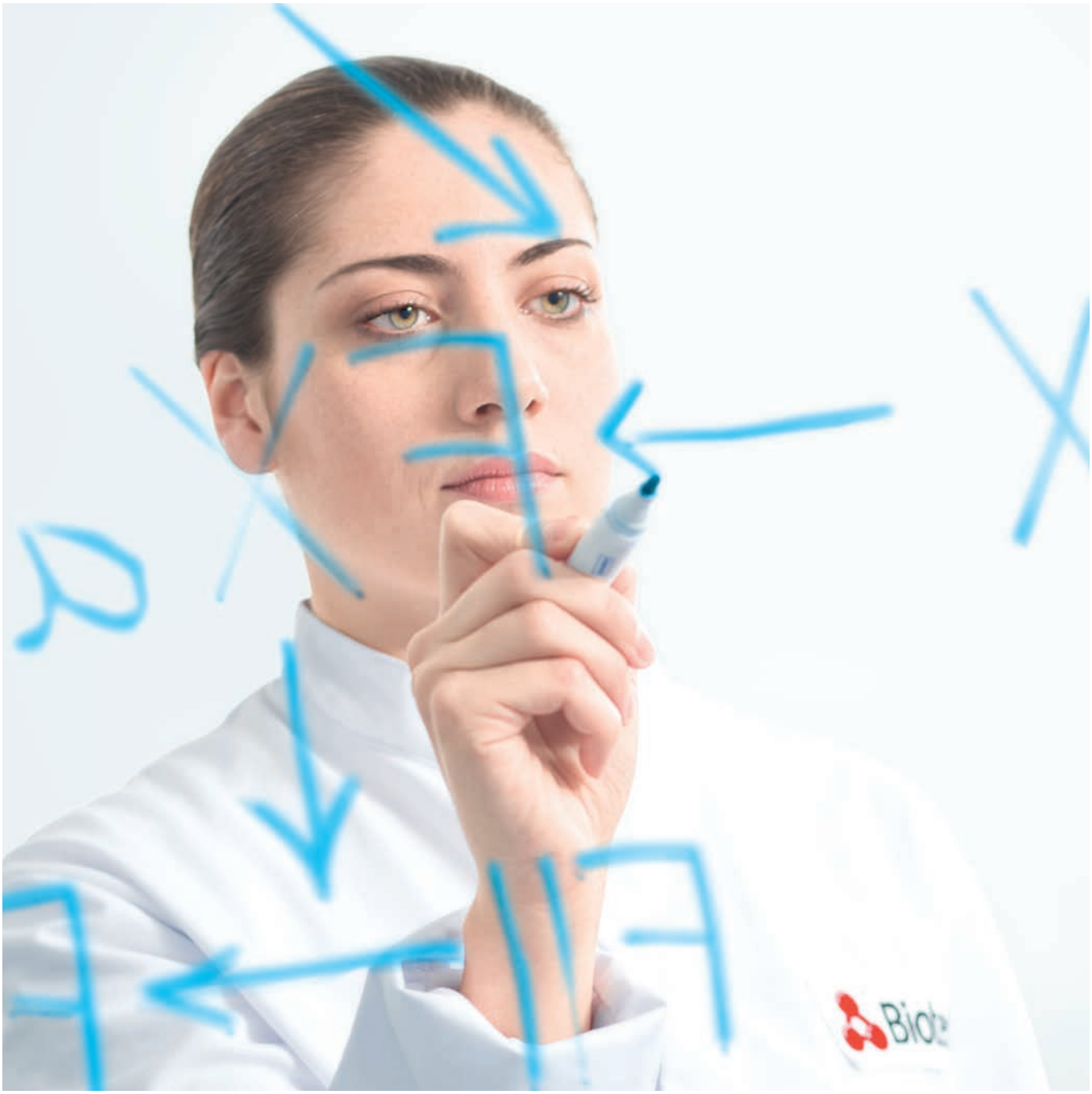
Biotest

From Nature for Life

FIGURES 2013 | Annual Report Biotest AG



KEY FIGURES

BIOTEST GROUP		**2013**	2012*	Change in %
Revenue	€ million	**500.8**	440.0	13.8
thereof:				
Germany	€ million	**93.4**	89.4	4.5
Rest of world	€ million	**407.4**	350.6	16.2
thereof:				
Therapy	€ million	**386.2**	330.9	16.7
Plasma & Services	€ million	**102.5**	97.0	5.7
Other Segments	€ million	**12.1**	12.1	0.0
EBITDA	€ million	**85.6**	76.1	12.5
Operating profit (EBIT)	€ million	**53.8**	44.7	20.4
EBIT in % of sales	*%*	***10.7***	*10.2*	
Earnings before taxes	€ million	**47.8**	36.5	31.0
Earnings after taxes	€ million	**32.0**	23.1	38.5
Structure of expenses:				
Personnel costs	€ million	**126.2**	116.1	8.7
Research and development costs	€ million	**64.6**	51.4	25.7
Research and development costs in % of sales	*%*	***12.9***	*11.7*	
Capital expenditure in property, plant and equipment and intangible assets	€ million	**42.9**	34.5	24.3
Financing				
Cash flow**	€ million	**–7.2**	34.7	–
Depreciation and amortisation	€ million	**31.8**	31.4	1.3
Equity (as of 31 December)	€ million	**460.7**	369.4	24.7
