's risk position with the approval of Group management.

The investigation proceedings of the Frankfurt am Main public prosecutor's office for suspicion of bribery, breach of trust and tax evasion carried out in May 2012 led to another search on 15 October 2014 in connection with the circumstances in Poland, the Czech Republic, Slovakia, the former Yugoslavia and Kazakhstan. The persons concerned as well as Biotest AG consider the allegations to be unfounded. The investigation proceedings of the public prosecutor's office are still ongoing. Meanwhile, according to reports, Frankfurt am Main public prosecutor's office has brought an action against the former head of the representative office in Moscow and her husband at the district court in Darmstadt.

In 2010 the Naples public prosecutor's office initiated investigation proceedings against three employees of the subsidiary Biotest Italia Srl. for illegal price fixing on tender business. Two employees are under house arrest. Biotest AG appointed an external auditing firm to investigate the allegations at the subsidiary. No evidence was found to indicate that the subsidiary is involved in illegal machinations or transactions.

In the event that the allegations prove to be founded or an agreement is reached with the investigating authorities, this could result in penalties being imposed on the Company in the form of fines, retroactive tax payments or similar, which would adversely impact the Group results. The defence costs arising in connection with the proceedings are covered by appropriate provisions.

Notwithstanding the ongoing proceedings, Biotest has continued to further expand its compliance management system. The compliance regulations were amended and updated as a result of changed regulations in the codes of conduct or new statutory regulations of different countries. The standard agreements and standard clauses were amended accordingly.

Personnel risks

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

IT risks

Many production and other business processes at Biotest rely on IT support. The Group has been using an integrated standard business software package, SAP ERP Business Suite, since 2008. The security of the technology used is a top priority. This applies both to the stability of the IT systems and backup solutions as well as to protection against unauthorised third-party access and possible attacks from the Internet. Production and administration operate on separate IT networks.

Biotest is continuously increasing its already comprehensive use of IT systems and is enhancing the corresponding security systems in parallel in the same way. The system functionality is constantly being enhanced in the areas of production, quality control and quality assurance in order to reduce risks and ensure product quality. However, redundant systems cannot be maintained in all areas for protection. The proper handling of systems and data is governed by the working instructions and is ensured through appropriate training.

Financial and currency risks

In 2014 Biotest AG concluded energy efficiency loans with funds provided by the Kreditanstalt für Wiederaufbau (KfW). The loan note was issued without collateral and financial ratio covenants.

Financial risks can also result from the unexpected cancellation of credit lines. Biotest AG has entered into long-term agreements for a large part of its debt financing. A significant portion of the promissory notes issued in 2013 bears interest at a variable rate. Biotest AG has concluded long-term interest rate hedging transactions to limit the interest rate risk.

Biotest counteracts currency risks through the use of derivative financial instruments wherever advisable. Sales in US dollars continue to be largely offset by purchases in the same currency. However, despite these measures, the massive devaluation of individual currencies could greatly impact consolidated results. Possible currency risks are therefore monitored continuously and appropriate hedges entered into where necessary. However, in 2014, Biotest was affected by the sharp depreciation in the Russian rouble. As a general rule, only underlying transactions already executed are hedged. If the business incurs losses as a result of a currency depreciation (e.g. Russia), those sales that can no longer be generated cannot be hedged.

Other risks

Risks resulting from side effects or interactions, quality defects

Unexpectedly severe, more frequent or hitherto unknown side effects or interactions with other medicines can result when taking drugs. Inappropriate handling, storage or use of our products may also give rise to significant adverse effects for customers and patients. Furthermore, suspected cases of quality defects may emanate from the market.

Reported suspected cases of side effects, interactions or quality defects are recorded, investigated and analysed and further risk-based measures added as part of the pharmacovigilance system.

The measures to be adopted in agreement with regulatory authorities for these cases range from recall of individual lots to restriction or withdrawal of the marketing authorisation. Increased risk is not currently evident in this area.

Risks caused by defects in the pharmacovigilance system

The pharmacovigilance system ensures that national and, where applicable, international requirements for monitoring product use and drug safety are met as a prerequisite for the receipt and maintenance of marketing authorisations for drugs.

The Regulatory Affairs/Corporate Drug Safety department is responsible for its implementation in the Company.

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

Risks arising from ongoing legal proceedings and tax risks

Risks relating to the deductibility of defence costs, any assumption of monetary conditions as well as possible retroactive tax payments could result from the above-described public prosecutor investigation proceedings. A monetary fine could also be considered a further risk.

All identifiable risks from employment law and other ongoing proceedings are covered through provisions.

Furthermore, tax risks could result from tax audits of previous years. This would be the case if the fiscal authorities assess tax items in a different way than that applied by Biotest companies.

F. GENERAL STATEMENT ON THE GROUP'S RISK POSITION

In the Board of Management's opinion, Biotest is not currently subject to any risks exceeding those that are an inevitable part of its business operations. All material risks are monitored continuously, and, wherever possible and reasonable, the necessary precautions are taken to prevent any potential financial consequences. There are currently no identifiable risks that might jeopardise Biotest's financial stability.

III. OPPORTUNITIES

Biotest views risks and opportunities from an integrated management perspective. By continuously monitoring developments in sales markets and regulatory conditions, the Company is able to identify opportunities at an early stage. Current opportunities are the subject of regular reports to the Board of Management. In the event of a change in opportunities requiring immediate action, the Board of Management is notified directly and at short notice.

Biotest thoroughly evaluates any identified opportunities and makes decisions regarding possible investments based on the results of the evaluation, which may include the use of risk-adjusted net present values or comparisons of different scenarios. Possible risks are also considered in assessing opportunities. Finally, the potential project must be in line with the strategic orientation of the segment and the Group.

A. OPPORTUNITIES ARISING FROM DEVELOPMENT OF THE PRODUCT PORTFOLIO

The extension of the use of existing products to additional indications might open up further marketing potential for the Biotest Group, especially in the immunoglobulins area.

In addition, extended indication areas may also result from improved or more widely used diagnostic methods, leading to better detection of potentially treatable diseases which can be treated by the administration of immunoglobulins.

Additional potential also results from the consistent product and life cycle management of existing products. By developing products already on the market, by establishing additional concentrations or pharmaceutical forms, among other things, the product portfolio will be further differentiated, thus enabling other market segments to be addressed.

B. OPPORTUNITIES ARISING FROM CORPORATE STRATEGY

The internationalisation strategy of the Group offers significant potential for the future growth of the Company. The marketing authorisation for Albiomin® 20 % in China as well as numerous other new marketing authorisations in international markets confirms this development. In addition, other regions in Central and South America as well as in Asia are to be opened up.

Furthermore, more funds are being provided for health care systems, health insurance is being introduced and patient care improved as a result in numerous emerging countries. This positive trend is marked in the Gulf States, Saudi Arabia, Tunisia and Algeria as well as in Turkey and Central and South America – countries in which Biotest already operates and can benefit from these trends.

Competitive advantages and therefore opportunities could also arise in the future from further strategic research and development as well as distribution cooperation agreements.

Numerous of opportunities, which will raise the Biotest Group to a new level, will result from the doubling of production capacity by 2018/2019 planned as part of the "Biotest Next Level" programme and the targeted increase in sales to € 1 billion by 2020.

The development of monoclonal antibodies and new plasma protein products – provided marketing authorisation is granted – also offers high sales potential, as these therapy options are quite different from anything else currently on the market.

C. PERFORMANCE-RELATED OPPORTUNITIES

Biotest has invested heavily in recent years in expanding its resources and expertise in the fields of drug development and marketing authorisation. In addition, the Group is moving into a new dimension through the planned doubling of production capacity. In the future, it will also maintain the benefits of its efficiently managed corporate headquarters in Dreieich, where all of the major business departments are concentrated. The resulting synergies and potential will continue to be used to conduct projects more quickly and cost-effectively, especially those in the area of research and development.

E. REMUNERATION REPORT

The remuneration report on pages 104 to 109 of the Corporate Governance report is considered part of the Management Report. The remuneration report summarises the methods used to determine the remuneration of members of the Board of Management and explains the structure and amount of remuneration provided to Board of Management and Supervisory Board members.

F. INFORMATION CONCERNING TAKEOVERS IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

In accordance with the Articles of Association the subscribed capital of Biotest AG amounts to € 33,767,639.04. It is divided into 6,585,242 ordinary shares and 6,595,242 preference shares. The ordinary shares are bearer shares; the preference shares do not carry any voting rights.

OGEL GmbH notified us on 12 February 2008 that it holds 50.03 % of Biotest AG's ordinary shares. The Company is controlled by Dr. Cathrin Schleussner, who is a member of Biotest AG's Supervisory Board. Based on the new rules under § 41 paragraph 4d WpHG in effect from 1 February 2012, Dr Martin Schleussner, Renate Schleussner and Dr Hans Schleussner announced on 22 February 2012 that effective 1 February 2012 they held a 50.27 % reportable share of the voting rights in Biotest AG. The district of Biberach notified us on 26 March 2014 that it holds 19.95 % of Biotest AG's ordinary shares. The shares are assignable to the district in accordance with Section 22 (1) sentence 1 of the German Securities Act (WphG) and are held by the Kreissparkasse Biberach.

Furthermore, the Board of Management is not aware of any direct or indirect shareholdings in the Company exceeding 10 % of the voting rights. There are no holders of shares with special rights conferring powers of control.

Members of the Board of Management are appointed and dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation (AktG) and Section 7 (2) of the Articles of Association. In accordance with Section 179 (1) of the AktG any amendment to the Articles of Association requires a resolution of the Annual General Meeting (Section 133 AktG). Authorisation to amend the Articles of Association affecting only the wording thereof has been transferred to the Supervisory Board in accordance with Section 27 of the Articles of Association in accordance with Section 179 (1) clause 2 of the AktG.

Pursuant to the resolutions of the Annual Shareholders' Meeting of 6 May 2010 the Company is authorised to acquire under Section 71 (1) no. 8 of the AktG ordinary bearer shares and/or preference bearer shares up to 10 % of the share capital of € 30,025,152.00 outstanding at the time of the Annual Shareholders' Meeting. At no time may the shares acquired together with other Treasury shares held by the Company or ascribed to it under Sections 71d and 71e of the AktG represent more than 10% of the share capital. This authorisation is valid until 5 May 2015 and has not been made use of to date by the Company.

By resolution of the same Annual Shareholders' Meeting the Board of Management was authorised until 5 May 2015 to increase the Company's share capital with the approval of the Supervisory Board by up to a total amount of € 3,742,487.04 through the single or several issue(s) of new non-voting bearer preference shares (this is equivalent to 1,461,909 non-voting preference shares). The shareholders shall be granted pre-emptive rights to these shares. This authorisation was made full use of in the 2013 financial year.

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

A supplementary agreement to the Board of Management employment contract of all Board of Management members contains a severance pay clause that becomes effective in the event of the early termination of such contract as a result of a clearly defined change of control. The severance payment includes the fixed remuneration up to the end of the term. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the Company vehicle provided are also paid. In addition to these claims the severance payment also includes a fixed annual remuneration. However, the total severance payment is limited to three times the annual fixed remuneration, plus the above-mentioned bonus and the remuneration for the value in use of the Company vehicle.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

of the Biotest Group for the period from 1 January to 31 December 2014

in € million	Note	2014	2013
Revenue	D 1	582.0	500.8
Cost of sales		–357.5	–293.2
Gross profit		**224.5**	**207.6**
Other operating income	D 5	7.0	12.6
Distribution costs		–74.2	–60.1
Administrative expenses		–31.6	–30.6
Research and development costs	D 4	–67.2	–64.6
Other operating expenses	D 6	–5.1	–11.1
Operating profit		**53.4**	**53.8**
Financial income	D 7	21.4	16.9
Financial expenses	D 8	–27.9	–23.9
Financial result		**–6.5**	**–7.0**
Income from associated companies	D 9	–	1.0
Earnings before taxes		**46.9**	**47.8**
Income tax	D 10	–27.7	–15.8
Earnings after taxes		**19.2**	**32.0**
Attributable to:			
Equity holders of the parent		**19.2**	**32.0**
Non-controlling interests		–	–
Earnings per share in €	E 10	**1.43**	**2.54**
Additional dividend rights per preference share in €	E 10	**0.06**	**0.06**
Earnings per preference share in €	E 10	**1.49**	**2.60**

The Notes form 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 2014

in € million	2014	2013
Consolidated profit for the period	**19.2**	**32.0**
Exchange difference on translation of foreign operations	19.8	–10.0
Income tax effect	–	1.5
Other comprehensive income net of tax to be reclassified to profit or loss in subsequent periods	**19.8**	**–8.5**
Actuarial losses (previous year: gains) from defined benefit pension plans	–16.3	0.5
Income tax effect	4.7	–0.2
Other comprehensive income net of tax not to be reclassified to profit or loss in subsequent periods	**–11.6**	**0.3**
Other comprehensive income after tax	**8.2**	**–8.2**
Total comprehensive income after tax	**27.4**	**23.8**
Attributable to:		
Equity holders of the parent	27.4	23.8
Non-controlling interests	–	–

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the Biotest Group as of 31 December 2014

in € million	Note	31 December 2014	31 December 2013
Assets			
Non-current assets			
Intangible assets	E 1	50.2	48.1
Property, plant and equipment	E 2	282.3	254.9
Investments in associates	E 3	1.3	1.6
Other financial investments	E 4	5.2	0.2
Other assets	E 8	0.8	0.7
Deferred tax assets	E 5	13.5	18.5
Total non-current assets		**353.3**	**324.0**
Current assets			
Inventories	E 6	246.0	227.0
Trade receivables	E 7	181.6	118.5
Current income tax assets		4.6	1.0
Other assets	E 8	67.7	11.6
Cash and cash equivalents	E 9	179.4	204.4
Total current assets		**679.3**	**562.5**
TOTAL ASSETS		**1,032.6**	**886.5**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		33.8	33.8
Share premium		225.6	225.6
Retained earnings		201.5	169.2
Share of profit or loss attributable to equity holders of the parent		19.2	32.0
Equity attributable to equity holders of the parent	E 10	**480.1**	**460.6**
Non-controlling interests		0.1	0.1
Total equity	E 10	**480.2**	**460.7**
Non-current liabilities			
Provisions for pensions and similar obligations	E 11	77.5	59.1
Other provisions	E 12	6.3	5.4
Financial liabilities	E 13	325.8	226.2
Other liabilities	E 14	2.5	0.5
Deferred tax liabilities	E 5	11.4	7.8
Liabilities from deferred revenue	E 15	—	2.5
Total non-current liabilities		**423.5**	**301.5**
Current liabilities			
Other provisions	E 12	23.5	24.5
Current income tax liabilities		8.6	10.0
Financial liabilities	E 13	6.1	5.3
Trade payables		55.5	51.4
Other liabilities	E 14	32.7	26.2
Liabilities from deferred revenue	E 15	2.5	6.9
Total non-current liabilities		**128.9**	**124.3**
Total liabilities		**552.4**	**425.8**
TOTAL EQUITY AND LIABILITIES		**1,032.6**	**886.5**

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

of the Biotest Group for the period from 1 January to 31 December 2014

in € million	Note	2014	2013
Earnings before taxes		46.9	47.8
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	E 1, E 2	32.5	31.8
Other non-cash income and expense items		4.9	—
Income from associated companies	D 9	—	−1.0
Losses from the disposal of fixed assets		0.4	0.2
Changes in pension provisions	E 11	−0.1	0.6
Financial result		6.5	7.0
Operating cash flow before changes in working capital		**91.1**	**86.4**
Changes in other provisions	E 12	−1.0	7.3
Changes in inventories, receivables and other assets		−70.3	−78.5
Changes in liabilities from deferred revenue	E 15	−6.9	−15.6
Changes in trade payables and other liabilities		0.9	9.3
Cash flow from changes in working capital		**−77.3**	**−77.5**
Interest paid		−5.6	−5.3
Taxes paid		−19.6	−10.8
Cash flow from operating activities		**−11.4**	**−7.2**
Cash received on the disposal of fixed assets		0.8	—
Payments for investments in fixed assets		−44.7	−42.9
Cash from the sale of discontinued operations		—	10.4
Payments for financial assets as part of the short-term financial planning		−59.7	—
Interest received		1.2	0.2
Cash flow from investing activities		**−102.4**	**−32.3**
Dividend payments for the previous year	E 10	−7.9	−6.2
Proceeds from the capital increase		—	73.7
Proceeds from the assumption of financial liabilities	E 13	100.5	222.0
Payments for the redemption of financial liabilities	E 13	−5.2	−102.6
Cash flow from financing activities		**87.4**	**186.9**
Cash changes in cash and cash equivalents		−26.4	147.4
Exchange rate-related changes in cash and cash equivalents		1.4	−0.2
Cash and cash equivalents on 1 January	E 9	204.4	57.2
Cash and cash equivalents on 31 December	E 9	**179.4**	**204.4**

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of the Biotest Group for the period from 1 January 2013 to 31 December 2014

in € million	Subscribed capital	Share premium	Accumulated differences from currency translation	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
As of 1 January 2013	**30.0**	**153.3**	**8.1**	**177.9**	**369.3**	**0.1**	**369.4**
Gains/losses recognised directly in equity	—	—	—8.5	0.3	–8.2	—	–8.2
Profit for the period	—	—	—	32.0	32.0	—	32.0
Total comprehensive income	**—**	**—**	**–8.5**	**32.3**	**23.8**	**—**	**23.8**
Capital increase	3.8	72.3	—	—	76.1	—	76.1
Cost relating to the capital increase	—	—	—	–2.4	–2.4	—	–2.4
Dividend payments	—	—	—	–6.2	–6.2	—	–6.2
As of 31 December 2013	**33.8**	**225.6**	**–0.4**	**201.6**	**460.6**	**0.1**	**460.7**
Gains/losses recognised directly in equity	—	—	19.8	–11.6	8.2	—	8.2
Profit for the period	—	—	–	19.2	19.2	—	19.2
Total comprehensive income	**—**	**—**	**19.8**	**7.6**	**27.4**	**—**	**27.4**
Dividend payments	—	—	—	–7.9	–7.9	—	–7.9
As of 31 December 2014	**33.8**	**225.6**	**19.4**	**201.3**	**480.1**	**0.1**	**480.2**

The Notes form 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 has specialised primarily in the indication areas of clinical immunology, haematology and intensive care medicine.

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

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

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

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

The Biotest Group employed 2,332 staff worldwide as of the reporting date (previous year: 2,160).

The financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) which are mandatory in the European Union. The IFRS comprise the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretation Committee (SIC). The accounts of the Biotest Group are prepared in accordance with IFRS which are mandatory for financial years beginning on 1 January 2014.

In their present version, the consolidated financial statements comply with the provisions of Section 315a 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 Council on 19 July 2002.

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

The Board of Management of Biotest AG will submit the consolidated financial statements to the Supervisory Board on 13 March 2015. The Supervisory Board will decide on the release of the consolidated financial statements for publication on 17 March 2015.

CHANGES IN RECOGNITION AND MEASUREMENT METHODS

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

IAS 32 Offsetting financial assets and financial liabilities (amended)

The amendments clarify the meaning of "currently has a legally enforceable right of set-off". They further clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms in which individual transactions do not occur simultaneously. The first-time adoption of the amendments had no impact on the presentation of the Group's financial position, results of operation and cash flows.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

The new standard supersedes the requirements of the previous IAS 27 "Consolidated and Separate Financial Statements" and interpretation SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a uniform control principle, which is applied to all companies including special purpose entities. The revised transition guidance was published in June 2012, the purpose of which is to facilitate first-time adoption of the new standard.