Equity ratio (as of 31 December)	*%*	***52.0***	*54.1*	
Total assets and liabilities (as of 31 December)	€ million	**886.5**	682.3	29.9
Employees (full-time equivalents as of 31 December)		**1,997**	1,727	15.6
Earnings per share	€	**2.54**	1.94	30.9

* Continuing Operations

** from operating activities

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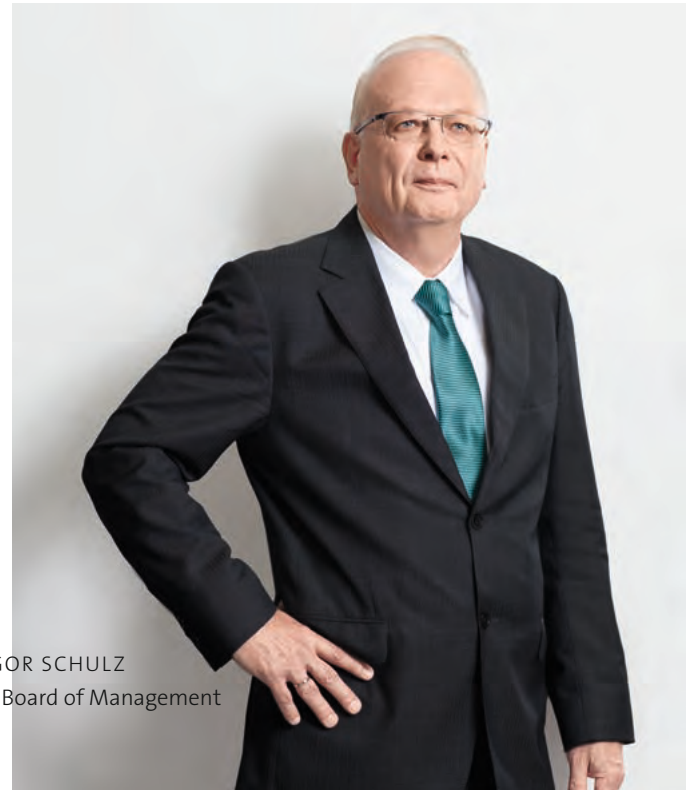

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PROF. DR. GREGOR SCHULZ
Chairman of the Board of Management

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DEAR SHAREHOLDERS,

Biotest ended 2013 with new records. We are more than pleased with the growth achieved in revenue and earnings. The market introduction of our intravenous immunoglobulin Bivigam® in the US had a significant impact on this trend. We were also able to celebrate pioneering sales successes in other international markets. You, dear Shareholders, should also participate in this success. For this reason, we will propose to the Annual General Meeting that a higher dividend be paid again and would like to increase our total dividend sum by 28 %.

We want to create a better life for our patients with innovative, high quality products. This is why Biotest preparations are being continuously developed in order to make them more user-friendly and to expand the indication areas. We are always conscious of our great responsibility in this regard.

Monoclonal antibodies, where we were able to make significant progress, continued to be the focus of our research and development work in 2013. We launched the largest study in the Company's history with the antibody, Tregalizumab (BT-061), which commenced on schedule in 15 countries. Also, promising study results for Indatuximab Ravtansine (BT-062) in the combination study with lenalidomide in the multiple myeloma indication show that we are on the right path.

New opportunities have arisen for our business as a result of the ongoing internationalisation. Over the past financial year Biotest continued its efforts to expand its presence in important international markets. Our subsidiary, Biotest Pharmaceutical Corporation (BPC), has been continuously expanding its production facilities in Boca Raton, Florida, USA over the past years and currently has the capacity to produce up to 1.5 tonnes of Bivigam® annually. Sales of Bivigam® generated in the 2013 financial year demonstrate the medical need and potential of the preparation.

We will be gaining access to the high-price growth market for albumin in China through a distribution agreement with Wanbang Biopharmaceuticals, Shanghai, China for the marketing of human albumin. So far we are very pleased with the collaboration. We are assuming that we will be able to start selling Albiomin® in China in the second half of 2014 following marketing authorisation and to generate sales of up to € 30 million over the medium-term.

In addition, we were able to make considerable progress with regard to marketing authorisation and distribution in various other markets in the world. In the third quarter of 2013 an agreement was signed with a major distributor to supply Mexico, one of the largest South American markets for plasma proteins. In Brazil we were able to obtain marketing authorisation for Albiomin®, from which we expect to generate the first significant sales in the current financial year. Sales were also increased in Russia over the past year. A long-term distribution agreement was entered into with Merz Pharma GmbH & Co. KGaA, Frankfurt am Main, Germany with effect from 1 January 2013, under which Merz distributes numerous Biotest products in Russia. Merz has a nationwide sales force there and thus can increase the targeted advertising and product sales. The sales achieved by Biotest in Russia in 2013 already confirm this decision in the first financial year of the cooperation.

Compared to the previous year, the Biotest Group was able to increase sales over the past year by a total of 13.8 % from € 440.0 million to € 500.8 million. Operating profit (EBIT) increased to € 53.8 million (previous year: € 44.7 million). Earnings before taxes (EBT) increased by 31.0 % to € 47.8 million compared to the previous year (2012: € 36.5 million). Our earnings after taxes (EAT) also grew, recording an increase of 38.5 % from € 23.1 million to € 32.0 million.

In the fourth quarter 2013 we raised the forecast for an increase in earnings before interest and taxes (EBIT) from 10 – 15 % to 15 – 20 % on account of the very good business situation. We were able to fully meet this target with an increase in EBIT of 20.4 %. We expect sales and EBIT to grow in the range of 10 % each.

At the end of June 2013 the capital increase as resolved by the Annual General Meeting was successful completed and considerably oversubscribed. The gross issue proceeds amounted to € 76.1 million. The maximum possible number of 1,461,909 new shares were acquired at a price of € 52.00 per share by our existing Shareholders through exercising their subscription rights or placed with institutional investors. We will the use the funds raised as well as those from our privately placed bonds for our “Biotest Next Level” investment programme.

The good business performance in 2013 and growth prospects of the Biotest Group were rewarded with the share price reaching new peaks. At the end of the past financial year the market capitalisation of our Company exceeded one billion euro for the first time.

For this, we would like to thank you, our valued Shareholders, business partners and financing banks, and we hope you will continue to support us on our exciting journey.