IFRS 11 Joint Arrangements

The standard supersedes IAS 31 "Interest in Joint Ventures (as amended in 2008)", and the interpretation SIC 13 " Jointly Controlled Entities – Non-monetary Contributions by Venturers". Under IFRS 11 the previous option for using the proportionate consolidation method for joint ventures is repealed. In future, these companies will only be included in the consolidated financial statements using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

The standard prescribes the uniform disclosure requirements for group accounting and combines the disclosures for subsidiaries that were previously governed by IAS 27, for joint ventures and associates that were previously set out in IAS 31 and IAS 28, respectively, as well as for structured entities.

IAS 28 Investments in Associates and Joint Ventures (revised 2011)

With the adoption of IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 was renamed "Investments in Associates and Joint Ventures", and its applicability, which had thus far been limited to associates, was expanded to the use of the equity method for joint ventures.

IFRS 10, 11, 12 and subsequent amendments to IAS 27 and IAS 28 were applied by the Group for the first time as at 1 January 2014. Relevant activities, variable returns and the relationship between the ability to exercise control and variable returns were analysed for companies on the basis of corporate governance and any existing supplementary agreements. The adoption of the new standard did not result in any changes to the scope of consolidation. This only affected Biotest's note disclosures.

Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting

The amendment allows hedge accounting to be continued under certain conditions in circumstances in which derivatives designated as hedging instruments are transferred to a central clearing house as a consequence of laws or regulations (novation). The Group is currently not subject to the clearing obligation and also does not expect that this will happen in the foreseeable future. The Company is therefore not affected by the standard at the present time.

IAS 36 Impairment of Assets – recoverable amount disclosures for non-financial assets (amended)

This amendment eliminates unintended consequences of IFRS 13 for the disclosure requirements set out in IAS 36. The amendment also requires disclosure of the recoverable amount of assets or cash generating units, impairment losses or reversals of impairment losses that were recognised during the year.

Recently released accounting pronouncements – not yet implemented

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

IFRS 9 Financial Instruments

On 24 July 2014 the IASB published the final IFRS 9 "Financial Instruments (IFRS 9 [2014])", which includes the results of all phases of the IFRS 9 project and supersedes both IAS 39 "Financial Instruments: Recognition and Measurement" and all earlier versions of IFRS 9 "Financial Instruments". IFRS 9 is to be applied for the first time for the financial year beginning on or after 1 January 2018. Early application of the standard (IFRS 9 [2014]) is permitted at any time. The standard is to be applied retroactively. Companies also have the option of the early application of only the requirements relating to the disclosure of fair value changes attributable to own credit risk without having to apply the other IFRS 9 [2014] requirements at the same time. The standard contains new rules regarding classification and measurement, impairment losses and hedge accounting. The classification and measurement requirements as well as the amended requirements for impairment losses are not expected to have a material impact on the Group's financial position, results of operations and cash flows. The designation of hedging relationships and effectiveness test are significantly simplified in the hedge accounting rules.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was published in May 2014 and is to be applied for the first time for the financial year beginning on or after 1 January 2017. Early adoption is permitted. The standard is to be applied retroactively. The standard introduces a new five-step analysis model for the recognition of revenue, which is to be applied to all revenue from contracts with customers. The core principle of the standard is that an entity will recognise revenue at the time of the transfer of goods or services to customers in an amount that reflects the consideration to which the entity is expected to be entitled in exchange for these goods and services. The principles set out in IFRS 15 provide a structured approach for the measurement and recognition of revenue. The scope of application of the standard extends to all types of industry sectors and entities and therefore replaces all existing requirements concerning the recognition of revenue (IAS 11 Construction Contracts, IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue – Barter Transactions involving Advertising Services"). Application of the new standard requires more estimates and judgements to be made regarding the recognition of revenue compared to the currently applicable standards, as the amount of the revenue to be recognised is determined by the amount of the consideration to which the entity is expected to be entitled in exchange for the goods or services. This could pose challenges especially where the consideration is variable. The Group has started to analyse its income streams in accordance with the requirements of IFRS 15. It is not yet possible to make a definitive statement regarding the impact.

IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (amended)

The amendment to IAS 19 was published in November 2013 and is to be adopted for the first time for the financial year beginning on or after 1 July 2014. The amendment governs the recognition of contributions from employees or third parties to the pension plan as a reduction in service cost, provided these reflect the service rendered in the reporting period. The amendment is to be applied retroactively. Early adoption is not permitted. The Group expects that the first-time application of the amendment will not have a material impact on the financial position, cash flows and results of operations.

IFRS Improvements Cycle (2010–2012) / IFRS Improvements Cycle (2011–2013)

"IFRS Improvements Cycle 2011–2013" and "IFRS Improvements Cycle 2010–2012" are collective standards, which were published in December 2013 and address amendments made to different IFRS, the majority of which are to be applied in financial years beginning on or after 1 July 2014. The Group expects that the first-time application of the amendment will not have a material impact on the financial position, cash flows and results of operation.

B. MATERIAL RECOGNITION AND MEASUREMENT PRINCIPLES

1 SCOPE OF CONSOLIDATION

The consolidated financial statements of Biotest AG include all material subsidiaries, which consist of 3 (previous year: 3) domestic and 13 (previous year: 12) foreign companies, in which Biotest AG directly or indirectly holds the majority of voting rights.

Biotest France SAS, Paris, France, which was founded in the 2014 financial year, was included for the first time in the consolidated financial statements.

As in the previous year, BioDarou P.J.S. Co., with its registered offices in Tehran, Iran, is included in the consolidated financial statements as an associate and recognised at equity.

The shareholdings of Biotest AG as defined under Section 313 (2) of the German Commercial Code (HGB) are listed in Section F10 Participating interests.

2 CONSOLIDATION METHODS

The closing date for Biotest AG and all companies included in the financial statements is 31 December 2014. The financial statements of the consolidated companies were prepared using uniform accounting and measurement methods as prescribed by Biotest AG.

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

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

- power over the investee (i.e. the Group has the ability on the basis of existing rights to direct those activities of the investee that significantly affect its returns),
- exposure, or rights, to variable returns from its involvement with the investee, and
- ability to exert power over the investee to affect the amount of 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 during the reporting period are recognised in the statement of financial position and statement of comprehensive income from the date on which the Group acquires control of the subsidiary until the date on which control is lost.

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

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

Business combinations entered into after 1 January 2010 are consolidated using the purchase method in accordance with IFRS 3 (revised 2008). Under this method, the cost of a business combination is measured as the sum of the consideration transferred, measured at fair value at the acquisition date, and the non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or its corresponding share of the identifiable net assets of the acquired company. Costs incurred in connection with the business combination are expensed. The agreed contingent consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration representing an asset or liability are recognised either through profit or loss or directly in equity as accumulated other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for in equity. For successive business combinations, equity in the acquiree previously held by the acquirer is remeasured at fair value at the time of acquisition and the resulting profit or loss is recognised in income.

Non-controlling interests are the portions of profit or loss for the period and of the net assets of Biotest Grundstücksverwaltungs GmbH attributable to interests not wholly owned by Biotest Group. Non-controlling interests are disclosed as a separate item in the statement of income and the statement of financial position.

Investments in associates are recognised using the equity method in accordance with IAS 28. Under the equity method, investments in associates are recognised on the statement of financial position at cost plus post-acquisition changes in the shares held by the Group in the net assets of the company accounted for under the equity method.

The Group's share in the success of the associate is reported separately in the profit for the period. Changes disclosed directly in the equity of the associate are recognised by the Group in the amount of its share and, if applicable, in the statement of changes in equity. Goodwill arising on the acquisition of an associate is included in the amortised carrying amount of the associate or jointly-controlled entity and is neither amortised nor tested separately for impairment.

After applying the equity method, the Group determines whether it is necessary to record an additional impairment on investments in associates. On each reporting date, the Group determines whether objective evidence exists that the investments in associates could be impaired. If this is the case, the difference between the fair value of the investment and the carrying amount of the investment is recognised in income as an impairment loss.

According to IAS 28 "Investments in Associates", the amount recognised for the investment should include the cost of purchase and any other financial exposure (such as loans).

3 CURRENCY TRANSLATION

The functional currency concept applies to currency translation. The subsidiaries included in the Biotest Group conduct their operations independently and the functional currency of these companies is therefore the respective local currency. When translating the annual financial statements of the subsidiaries whose functional currency is not the euro, assets and liabilities are translated using the mean rate of exchange prevailing as of the reporting date, and income and expense are translated at the average annual rate. The resultant accumulated differences are recognised directly in a separate item in equity, which is disclosed under reserves in the statement of financial position.

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

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

	Average exchange rates		Closing rates	
1 euro equals	**2014**	2013	**31 December 2014**	31 December 2013
US dollar	1.3288	1.3282	1.2141	1.3791
UK pound	0.8064	0.8493	0.7789	0.8337
Russian ruble	51.0113	42.3248	72.3370	45.3246
Swiss franc	1.2146	1.2309	1.2024	1.2276
Hungarian forint	308.71	296.94	315.54	297.04
Brazilian real	3.1228	2.8669	3.2207	3.2576

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 exchange rate as of the reporting date. Income and expense resulting from currency translation are reported as financial expense or financial income.

An exception is the recognition directly in equity of exchange differences arising on a net investment in a foreign operation in accordance with IAS 21.15, 21.32 and 21.33.

Non-monetary items denominated in foreign currencies are recognised at historical cost

4 INTANGIBLE FIXED ASSETS

A) GOODWIL

Goodwill arises in the acquisition of companies or shares in companies and is the difference between the cost of purchase (purchase price) and the fair values of the assets and liabilities acquired. Goodwill is recognised at cost of purchase. The goodwill disclosed is tested at least annually for impairment and, if appropriate, written down in accordance with IAS 36 "Impairment of Assets". Whenever there is concrete evidence of impairment, an additional impairment test is performed.

Goodwill is allocated to a group of cash-generating units. These groups of cash-generating units are equivalent to the segments and projects of the Biotest Group. In cases where goodwill represents a portion of the cash-generating unit and a part of the business division of this unit is sold, goodwill attributable to the divested business division is included in the carrying amount of the business division when determining the net income from the sale of the division. The value of the divested portion of goodwill is determined based on the relative values of the divested business and the remaining portion of the cash-generating unit.

An impairment loss is recognised through profit or loss if the recoverable amount of the asset or the cash-generating unit is below the carrying amount. The recoverable amount is the maximum of fair value, less selling costs and value in use. For the purpose of impairment testing, the allocable future cash flows of the cash generating units are used to calculate their value in use on the basis of the discounted cash flow method. Under this method, cash flows are discounted based on multi-year business projections and a long-term growth rate forecast. The growth rate depends on the business under review. The discount rates applied after tax are based on the relevant WACC (Weighted Average Cost of Capital). Any write-downs required are determined by comparing the carrying amount of the cash generating unit with the recoverable amount. An appropriate valuation model based on the discounting of future cash flows is used to determine fair value less selling costs. In order to ensure that the results are objective, valuation multiples, stock quotes, exchange-traded shares in companies or other available indicators are used to determine fair value.

B) OTHER INTANGIBLE FIXED ASSETS

Other intangible assets acquired are recognised at cost and divided into assets with a finite useful life and assets with an indefinite useful life. Assets with a finite useful life are amortised on a straight line basis over their estimated useful life. If necessary, impairment losses are recognised in accordance with IAS 36. Useful life applied in this case ranges from 3 to 10 years.

The amortisation period and the amortisation method applied to an intangible asset with a finite useful life are reviewed at the end of each financial year at least. If there is a change in the anticipated useful life of the asset or anticipated amortisation period of the asset, another amortisation period or amortisation method is to be selected. Such changes are treated as changes to estimates. Amortisation of intangible assets with a finite useful life is recorded in the statement of income under the expense category corresponding to the function of the intangible asset.

Intangible assets with an indefinite useful life or intangible assets whose amortisation period has not yet begun are subject to an impairment test at least once a year at the cash generating unit level. Whenever there is concrete evidence of impairment, an additional test for impairment is performed. These assets are not subject to scheduled amortisation. The useful life of these intangible assets is to be reviewed at least once a year to ensure that the indefinite useful life assessment is still justified. If this is not the case, the indefinite useful life is reassessed as a finite useful life on a prospective basis.

Impairment testing is performed on the basis of future cash flows allocated to the cash generating units; to test impairment, their recoverable amount is calculated as the value in use using the discounted cash flow method. Under this method, cash flows are discounted based on multi-year business projections and a long-term growth rate forecast. The growth rate depends on the business under review. The discount rates applied after tax are based on the relevant WACC (Weighted Average Cost of Capital). Any write-downs required are determined by comparing the carrying amount of the cash generating unit with the recoverable amount.

5 TANGIBLE ASSETS

Property, plant and equipment are recognised in accordance with the cost of purchase model at cost of purchase or production cost less accumulated scheduled depreciation and amortisation and accumulated impairment losses. Depreciation is allocated on a straight line basis over the expected useful life, which is estimated as follows:

Buildings	up to 50 years
Technical equipment and machinery	5 – 12 years
Operating and office equipment	3 – 10 years

If necessary, an impairment loss is recognised in accordance with IAS 36. If impairment is indicated, the carrying amounts of property, plant and equipment are compared against the corresponding recoverable amounts.

Production costs for self-constructed property, plant and equipment include material and personnel costs as well as an appropriate share of overhead costs. Ongoing repair and maintenance expenses are recognised through profit or loss when incurred. Extensions and material improvements are capitalised. Interest on borrowed funds is recognised as an expense provided it is not applicable to the production of qualified assets in accordance with IAS 23. Government grants reduce cost of purchase or production costs.

6 LEASING

Whether or not an agreement constitutes or contains a leasing relationship is determined based on its economic content. For this purpose, an assessment is required as to whether fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset (IFRIC 4).

If fixed assets are rented or leased and the Biotest Group bears a substantial portion of the risks and rewards associated with the leased assets, such contracts are classified as finance leases. These are recognised in accordance with IAS 17 “Leases” at the lower of fair value or the present value of the minimum lease payments at the time the agreement is concluded. Amortisation and depreciation are recognised over the expected useful life or shorter contract term. If necessary, impairment losses are recognised in accordance with IAS 36. Future lease payment obligations are recognised as liabilities accordingly. The interest element of lease payments is recognised through profit or loss as interest expense over the term of the lease agreement.

If all of the relevant risks and rewards associated with the leased item are not transferred to the Biotest Group under the lease agreement, the lease is classified by the lessor as an operating lease. In this case, lease payments are amortised over the term of the lease on a straight-line basis through profit or loss.

7 IMPAIRMENT

Should facts or circumstances indicate a need for impairment of long-lived assets or should an annual impairment test of an asset be required, the recoverable amount, which represents the higher of either the net realisable value or value in use, is determined.

The recoverable amount is determined for each individual asset, unless the asset does not generate cash flows independently (to the greatest extent possible) of cash flows from other assets or other groups of assets.

To determine the value in use, the estimated future cash flows are discounted to their present value at a pre-tax discount rate reflecting current market expectations with regard to the interest rate effect and the specific risks of the asset.

If the recoverable amount is below the carrying amount, the value of the asset is considered impaired and is written down to the recoverable amount.

Impairment expenses are recognised in the expense categories corresponding to the function of the impaired asset. In accordance with IAS 1, material amounts are disclosed as a separate line item in the statement of income.

If the estimated recoverable amount is higher than the carrying amount, impairments are reversed up to an amount not greater than the amortised cost of purchase or production costs, except in the case of goodwill.

8 INVENTORIES

Inventories are recognised at cost of purchase or production costs or the lower net realisable value as of the reporting date. The latter corresponds to the estimated selling price which may be recovered in the course of ordinary business, reduced by expected completion or selling costs. Production costs are determined using the "first in first out" or weighted average method. In addition to directly allocable individual costs, pursuant to IAS 2 "Inventories", production costs include an appropriate share of overhead costs directly allocable to the production process. These are based on the normal capacity of the manufacturing plants excluding costs for borrowed capital.

9 TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are recognised at their nominal value. Accounts receivable denominated in foreign currencies are translated at the closing rates prevailing as of the reporting date. Foreign exchange gains or losses are recognised through profit or loss. Default and transfer risks are accounted for through the recognition of allowances. These allowances are determined on the basis of experience and individual risk assessments. An allowance is recognised if there is an objective and substantial indication that the Group will not be in a position to collect all or part of the receivables. Receivables are written off as soon as they become irrecoverable.

Accounts receivable that arise through the application of the percentage of completion method are disclosed less payments on account if the production costs already incurred, including the profit portion, exceed the payments on account received.

10 OTHER FINANCIAL ASSETS

Financial assets are measured at fair value or cost of purchase at the time of initial recognition. In the case of financial assets that are not subsequently measured at fair value through profit or loss, the transaction costs attributable to the acquisition are capitalised. The fair values recognised in the statement of financial position generally correspond to the market prices of the financial assets. Where these are not readily available, fair values are calculated applying recognised valuation models and are based on current market parameters. Already established cash flows or those calculated based on forward rates using the current yield curve are discounted to the reporting date using discount factors determined on the basis of the yield curve applicable on the reporting date. The mean rates are applied.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and current account balances, cheques and financial investments realisable at short notice with original maturities of less than three months and are recognised at their nominal value.

12 PENSION PROVISIONS

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

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 19R.

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

13 OTHER PROVISIONS

In accordance with IAS 37, provisions are recognised when there is a present (legal or constructive) obligation arising out of a past event and it is probable that this will result in an outflow of resources to settle the obligation and a reliable estimate can be made of the outflow of resources. Provisions are measured at the most probable amount. Provisions with an expected time for settlement of more than twelve months after the reporting date are recognised at their present value.

Provisions are discounted using a pre-tax interest rate reflecting the specific risks of the liability. Increases in provisions due to the passage of time are recorded as interest expense.

In addition, obligations under the Biotest Group's share-based remuneration system, which are recognised in accordance with IFRS 2, are disclosed under other provisions. Costs incurred as a result of cash-settled transactions are initially measured using a Monte Carlo simulation at fair value at the time incurred. Fair value is distributed through profit or loss over the period until the date of first possible exercise as a corresponding liability. The liability is remeasured at each reporting date and on the settlement date. Changes in fair value are allocated to the functional area costs.

14 FINANCIAL LIABILITIES

Financial liabilities are recognised at the loan amount less transaction costs and subsequently measured at amortised acquisition cost using the effective interest rate method. Any difference between the net loan amount and the repayment value is recognised in the statement of income over the term of the financial liability.

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

15 FINANCIAL INSTRUMENTS

A financial instrument is a contract which results in a financial asset for one company and a financial liability or equity instrument for another company.

Financial assets comprise cash and cash equivalents, trade receivables, other loans granted and accounts receivable, financial investments held to maturity as well as primary and derivative financial assets held for trading.

Financial liabilities regularly serve as the basis for repayment claims in cash or cash equivalents or another financial asset. This includes, in particular, bonds and other securitised liabilities, trade payables, liabilities to banks, liabilities from finance leases, promissory notes and derivative financial instruments.

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

Derivative financial instruments are measured at fair value. Market values are determined by an independent expert based on market conditions prevailing as of the reporting date.

As the stringent formal criteria for hedge accounting are not met in the Biotest Group, all derivative financial instruments are recognised in accordance with the rules for trading derivatives, despite a hedge being in place from an economic point of view. Derivative financial instruments are initially recognised at cost of purchase, excluding incidental charges, and subsequently measured at market value. Changes in market values are recognised through profit or loss in the statement of income.

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

- Contractual rights to cash flows from a financial asset have expired.
- The Group has transferred its rights to receive cash flows from that asset to a third party or has taken on a contractual obligation to immediately pass on cash flows to a third party under a so-called pass-through agreement and thus has either (a) transferred all material opportunities and risks associated with ownership of the financial asset or (b) neither transferred nor withheld material opportunities and risks associated with the financial asset but transferred control of the asset.