Our special thanks are also due to our staff, whose daily commitment helps ensure the long-term success of the Biotest Group.

Cordially yours,

Prof. Dr. Gregor Schulz
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 headquarter 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 15 other fully consolidated companies. The complete list of participating interests of the Biotest Goup 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 on the Prime Standard of the German stock exchange (Deutsche Börse).

See the "Management Declaration" available on the company website for detailed information regarding corporate structure, management and controlling.

B. SEGMENTS OF BIOTEST

The Company's operations have been 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. Plasma sales and toll manufacturing are combined under the Plasma & Services segment. Merchandise sales and overhead costs that cannot be attributed to the Therapy or Plasma & Services segments are reported by Biotest under Other Segments.

All current operating activities are reported under Continuing Operations. The deferred purchase payment received in the first quarter 2013 from Merck KGaA, Darmstadt, Germany in connection with the disposal of the former Microbiological Monitoring segment is disclosed in the cash flow of Continuing Operations.

C. ADDED VALUE

Biotest covers the entire value chain from the collection of raw materials via production to marketing and sales for its primary products, plasma proteins. Production takes place both at the headquarters in Dreieich 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 six European countries and Brazil, which are responsible for marketing Biotest products in these countries. Biotest is also active in over 80 countries in the world through local partnerships. Their sales and distribution activities are strategically managed from Biotest headquarters in Dreieich.

Human blood plasma is the basis for manufacturing the current Biotest products. Biotest currently operates 26 of its own collection centres in Europe and in America to obtain this raw material as well as for the purposes of selling some of it and intermediates on to contracted 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.

Biotest also covers the essential elements of the value chain at its international locations for monoclonal antibodies, which are not obtained from human blood plasma but are manufactured using biotechnology methods. 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 last year 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.

D. PRODUCT PORTFOLIO

Biotest's product range is divided between the areas of haematology, clinical immunology and intensive care medicine. The portfolio contains products that are already on the market as well as products that are at various phases of research and (pre-) clinical 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 THE BIOTEST GROUP

Products	Lead indication	Status
Haematology indication area		
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)	Marketing in Europe, Asia, South America and other regions
Haemonine®	Haemophilia B (acute therapy and prophylaxis)	Marketing in Europe and other regions
Indatuximab Ravtansine (BT-062)*	Multiple myeloma	Clinical development; various ongoing studies, phase II
	Solid tumours (breast cancer, bladder cancer)	Phase I/II study submitted to the authorities
Clinical immunology indication area		
Bivigam® **	Primary immune deficiency (PID)	Since February 2013: marketing in the US
Cytotect® CP Biotest	Prophylaxis of clinical manifestation of cytomegalovirus (CMV) infection in patients on immunosuppressive therapy – particularly in transplant patients	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	Marketing authorisation received for Germany in 2012, import licence for Vietnam received in 2013; marketing in other countries planned
Hepatect® CP	• Prophylaxis of hepatitis B virus (HBV) (re-) infection following liver transplantation due to liver failure caused by HBV • HBV post-exposure prophylaxis after injury caused by HBV contaminated materials • For patients with insufficient protective immunity against HBV • Immunoprophylaxis of hepatitis B in newborns of mothers infected with the hepatitis B virus	Marketing in Europe, Asia and South America
Intratect® 50 g/l (5% solution)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Marketing in Europe, South America, Asia and other regions
Intratect® 100 g/l (10% solution)	Primary immune deficiency (PID) and secondary antibody deficiency syndromes and autoimmune diseases	Start of marketing in Germany in January 2013, sales in other European counties started in 2013; further marketing authorisations for Europe and other regions will be submitted in 2014

PRODUCTS AND DEVELOPMENT PROJECTS OF THE BIOTEST GROUP

Products	Lead indication	Status
Nabi-HB®	• Prophylaxis of hepatitis B virus infection for needlestick injuries • For patients with insufficient protective immunity against HBV • Immunoprophylaxis of hepatitis B in newborns of mothers infected with the hepatitis B virus	Marketing exclusively in the US
Varitect® CP	Prophylaxis of clinical manifestation of varicella-zoster virus infections in patients	Marketing in the EU, Asia and South America
Zutectra®	Prophylaxis of re-infection with the hepatitis B virus following liver transplantation > six months after liver transplantation caused by hepatic insufficiency induced by HVB	Marketing in the EU and Asia; additional ongoing clinical phase III study to expand the application
BT-063*	Systemic lupus erythematosus (SLE)	Clinical development; phase I study completed; preparation of a phase I/II study
BT-094 (Cytotect 70)*	Prevention of CMV (cytomegalovirus) infection of the foetus during pregnancy of CMV-infected mother	Clinical development; phase III study ongoing
Civacir® */**	Hepatitis C (HCV) reinfection in patients who receive liver transplantation due to liver failure caused by HCV	Clinical development; phase III study ongoing
Tregalizumab (BT-061)*	Rheumatoid arthritis, psoriasis	Clinical development; phase IIb RA study ongoing
Intensive care medicine indication area		
Albiomin® (20% and 5%)	Volume depletion	Marketing in the EU, Asia, South America and other regions
Biseko®	Volume and serum protein depletion	Marketing in Asia and the EU
Cofact®	Deficiency of clotting factors	Marketing in Germany and Austria
Fibrinogen*	Fibrinogen deficiency	Clinical development; phase I/II study ongoing
IgM concentrate*	Severe community acquired pneumonia, sCAP	Clinical development; phase II study ongoing
Pentaglobin®	Severe bacterial infection	Marketing in the EU, Asia, South America and Middle East

* Preparations under development (status: 31. December 2013)
** Brand name refers to the USA

E. HUMAN RESOURCES

Change in number of employees

As of 31 December 2013 the Biotest Group employed a staff of 1,997 full-time equivalents. This represents an increase of 15.6 % compared to 1,727 full-time equivalents at the end of 2012.

The increase is mainly attributable to new positions in plasma protein production at Biotest Pharmaceuticals Corporation (BPC) as well as at Biotest AG, which were created to cover the increase in production volumes. As of 31 December 2013 800 full-time positions (40.1 %, previous year: 42.1 %) were assigned to Biotest AG and another 858 full-time positions (43.0 %, previous year: 40.3 %) to BPC. About half of all employees (997) 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 2013. This variable remuneration component is based on the achievement of predefined targets. The programme is described in detail in Section F.1 (Long Term Incentive Programme) of the consolidated financial statements.

Personnel and organisational development

As part of the planned increase in capacity at Dreieich personnel requirements will also significantly increase over the next few years. In this regard, a high priority was given in 2013 to multi-faceted personnel recruitment activities and to needs-based continuing education and professional development.

The focus of our activities in the past year was on the structured assessment 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 within the Company's own ranks. This potential assessment process resulted, amongst other things, in the setting up of the "Industrial foreman in the chemical industry" ("Industriemeister Chemie") continuing education course, which was started in 2014, and in the sharp increase in management training courses in the production area.

The "Success strategies for female managers" workshop, in which personal strategies and methods for developing women's leadership skills are identified and developed, was also launched for the first time in 2013.

Furthermore, Biotest is providing incentives for in-service programmes through the sponsorship of Bachelor's and Master's study courses. In 2013 three employees enrolled in study courses – "B.Sc. Process Technology" , "B.Sc. Biopharmaceutical Science" and "B.Sc. Information Systems" – set up in partnership with the University of Applied Sciences Bingen and Provadis University.

Entry programmes are becoming increasingly important as part of the further expansion of Biotest and the demographic situation. For example, three university graduates in the trainee programme of the Commercial Operations business segment are currently being prepared specifically for management and leadership roles. Furthermore, collaboration particularly with the Goethe University in Frankfurt am Main was strengthened through the supervision of Doctor, Bachelor and Master theses as well as by information and mentoring events.