If the Group transfers its contractual rights to cash flows from an asset or enters into a pass-through agreement, thus neither transferring nor withholding all material opportunities and risks associated with ownership of that asset but retaining control of the asset, the Group recognises the asset to the extent of its continuing involvement.

16 SALES

Sale of goods:

Revenue from the sale of products is recognised at the time of transfer of economic ownership, that is at the time of transfer of the risks and rewards to the purchaser, based on the corresponding contractual agreements less any discounts and VAT.

Provision of services:

Sales from the services business are recorded by the Biotest Group at the time the services are rendered. Service agreements from which the result can be reliably estimated are recognised using the percentage of completion method in accordance with IAS 18 “Revenue”. The service provided, including the pro rata result, is recognised as revenue based on percentage of completion. The percentage of completion to be recognised is determined based on expenses incurred (cost to cost method). Contracts are disclosed under receivables or liabilities using the percentage of completion method.

In individual cases where accumulated performance (contract cost and contract result) exceeds payments received on account, construction contracts are disclosed as assets under receivables using the percentage of completion method. Any negative balances remaining after deducting payments received are disclosed as liabilities under construction contracts using the percentage of completion method. Anticipated contract losses determined on the basis of discernible risks are covered by write-downs or provisions.

Revenues from non-repayable fees for providing technology, fees for the use of technology and licence fees have been accounted for using the percentage of completion method since 1 January 2013.

Revenue recognition for multiple-component agreements:

Sales of products and services may include multiple delivery and service components. In these cases, the Company will determine whether more than one accounting item exists. A transaction will be separated if (1) the delivered component(s) offer an independent benefit for the customer, (2) the fair value of the still-undelivered component(s) can be reliably measured and (3) in the case of a general right to return the delivered component(s), delivery or performance of the still-undelivered component(s) is likely and essentially controllable by the Company. If all three criteria are met, Biotest will use the revenue recognition method applicable to each separate accounting item.

17 RESEARCH AND DEVELOPMENT COSTS

Research costs are recognised as expenses at the time incurred. Development costs are also generally recorded as expenses at the time incurred, as it is not sufficiently certain that products will be marketable or that production processes can be used until they have been approved by the authorities, and such authorisation is typically granted only at the end of the development process. Therefore, the requirements for capitalisation pursuant to IAS 38 "Intangible Assets" are not met entirely. Development expenses incurred after approval is received by the authorities are not material.

18 GOVERNMENT GRANTS

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

19 FINANCIAL INCOME AND FINANCIAL EXPENSE

Interest is recognised as expense or income at the time incurred. The interest component of lease payments under finance leases is determined using the effective interest rate method and recognised as interest expense. The effective interest rate method uses the rate that discounts the future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset. All income and expenses arising from currency translation are recognised in the financial result. In accordance with IFRS 7, interest on financial instruments is also disclosed separately.

20 TAXES

Actual tax assets and tax liabilities for the current period and for earlier periods are to be measured at the amount of the expected refund from or payment to the tax authorities. The amount is calculated based on tax rates and tax legislation reflecting the respective national tax regulations of the countries in which Biotest Group companies operate.

Deferred taxes are recognised for all deductible temporary differences, so far unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and so far unused tax loss carryforwards and tax credits can be offset.

The carrying amount of deferred tax assets is reviewed on each reporting date and reduced by the amount by which it is no longer probable that sufficient taxable income will be available to at least partially offset the deferred tax asset. In addition, unrecognised deferred tax assets are reviewed on each reporting date and recognised to the amount to which it has become probable that future taxable income will allow the deferred tax asset to be realised.

Current tax rates or rates already adopted by parliament are used to determine both current tax expense and deferred taxes.

Deferred tax assets and deferred tax liabilities are offset against each other if there are enforceable claims for offsetting actual tax refund claims against actual tax liabilities and these claims apply to income taxes of the same tax subject levied by the same tax authority.

21 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 F3 Determination of fair value.

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

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

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

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

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

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

The financial instruments recognised at fair value in the statement of financial position are to be assigned under IFRS 7.27A to a three-level fair value measurement hierarchy. The level reflects the closeness to the market of the data used to calculate fair value. Fair value hierarchy levels are described below:

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

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

Level 3: information on assets and liabilities that is not based on observable market data.

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

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

22 UNCERTAIN ESTIMATES AND JUDGEMENTS

Preparation of the financial statements requires certain estimates to be made as part of the recognition and measurement of assets and liabilities under IFRS. These estimates affect the amount and disclosure of assets and liabilities and income and expenses recognised during the reporting period. Estimates and assumptions represent judgements by the management. These are reviewed on an ongoing basis. Changes are prospectively recognised in the reporting period or in future periods. Assumptions and estimates are made particularly in connection with the measurement of goodwill, provisions, allowances for bad debt and inventories, the write-off of receivables under factoring agreements, the measurement of share-based payments as well as the determination of fair values. One major judgement affects revenue recognition from the partnering agreement with AbbVie (a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott). Such estimate- and assumption-sensitive accounting practices may change over time and significantly impact the financial position, cash flows and results of operations of the Company.

In making judgements, the management relies on past experience, assessments by experts (lawyers, rating agencies, trade associations) and the results of a careful weighing 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 situation.

C. SEGMENT REPORTING

The information disclosed in the segment report has been prepared in accordance with IFRS 8 "Operating Segments". Segmentation at the Biotest Group is carried out on the basis of products and services in accordance with the internal reporting system. At Biotest AG, the chief operating decision maker within the meaning of IFRS 8 is the Board of Management.

Segment information made available to the chief operation decision maker in the course of the year is based on IFRS amounts and primarily comprises information up to and including operating profit (EBIT). Operating profit (EBIT) is used as a measure of segment performance.

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

The business segments of the Biotest Group are as follows:

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

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

Other Segments is a reporting segment divided into an operationally active Merchandise business segment and a non-operational Corporate segment. Expenses for the overall management of the Group as well as other income and expenses, which by their nature cannot be allocated to Therapy or Plasma & Services segments, are combined under Corporate.

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

SEGMENT INFORMATION BY BUSINESS SEGMENT

in € million		Therapy	Plasma & Services	Other Segments	**Total**
Revenue with third parties	2014	409.8	157.0	15.2	**582.0**
	2013	386.2	102.5	12.1	**500.8**
Operating profit (EBIT)	2014	27.5	27.0	–1.1	**53.4**
	2013	32.1	23.7	–2.0	**53.8**
Investments in associates	2014	1.3	–	–	**1.3**
	2013	1.6	–	–	**1.6**
Capital expenditure	2014	44.4	2.4	0.3	**47.1**
	2013	38.5	4.4	–	**42.9**
Depreciation and amortisation	2014	26.2	4.8	1.5	**32.5**
	2013	26.1	4.5	1.2	**31.8**
Impairment	2014	–	–	–	**–**
	2013	–	–	–	**–**

RECONCILIATION OF TOTAL SEGMENT RESULTS TO EARNINGS AFTER TAXES OF THE BIOTEST GROUP

in € million	**2014**	2013
Operating profit (EBIT)	**53.4**	**53.8**
Financial income	21.4	16.9
Financial expenses	–27.9	–23.9
Income from associated companies	–	1.0
Earnings before taxes (EBT)	**46.9**	**47.8**
Income tax	–27.7	–15.8
Earnings after taxes (EAT)	**19.2**	**32.0**

SEGMENT INFORMATION BY REGION

	Revenue with third parties based on customer's geographical location		**Revenue with third parties based on company's headquarters**		**Non-current assets based on company's headquarters**	
in € million	**2014**	2013	**2014**	2013	**2014**	2013
Europe	294.1	271.1	461.7	413.6	195.3	191.3
Americas	108.7	86.1	120.3	87.2	158.0	132.7
Rest of Asia and Pacific	26.9	23.6	–	–	–	–
Middle East and Africa	152.3	120.0	–	–	–	–
Biotest Group	**582.0**	**500.8**	**582.0**	**500.8**	**353.3**	**324.0**
Thereof:						
Germany	106.0	93.4	380.6	335.0	190.8	188.2
Rest of world	476.0	407.4	201.4	165.8	162.5	135.8
Thereof: USA	100.3	79.5	119.7	87.1	157.6	132.4

There is no significant trade between the individual segments.

D. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

1 REVENUE

in € million	2014	2013
Products of the Biotest Group	494.0	429.9
Toll manufacturing	64.2	42.2
Merchandise	15.2	12.1
Revenue from cooperation agreements	8.5	16.2
Other	0.1	0.4
	582.0	**500.8**

The revenue from cooperation agreements results from an upfront payment received under the agreement for the worldwide development and marketing of the monoclonal antibody tregalizumab (BT-061) with AbbVie. As the upfront payment of USD 85.0 million relates primarily to research activities still to be carried out, most of the amount was recognised as deferred revenue. Income is recognised under the percentage-of-completion method. The Biotest Group recognised € 6.9 million through profit and loss for research services provided in the 2014 financial year (previous year: € 15.6 million). Income realised from the production of clinical trial material in the amount of € 1.6 million (previous year: € 0.6 million) is included in revenue from cooperation agreements.

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

2 COST OF MATERIALS

in € million	2014	2013
Raw materials and supplies	186.5	184.5
Services purchased	33.5	30.9
	220.0	**215.4**

3 PERSONNEL EXPENSES

in € million	2014	2013
Wages and salaries	113.7	104.8
Social security contributions	20.3	17.5
Pension costs	4.2	3.9
	138.2	**126.2**

Personnel expenses include expenses resulting from the termination of employment in the amount of € 1.0 million (previous year: € 0.7 million).

The average number of employees, converted to full-time equivalents, is 2,129 in the 2014 financial year (previous year: 1,884). The Biotest Group employs 2,158 staff, converted to full-time equivalents, as of 31 December 2014 (previous year: 1,997).

The Biotest Group had 2,332 employees as of 31 December 2014 (previous year: 2,160).

Employees are allocated to the operating divisions as follows:

in full time equivalents	2014	2013
Production	1,516	1,402
Distribution	203	201
Administration	231	223
Research and development	208	171
	2,158	**1,997**

4 RESEARCH AND DEVELOPMENT COSTS

Expenses for research and development totalling € 67.2 million (previous year: 64.6 million) are recognised in full in the statement of income.

5 OTHER OPERATING INCOME

in € million	2014	2013
Income from service agreements	2.6	5.1
Derecognition of liabilities	0.9	–
Reversal of other provisions	0.7	1.1
Insurance reimbursements and other refunds	0.4	1.9
Gains from the disposal of fixed assets	0.3	–
Reversal of write-downs	0.1	3.1
Other	2.0	1.4
	7.0	**12.6**

Income from service agreements relates primarily to contracts signed after the sale of the former Medical Diagnostics and Microbiological Monitoring divisions.

In the 2014 financial year, the Biotest Group recognised through profit and loss government grants of € 0.6 million (previous year: € 0.8 million), of which € 0.4 million (previous year: € 0.6 million) relate to grants for research and development projects and € 0.2 million (previous year: € 0.2 million) to wage subsidies and wage replacement benefits. Grants for research and development projects are included in research and development costs.

The Biotest Group as lessor generated € 0.6 million in income from operating leases in the 2014 financial year (previous year: € 0.8 million). Lease agreements in force until 2015 give rise to future lease income of € 0.1 million for the 2015 financial year. From today's perspective, no further lease income will incur for subsequent financial years (2016 to 2019) nor for the period from 2020. Income from operating leases mainly results from the temporary leasing of land and buildings currently not used in a business context.

6 OTHER OPERATING EXPENSES

in € million	2014	2013
Expenses incurred in connection with service agreements	3.9	4.5
Losses from the disposal of fixed assets	0.5	0.2
Donations	0.4	0.3
Additions to provisions	0.1	2.9
Write-downs of receivables	–	1.3
Other	0.2	1.9
	5.1	**11.1**

7 FINANCIAL INCOME

in € million	2014	2013
Income from currency translation	19.9	16.0
Interest income	1.3	0.3
Other	0.2	0.6
	21.4	**16.9**
Of which: financial instruments of measurement categories according to IAS 39:		
Loans and receivables (LaR)	7.0	0.7
Financial liabilities measured at amortised cost (FLAC)	0.1	0.9
Financial assets held for trading (FAHfT)	0.4	0.6
Financial liabilities held for trading (FLHfT)	0.4	0.4

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

8 FINANCIAL EXPENSES

in € million	2014	2013
Currency translation expenses	14.3	17.1
Interest expenses	9.2	3.7
Net interest expenses – for pensions	2.0	1.8
Interest rate hedging costs	1.9	0.5
Other	0.5	0.8
	27.9	**23.9**
Of which: financial instruments of measurement categories according to IAS 39:		
Financial liabilities measured at amortised cost (FLAC)	6.7	3.2
Financial assets held for trading (FAHfT)	0.4	0.6
Financial liabilities held for trading (FLHfT)	2.9	0.8
Loans and receivables (LaR)	3.0	1.4

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

Reported interest rate hedging expenses include expenses from the measurement of interest rate hedges at fair value, payments on interest rate hedging transactions and fees incurred.

9 INCOME FROM ASSOCIATED COMPANIES

No income was generated from associates in the 2014 financial year (previous year: € 1.0 million).

10 INCOME TAX

in € million	2014	2013
Current tax expenses related to the financial year	14.9	17.5
Current tax income related to previous years (previous year: tax expenses)	–0.3	3.2
Current taxes	**14.6**	**20.7**
Deferred taxes	**13.1**	**–4.9**
Income tax expense	**27.7**	**15.8**

Deferred tax income arising on items recognised directly in equity amounted to € 4.7 million (previous year: increase in equity due to deferred tax income of € 2.3 million).

Applying the nominal income tax rate of 28.8 % (previous year: 28.8 %), the expected tax expense for the 2014 financial year differs from the effective amount as follows:

in € million	2014	2013
Earnings before taxes	**46.9**	**47.8**
Expected tax expense	**13.5**	**13.8**
Effect of losses not recognised in the financial year	2.9	0.2
Recognition of tax credits for previous years	–	–2.0
Write-downs of deferred tax assets	9.9	–
Current tax income related to previous years (previous year: tax expenses)	–0.3	3.2
Tax effect of adjustments to deferred taxes from previous years	–	0.1
Tax effect of non-deductible expenses	2.6	2.0
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	–0.6	–0.7
Tax effect of tax-free income	–0.4	–0.8
Other effects	0.1	–
Income tax disclosed in the statement of income	**27.7**	**15.8**

The calculated tax rate of 28.8 % is based on a corporation tax rate of 15 %, a solidarity surcharge of 5.5 % and the trade tax rate of the municipality of Dreieich (registered office of the parent company).

11 AUDITORS' FEES

On 7 May 2014 the Annual Shareholders' Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2014 financial year.

Fees payable to the external auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, totalled € 0.6 million for the 2014 financial year (previous year: € 0.7 million), of which € 0.1 million (previous year: € 0.0 million) relate to the previous year. The fees comprise € 0.6 million (previous year: € 0.4 million) for the financial statement audit, of which € 0.1 million (previous year: € 0.0 million) relate to the previous year and € 0.0 million (previous year: € 0.3 million) for other advisory services.

E. EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 INTANGIBLE ASSETS

All intangible assets are allocated to non-current assets.

in € million	Goodwill	Patents, licenses and similar rights	Leased assets	Payments in advance	Total
Cost					
Balance as of 31 December 2012	**31.4**	**58.6**	**9.6**	**0.3**	**99.9**
Additions	–	0.9	–	1.9	2.8
Disposals	–	–0.1	–	–	–0.1
Book transfers	–	0.2	–	–0.2	–
Effect of foreign currency translation differences	–1.5	–1.9	–	–	–3.4
Balance as of 31 December 2013	**29.9**	**57.7**	**9.6**	**2.0**	**99.2**
Additions	–	0.9	–	1.6	2.5
Disposals	–	–2.0	–	–	–2.0
Book transfers	–	0.7	–	–0.7	–
Effect of foreign currency translation differences	3.9	5.6	–	–	9.5
Balance as of 31 December 2014	**33.8**	**62.9**	**9.6**	**2.9**	**109.2**
Accumulated depreciation					
Balance as of 31 December 2012	**1.3**	**35.9**	**8.1**	**–**	**45.3**
Depreciation for the financial year	–	5.9	1.5	–	7.4
Disposals	–	–0.1	–	–	–0.1
Effect of foreign currency translation differences	–0.2	–1.3	–	–	–1.5
Balance as of 31 December 2013	**1.1**	**40.4**	**9.6**	**–**	**51.1**
Depreciation for the financial year	–	5.7	–	–	5.7
Disposals	–	–1.9	–	–	–1.9
Effect of foreign currency translation differences	–	4.1	–	–	4.1
Balance as of 31 December 2014	**1.1**	**48.3**	**9.6**	**–**	**59.0**
Carrying amount as of					
31 December 2013	28.8	17.3	–	2.0	48.1
31 December 2014	**32.7**	**14.6**	**–**	**2.9**	**50.2**

Two development projects were acquired in connection with the purchase of the plasma protein division of Nabi Biopharmaceuticals in the 2007 financial year and recognised in the consolidated financial statements as intangible assets. These included a project regarding the intravenous immunoglobulin Bivigam®, which received marketing authorisation in December 2012, as well as Civacir®, a drug designed to prevent re-infection in the case of liver transplants made necessary due to hepatitis C. The Civacir® project was not amortised on a scheduled basis in the 2014 financial year, as it was under development and marketing authorisation had not yet been granted. Once production begins, the value of the projects will be amortised over ten years on a straight-line basis. Marketing of Civacir® is expected to begin in the 2017 financial year. The start of marketing activities depends on authorisation from the relevant authorities. The scheduled amortisation for the Bivigam® product commenced with the market launch in February 2013.

An impairment test was also carried out for the Civacir® project which did not give rise to any impairment losses, which was also the case in the previous year.

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 8.00 % (previous year: 9.22 %) was applied for the impairment test of the goodwill of the Therapy segment, which is based on the relevant WACC (weighted average cost of capital). A discount rate before tax of 6.22 % (previous year: 7.12 %) was used for the Plasma & Services segment. Expected cash flows were calculated on the basis of five-year financial forecasts made by management. Cash flows from the year 2020 onward are extrapolated. Perpetual annuities are based on average values for the years 2015 to 2019. A growth rate of 1.00 % (previous year: 1.00 %) was applied to perpetual annuities.

The Civacir® project was also subject to an impairment test. A discount rate after tax of 6.75 % (previous year: 7.88 %) was applied in this case. This was also based on the relevant WACC (weighted average cost of capital). Expected cash flows for the years 2015 to 2020 were calculated on the basis of detailed financial forecasts. A growth rate of 2.00 % (previous year: 2.00 %) was assumed for the years 2021 to 2028.

The impact of changes in the discount factor applied and a change in the assumed growth rate for the development projects was determined by means of sensitivity analyses. No realistic change in the value of the parameters would lead to impairment of development projects or goodwill.