Traineeships

Biotest AG has also reinforced its commitment to vocational training over the past year. A total of 27 trainees (previous year: 22) were employed at Biotest as of 31 December 2013, of which one is majoring in "International Business Administration". Three of the new trainee positions were created in the production area, where the number doubled to a total of six.

The quality of the Company's trainee programmes is reflected in the final examination results of the seven trainees who graduated in 2013. Three of them were honoured by the Chamber of Industry and Commerce (Industrie- und Handelskammer) for their above-average examination scores.

To ensure its position as an employer of choice, Biotest continued to market its trainee programmes and attended various regional vocational training trade fairs for this purpose.

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 through the construction of a day care centre for children. Construction work will begin in the spring of 2014 in the direct vicinity of the Company premises in Dreieich. The aim is that up to 80 children between the ages of eight months and six years will be supervised by experienced teachers by the start of 2015. Biotest is thus providing its employees with the opportunity of better reconciling their professional life and raising children.

F. EXTERNAL FACTORS THAT INFLUENCE 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 monitoring 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. The implementation started in the previous year with the guidelines for "Good Vigilance Practice (GVP)" – with

regard to the pharmacovigilance requirements (monitoring of product use and drug safety) as a prerequisite for the receipt and maintenance of marketing authorisations for drugs – and was further updated in financial year 2013. These guidelines applicable to Member States of the European Union interpret in detail the comprehensive revision of the European pharmacovigilance legislation that was enacted in the previous year. Its objective is to improve drug safety. Marketing authorisation holders undertake to document how they adapt to the new requirements in a so-called "Pharmacovigilance System Master File (PSMF)", a description of their pharmacovigilance system, and to constantly update this. 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.

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 utilising 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, including through the consistent lifecycle management of existing products. After successfully establishing a position in European markets, which is being further strengthened by, amongst other things, the formation of a subsidiary in France, the focus is now being placed on the US, Asia and South America. In addition, the developing markets including North Africa as well as Russia and the former Soviet republics are becoming increasingly important. In the 2013 financial year Biotest decided to expand the production capacity at its company headquarters at Dreieich in order to also participate in the future in global market growth. The production capacity will be doubled by 2018/19 in 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 is focussing on additional lead indications with high treatment needs using monoclonal antibodies and plasma proteins, which are currently in clinical development. Following market authorisation these preparations will significantly enhance the product range. They are characterised by a specific mechanism of action that distinguishes them from other therapeutic approaches, either authorised or in development.

Alongside the continued pursuit of the Company's own research and development efforts, opportunities for increasing the volume of business over the next several years through international acquisitions and 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.

The signing in January 2013 of a long-term strategic agreement between Biotest Pharmaceuticals Corporation (BPC) and ADMA Biologics Inc. (ADMA) is an example of such successful business cooperation. Under this agreement ADMA has undertaken to acquire its worldwide production volume of the respiratory syncytial virus (RSV) immunoglobulin, obtained from human plasma with RSV antibodies, exclusively through BPC. ADMA has also granted Biotest AG a licence to market and sell RSV immunoglobulin in Europe and selected countries in North Africa and the Middle East.

III. BUSINESS PERFORMANCE MANAGEMENT

Biotest is managed using both financial and non-financial indicators, changes in which influence enterprise value in different ways. Financial and non-financial performance indicators are measured continuously and form 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 on 31 December 2013
Return on Capital Employed (RoCE)	EBIT/capital employed	8.8%
EBIT margin	EBIT/sales	10.7%
EBT margin	EBT/sales	9.5%
Contribution margin	(Sales – cost of sales)/sales	41.5%
Cash flow from operating activities	See cash flow statement for a detailed calculation	€–7.2 million
Cost of sales ratio	Cost of sales/sales	58.5%
Distribution expense ratio	Distribution expenses/ sales	12.0%

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

As part of the corporate strategy, research and development form the basis for future growth. In this area the further development of existing products as well as the new development of products not currently authorised opens up significant potential. In addition to research and development in the area of plasma proteins great importance is attached to the development of monoclonal antibodies. A detailed schedule of the progress made in the research and development projects carried out in financial year 2013 is shown in the "Research and development" Section of the Economic Report.