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

Cash generating unit	Intangible asset	**Carrying amount as of 31 December 2014** in € million	Carrying amount as of 31 December 2013 in € million
Therapy segment	Goodwill	25.2	22.2
Segment Plasma & Services	Goodwill	7.5	6.6
Project	Patents, licenses and similar rights	9.1	8.0
		41.8	**36.8**

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

in € million	**2014**	2013
Cost of sales	4.2	4.6
Distribution costs	0.1	0.1
Administrative expenses	1.4	2.7
	5.7	**7.4**

2 PROPERTY, PLANT AND EQUIPMENT

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

in € million	Land and buildings	Technical equipment and machinery	Other facilities, office furniture and equipment	Leased assets	Payments in advance	**Total**
Cost/production cost						
Balance as of 31 December 2012	**177.6**	**159.2**	**79.5**	**1.4**	**8.2**	**425.9**
Additions	6.5	7.4	5.1	–	21.1	40.1
Book transfers	0.8	8.2	2.5	–	–11.5	–
Disposals	–0.3	–0.4	–2.1	–	–	–2.8
Effect of foreign currency translation differences	–2.5	–2.2	–0.4	–	–	–5.1
Balance as of 31 December 2013	**182.1**	**172.2**	**84.6**	**1.4**	**17.8**	**458.1**
Additions	3.9	5.1	4.8	–	30.8	44.6
Book transfers	8.2	5.2	3.8	–0.6	–16.6	–
Disposals	–1.4	–4.6	–6.6	–	–	–12.6
Effect of foreign currency translation differences	7.3	6.8	1.4	–	0.4	15.9
Balance as of 31 December 2014	**200.1**	**184.7**	**88.0**	**0.8**	**32.4**	**506.0**
Accumulated depreciation						
Balance as of 31 December 2012	**51.8**	**78.6**	**51.1**	**1.4**	**–**	**182.9**
Depreciation for the financial year	4.4	13.9	6.1	–	–	24.4
Disposals	–0.2	–0.3	–2.1	–	–	–2.6
Effect of foreign currency translation differences	–0.3	–1.1	–0.1	–	–	–1.5
Balance as of 31 December 2013	**55.7**	**91.1**	**55.0**	**1.4**	**–**	**203.2**
Depreciation for the financial year	4.7	15.2	6.9	–	–	26.8
Book transfers	–	–	0.6	–0.6	–	–
Disposals	–0.9	–4.3	–6.3	–	–	–11.5
Effect of foreign currency translation differences	0.7	4.0	0.5	–	–	5.2
Balance as of 31 December 2014	**60.2**	**106.0**	**56.7**	**0.8**	**–**	**223.7**
Carrying amount as of						
31 December 2013	126.4	81.1	29.6	–	17.8	254.9
31 December 2014	**139.9**	**78.7**	**31.3**	**–**	**32.4**	**282.3**

Payments in advance in the financial year 2014 mainly include capital expenditure incurred as part of the expansion of capacity at Dreieich.

The Biotest Group had entered into commitments to acquire fixed assets of € 33.2 million as of 31 December 2014 (previous year: € 4.9 million).

Government grants for the acquisition or production of assets reduce the cost or production cost. This resulted in a cumulative reduction of € 0.1 million (previous year: € 0.1 million) of the carrying amount of the assets in the 2014 financial year.

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

in € million	**2014**	2013
Cost of sales	19.3	17.6
Distribution costs	0.5	0.5
Administrative expenses	5.8	5.2
Research and development costs	1.2	1.1
	26.8	**24.4**

3 INVESTMENTS IN ASSOCIATES

Investments in associates relate to a 49 % shareholding held by Biotest Pharma GmbH in BioDarou P.J.S. Co., whose registered offices are in Tehran, Iran, and are evaluated using the equity method.

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

The investors intend to gradually provide the company with up to € 4.0 million of equity capital. The shareholder resolutions required for this are adopted separately based on financial requirements. To date, Biotest Pharma GmbH has contributed € 1.6 million in capital. The capital of BioDarou P.J.S. Co. amounts to 37.5 billion rials as of 31 December 2014 (previous year: 37.5 billion rials) and is fully paid-in.

As no audited financial statements of BioDarou P.J.S. were available when the consolidated financial statements were prepared, the previous year figures of BioDarou P.J.S. Co. as of 31 December 2013 are reported.

The earnings forecast for BioDarou P.J.S. Co. for the 2014 financial year shows positive results. The depreciation of the rial resulted in a foreign exchange loss of € –0.1 million (previous year: € –2.1 million), which was recognised in other comprehensive income.

The associate had the following assets and liabilities as of the 2013 reporting date:

The value of non-current and current assets amounted to € 1.1 million (previous year: € 1.1 million) and € 12.5 million (previous year: € 7.9 million), respectively on 31 December 2013.

Non-current and current liabilities were measured at € 0.2 million (previous year: € 0.1 million) and € 10.7 million (previous year: € 5.7 million), respectively on 31 December 2013.

Sales revenue amounted to € 15.9 million (previous year: € 21.6 million) and net income of the company was € 0.0 million (previous year: € 2.0 million) for the 2013 financial year.

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

The political situation in Iran remained tense in 2014. The difficult payment situation has slightly improved in the 2014 financial year due to the slight relaxing of sanctions. The Biotest Group does not expect a permanent restriction on sales of pharmaceutical products in Iran.

4 OTHER FINANCIAL INVESTMENTS

in € million	**2014**	2013
Promissory notes (Loans and receivables)	5.0	–
Bond funds (Financial assets at fair value through profit and loss)	0.2	0.2
	5.2	**0.2**

The loans and receivables category contains non-current promissory notes recognised at cost. The financial assets at fair value through profit and loss category includes fund units, whose market value as of the reporting date is notified in writing by the custodian bank.

5 DEFERRED TAX ASSETS AND LIABILITIES

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

	Asssets		Equity and liabilities		Recognised through profit or loss	
in € million	**2014**	2013	**2014**	2013	**2014**	2013
Intangible assets	–	0.3	2.6	–	2.7	–0.4
Property, plant and equipment	–	–	11.3	13.8	–2.8	–2.4
Other financial investments	1.1	1.0	–	–	–0.1	–0.1
Inventories	11.4	10.5	0.1	0.1	–0.8	1.0
Trade receivables	0.1	0.1	11.5	2.1	9.3	0.8
Other provisions	1.6	2.8	–	0.1	1.1	–1.2
Financial liabilities	1.2	–	0.3	0.3	–1.1	0.1
Pension provisions	10.2	5.4	–	–	0.1	0.1
Other liabilities	3.1	0.9	1.1	1.4	–2.6	0.3
Other financial position items	0.2	0.4	–	–	0.2	–0.2
Tax credits	–	4.6	–	–	4.7	–1.3
Tax value of the recognised loss carried forward	0.1	2.5	–	–	2.4	–1.6
Total deferred taxes	**29.0**	**28.5**	**26.9**	**17.8**	**13.1**	**–4.9**
Less netting of deferred tax assets and liabilities	–15.5	–10.0	–15.5	–10.0		
Deferred tax assets / liabilities	**13.5**	**18.5**	**11.4**	**7.8**		

The Group has tax loss carryforwards of € 0.8 million (previous year: € 8.1 million), which are available to various Group companies with and without time limits and can be offset against future taxable income of this company or other Group companies. € 0.0 million (previous year: € 5.9 million) of the loss carryforwards recognised are attributable to tax categories with a tax rate of 36.74 %, € 0.3 million (previous year: € 0.0 million) to a tax rate of 31.40 %, € 0.0 million (previous year: € 1.7 million) to tax categories with a tax rate of 15.19 % and € 0.5 million (previous year: € 0.5 million) to tax categories with a tax rate of 10 %.

Deferred taxes are not recognised for tax loss carryforwards of € 23.8 million (previous year: € 16.2 million), as the utilisation of these carryforwards is not sufficiently certain at this time. The unrecognised tax loss carryforwards relate solely to foreign companies. Foreign loss carryforwards of € 3.0 million (previous year: € 3.3 million) may be carried forward indefinitely. Furthermore, € 2.4 million (previous year: € 12.9 million) may be carried forward for up to five years and € 18.4 million (previous year: € 0.0 million) for over five years.

Deferred tax assets of € 9.9 million recognised in previous years by Biotest Pharmaceuticals Corporation were impaired in the financial year. The Company has not generated any taxable income in the last two years due to the tax depreciation of goodwill and other intangible assets and high interest charges incurred as a result of the planned increase of working capital. This is expected to continue for the next two years with the result that the recognition criteria for deferred tax assets are no longer met.

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

No deferred tax liabilities (previous year: none) were recognised as of 31 December 2014 for taxes on non-distributed earnings of subsidiaries or associates of the Biotest Group. The Biotest Group has decided not to distribute any undistributed profits of its subsidiaries and associates in the foreseeable future. This is because the Biotest Group has entered an agreement under which the profits of associates will not be distributed until the Biotest Group has granted permission to do so. As of the reporting date, the parent company does not intend to grant such permission. Furthermore, an associate of the Group may only distribute its profits when it has received permission to do so from all shareholders.

Temporary differences relating to investments in subsidiaries and associates for which no deferred taxes are recognised amount to € 0.5 million (previous year: € 0.4 million).

6 INVENTORIES

in € million	2014	2013
Raw materials and supplies	42.8	37.6
Work in progress	100.9	127.0
Finished goods and merchandise	102.3	62.4
	246.0	**227.0**

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

Impairment losses recognised on inventories amounted to € 13.1 million (previous year: € 13.6 million); the residual carrying amount of the related inventories was € 78.5 million (previous year: € 51.3 million) after being written down to their net realisable value.

7 TRADE RECEIVABLES

Trade receivables are typically due within one year. As in the previous year, none of the receivables totalling € 181.6 million (previous year: € 118.5 million) were classified as non-current. Trade receivables are allocated to the loans and receivables (LaR) category. They are broken down as follows:

in € million	2014	2013
Trade receivables (gross)	200.3	144.3
Sale of trade receivables	–16.5	–23.4
Allowance for bad debts	–2.2	–2.4
Trade receivables (net)	**181.6**	**118.5**

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

As of the reporting date, Biotest AG has sold trade receivables totalling € 8.5 million (previous year: € 13.4 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 € 8.0 million (previous year: € 10.0 million) had been sold as of the reporting date. As in the previous year, these receivables were fully derecognised in accordance with IAS 39.

Trade receivables include receivables accounted for the percentage of completion method amounting to € 30.7 million (previous year: € 9.9 million). These relate to customer-specific production contracts valued at the related production costs incurred plus a pro rata profit provided that it can be reliably estimated. The increase compared to the previous year is attributable to the fact that revenue recognition on contracts with Iranian customers is carried out under the percentage of completion method in accordance with IAS 18.20. The reasons for the previous recognition of revenue only to the extent that the costs incurred are recoverable as defined in IAS 18.26 do no longer exist due to the reduction in the complexity of the rendering of services, thereby enabling revenue and the stage of completion to be more reliably determined. This change in recognition method resulted in an increase in earnings after tax of € 5.5 million.

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

in € million	2014	2013
Balance as of 1 January	**2.4**	**5.0**
Additions	–	1.3
Utilisation	–0.1	–1.0
Reversals	–0.1	–2.9
Balance as of 31 December	**2.2**	**2.4**

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

in € million	2014	2013
Carrying amount	**181.6**	**118.5**
Unimpaired and non past due as of the reporting date	142.8	78.3
Unimpaired as of the reporting date and past due in the following time bands		
< 90 days past due	24.9	16.9
91 – 180 days past due	6.8	5.9
181 – 365 days past due	5.3	5.0
> 1 year past due	2.2	3.0

The past due receivables of the Biotest Group in the 2014 financial year comprise receivables due to Biotest AG of € 26.4 million (previous year: € 12.7 million), receivables due to Biotest Italia S.r.l, Italy, of € 4.8 million (previous year: € 7.1 million), receivables due to Biotest Medical S.L.U, Spain, of € 3.8 million (previous year: € 7.7 million) and receivables due to Biotest Hungaria Kft., Hungary, of € 1.5 million (previous year: € 0.7 million).

Net trade receivables are denominated in the following currencies:

in € million	2014	2013
EUR	97.5	77.2
USD	76.4	33.2
HUF	2.4	1.9
GBP	2.2	1.0
RUB	2.1	4.6
Other currencies	1.0	0.6
Trade receivables (net)	**181.6**	**118.5**

8 OTHER ASSETS

	2014		2013	
in € million	**Total**	**Non-current**	Total	Non-current
Financial assets as part of the short-term financial disposition	54.7	–	–	–
Deferred items	4.5	0.1	3.1	
Value-added and other tax receivables	3.0	–	4.7	–
Payments in advance	1.6	0.1	0.6	–
Receivables from associated companies	1.0	–	1.1	–
Receivables from insurance companies	–	–	0.2	–
Receivables from factoring companies	–	–	0.2	–
Other assets	3.7	0.6	2.4	0.7
	68.5	**0.8**	**12.3**	**0.7**

Impairment losses recognised on other assets were as follows:

in € million	2014	2013
Balance as of 1 January	**0.8**	**1.0**
Utilisation	–0.8	–
Reversals	–	–0.2
Balance as of 31 December	**–**	**0.8**

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

in € million	2014	2013
Carrying amount	**68.5**	**12.3**
Unimpaired and non past due as of the reporting date	68.5	12.1
Unimpaired as of the reporting date and past due in the following time bands		
< 90 days past due	–	–
91 – 180 days past due	–	–
181 – 365 days past due	–	–
> 1 year past due	–	–

Other assets are denominated in the following currencies:

in € million	2014	2013
EUR	63.0	8.4
USD	4.5	3.4
GBP	0.1	0.1
HUF	0.7	0.3
Other currencies	0.2	0.1
	68.5	**12.3**

9 CASH AND CASH EQUIVALENTS

in € million	2014	2013
Bank balances	92.7	32.0
Short-term deposits	86.5	172.3
Cash in hand	0.2	0.1
	179.4	**204.4**

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

As at 31 December 2014 bank balances are not subject to any availability restrictions due to the sanctions imposed by the European Union on Iran. The necessary approvals of the Deutsche Bundesbank (German Federal Bank) regarding the EU sanctions against Iran had not been granted for bank balances of € 11.1 million as of the reporting date of the previous year; the necessary approvals were on hand at the time of the preparation of the financial statements.

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

10 TOTAL EQUITY

Subscribed capital is fully paid in and amounts to € 33,767,639.04 on 31 December 2014 (previous year: € 33,767,639.04), comprising ordinary shares of € 16,883,819.52 (previous year: € 16,883,819.52) and preference shares of € 16,883,819.52 (previous year: € 16,883,819.52). As of 31 December 2014 it was divided into 6,595,242 no-par value ordinary shares and 6,595,242 no-par value preference shares without voting rights. Certification of shares is excluded. The theoretical par value of each share is therefore € 2.56 per share class. Profit distributions in any financial year are based on the net profit of Biotest AG as defined under the German Commercial Code.

In her letter dated 12 February 2008, Dr Cathrin Schleussner advised us 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 rules under Section 41 Paragraph 4d of the German Securities Act (WpHG) in effect from 1 February 2012, Dr Martin Schleussner, Renate Schleussner and Dr Hans Schleussner notified the Biotest Group on 22 February 2012 that, effective 1 February 2012, they each held a 50.27 % share in Biotest AG with voting rights reportable under Section 41 Paragraph 4d of the WpHG. The district of Biberach notified us on 26 March 2014 that it holds 19.95 % of Biotest AG's ordinary shares. The shares are assignable to the district in accordance with Section 22 (1) sentence 1, No. 1 of the WphG and are held by the Kreissparkasse Biberach.

The proposed appropriation of net profit for the year 2014 provides for dividend payments of € 8.3 million (previous year: € 7.9 million). A dividend of € 0.60 per share (previous year: € 0.57 per share) will be paid on the ordinary shares and a dividend of € 0.66 per share (previous year: € 0.63 per share) on the preference shares. In accordance with a resolution passed by the Annual Shareholders' Meeting regarding dividend payments, preference shares are entitled to a preference dividend of € 0.11 per share. Additionally, if holders of ordinary shares receive a dividend of more than € 0.11 per share, holders of preference shares receive an additional dividend of € 0.06 per share. If no dividend is paid on preference shares in one year, it shall be paid in the following year. If a dividend is not paid in the second year, preference shares shall receive voting rights (cf. Section 140 (2) of the German Stock Corporation Act (AktG)).

By resolution of the Annual Shareholders' Meeting of 6 May 2010, the Board of Management of Biotest AG was authorised to purchase ordinary and/or preference shares under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 5 May 2015 up to 10 % of the share capital as it then was of € 30.0 million.

Diluted and basic earnings per share are calculated by dividing the profit 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	2014	2013
Earnings after taxes	19.2	32.0
Additional dividend on preference shares	–0.4	–0.4
Profit adjusted for additional dividend rights	**18.8**	**31.6**
Number of shares outstanding (weighted average)	13,190,484	12,465,537
Basic and diluted earnings per share in €	**1.43**	2.54
Additional dividend rights per preference share in €	**0.06**	0.06
Basic and diluted earnings per preference share in €	**1.49**	2.60

No additional transactions involving ordinary shares or potential ordinary shares occurred in the period between the reporting date and the approval of the consolidated financial statements.

11 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Benefits are based on the employee's length of service and salary. Retirement benefit obligations relate mainly to employees of the Group's German companies. Similar obligations are foreign obligations payable in a lump sum on retirement and obligations of the Biotest pension savings plan. These plans are voluntary pension plans not subject to statutory or legal obligations. The amount of the pension obligations is dependent on interest rate movements and life expectancy of the participants.

Assets of € 3.8 million (previous year: € 2.3 million) were held by a trustee, Biotest Vorsorge Trust e.V., during the 2014 financial year under a contractual trust arrangement (CTA) as external insolvency insurance for portions of the occupational pension scheme. Since the transferred funds qualify as plan assets in accordance with IAS 19, provisions for pensions and similar obligations were netted with the transferred assets. As a result, provisions for pensions and similar obligations were reduced accordingly.

The liability arising from the defined pension obligation comprises the following:

in € million	2014	2013
Net present value of defined benefit obligations (DBO)		
Pension plans	76.2	57.7
Similar obligations	5.1	3.7
	81.3	**61.4**
Fair value of plan assets		
Pension plans	2.4	1.4
Similar obligations	1.4	0.9
	3.8	**2.3**
Net defined benefit liability		
Pension plans	73.8	56.3
Similar obligations	3.7	2.8
	77.5	**59.1**

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

in € million	2014	2013
Current service cost	3.5	3.1
Past service cost	0.7	0.8
Net interest expenses	2.0	1.8
Total expense recognised in profit and loss	**6.2**	**5.7**
Actuarial gains/losses due to experience adjustments	0.8	0.7
Actuarial gains/losses due to changes in financial assumptions	15.4	–1.3
Return on plan assets (excluding amounts included in net interest expenses)	0.1	0.1
Revaluations recognised directly in the statement of comprehensive income	**16.3**	**–0.5**
Defined benefit costs	**22.5**	**5.2**

Actuarial losses of € 16.3 million (previous year: gains of € 0.5 million) were recognised directly in equity in the 2014 financial year. Actuarial losses totalling € 32.8 million (previous year: € 16.5 million) had previously been recognised directly in equity.

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

in € million	2014	2013
Defined benefit obligation as of 1 January	**61.4**	**59.4**
Current service cost	3.5	3.1
Past service cost	0.7	0.8
Interest expense	2.1	1.9
Expenses recognised in profit and loss	**6.3**	**5.8**
Experience adjustments	0.8	0.7
Actuarial gains/losses due to changes in financial assumptions	15.4	–1.3
Revaluations recognised directly in the statement of comprehensive income	**16.2**	**–0.6**
Pension benefits paid	–2.2	–3.2
Book transfers	–0.4	–
Defined benefit obligation as of 31 December	**81.3**	**61.4**

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

in € million	2014	2013
Fair value of plan assets as of 1 January	**2.3**	**2.3**
Interest income	0.1	0.1
Expenses recognised in profit and loss	**0.1**	**0.1**
Return on plan assets (excluding amounts included in net interest expense)	–0.1	–0.1
Revaluations recognised directly in the statement of comprehensive income	**–0.1**	**–0.1**
Employer contributions	1.5	–
Fair value of plan assets as of 31 December	**3.8**	**2.3**

The Biotest Group expects to make payments totalling € 3.4 million from defined benefit pension plans for the 2015 financial year.

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

in € million	2014	2013
In the next 12 months	3.4	3.3
Between 2 and 5 years	14.4	13.7
Between 5 and 10 years	20.0	18.8
After 10 years	79.9	75.7
Total expected payments	**117.7**	**111.5**

The weighted average term of the defined benefit plans is 26.9 years (previous year: 27.8 years) as of 31 December 2014.

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

in € million	2014	2013
Reinsurance	1.0	0.1
Cash and cash equivalents	2.8	2.2
	3.8	**2.3**

The calculation is based on the following actuarial assumptions:

in %	2014	2013
Discount rate as of 31 December	1.4–2.1	3.4
Expected return on plan assets	2.1	3.4
Rate of increase for wages and salaries	3.4	3.4
Rate of increase for pensions	2.0	2.0
Employee turnover rate	0.0–6.9	0.0–6.8

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

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 2014.

Parameters	Parameter change	Impact on the pension obligation in € million
Rate of interest	Increase by 50 basis points	–5.2
Rate of interest	Decrease by 50 basis points	5.8
Salary trend	Increase by 50 basis points	1.2
Salary trend	Decrease by 50 basis points	–1.1
Pension trend	Increase by 100 basis points	7.6
Pension trend	Decrease by 100 basis points	–6.4
Life expectancy	Increase by one year	3.4

€ 7.7 million (previous year: € 7.1 million) was recognised as expense for defined contribution plans in financial year.

Expenses for defined contribution plans are broken down as follows:

in € million	2014	2013
Defined contribution plans of the company	1.0	1.0
Employer contributions to statutory insurance scheme	6.7	6.1
	7.7	**7.1**

12 OTHER PROVISIONS

in € million	Staff-related provisions	Litigation risks	Provisions for sales agreements	Miscellaneous provisions	Total	There of current
Balance as of 31 December 2013	**13.7**	**2.5**	**4.3**	**9.4**	**29.9**	**24.5**
Additions	7.4	1.3	5.6	6.1	20.4	
Utilisation	10.1	1.1	3.0	3.4	17.6	
Releases	1.4	0.4	0.6	1.3	3.7	
Effect of foreign currency translation differences	0.4	–	0.1	0.4	0.9	
Accrued interest	–	–	–	–0.1	–0.1	
Balance as of 31 December 2014	**10.0**	**2.3**	**6.4**	**11.1**	**29.8**	**23.5**

The staff-related provisions consist primarily of provisions for profit-sharing, the Long Term Incentive Programme, anniversaries, severance pay and contributions to the employer's liability insurance association. The provisions under the Long Term Incentive Programme are explained in detail in Section F1.

The provisions for litigation risk are explained again in detail in Section F11.

The provisions for sales agreements include provisions for outstanding bonuses, rebates, credit notes and loss provisions.

Miscellaneous provisions include provisions for guarantees and similar items.

Additions to provisions in the 2014 financial year mainly comprise additions of € 5.0 million (previous year: € 7.6 million) for employee profit-sharing, € 1.3 million (previous year: € 2.7 million) for the Long Term Incentive Programme, € 1.1 million (previous year: € 2.4 million) for obligations under R&D alliances and € 1.3 million (previous year: € 2.0 million) for litigation risk.

Reversals of other provisions mainly comprise € 0.6 million (previous year: € 0.6 million) relating to employee profit sharing, € 0.3 million (previous year: € 0.7 million) relating to severance payments and € 0.4 million (previous year: € 0.1 million) relating to other tax risks.

13 FINANCIAL LIABILITIES

in € million	2014	2013
Non-current liabilities		
Promissory notes	213.6	208.5
Unsecured subordinated loans	111.1	15.1
Unsecured other loans	1.1	2.6
	325.8	**226.2**
Current liabilities		
Promissory notes	0.5	0.8
Unsecured subordinated loans	3.8	3.5
Unsecured other loans	1.8	1.0
	6.1	**5.3**

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

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

Loans granted by the Kreditanstalt für Wiederaufbau (KfW) totalling € 115.6 million (previous year: € 18.6 million) were a further component of the financing arrangements. During the current financial year the Biotest Group took up new loans of € 100.5 million from the KfW. These have a term of 10 years and bear interest at a fixed rate.

The subsidy amount of € 0.8 resulting from the energy efficiency loans is disclosed under other liabilities and amortised over the useful life of the assets.

The Biotest Group has also received a commitment from the KfW for four innovation loans totalling € 20 million. These loans had not been drawn down as of the 31 December 2014 reporting date. Proof of the related development costs must be provided in order to draw down these loans.

€ 118.2 million (previous year: € 99.7 million) of the committed bilateral credit lines remain unused as of 31 December 2014.

Information on the hedging of exchange-rate and interest risks is given in Section F4 Financial risk management.

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

2014 (in € million)	**Total**	Residual maturity < 1 year	Residual maturity 1 to 5 years	Residual maturity > 5 years
Promissory notes				
Euro – fixed at 2.3 to 3.8 %	104.2	0.3	28.5	75.4
Euro – variable at 1.2 %	68.6	0.1	24.5	44.0
USD – variable at 1.4 %	41.3	0.1	41.2	–
Other loans:				
USD – fixed at 1.2 to 1.7 %	2.7	1.6	1.1	–
Euro – fixed at 6.0 %	0.2	0.2	–	–
Unsecured loans:				
Euro – fixed at 0.9 to 3.8 %	114.9	3.8	46.3	64.8
	331.9	6.1	141.6	184.2

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

2013 (in € million)	**Total**	Residual maturity < 1 year	Residual maturity 1 to 5 years	Residual maturity > 5 years
Promissory notes				
Euro – fixed at 2.3 to 3.8 %	104.2	0.5	28.5	75.2
Euro – variable at 1.4 %	68.7	0.2	24.5	44.0
USD – variable at 1.6 %	36.4	0.1	36.3	–
Other loans:				
USD – fixed at 1.2 to 1.7 %	3.0	0.5	2.5	–
Euro – fixed at 6.0 %	0.5	0.4	0.1	–
Euro – variable at 4.6 %	0.1	0.1	–	–
Unsecured loans:				
Euro – fixed at 3.0 to 3.8 %	18.6	3.5	9.2	5.9
	231.5	5.3	101.1	125.1

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

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

14 OTHER LIABILITIES

in € million	2014	2013
Commissions payable	24.8	15.6
Liabilities from derivative financial instruments	2.6	0.5
Value added tax	2.3	1.5
Social security liabilities	1.4	1.1
Deferred liabilities	1.3	3.0
Payments received in advance	1.3	1.5
Deferred items	0.8	1.0
Wage tax liabilities	0.3	1.2
Other liabilities	0.4	1.3
	35.2	**26.7**

Other liabilities with a residual maturity of over one year amounted to € 2.5 million (previous year: € 0.5 million) as of the reporting date.

15 LIABILITIES FROM DEFERRED REVENUE

The Biotest Group recognised deferred revenue of € 2.5 million (previous year: € 9.4 million) as of the reporting date in connection with the agreement for the worldwide development and marketing of the monoclonal antibody tregalizumab (BT-061) with AbbVie. As the upfront payment of USD 85 million received in 2011 related primarily to research activities still to be carried out, most of the amount was accounted for as deferred revenue.

F. MISCELLANEOUS NOTES

1 LONG TERM INCENTIVE PROGRAMME

Biotest AG pursues a business policy focused on the interests of shareholders and based on a shareholder value principle that promotes long-term growth in the value of the Biotest Group. Therefore, in 2006 the Company introduced a Long Term Incentive Programme (LTIP), renewable annually subject to the approval from the Supervisory Board.

In 2009 a decision was made with the consent of the Supervisory Board to renew the Long Term Incentive Programme in 2009 with the LTIP 2009. The LTIP established in 2009 was increased by a tranche in each of the years 2010, 2011, 2012, 2013 and 2014. An additional personal investment by eligible participants was required for the 2009 LTIP. As with the previous LTIPs, the personal investment from the first tranche of 2009 may be applied to all later tranches.

The amounts reported for the 2012, 2013 and 2014 tranches relate to all employees eligible to participate in the programme.

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

The programme began on 15 May 2014 and will run until 31 December 2016. The design of the tranche 2014 is similar to the previous tranches and is identically structured.

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

To take part in the LTIP 2014, each eligible participant is required to contribute an additional investment of 50 % of the number of newly acquired preference shares. Eligible participants may contribute preference shares acquired or contributed under the 2010, 2011, 2012 and/or 2013 LTIPs as part of their new and/or additional investment in the LTIP 2014. Only the new investment is used to calculate the incentive payment under the LTIP 2014.

The entire personal investment in preference shares is to be held in a custody account until the incentive payment is disbursed. For legal reasons based on the laws of the USA, participants from the subsidiary Biotest Pharmaceuticals Corporation are not required to make a personal investment. Accordingly, their incentive payments are 15 % lower than those of eligible Biotest AG participants.

On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2017; this cash payment will depend on the level of new investment, the fixed salary as of 1 October 2014 and the achievement of two performance targets. Performance targets are assigned factors by which the new investment is multiplied.

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

$$\frac{\text{New investment} \times \text{performance factor 1} + \text{New investment} \times \text{performance factor 2}}{100} \times \text{annual fixed salary as of 1 October 2014} = \text{payment}$$

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

Performance Target 1 refers to the performance of the share price against a relevant benchmark. In this case, the performance of Biotest AG preference shares is compared against the performance of stocks listed on the SDAX index.

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

The key criterion for Performance Factor 1 is that the Group must achieve earnings before interest and tax (EBIT) of at least € 15.0 million in the 2016 financial year. If EBIT is less than € 15.0 million in 2016, the factor applied is 0 in any event.

Performance Factor 2 refers to the average EBIT margin achieved at the Group level in 2014, 2015 and 2016. This is calculated by adding the annual EBIT margin for all three years and then dividing it by three.

Performance Factor 2 is also linked to another key criterion. This factor applies only when the price of Biotest preference shares has outperformed the first quartile of SDAX stocks during the period or rose by at least 25 % in absolute terms. It is calculated in the same way as Performance Factor 1.

Average EBIT margin 2014 – 2016	Performance Factor 2
Better than 14.4 %	Maximum 0.05
Equal to 13.5 %	0.04
Equal to 12.25 %	0.02
Equal to 11.95 %	0.01
Less than 11.60 %	0.00

For targets achieved that lie between the values shown above, the factor is determined through linear interpolation.

If both performance criteria are met, on expiry of the performance period a minimum of 1 % and a maximum of 10 % of the annual fixed salary as of 1 October 2014 is paid if there is a new investment of 100 shares.

Including the members of the Board of Management, 110 employees of the Biotest Group participated in the 2014 Long Term Incentive Programme with a total new investment of 26,269 preference shares. 6,250 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

The valuation was performed by external experts (Towers Watson, Frankfurt/Main) using the Monte Carlo simulation. In assessing both market and non-market conditions in accordance with IFRS 2 "Share-based Remuneration", conditions affecting the incentive payment but not observable in the market are viewed separately from observable market conditions. Market conditions are determined through a fair value assessment. The fair value of the incentive payment based on the outperformance of the SDAX as of 31 December 2014 equals € 2.502 per 100 preference shares and € 100 of fixed salary. The fair value was € 2.080 at the grant date 15 May 2014. Non-market conditions are taken into account by adding Performance Factor 2, which is calculated on the basis of budget forecasts. As of 31 December 2014, the sum of the two factors equalled 2.502 %.

All market parameters that are not directly observable are determined by means of statistical estimates. Historical market data is used to estimate volatilities. The applicable risk-free market interest rate is determined based on parameters using the Svensson method as published by the Deutsche Bundesbank. To calculate the number of persons who are likely to drop out of the programme during its term, a 4.0 % turnover rate for eligible employees was assumed.

A pro rata provision amounting to € 0.3 million was recognised as of 31 December 2014 based on the entire period ending 31 December 2016. This amount is also equal to the expense for the period in 2014.

LONG TERM INCENTIVE PROGRAMME 2009 /TRANCHE 2013 (LTIP 2013) AND TRANCHE 2012 (LTIP 2012)

The LTIP 2013 began on 15 May 2013 and will run until 31 December 2015. The LTIP 2012 began on 1 June 2012 and will run until 31 December 2014. The design of the tranches 2013 and 2012 are similar to the LTIP 2009 and are identical in structure. Its described content is identical to that of the LTIP 2014. The different parameters applied are listed below.

Performance Factor 1 of the LTIP 2013 is identical to Performance Factor 1 of the LTIP 2012 and is as follows:

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

The key criterion for Performance Factor 1 is that the Group must achieve earnings before interest and tax (EBIT) of at least € 15.0 million in the 2015 and 2014 financial year, respectively. If EBIT is less than € 15.0 million in 2015 or 2014, the factor applied is 0 in any event.

Performance Factor 2 is also linked to another key criterion. This factor applies only when the price of Biotest preference shares has outperformed the first quartile of SDAX stocks during the period. It is calculated in the same way as Performance Factor 1.

The following applies to the LTIP 2013:

Average EBIT margin 2013 – 2015	Performance Factor 2
Better than 13.4 %	Maximum 0.05
Equal to 13.4 %	0.04
Equal to 11.9 %	0.02
Equal to 10.9 %	0.01
Less than 10.15 %	0.00

The following applies to the LTIP 2012:

Average EBIT margin 2012 – 2014	Performance Factor 2
Better than 13.1 %	Maximum 0.05
Equal to 13.1 %	0.04
Equal to 11.1 %	0.02
Equal to 10.1 %	0.01
Less than 9.6 %	0.00

Including the members of the Board of Management, 102 employees of the Biotest Group participated in the 2013 Long Term Incentive Programme with a total new investment of 24,099 preference shares. 5,425 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

Including the members of the Board of Management, 93 employees of the Biotest Group are participating in the 2012 Long Term Incentive Programme with a total new investment of 21,161 preference shares. There were 5,375 preferences shares virtually allocated to employees of Biotest Pharmaceuticals Corporation.

In the 2014 financial year twelve employees with a new or virtual investment of 2,340 preference shares left the Biotest Group. This resulted in income of € 0.2 million.

A pro rata provision of € 1.3 million was recognised as of 31 December 2014 for the LTIP 2013 based on the entire period ending 31 December 2015. The expense for the period for the LTIP 2013 was € 0.6 million in 2014. The sum of the factors thus changed from 5.62 % as of 31 December 2013 to 4.28 % as of 31 December 2014.

A pro rata provision of € 2.2 million was recognised as of 31 December 2014 for the LTIP 2012 based on the entire period ending 31 December 2014. The expense for the period for the LTIP 2012 was € 0.5 million in 2014. The sum of the factors thus changed from 6.40 % as of 31 December 2013 to 5.85 % as of 31 December 2014.

LONG TERM INCENTIVE PROGRAMME 2009/ TRANCHE 2011 (LTIP 2011)

The 2011 tranche of the Long Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2011.

A payment of € 1.5 million was made in the 2014 financial year in respect of the Tranche 2011.

FURTHER GENERAL INFORMATION ABOUT THE LTIP

Entitlement to an incentive payment ceases for the programme and all tranches if employment within the Biotest Group ends for any reason (other than retirement, early retirement, partial retirement, occupational disability or invalidity).

Participants will receive a pro rata incentive payment in the event of a change of control in which at least 30 % of the voting rights are transferred to a shareholder who did not previously hold these voting rights, of a delisting from the stock market or of a merger or change in the legal status of the parent company, or of the exit of the company by which the participant is employed from the parent group.

2 FINANCIAL INSTRUMENTS

2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Biotest Group classifies financial instruments in accordance with their accounting treatment. They are differentiated on the basis of their measurement. Accordingly, financial assets and financial liabilities are divided into assets and liabilities recognised at amortised cost and asset and liabilities recognised at fair value. Cash and cash equivalents as well as derivatives constitute a separate class.

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

Class of financial instruments	Item of the statement of financial position	Measurement category
Cash and cash equivalents	Cash and cash equivalents	none
Assets recognised at amortised cost	Trade receivables	LaR
	Other financial investments	LaR
	Other assets	LaR
Assets recognised at fair value	Other financial investments	FAFVtPL
Liabilities recognised at amortised cost	Financial liabilities	FLAC
	Trade payables	FLAC
	Other liabilities	FLAC
Liabilities recognised at amortised cost	Liabilities from finance leases	none
Derivatives	Other assets	FAHfT
	Other liabilities	FLHfT

The measurement categories under IAS 39 are abbreviated as follows: Loans and receivables (LaR), investments held to maturity (HtM), financial assets at fair value through profit and loss (FAFVtPL), financial assets held for trading (FAHfT), financial liabilities held for trading (FLHfT) and financial liabilities at amortised cost (FLAC),

As in the previous year, financial instruments were not reclassified in the 2014 financial year.

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

in € million			IAS 39 Measurement basis in the statement of financial position				
Item of the statement of financial position	Measurement category under IAS 39	Carrying amount as of 31 December 2014	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17
Assets							
Trade receivables	LaR	181.6	181.6	–	–	–	–
Other assets							
Other receivables	LaR	68.5	68.5	–	–	–	–
Other financial assets				–	–	–	–
Promissory note	LaR	5.0	5.0				
Bond funds	FAFVtPL	0.2	-	–	–	0.2	–
Equity and liabilities							
Trade payables	FLAC	55.5	55.5	–	–	–	–
Financial liabilities							
Unsecured liabilities to banks	FLAC	329.0	329.0	–	–	–	–
Other unsecured loans	FLAC	2.9	2.9	–	–	–	–
Other liabilities							
Primary financial liabilities	FLAC	31.7	31.7	–	–	–	–
Derivatives not designated as hedges	FLHfT	2.6	–	–	–	2.6	–

Cash and cash equivalents with a carrying amount of € 179.4 million (previous year: € 204.4 million) are not included in the above table, as these financial instruments are not assigned to a IAS 39 measurement category.

Fair value as of 31 December 2014	Measurement category under IAS 39	Carrying amount as of 31 December 2013	IAS 39 Measurement basis in the statement of financial position: Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2013
181.6	LaR	118.5	118.5	–	–	–	–	118.5
68.7	LaR	12.3	12.3	–	–	–	–	12.3
5.0	LaR	–	–	–	–	–	–	–
0.2	FAFVtPL	0.2	–	–	–	0.2	–	0.2
55.5	FLAC	51.4	51.4	–	–	–	–	51.4
337.9	FLAC	227.9	227.9	–	–	–	–	228.6
3.1	FLAC	3.6	3.6	–	–	–	–	3.6
31.7	FLAC	26.2	26.2	–	–	–	–	26.2
2.6	FLHfT	0.5	–	–	–	0.5	–	0.5

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

in € million			IAS 39 measurement basis in the statement of financial position					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2014	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2014
Loans and receivables	LaR	255.1	255.1	–	–	–	–	255.3
Financial assets recognised at fair value	FAFVtPL	0.2	–	–	–	0.2	–	0.2
Financial liabilities measured at amortised cost	FLAC	419.1	419.1	–	–	–	–	428.2
Financial liabilities held for trading	FLHfT	2.6	–	–	–	2.6	–	2.6

in € million			IAS 39 measurement basis in the statement of financial position					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2013	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2013
Loans and receivables	LaR	130.8	130.8	–	–	–	–	130.8
Financial assets recognised at fair value	FAFVtPL	0.2	–	–	–	0.2	–	0.2
Financial liabilities measured at amortised cost	FLAC	309.1	309.1	–	–	–	–	309.8
Financial liabilities held for trading	FLHfT	0.5	–	–	–	0.5	–	0.5

2.4 NET GAIN OR LOSS BY MEASUREMENT CATEGORIES

The net gain or loss for the 2014 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 or loss 2014
Loans and receivables	–0.2	3.6	0.6	–0.1	–	3.9
Financial investments held to maturity	–	–	–		–	–
Financial assets recognised at fair value	–	–	–	–	–	–
Financial assets held for trading	–	–	–	–	–	–
Financial liabilities held for trading	–	–2.5	–	–	–	–2.5
Financial liabilities regognised at amortised cost	–5.6	–0.8	–0.2	–	–	–6.6
Total	**–5.8**	**0.3**	**0.4**	**–0.1**	**–**	**–5.2**

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

in € million		From subsequent measurement				
Categories	From interest	At fair value	Currency translation	Impairment	From disposal	Net gain or loss 2013
Loans and receivables	0.3	–	–1.0	–1.8	–	–2.5
Financial investments held to maturity	–	–	–		–	–
Financial assets recognised at fair value	–	–	–	–	–	–
Financial assets held for trading	–	–	–	–	–	–
Financial liabilities held for trading	–	–0.4	–	–	–	–0.4
Financial liabilities regognised at amortised cost	–2.6	–	0.3	–	–	–2.3
Total	**–2.3**	**–0.4**	**–0.7**	**–1.8**	**–**	**–5.2**

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

A loss of € 2.5 million (previous year: loss of € 0.4 million) comprising both interest rate and currency effects is included in the result from the subsequent measurement of financial instruments falling under the valuation category assets and liabilities held for trading.