The research and development costs of Biotest amounted to € 64.6 million for the 2013 financial year (previous year: € 51.4 million). The proportion of these costs to sales amounted to 12.9% compared to 11.7% in the previous year.

The number of employees (converted to full-time employees) engaged in research and development was 171 as of 31 December 2013 and has increased significantly compared to 31 December 2012 (previous year: 144).

B. ECONOMIC REPORT

I. BUSINESS AND GENERAL FRAMEWORK

The performance of the global economy in 2013 was characterised by overall subdued growth in different regions. According to current data from the International Monetary Fund (IMF) growth in developed national economies as well as in emerging countries was lower than in the previous year. The experts reported an increase in the global real gross domestic product (GDP) of 3.0% compared to 2012. The increase in the previous year was 3.1%. The economists predict real GDP will grow by 3.7% in 2014.1

The eurozone was able to stem the adverse trend from 2012, when the economy contracted by 0.7%. Across all Member States economic output fell by 0.4% in 2013.[2] However, the uncertainty regarding the debt crisis in various countries, especially in Southern Europe, continued to be felt. Experts at the statistical office of the European Union (Eurostat) are cautiously optimistic for the current year and predict that the real GDP of the eurozone will increase by 1.1% – also as a reaction to the continued expansive monetary policy of the European Central Bank.[3]

2013 with a growth in GDP of 0.4% was also a year of transition for the German economy.[4] The economy of the Federal Republic was adversely impacted particularly by the sustained recession in some European countries as well as a slowdown in the growth of the global economy. An increase of 0.7% was achieved in 2012. However, economic momentum should pick up significantly in the current year. According to its current forecast for 2014 the German Federal Government is forecasting that the economy will grow by 1.8% compared to the previous year.[5]

The US economy also showed slight signs of cooling down. Following economic growth of 2.8% in 2012[6] the Fed, the US Federal Reserve, expects an increase in real GDP for 2013 of between 2.2% and 2.3% compared to the previous year. The Fed is forecasting growth of between 3.0% and 3.4% for 2014.[7]

During the course of the year the euro continually appreciated against the US dollar on a high degree of volatility and recorded an overall increase of 4.5%. It reached its low for the year of EUR/USD 1.2768 on 27 March 2013. The European common currency subsequently strengthened significantly and was quoted at its high for the high of EUR/USD 1.3814 on 27 December 2013. Exchange rates of importance to Biotest are set out in Section B.3 of the notes to the consolidated financial statements.

II. INDUSTRY-SPECIFIC FRAMEWORK

The market for immunoglobulins and albumins, the best-selling products of the Biotest Group, continues to show stable growth. Significantly more immunoglobulin amounting to a volume of about 122 tonnes was also sold in 2012 than in 2011 (107 tonnes).[8] A further increase to about 132 tonnes is expected for the past financial year of 2013. The total market for intravenous immunoglobulins (IVIG) in Germany increased considerably at the beginning of 2013 and was able to maintain its high volume levels during the course of the year.[9] Market researchers also expect a similar pronounced trend in future periods. An average growth rate of 7–8% per year is predicted over the medium term.[10] The highest growth is expected in countries outside North America and the European Union (EU). The experts are forecasting an average annual growth of at least 10% for these countries.[11] The substantial increase in the past confirms this trend.