2.5 CASH FLOW BY TIME BAND

The tables below show the contractually agreed, undiscounted interest payments and principal repayments relating to primary financial liabilities and derivative financial instruments with positive and negative fair values. The second table contains comparative values for cash flows in specific periods based on the previous financial year.

All instruments held in the portfolio as of the reporting date for which payments were already contractually agreed are included. Forecast figures for future new liabilities are not included. Foreign currency amounts are translated at the exchange rate of the reporting date. Variable interest payments on financial instruments are calculated using the last fixed interest rate prior to 31 December 2014. Financial liabilities repayable at any time are always assigned to the earliest time band.

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in € million		Cash flows in 2015			Cash flows in 2016		
Financial position items	Carrying amount as of 31 December 2014	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−329.0	−4.3	−1.8	−4.3	−4.4	−1.8	−4.9
Other interest-bearing liabilities	−2.9	–	–	−1.8	–	–	−1.2
Trade payables	−55.5	–	–	−55.5	–	–	–
Other liabilities	−32.5	–	–	−31.7	–	–	–
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−0.8	–	–	−0.8	–	–	–
Interest rate derivatives not designated as a hedging instrument	−1.8	−0.4	–	–	−0.4	–	–

in € million		Cash flows in 2014			Cash flows in 2015		
Financial position items	Carrying amount as of 31 December 2013	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−227.9	−3.7	−1.7	−4.3	−3.6	−1.7	−3.8
Other interest-bearing liabilities	−3.6	–	–	−1.0	–	–	−1.5
Trade payables	−51.4	–	–	−51.4	–	–	–
Other liabilities	−26.2	–	–	−26.2	–	–	–
Derivative financial liabilities:							
Interest rate derivatives not designated as a hedging instrument	−0.5	−0.3	–	–	−0.3	–	–

Cash flows in 2017			Cash flows in 2018			Cash flows in 2019			Cash flows after 2019		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
−4.3	−1.8	− 13.8	−4.2	−1.8	−108.0	−3.4	−0.7	−13.8	−5.8	−0.7	−185.6
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
−0.4	–	–	−0.4	–	–	−0.1	–	–	−0.1	–	–

Cash flows in 2016			Cash flows in 2017			Cash flows in 2018			Cash flows after 2018		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
−3.4	−1.7	−3.0	−3.4	−1.7	−1.3	−3.3	−1.7	−90.5	−7.5	−1.4	−125.9
–	–	−1.1	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
−0.2	–	–	–	–	–	–	0.1	–	–	0.2	–

3 DETERMINATION OF FAIR VALUE

Most trade receivables and other accounts receivable 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 fluctuates between 20 % and 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 assets disclosed under other assets that are measured at fair value no market prices are directly observable. These items are measured on the basis of observable market information at the time of issue and standard yield curves. Fair value classification takes place in hierarchy level 2.

Trade payables as well as other liabilities regularly have times to maturity of less than one year. Therefore, in this case as well, carrying amounts correspond approximately to fair values.

The fair values of liabilities to banks and other financial liabilities are measured as the present values of payments relating to the debt based on the respective applicable yield curve as well as the analysed credit spread curve for each currency. Fair value classification takes place in hierarchy level 2.

The Biotest Group held no major investments categorised as available for sale in its portfolio as of 31 December 2014.

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

The fair value of the bond funds is assigned in hierarchy level 1.

4 FINANCIAL RISK MANAGEMENT

In the course of its ordinary operations and due to existing international trade relationships, Biotest is exposed to currency and interest rate risks.

To hedge currency positions, Biotest uses derivative financial instruments to minimise risks inherent in exchange rate fluctuations. In addition, Biotest also used interest rate hedging instruments during the financial year. Derivative financial instruments are generally subject to changes in market prices.

Biotest is not in full compliance with the formal requirements of IAS 39 for hedge accounting. Consequently, all gains and losses arising from market valuation of derivative financial instruments used to hedge interest rate and currency risks are recognised through profit or loss.

Financial instruments are recognised at the time that the corresponding contracts are concluded. They are initially recognised at cost of purchase and then measured at their respective market values as of the reporting date. Financial instruments are derecognised once contractual obligations have been fulfilled by both parties or upon the closing out of the instrument.

The market values of derivative financial instruments are disclosed in the statement of financial position under other assets or other financial liabilities. € 0.0 million (previous year: € 0.0 million) is disclosed under other assets and € 2.6 million (previous year: € 0.5 million) under other liabilities as of 31 December 2014.

CREDIT RISK

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

Countries that account for more than 10 % of total receivables are Iran and Saudi Arabia. As in the previous year, allowances for bad debts were not recognised on receivables from customers in these countries.

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

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

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

in € million	**2014**	2013
Trade receivables	181.6	118.5
Other assets	68.5	12.3
Other financial investments	5.2	0.2

MARKET RISK

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

FOREIGN CURRENCY RISK

The Biotest Group is exposed to currency risk that arises mainly from an imbalance in global cash flows. This imbalance is due primarily to higher sales in USD offset by lower purchases in USD. The Biotest Group protects itself as a matter of principle against identifiable future currency risk whenever it anticipates such exposure. In addition, the Group selectively hedges risks in the statement of financial position. 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	**2014**	2013	**2014**	2013
Cash reserves	9.8	7.2	0.3	0.7
Trade receivables	76.4	37.2	2.2	1.0
Other primary financial assets	4.5	3.4	0.1	0.1
Other derivative financial assets	–	–	–	–
Trade payables	–16.9	–10.4	–0.2	–0.1
Liabilities to financial institutions	–44.0	–39.3	–	–
Other primary financial liabilities	–12.3	–7.3	–	–
Other derivative financial liabilities	–0.4	–	–	–
Net position	**17.1**	**–9.2**	**2.4**	**1.7**

Foreign currency risk	**HUF**		**RUB**	
in € million	**2014**	2013	**2014**	2013
Cash reserves	0.4	1.1	0.6	0.3
Trade receivables	2.4	1.9	2.1	4.6
Other primary financial assets	0.7	0.3	–	–
Other derivative financial assets	–	–	–	–
Trade payables	–0.2	–	–	–
Liabilities to financial institutions	–	–	–	–
Other primary financial liabilities	–0.4	–0.5	–	–
Other derivative financial liabilities	–	–	–0.4	–
Net position	**2.9**	**2.8**	**2.3**	**4.9**

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

in € million	**Nominal amount**		**Market values**	
	2014	2013	**2014**	2013
Currency futures	17.7	–	–0.8	–

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

INTEREST RATE RISK

Due to changes in the yield curve, the present values of payment flows change whenever discount rates change. A change in the present value of an individual financial instrument may result from a shift in the risk-free interest rate curve (swap curve) or a change in credit-based premiums (spread risks) included in the prices of the financial instruments.

The Biotest Group is exposed to interest rate risk resulting from existing loans (see also section E13 Financial liabilities). Interest rate hedging instruments are used to minimise such risk.

The following interest rate hedges were in place during the 2014 financial year:

in € million	Nominal amount		Market values	
	2014	2013	**2014**	2013
Interest rate swaps	30.0	30.0	−1.8	−0.5

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

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

LIQUIDITY RISK

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

The Biotest Group manages its liquidity by maintaining sufficient liquid funds and credit lines with banks in addition to cash flows from business operations.

The Biotest Group had access to the following contractually established credit lines as of 31 December 2014:

in € million	**2014**	2013
Loans drawn down	331.9	231.5
Loans not drawn down	138.2	99.7

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

A maturity overview illustrating how cash flows from liabilities as of 31 December 2014 impact the Group's liquidity position is provided in Section F2.5.

The available liquidity, short- and long-term credit lines and the option of generating cash flows by securitising receivables give the Biotest Group sufficient flexibility in covering its funding needs. Due to the diversification of funding sources and liquid funds, the Biotest Group is not exposed to a concentration of risk in terms of liquidity.

5 SENSITIVITY ANALYSIS PURSUANT TO IFRS 7.40

The Biotest Group is exposed to market risk comprising foreign currency risk and interest rate risk.

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

FOREIGN 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 RUB.

If the euro had appreciated by 10 % against all currencies as of 31 December 2014, the financial result would have been € 1.4 million higher (previous year: € 0.6 million higher).

If the euro had depreciated by 10 % against all currencies as of 31 December 2014, the financial result would have been € 1.3 million lower (previous year: € 0.7 million lower).

The hypothetical impact on profit or loss of € 1.4 million or € –1.3 million results from the following currency sensitivities:

in € million	Appreciation of the EUR by 10 %	Depreciation of the EUR by 10 %
EUR to USD	1.4	–1.4
EUR to RUB	–	0.1
	1.4	**–1.3**

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

INTEREST RATE RISK

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

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

Changes in the market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps and interest rate caps) that do not form part of a hedging relationship under IAS 39 impact other financial income (measurement result from the adjustment of financial assets to fair value) and are therefore incorporated in income-related sensitivity calculations.

Currency derivatives and changes in their value due to interest rate changes were not taken into account in calculating interest rate sensitivities.

The sensitivity analysis is based on the net effect of interest-bearing liabilities and bank balances. If the market interest rate level as of 31 December 2014 had been 100 basis points higher, the fair values of the financial instruments would have been € 1.3 million (previous year: € 1.5 million) higher. The hypothetical impact on profit or loss of € 2.0 million (previous year: € 2.5 million) arises from the potential effects from interest rate derivatives of € 1.3 million (previous year: € 1.5 million) and primary financial liabilities of € 0.7 million (previous year: € 1.0 million).

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

If the market interest rate level as of 31 December 2014 had been 100 basis points higher or 0 basis points lower, equity would have remained unchanged.

MARKET RISK

The figures for the sensitivity analysis prepared in accordance with IFRS 7.40b include both fair value risk and cash flow risk. Since these values were determined simultaneously using computer models, no specific differentiated statements can be made with regard to the individual values.

OTHER PRICE-RELATED RISK

As part of the presentation of market risk, IFRS 7 also requires information about how hypothetical changes in risk variables affect the prices of financial instruments. Possible risk variables are, in particular, stock market prices or indices.

Other price-related risk has no material impact on the prices of financial instruments held by the Biotest Group.

6 CAPITAL MANAGEMENT

The primary objective in managing capital is to ensure an attractive overall rating for investors and to maintain adequate capital ratios in order to guarantee the strategic business development of the Biotest Group.

The equity of the Biotest Group that is the focus of capital structure optimisation efforts is the equity disclosed on the statement of financial position which is attributable to the owners of Biotest AG as the parent company. Share capital consists of 6.6 million ordinary voting shares and 6.6 million 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 46.5% as of 31 December 2014 (previous year: 52.0%). 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 2014 financial year. An adequate organisational structure and defined work flows and monitoring processes were implemented for the necessary controlling of the Biotest Next Level project and related required financial resources.

The Biotest Group has various options at its disposal for achieving its capital management objectives. These include capital increases through the issue of new shares with or without pre-emptive rights, dividend policies and the repurchase of shares. Efforts to optimise capital structure are also supported through debt reduction measures and active management of working capital.

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

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

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

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

7 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a potential asset that arises from past events and whose existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the Company.

Contingent liabilities are potential commitments resulting from past events. Their existence must be confirmed by the occurrence or non-occurrence of one or more future events that are not within the full control of the Company. However, contingent liabilities may also stem from current commitments resulting from past events that are not recorded because either the outflow of resources plus losses in economic benefit is not probable or the amount of the commitment cannot be estimated with sufficient reliability.

The Biotest Group has contingent liabilities under guarantees in the amount of € 16.9 million (previous year: € 20.8 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.

In Italy, there is a risk that the Italian health authorities will request reimbursement from the launch of Zutectra® in 2010 with respect to additional revenues generated by Zutectra® in 2011 and 2012 in the retail market. Biotest considers this claim to be unjustified given that the overall market for hepatitis B immunoglobulins in 2011 and 2012 remained more or less at the same as in 2010 and the Italian public health system experienced no disadvantages but only advantages through the launch of Zutectra®. In January 2014, Biotest was successful in its action at first instance against the reimbursement claim. For this reason, a provision for the claim was not recognised in the consolidated financial statements as was the case in the previous year. The risk is estimated to be in the low single-digit millions.

8 OTHER FINANCIAL COMMITMENTS

in € million	in 2015	2016 to 2019	as of 2020	Total
Obligations under long-term service agreements	18.1	45.2	–	63.3
Purchase commitments for property, plant and equipment	19.4	13.8	–	33.2
Future payments under rental and operating lease contracts	6.3	15.3	10.7	32.3
Other financial obligations	0.1	0.0	–	0.1
	43.9	**74.3**	**10.7**	**128.9**

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

Obligations under long-term service agreements mainly relate to purchase commitments under two toll manufacturing agreements for the period from 2015 to 2019 totalling € 54.2 million (previous year: € 45.2 million).

The Biotest Group rents or leases operating equipment as a lessee. Operating leases include vehicle and office equipment with a base rental term of two to five years. In the financial year 2014 expenses under rental and operating lease agreements amounted to € 4.8 million (previous year: € 3.2 million).

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

9 RELATED PARTIES

The Biotest Group maintains reportable relationships with the associate BioDarou P.J.S. Co., Tehran, Iran, and its subsidiary Plasma Gostar Pars P.J.S., Tehran, Iran, with the members of the Board of Management and the Supervisory Board and related parties as well as with shareholders with significant influence over Biotest AG.

A) ASSOCIATES

BioDarou P.J.S. Co. acquired goods and services from Biotest Group companies totalling € 0.0 during the year (previous year: € 0.2 million). The resulting receivables from associates amounted to € 0.9 million on the reporting date (previous year: € 0.9 million).

B) OTHER RELATED PARTIES

Dr Cathrin Schleussner notified the Biotest Group that, as of 19 December 2007, her voting rights in the Company totalled 50.03 %. These voting rights are held via OGEL GmbH, Frankfurt/Main, Germany. OGEL GmbH is controlled by Dr Cathrin Schleussner.

The family members of Dr Hans Schleussner are also considered related parties within the meaning of IAS 24. As in the previous year, expenses incurred by related parties of the Schleussner family were low in 2014.

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

Plasma Gostar Pars P.J.S. acquired goods and services from Biotest Group companies totalling € 16.3 million during the year (previous year: € 9.9 million). The resulting receivables from the subsidiary of the associate amounted to € 8.7 million as of the reporting date (previous year: € 6.0 million).

C) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Board members

As of 31 December 2014, the members of the Supervisory Board and the Board of Management also served on statutory supervisory boards and comparable controlling bodies of commercial enterprises as follows:

Supervisory Board

Dr Alessandro Banchi,
Milan, Italy

Former speaker of the management board for Boehringer Ingelheim, Ingelheim am Rhein, Germany

Chairman of the Supervisory Board of Biotest AG

Non-executive Board Director of Enel S.p.A., Rome, Italy

Dr Cathrin Schleussner,
Neu-Isenburg, Germany

Managing director of OGEL GmbH, Frankfurt am Main, Germany

Deputy chairperson of the Supervisory Board of Biotest AG

Dr Christoph Schröder,
Berlin, Germany

Managing director of OMOS Equity Partners GmbH, Berlin, Germany

Chairman of the Supervisory Board of Oberberg Kliniken GmbH, Berlin, Germany

Thomas Jakob,
Ulm, Germany

Businessman

Deputy chairman of the Board of Management of Kreissparkasse Biberach, Biberach, Germany,

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

Kerstin Birkhahn,
Langen, Germany

Engineer

Employee representative

Jürgen Heilmann,
Dreieich, Germany

Administrative staff member

Employee representative

Supervisory Board remuneration

Members of the Supervisory Board were paid a total of € 257 thousand in the current year (previous year: € 257 thousand), of which € 177 thousand (previous year: € 177 thousand) is attributable to fixed remuneration components and € 80 thousand (previous year: € 80 thousand) to variable remuneration components.

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2014 and 2013 to employee representatives on the Supervisory Board under their employment agreements were also expensed. These amounts were based on collective bargaining agreements and/or company pay rates for non-pay-scale employees.

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

Board of Management

Dr Bernhard Ehmer,
Heidelberg, Germany

Member of the Board of Management (since 1 November 2014),

Chairman of the Board of Management (since 1 January 2015)

Prof. Dr Gregor Schulz,
Umkirch, Germany

Chairman of the Board of Management (until 31 December 2014)

Member of the Supervisory Board of Merck KGaA, Darmstadt, Germany

Member of the Board of Partners of Merck KG, Darmstadt, Germany

Dr Michael Ramroth,
Mörfelden-Walldorf, Germany

Member of the Board of Management

Dr Georg Floß,
Marburg, Germany

Member of the Board of Management

The Supervisory Board of Biotest AG appointed Dr Bernhard Ehmer as an ordinary member of the Board of Management of Biotest AG with effect from 1 November 2014. Dr Ehmer became Chairman of the Board of Management on 1 January 2015 following the planned retirement of Professor Dr Schulz after his 12 year tenure for reasons of age.

Remuneration of the Board of Management

Total remuneration of current members of the Board of Management amounted to € 2,152 thousand for the 2014 financial year (previous year: € 1,877 thousand). The Board of Management remuneration is broken down into non-performance-based components of € 1,303 thousand (previous year: € 1,011 thousand) and performance-based components of € 849 thousand (previous year: € 866 thousand).

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

Participation by members of the Board of Management in the Long Term Incentive Programme is as follows:

in € thousand	**Personal investment in preference shares** (in number of share)	**Fair value of options As of 31 December**	**Total cost of the stock option plan in the financial year**
2014 (2012, 2013 and 2014 tranches)			
Dr Ehmer	1,800	162	37
Prof. Dr Gregor Schulz	1,800	751	208
Dr Michael Ramroth	1,800	655	182
Dr Georg Floß	1,800	436	122
	7,200	**2,004**	**549**
2013 (2011, 2012 and 2013 tranches)			
Prof. Dr Gregor Schulz	1,800	1,039	456
Dr Michael Ramroth	1,800	917	394
Dr Georg Floß	1,800	514	306
	5,400	**2,470**	**1,156**

The 2011 tranche of the Long Term Incentive Programme was disbursed in the 2014 financial year; Professor Gregor Schulz received € 306 thousand, Dr Michael Ramroth € 270 thousand and Dr Floß € 111 thousand.

Pension entitlements for current members of the Board of Management total € 8,085 thousand (previous year: € 5,284 thousand). Assets in the amount of € 2,018 thousand (previous year: € 1,782 thousand) were transferred to Biotest Vorsorge Trust e.V. for insolvency protection of the pension entitlements.

A supplementary agreement to the Board of Management employment contract of all three 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. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the Company vehicle provided are also paid. In addition to these claims the severance payment also includes a fixed annual remuneration. However, the total severance payment is limited to three times the annual fixed remuneration, plus the above-mentioned bonus and the remuneration for the value in use of the Company vehicle.

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

No other one-off or recurring commitments exist in the event of termination of a Board of Management assignment.

Provisions of € 4,817 thousand (previous year: € 4,096 thousand) were recognised for pension commitments to former members of the Board of Management and their dependants. There were no loans outstanding to members of the Company's management bodies as of the reporting date.

Pension payments of € 426 thousand (previous year: € 442 thousand) were made to former members of the Board of Management in the 2014 financial year.

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

10 PARTICIPATING INTERESTS

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

Company name	Company headquarters	Total equity in € million	Share of equity as a %	Earnings after taxes (EAT) in € million
Biotest Pharma GmbH	Dreieich, Germany	124.2	100.00	2.3
Biotest Grundstücksverwaltungs GmbH *	Dreieich, Germany	6.9	98.00	0.8
Biotest France SAS ****	Paris, France	−0.1	100.00	−0.2
Biotest (UK) Ltd.	Birmingham, UK	3.0	100.00	0.4
Biotest Italia S.r.l.	Milan, Italy	10.3	100.00	1.4
Biotest Austria GmbH	Vienna, Austria	2.5	100.00	0.5
Biotest (Schweiz) AG	Rupperswil, Switzerland	1.5	100.00	0.2
Biotest Hungaria Kft.	Budapest, Hungary	3.3	100.00	0.2
Biotest Farmaceutica Ltda.	São Paulo, Brazil	0.7	100.00	−0.3
Biotest Hellas MEPE	Athens, Greece	−7.9	100.00	0.0
Biotest Medical S.L.U.	Barcelona, Spain	0.5	100.00	0.2
Plasmadienst Tirol GmbH *	Innsbruck, Austria	0.3	100.00	−0.3
Plasma Service Europe GmbH */ **	Dreieich, Germany	3.9	100.00	0.0
Biotest Pharmaceutical Corporation *	Boca Raton, USA	152.1	100.00	−17.2
Biotest US Corporation	Boca Raton, USA	183.2	100.00	−0.1
Plazmaszolgálat Kft. *	Budapest, Hungary	1.7	100.00	−0.5
BioDarou P.J.S. Co. *	Tehran, Iran	3.5	49.00	0.8
Biotest Pharmaceuticals Ilac Pazarlama Anonim Sirketi ***/****	Istanbul, Turkey	0.0	100.00	0.0
Biotest Pharma OOO ***	Moscow, Russia	0.0	100.00	0.0

* Indirect interest
** After assumption of HGB profit by Biotest Pharma GmbH
*** Non-consolidated company
**** Founded in the reporting year

11 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 2.2 million (previous year: € 2.5 million) were recognised for pending and imminent legal proceedings as of the reporting date.

The provision for litigation risk mainly includes the expected defence costs arising in connection with the public prosecutor's investigations into Biotest AG's business in Russia and other Eastern European countries.

The investigation proceedings of the Frankfurt am Main public prosecutor's office for suspicion of bribery, breach of trust and tax evasion carried out in May 2012 led to another search on 15 October 2014 in connection with circumstances in Poland, the Czech Republic, former Yugoslavia and Kazakhstan. The persons concerned and Biotest AG consider the allegations to be unfounded. The investigation proceedings of the public prosecutor's office are still ongoing. The Frankfurt am Main public prosecutor's office has in the meantime brought an action against the former head of the representative office in Moscow and her husband at the district court of Darmstadt.

In the event that allegations prove to be founded or an agreement is reached with the investigating authorities to avoid yearlong legal action, this could result in penalties being imposed on the Company in the form of fines, retroactive tax payments or similar, which would adversely impact the Group results. The defence costs arising in connection with the proceedings and the risks with respect to the tax deductibility of these costs are covered by appropriate provisions.

12 EVENTS AFTER THE REPORTING DATE

Dr Bernhard Ehmer became Chairman of Biotest AG on 1 January 2015 following the planned retirement of Professor Dr Schulz for reasons of age.

13 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, 11 March 2015

Dr Bernhard Ehmer
Chairman of the Board
of Management

Dr Michael Ramroth
Member of the Board
of Management

Dr Georg Floß
Member of the Board
of Management

DECLARATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH SECTION 37Y NO. 1 OF THE GERMAN SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH SECTION 297 (2) SENTENCE 4 AND SECTION 315 (1) SENTENCE 6 OF THE GERMAN COMMERCIAL CODE (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Dreieich, 11 March 2015

Biotest Aktiengesellschaft

Management Board

Dr Bernhard Ehmer
Chairman of the Board
of Management

Dr Michael Ramroth
Member of the Board
of Management

Dr Georg Floß
Member of the Board
of Management

AUDIT OPINION

We have audited the consolidated financial statements prepared by Biotest Aktiengesellschaft, Dreieich, comprising the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with (German) principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, 11 March 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kretschmer	Kaefer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SUPERVISORY BOARD REPORT

During the past financial year, the Supervisory Board fulfilled its duties according to statutory law, the articles of association and rules of procedure, including the continuous monitoring of the management activities of the Board of Management. The Supervisory Board regularly advised the Board of Management with regard to the management of the Company. The Board of Management always informed the Supervisory Board in a prompt and comprehensive manner, both orally and in writing, of any events and developments relevant to the Company. This also included information relating to planning, business performance, compliance, the risk situation and risk management. Furthermore, the Supervisory Board was informed on a monthly basis and in writing by the Board of Management of the business situation and any deviations from current and planned business developments. The Chairman of the Supervisory Board and the Chairman of the Audit Committee automatically received all Internal Audit reports.

The members of the Supervisory Board had ample opportunity to critically examine the reports submitted and the proposed resolutions of the Board of Management and to make their own suggestions. In particular, all business transactions of fundamental importance to the Company were discussed in detail by the Supervisory Board, based on reports from the Board of Management and were reviewed for plausibility. Thus, the Supervisory Board was well informed about all decisions of fundamental importance to the Company, as well as those decisions where the approval of the Supervisory Board is not requested.

During the 2014 financial year, the Supervisory Board held seven regular meetings. Two resolutions were approved by way of circulation. In addition, the Chairman of the Board of Management regularly informed the Chairman of the Supervisory Board outside the Supervisory Board meetings of current business developments and intentions and transactions that were of particular importance for the Company. The Supervisory Board was involved at an early stage in all matters fundamental for the Company. The Board of Management properly submitted detailed documentation on business transactions requiring approval by the Supervisory Board. No conflicts of interest involving members of the Board of Management and Supervisory Board, which must be immediately disclosed to the Supervisory Board and reported to the Annual Shareholders' Meeting, arose during the reporting year.

MAIN FOCUS OF SUPERVISORY BOARD DELIBERATIONS

Topics discussed by the Supervisory Board during its regular meetings included planning of the Company, the Company's current business performance, the strategy, the "Biotest Next Level" project, the compliance system and selecting and appointing a new Chairman of the Board of Management.

At each meeting of the Supervisory Board the Supervisory Board discussed the status of investigations due to potential economic crimes and criminal offences relating to taxes in the Russia business. The Supervisory Board obtained information on current developments from the Board of Management on an on-going basis and discussed any questions directly and comprehensively with the Board of Management. Thus, the Supervisory Board always received the most current information. In this context, it was discussed with, among others, the Board of Management and the advisers, that to date there exists no evidence for the specified offences and that there was no evidence to doubt that the Board of Management acted diligently when handling the subject. It was agreed that the Board of Management and the Supervisory Board will continue to cooperate closely in this matter in future. The Supervisory Board encouraged the Management in its on-going support of the public prosecutor's office to dispel the accusations.

At the meeting held on 14 January 2014, which was specifically called to review in depth the Russia investigation, the Board of Management informed the Supervisory Board of the Biotest business in Russia, its economic development, the distribution channels and measures of complexity, risk, transparency and payment management. Furthermore, information about the existing compliance system was provided. The Supervisory Board suggested to continue the on-going monitoring of the functioning and validity of the compliance system.

In the course of the Supervisory Board meeting on 20 March 2014, the Supervisory Board received an overview of the development of the Company and was informed with respect to future growth and the possibilities to finance such growth.

At the meeting held on 21 March 2014, the Board of Management informed the Supervisory Board of the Group results until the end of February 2014. Furthermore, it set out the market potential of the monoclonal antibody indatuximab ravtansine (BT-062). The Supervisory Board received an updated overview on the clinical phase IIb study regarding the monoclonal antibody tregalizumab (BT-061) and the 2013 single entity and consolidated financial statements for the AG and the Group were discussed. The auditor and the Chairman of the Audit Committee reported in this regard. Furthermore, the agenda for the Annual Shareholders' Meeting on 7 May 2014 was adopted and the continuation of the Long Term Incentive Programme for the 2014 tranche approved. The Chairman of the Supervisory Board reported about the degree of achievement by the members of the Board of Management of the agreed targets. The Board of Management informed about the latest activities and the timetable for the "Biotest Next Level" project. Finally, various candidates for the office of Chairman of the Board of Management were introduced and discussed.

On 16 April, following in-depth discussions, the Supervisory Board unanimously and by way of circulation granted its consent to a resolution of the Board of Management for the acceptance of a "factual agreement" with the tax office to prevent long-lasting tax proceedings.

In the course of the meeting held on 7 May 2014, the Supervisory Board prepared for the Annual Shareholders' Meeting. The Board of Management supplied the Supervisory Board with the Group's updated business figures. The Chairman of the Supervisory Board reported on the status of the on-going process for the selection of a new Chairman of the Board of Management of Biotest AG. No decision on a new candidate was made. Finally, the Board of Management introduced a concept consisting of various HR activities to ensure that the increased personnel requirement for the "Biotest Next Level" project will be satisfied in due time.

On 26 June 2014, the Supervisory Board by way of circulation unanimously resolved the conditions upon which the Chairman of the Supervisory Board was allowed to present an offer for the position of Chairman of the Board of Management to Dr Bernhard Ehmer.

In its meeting of 9 July 2014, the Group results to the end of June 2014 and the further forecast for 2014 were discussed. The Board of Management informed about the developments with regard to the search for potential partners for the further development of monoclonal antibody indatuximab ravtansine (BT-062) and an alternative scenario suggesting funding of the development without any partners. Another topic was the current development with regard to the "Biotest Next Level" project. The Chairman of the Supervisory Board informed that Dr Ehmer had signed an employment contract in accordance with the conditions of offer as resolved by the Supervisory Board by way of circulation on 26 June 2014. The Supervisory Board approved the contractual agreements and the remuneration package and appointed Dr Ehmer as member of the Board of Management for the period of three years with effect as of 1 November 2014 and as Chairman of the Board of Management with effect as at 1 January 2015. Finally, the Board of Management presented the Supervisory Board with a ten-year-plan on the effects of the "Biotest Next Level" project on business figures, the balance sheet and the cash flow. The compliance practice at Biotest was discussed by means of a review and an outlook. At the end of the meeting, the Supervisory Board agreed that the efficiency assessment by the Supervisory Board should be performed by way of interviews by an experienced expert.

In the course of the Supervisory Board meeting of 17 September 2014, the Group results and the current development of Biotest Pharmaceuticals Corporation (BPC) were again discussed. The Board of Management also informed the Supervisory Board about the current status of the "Biotest Next Level" project and the larger R&D projects (Civacir®, tregalizumab (BT-061), indatuximab ravtansine (BT-062), BT-094 (Cytotect 70)). In addition, the strategy with respect to "emerging markets" was discussed based on an outlook to 2020. At the end, the Board of Management presented the forecast for the 2014 business figures, the keystones of the financial planning for 2015 and the current state of the compliance management system and related possibilities for improvement. In this context, the Chairman of the Supervisory Board clarified that the efficiency assessment by the Supervisory Board will also extend to formal aspects of the compliance management system and the role and responsibility of the Supervisory Board in this respect.

At the beginning of the meeting of 1/2 December 2014, the efficiency assessment by the Supervisory Board performed by way of interviews was evaluated. The expert´s summary reads as follows: The efficiency and quality of the work of the Supervisory Board of Biotest AG correspond to "best practice" and good standard of listed German corporations (SDAX). Then, the Group results and the current developments of BPC were once more discussed. Furthermore, the Board of Management informed the Supervisory Board of the current developments regarding the "Biotest Next Level" project. The Supervisory Board approved the continuation of the project and the utilisation of additional funds for financing. Apart from that, the developments with respect to the haemophilia products and their prospects were presented. As a matter of best practice of good Corporate Governance the Rules of Procedure of the Audit Committee had been updated.

COMMITTEES

The Supervisory Board was assisted in its work by the committees formed by it: the Audit Committee and the Personnel and Presiding Committee.

In 2014, the Personnel and Presiding Committees met jointly in five meetings with the Board of Management and held three telephone conferences in which the Board of Management did not participate. One topic of the meeting held on 21 March 2014 was the current assessment of the investigations in the Russia business. Furthermore, the adjustments made to the financial year 2014 budget and the remuneration of the members of the Supervisory Board were discussed. Another discussion related to the targets met by the Board of Management members for the 2013 financial year and the new targets for the Board of Management for the financial year 2014. The Personnel Committee confirmed that it endorses the continuation of the LTI programme under the present terms and conditions. At the meetings of 7 May 2014 and 9 July 2014 as well as in the course of the three telephone conferences held on 28 May 2014, 4 June 2014 and 19 June 2014, the Personnel and Presiding Committees were concerned with the succession planning for the Chairman of the Board of Management. In the course of the meeting of 17 September 2014, the (time) schedule for the introduction of the prospective Chairman of the Board of Management as well as the investigations in the Russia business were discussed, in addition to the efficiency assessment by the Supervisory Board. The investigations were again the topic of the committee meeting held on 2 December 2014, where the related topic of compliance issues was also discussed. Furthermore, Dr Ehmer described to the committee his first impressions from the introductory phase in respect of his recently assumed position as a member of the Board of Management.

In 2014, the Audit Committee held two meetings. The single entity and consolidated financial statements for the 2013 financial year as well as the findings of the auditors were the focus of the first meeting held on 17 March 2014. At the second meeting held on 1 December 2014, the Committee discussed the status of investigations regarding the business in Russia and other Eastern European states and investigations in Italy and the resolution on the 2015 audit plan (including ad hoc audits). As part of the determination of the focus areas for the audit of the 2014 annual financial statements the audit committee asked the auditors to review in particular the contracts with distributors and agents abroad and the procedures and work flows related thereto. The Committee also discussed the risk management system of Biotest and the ten largest risks with a view to 2014.

CORPORATE GOVERNANCE

In 2014, the Supervisory Board continually monitored the further development of corporate governance standards within the Company in 2014. The Board of Management and Supervisory Board reported on corporate governance in accordance with Section 3.10 of the German Corporate Governance Code in the Corporate Governance Report which was published along with the declaration of conformity with the recommendations of the government commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). In March 2015, the Board of Management and the Supervisory Board of Biotest AG issued a declaration of conformity with the recommendations of the government commission on the German Corporate Governance Code in accordance with Section 161 AktG.

CHANGES TO THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The mandate of Prof Dr Gregor Schulz as Chairman of the Board of Management ended at 31 December 2014. The Supervisory Board would like to thank Prof Schulz for many years of cooperation built on mutual trust. He led the Company successfully and shaped it with his outstanding professional expertise and strong personal commitment. Dr Ehmer was appointed member of the Board of Management with effect from 1 November 2014 for a three-year period and Chairman of the Board of Management with effect from 1 January 2015. There were no other changes to the Board of Management and the Supervisory Board.

SINGLE ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, audited the single entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2014 together with the management report and Group management report and issued an unqualified opinion. The abovementioned documents, the auditor's report and the Board of Management's proposal on the appropriation of net profit were submitted to all members of the Supervisory Board in a timely manner. They were discussed in detail at the meeting of the Audit Committee on 16 March 2015 as well as at the meeting of the Supervisory Board on 17 March 2015. In both meetings, the auditors reported on the main results of the audit and were on hand to answer questions and provide additional information.

After reviewing and discussing the single entity and consolidated financial statements, the Management report and Group management report and the Board of Management's proposal on the appropriation of the net profit, the Supervisory Board raised no objections and approved the auditor's report. The Supervisory Board approved the single entity and consolidated financial statements for the 2014 financial year as prepared by the Board of Management. The annual financial statements are thereby adopted. The Supervisory Board approved the Board of Management's proposal on the appropriation of net profit.

The Supervisory Board would like to thank the Board of Management and all employees for their commitment and successful work in the 2014 financial year.

Dreieich, 17 March 2015

The Supervisory Board

Dr Alessandro Banchi
Chairman

CORPORATE GOVERNANCE REPORT

JOINT REPORT OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD OF BIOTEST AG IN ACCORDANCE WITH SUBPARAGRAPH 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

Corporate governance principles

The management and control practices of Biotest AG are aimed at securing the Company's long-term success. The Board of Management and Supervisory Board work closely together and base their actions on internationally recognised standards of good corporate governance. The Company's management and control practices meet all applicable legal requirements and the recommendations ("prescribed" targets) of the German Corporate Governance Code, except where expressly indicated in the Declaration of Compliance. The recommendations and suggestions, which have been amended and expanded many times over recent years, represent a high standard in our view, including at the international level.

Notes regarding the GCGC

The government commission on the German Corporate Governance Code adopted amendments to the Code in its plenary session on 24 June 2014. The following information applies to both the old version of 13 May 2013 and the updated version of the Code of 24 June 2014.

DECLARATION OF COMPLIANCE

Declaration of the Board of Management and the Supervisory Board of Biotest AG on the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

Since the last Declaration of Compliance dated 21 March 2014, which referred to the German Corporate Governance Code as amended on 15 May 2012 and 13 May 2013, Biotest AG has complied with all recommendations of the German Corporate Governance Code as amended on 13 May 2013 and 12 June 2014 with the following exceptions:

- Biotest AG continues not to follow the recommendation in Section 3.8 (3) of the German Corporate Governance Code to set a deductible on D&O insurance for the members of the Supervisory Board in the amount prescribed in Section 93 (2) clause 3 of the AktG for members of the Board of Management. The reasons given in the last Declaration of Compliance remain valid. A deductible equivalent to the deductible for members of the Board of Management, would be out of proportion to the current remuneration levels for Supervisory Board duties. Biotest AG has set in its view an appropriate deductible for its Supervisory Board members.
- The recommendation set forth in Section 4.2.3 (2) of the German Corporate Governance Code requires that an upper limit be set for the remuneration amount in total and variable remuneration components for the Board of Management. The contracts entered into with Board of Management members do not contain any explicit upper limit amounts for the remuneration in total. However, a limit is specified for the maximum amount of each and every remuneration component. The Supervisory Board is of the opinion that it is not necessary, to additionally set an explicit upper limit amount for the remuneration in total.
- The recommendation set forth in Section 4.2.3 (3) requires the Supervisory Board to determine the targeted level of benefits – also based on the length of time served on the Board of Management – and to take into account the annual expense for the Company derived from this. The Board of Management members are included in the company pension scheme of Biotest AG. They each have been given an individual commitment. The corresponding benefits are not derived from a pre-defined level of benefits so that the recommendation set forth in Section 4.2.3 (3) is currently not complied with. The Supervisory Board does not intend at the present time to change what it considers to be an appropriate pension system for the Board of Management members of Biotest AG.
- Biotest AG has not followed the recommendation set forth in Section 5.3.3 of the German Corporate Governance Code to form a Supervisory Board nomination committee. Biotest's Supervisory Board comprises only four shareholder representatives. Biotest AG considers the formation of a committee from the small number of shareholder representatives to be un-necessary. The improvement in transparency of the selection process at which the recommendation is aimed is also ensured at Biotest AG in full meetings of the Supervisory Board.
- Section 5.4.1 (2) and (3) of the German Corporate Governance Code requires that the Supervisory Board set specific targets with regard to its composition that take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2 of the German Corporate Governance Code, a defined age limit for Supervisory Board members and diversity in light of the Company's specific situation. These specific targets should particularly include adequate female representation. The Supervisory Board must take these targets into account when making

recommendations to the selection committees. The targets and the status of their implementation are to be published in the Corporate Governance Report. Biotest AG has not followed the recommendations. The reasons which were presented in the last Declaration of Compliance are still valid.

The Supervisory Board of Biotest AG has already set a specific target for the maximum age of its members. The Company's international activities are covered by the Chairman of the Supervisory Board, who is an Italian citizen. Furthermore, a third of the members of the Supervisory Board are women. An internal analysis found that, in the case of Biotest AG, no explicit targets need be set due to the past and also the future expected above-average participation of women on the Supervisory Board. Biotest AG also does not follow the recommendation that a target be established for the number of independent Supervisory Board members. The right of OGEL GmbH to appoint a member to the Supervisory Board is laid down in the Articles of Association. A Supervisory Board member has a business relationship with Kreissparkasse Bieberach as a major shareholder. An internal analysis found that the setting of specific targets for the composition of the Supervisory Board is not necessary under the existing specific circumstances and shareholder structure.

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

- Under Section 5.4.6 (2) of the German Corporate Governance Code, performance-based remuneration is to be paid to Supervisory Board members based on the sustained performance of the company. This is generally understood as a multi-year basis for calculating performance-based remuneration. Biotest AG does not comply with this recommendation. Pursuant to Section 16 (1) (b) of the Articles of Association the Supervisory Board members receive an annual variable remuneration for each past financial year based on the amount of the dividend paid. Biotest AG is of the opinion that the currently determined variable remuneration of the Supervisory Board is appropriate with regard to the calculation basis and amount. In the event that the Company comes to the conclusion in its regularly scheduled review of the remuneration system that the performance-based remuneration should be adjusted, the recommendation set forth in Section 5.4.6 (2) of the German Corporate Governance Code will be incorporated into its analysis.
- An amendment to Section 6.3 of the German Corporate Governance Code requires that shares or related financial instruments held by the Board of Management and the Supervisory Board members now are disclosed separately in the Corporate Governance Report by the Board of Management and the Supervisory Board, if it directly or indirectly holds more than 1 % of the shares issued. Dr Schleussner, Deputy Chairwoman of the Supervisory Board, controls OGEL GmbH, which, to the knowledge of the Company, holds approx. 50.3 % of the issued ordinary shares of the Company. She therefore indirectly holds 50.3 % of the ordinary shares of Biotest AG. Information regarding this can be found in the Group Management Report under "Explanatory notes in accordance with Section 315 (4) of the German Commercial Code (HGB)". The combined total of the shares held by other members of the Supervisory Board as well as by Board of Management members is below 1 % of the ordinary shares issued by the Company. The Company does not consider it necessary to repeat the information contained in the Group Management Report in the Corporate Governance Report. It does not follow the recommendation in this respect.

Dreieich, 17 March 2015

For the Board of Management

Dr Bernhard Ehmer

Dr Michael Ramroth

Dr Georg Floß

For the Supervisory Board

Dr Alessandro Banchi

CORPORATE GOVERNANCE IN THE FINANCIAL YEAR

The Annual Shareholders' Meeting of Biotest AG was held on 7 May 2014 in Frankfurt am Main. 78.0% 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, selection of the external auditors and resolution on the adjustment of Supervisory Board remuneration and corresponding amendment of the articles of association) were approved by a clear majority.

DIRECTORS' DEALINGS (REPORTED TRANSACTIONS BY MEMBERS OF MANAGEMENT PURSUANT TO SECTION 15A WPHG)

The following reportable share purchase and sale transactions were executed by members of executive bodies and other senior executives of Biotest AG in the 2014 financial year:

Date	Reporting party	Role	Transaction type and place of execution	Financial instrument	ISIN	Number	Price in €	Transaction amount in €
27 March 2014	OGEL GmbH	Company closely related to a member of the Supervisory Board	Sale/OTC	Ordinary shares	DE0005227201	3.500	92.0004	322.001.40
8 May 2014	Prof. Dr Markus Rothenburger	Head of Medical / Regulatory Affairs	Purchase / Stuttgart	Preference shares	DE0005227235	250	85.79	21.447.50
19 May 2014	Dr Christina Erb	Head of Central Project Management	Purchase / Stuttgart	Preference shares	DE0005227235	105	84.56	8.878.80
12 August 2014	Prof. Dr Markus Rothenburger	Head of Medical / Regulatory Affairs	Purchase / Stuttgart	Preference shares	DE0005227235	400	70.10	28.040.00

REMUNERATION REPORT

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

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

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

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

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

Non-performance-based remuneration components

Fixed remuneration

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

Benefits in kind

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

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

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

Performance-based remuneration components

Annual variable remuneration

The performance-based remuneration component is calculated based on the achievement of corporate and personal targets. In calculating bonuses, the EBIT, return on capital employed (RoCE) and operating cash flow are each weighted at 20 % and the achievement of personal targets set in the past financial year at 40 %. Furthermore, a separate bonus may also be determined by the Presiding Committee of the Supervisory Board when targets of particular significance to the Company are achieved.

Remuneration component with long-term incentive effect and risk features

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

This programme is designed in accordance with established capital markets criteria for a system of this type and complies with the requirements of the GCGC. Participation in the programme requires a personal investment by the participant in the form of a purchase of preference shares of Biotest AG. The programme is described in detail in Section F1 of the Notes to the consolidated financial statements, including the process for calculating incentive payments. It is anticipated that the incentive component will be paid in May of the year following the expiry of the tranche.

Pension commitments

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

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

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

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. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the Company vehicle provided are also paid. In addition to these claims the severance payment also includes a fixed annual remuneration.

However, the total severance payment is limited to three times the annual fixed remuneration, plus the above-mentioned bonus and the remuneration for the value in use of the Company vehicle.

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

No other one-off or recurring commitments exist in the event of termination of a Board of Management assignment.

Remuneration for the current financial year

Total remuneration of the Board of Management members in office as of 31 December 2014

This overview shows the calculation of the total remuneration for each Board of Management member together with the amounts granted in the 2014 financial year for the different remuneration components.

in € thousand **Dr Bernhard Ehmer**	2013	**2014**	2014 Minimum	2014 Maximum
Non-performance-based				
Fixed remuneration	–	60	60	60
Benefits in kind	–	5	5	5
Total non-performance-based components	**–**	**65**	**65**	**65**
Performance-based				
Excluding long-term incentive effect (not share-based):				
Annual variable remuneration – cash portion	–	10	–	44
With long-term incentive effect (share-based):				
Variable remuneration (LTIP) – cash portion	**–**	**135**	**–**	**324**
Total performance-based components	**–**	**145**	**–**	**368**
Pension expense (service cost)	–	–	–	–
Total remuneration (DCGK)	**–**	**210**	**65**	**433**
Less pension expense (service cost)	–	–	–	–
Total remuneration (DRS 17)	**–**	**210**	**65**	**433**

in € thousand **Prof. Dr Gregor Schulz**	2013	**2014**	2014 Minimum	2014 Maximum
Non-performance-based				
Fixed remuneration	340	360	360	360
Benefits in kind	49	50	50	50
Total non-performance-based components	**389**	**410**	**410**	**410**
Performance-based				
Excluding long-term incentive effect (not share-based):				
Annual variable remuneration – cash portion	173	127	–	262
With long-term incentive effect (share-based):				
Variable remuneration (LTIP) – cash portion	165	135	–	324
Total performance-based components	**338**	**262**	**–**	**586**
Pension expense (service cost)	242	221	221	221
Total remuneration (DCGK)	**969**	**893**	**631**	**1.217**
Less pension expense (service cost)	242	221	221	221
Total remuneration (DRS 17)	**727**	**672**	**410**	**996**

in € thousand **Dr Michael Ramroth**	2013	**2014**	2014 Minimum	2014 Maximum
Non-performance-based				
Fixed remuneration	300	300	300	300
Benefits in kind	36	233	36	233
Total non-performance-based components	**336**	**533**	**336**	**533**
Performance-based				
Excluding long-term incentive effect (not share-based):				
Annual variable remuneration – cash portion	159	123	–	277
With long-term incentive effect (share-based):				
Variable remuneration (LTIP) – cash portion	145	112	–	270
Total performance-based components	**304**	**235**	**–**	**497**
Pension expense (service cost)	159	152	152	152
Total remuneration (DCGK)	**799**	**920**	**488**	**1.182**
Less pension expense (service cost)	159	152	152	152
Total remuneration (DRS 17)	**640**	**768**	**336**	**1.030**

in € thousand **Dr Georg Floß**	2013	**2014**	2014 Minimum	2014 Maximum
Non-performance-based				
Fixed remuneration	254	260	260	260
Benefits in kind	32	35	35	35
Total non-performance-based components	**286**	**295**	**295**	**295**
Performance-based				
Excluding long-term incentive effect (not share-based):				
Annual variable remuneration – cash portion	99	110	–	203
With long-term incentive effect (share-based):				
Variable remuneration (LTIP) – cash portion	126	97	–	234
Total performance-based components	**225**	**207**	**–**	**437**
Pension expense (service cost)	119	144	144	144
Total remuneration (DCGK)	**630**	**646**	**439**	**876**
Less pension expense (service cost)	119	144	144	144
Total remuneration (DRS 17)	**511**	**502**	**295**	**732**

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

Total remuneration of Board of Management members is € 2,152 thousand (previous year: € 1,878 thousand) for the 2014 financial year calculated on the basis of DRS 17. Pension expense is not included in this amount.

Remuneration received by Board of Management members in office at 31 December 2014

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

	Dr Bernhard Ehmer		**Prof. Dr Gregor Schulz**		**Dr Michael Ramroth**		**Dr Georg Floß**	
in € thousand	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Non-performance-based								
Fixed remuneration	60	–	360	340	300	300	260	254
Benefits in kind	5	–	50	49	233	36	35	32
Total non-performance-based components	**65**	**–**	**410**	**389**	**533**	**336**	**295**	**286**
Performance-based								
Excluding long-term incentive effect (not share-based)								
Annual variable remuneration – cash portion	–	–	194	213	177	193	158	–
With long-term incentive effect (share-based):								
Variable remuneration (LTIP 2011) – cash portion	–	–	306	–	270	–	111	–
Variable remuneration (LTIP 2010) – cash portion	–	–	–	92	–	79	–	–
Total of the multi-year variable remuneration	–	–	306	92	270	79	111	–
Total performance-based components	**–**	**–**	**500**	**305**	**447**	**272**	**269**	**–**
Pension expense (service cost)	–	–	–	–	–	–	–	–
Total remuneration (GCGC)	**65**	**–**	**910**	**694**	**980**	**608**	**564**	**286**

Overview of pension commitments for Board of Management members in office as of 31 December 2014

in € thousand	Present value of all pension commitments excluding deferred remuneration		Present value of deferred remuneration	
	Present value in **2014**	Present value in 2013	Present value in **2014**	Present value in 2013
Dr Bernhard Ehmer	425	–	–	–
Prof. Dr Gregor Schulz	3.343	2.504	118	61
Dr Michael Ramroth	2.410	1.578	308	229
Dr Georg Floß	1.481	912	–	–
	7.659	**4.994**	**426**	**290**

Assets amounting to € 2,018 thousand (previous year: € 1,782 thousand) were transferred to Biotest Vorsorge Trust e.V. for the purposes of protecting the pension entitlements against insolvency.

Remuneration system for former Board of Management members and their dependants

Contractually agreed pension benefits are paid to former Board of Management members and their dependants. Pension provisions of € 4,817 thousand (previous year: € 4,096 thousand) have been recognised for this. The pension provisions were measured in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans.

Long Term Incentive Programme for Board of Management members

Participation by members of the Board of Management in the Long Term Incentive Programme is not included in total remuneration and is as follows:

in € thousand	**Personal investment in preference shares** (in number of share)	**Fair value of options as of 31 December**	**Total cost of the stock option plan in the financial year**
2014 (2012. 2013 and 2014 tranches)			
Dr Bernhard Ehmer	1.800	162	37
Prof. Dr Gregor Schulz	1.800	751	208
Dr Michael Ramroth	1.800	655	182
Dr Georg Floß	1.800	436	122
	7.200	**2.004**	**549**
2013 (2011. 2012 and 2013 tranches)			
Prof. Dr Gregor Schulz	1.800	1.039	456
Dr Michael Ramroth	1.800	917	394
Dr Georg Floß	1.800	514	306
	5.400	**2.470**	**1.156**

The 2011 tranche of the Long Term Incentive Programme was disbursed in financial year 2014; Prof. Dr Gregor Schulz received € 306 thousand, Dr Michael Ramroth € 270 thousand and Dr Floss € 111 thousand.

Explanatory comments on the remuneration system for Supervisory Board members

The remuneration of the Supervisory Board is laid down in the Articles of Association. Each Supervisory Board member receives an annual fixed remuneration of € 15 thousand. The Chairman of the Supervisory Board receives twice this amount and his/her deputy one-and-a-half times this sum. In addition, € 4 thousand is paid for any work carried out in a committee, the Chairman of the Audit Committee receives € 10 thousand and the Chairman of the other committees € 7.5 thousand. Biotest AG reimburses the value added tax payable on Supervisory Board remuneration. Supervisory Board members also receive a variable remuneration of € 1 thousand for every € 0.01 by which the dividend paid for the financial year exceeds € 0.24. The variable remuneration is limited to a maximum amount of € 10 thousand.

The members of Biotest AG's Supervisory Board are, like members of the Board of Management, covered by the Group's professional indemnity insurance (D&O liability insurance). Biotest pays the related insurance premiums for all Supervisory Board members. One Supervisory Board member also receives personal liability coverage under the existing employer's liability insurance. No other non-cash benefits are granted.

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

Remuneration for the current financial year

The Supervisory Board members received the following remuneration for their activities in financial year 2014:

in € thousand **2014**	Fixed salary	Variable remuneration	**Total remuneration**
Dr Alessandro Banchi	64	25	89
Dr Cathrin Schleussner	31	15	46
Kerstin Birkhahn	15	10	25
Thomas Jakob	19	10	29
Jürgen Heilmann	19	10	29
Dr Christoph Schröder	29	10	39
	177	**80**	**257**

The members of the Supervisory Board were paid the following remuneration for financial year 2013:

in € thousand 2013	Fixed salary	Variable remuneration	**Total remuneration**
Dr Alessandro Banchi	64	25	89
Dr Cathrin Schleussner	31	15	46
Kerstin Birkhahn	15	10	25
Thomas Jakob	19	10	29
Jürgen Heilmann	19	10	29
Dr Christoph Schröder	29	10	39
	177	**80**	**257**

In addition to the listed Supervisory Board remuneration, additional amounts paid in financial years 2014 and 2013 to employee council employee representatives on the Supervisory Board under their employment agreements were also recognised as an expense. These amounts were based on collective bargaining agreements and/or company pay rates for non-pay-scale employees.

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

ANTIBODY DEFICIENCY SYNDROME
The body's inability to react to an antigen stimulus with sufficient antibody production. A distinction is made between primary (congenital) and secondary (acquired) antibody deficiency syndromes.

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

B

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

C

CLOTTING FACTORS
Proteins responsible for blood coagulation. The 13 different clotting factors are designated with the Roman numerals I to XIII.

CYTOMEGALYVIRUS (CMV)
Usually harmless infection caused by cytomegalovirus (CMV). If it occurs during pregnancy, it can cause severe damage to the unborn child. One of the most common virus infections in organ transplantation, which can lead to loss of the transplant.

D

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

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)
American agency responsible for monitoring foods and licensing drugs.

FRACTIONATION (PLASMA FRACTIONATION)
Process for obtaining proteins from human 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 or IX (type A or B haemophilia).

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

HER 2
The HER 2 protein is a receptor molecule located on the surface of body cells. The protein is classified as a member of a family of certain epidermal growth factor receptors. The number of receptors on the cell surface is determined by the HER 2 gene.

HYDROXYETHYL STARCH (HES)
Substance synthesised from waxy maize starch or potato starch, used as a substitute for human albumin.

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.

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.

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

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

IMMUNOSUPPRESSIVE
A process that suppresses immunological processes. This is relevant if adverse reactions, such as in the case of autoimmune diseases or after tissue and organ transplantations, are to be inhibited.

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

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

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

L

LENALIDOMIDE
Drug used in combination with dexamethasone especially for the treatment of multiple myeloma, to inhibit the division of certain tumour cells, among other things.

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

M

METHOTREXATE
Drug used to treat rheumatoid arthritis and other autoimmune diseases (for example, psoriasis, multiple sclerosis) and various tumours.

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.

MULTIPLE MYELOMA
Malignant plasma cell growth in the bone marrow.

O

OESTROGEN
Most important female sex hormone, one of the steroid hormones. When oestrogen preparations are taken, side effects may occur in the form of autoimmune reactions such as systemic lupus erythematosus (SLE).

P

PAUL EHRLICH INSTITUTE (PEI)
German federal agency for serums and vaccines. The PEI 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.

PHARMACODYNAMICS
The sum of all processes caused by the action of a drug, from the description of the activity profile and dose response relationship to the mechanism of action.

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

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

PIVOTAL STUDY
Key study that provides significant proof of the efficacy of a drug. This is a phase III study in most cases.

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.

PLASMAPHERESIS
Obtaining of blood from donated blood. The cellular components are returned to the donor. 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.

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

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

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

PSORIASIS
Scaly patches. Chronic skin disease.

R

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

RHEUMATOID ARTHRITIS
Chronic inflammatory disease of the joints.

S

sCAP
Spread of the inflammation from the lung to the body often results in complications such as sepsis 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).

SERUM PROTEINS
Name given to proteins contained in blood serum.

SUBCUTANEOUS (S.C)
In anatomical terms, the layer of tissue beneath the skin. This consists mainly of connective tissue and fat. A subcutaneous injection is given under the skin.

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

SYSTEMIC LUPUS ERYTHEMATOSUS (SLE)
Autoimmune disease that often starts with a fever. Patients usually have rheumatoid-like joint pains. Areas of erythema (redness due to dilated blood vessels) develop on the skin. Other organs can also be affected by this disease.

V

VARICELLA ZOSTER VIRUS
A virus belonging to the herpesvirus 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
Transaction in securities issued by a listed company executed by the company's management or related companies or persons.

E

EAT
Earnings after taxes.

EBIT
Earnings before interest and taxes.

EBT
Earnings before taxes.

F

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FAFVtPL)
A financial instrument category as defined in IFRS 7.

FORWARD FOREIGN EXCHANGE TRANSACTION
Binding agreement to exchange one currency for another on a specific date at a specified rate.

H

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

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

L

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

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

N

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

O

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

P

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

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

R

RETURN ON CAPITAL EMPLOYED (RoCE)
A measure of the return that a company realises on its capital.

S

SENSITIVITY ANALYSIS
Used to determine the impact of specific factors on certain performance indicators.

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

W

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

WORKING CAPITAL
Short-term tied-up capital.

FINANCIAL CALENDAR

7 MAY 2015
Report for the first quarter 2015

7 MAY 2015
Annual Shareholders' Meeting

11 AUGUST 2015
Half-year report 2015

10 NOVEMBER 2015
Nine-month report for 2015
Analyst conference

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