1 International Monetary Fund (IMF), World Economic Outlook Update, 21 January 2014

2 Eurostat, growth rate of real GDP, as of: 17 January 2014

3 Eurostat, growth rate of real GDP, as of: 17 January 2014

4 Federal Statistical Office of Germany (DESTATIS), press release, "Moderate growth in the Germany economy in 2013", 15 January 2014

5 German Federal Ministry of Economics and Energy, Annual Economic Report 2014, 12 February 2014

6 International Monetary Fund (IMF), World Economic Outlook Update, 21 January 2014

7 Board of Governors of the Federal Reserve System, Minutes of the Federal Open Market Committee, 17 December 2013

8 Marketing Research Bureau (2012), The worldwide plasma proteins market 2011; Marketing Research Bureau (2013), The worldwide plasma proteins market 2012

9 IMS Health Germany, database, as of: January 2014

10 Morgan Stanley Research, Ig Survey: growth and share OK, AD surprises, 29 October 2013

11 UBS Investment Research, Dec-12 qtr Plasma Price & Supply Survey, 29 March 2013

GLOBAL MARKET FOR IMMUNOGLOBULINS*

	2012 market volume in tonnes	Share of global market as a %
USA	59	49
Europe	31	25
Other regions	32	26

* Estimates based on data from the Marketing Research Bureau[12]

In the course of the market expansion of IVIGs in Germany, the Biotest preparation, Intratect®, recorded significant gains and thereby increased its market share of the total German market whilst prices remained stable at the same time. The prices achievable for immunoglobulins in the US are still about 25 % above the average prices on European markets.[13] Biotest has been benefitting from this trend since the market launch of Bivigam® in February 2013.

The market demand for albumins is also increasing constantly. A worldwide volume of about 705 tonnes is expected for the past financial year. 665 tonnes were sold on the world market in 2012.[14] Growth of at least 5 % per year is assumed for both the EU and the US. In fact, even stronger growth is expected for markets apart from these two.[15] Growth rates of up to 15 % are predicted, particularly for China. A further revival in the market for human albumin could result from the decrease in sales of hydroxyethyl starch (HES), a substitute preparation for albumin consisting of plant starch, as the US Food and Drug Administration (FDA) as well as the European Pharmacovigilance Risk Assessment Committee (PRAC),have issued safety warnings regarding these preparations.

The demand for plasma factor VIII products continues to grow. The growth is being driven by factor VIII therapies that are becoming increasingly established in other regions. In this regard, Biotest supports the global access programme of the World Haemophilia Organisation, whose objective is to promote the treatment of patients with blood coagulation diseases in developing countries.

12 Marketing Research Bureau (2013), The worldwide plasma proteins market 2012

13 UBS Investment Research, CSL Limited, Get volume right & you get the stock right, 21 June 2013

14 Marketing Research Bureau (2013), The worldwide plasma proteins market 2012

15 Credit Suisse Equity Research, Resuscitating the dragon, 5 September 2013

III. BUSINESS PERFORMANCE

A. BIOTEST IN 2013

2013 goals: Target-performance comparison

The Biotest Group fully met all of its targets set out in the previous year's annual report. The forecast was even significantly raised in the fourth quarter 2013 in respect of operating profit (EBIT). Biotest generated sales growth of 13.8 % in 2013 and moved at the upper end of the forecasted target range of 10 – 15 %. Following the positive performance in the first nine months of 2013 the Biotest Group increased its forecast for EBIT from also 10 – 15 % to 15 – 20 %. This target was also fully achieved with an increase in EBIT of 20.4 % compared to the previous year.

Group business strategy and implementation in the 2013 financial year

Internationalisation

In the 2013 financial year, Biotest continued its efforts to expand its presence in important international markets. The Company was able to significantly enhance its own product portfolio in one of the world's largest and most important pharmaceutical markets by obtaining marketing authorisation for Bivigam® in the US. The intravenous immunoglobulin is used to treat patients with primary immune deficiencies (PID). The Biotest subsidiary, BPC, expanded its production facilities in Boca Raton, Florida, USA over the past year and is now capable of producing up to 1.5 tonnes of Bivigam®. Sales of Bivigam® generated in the 2013 financial year demonstrate the medical need and potential of the preparation.

Biotest will also intensify its involvement in China as planned. It is gaining access to the fast-growing, high-price Chinese albumin market through a distribution agreement concluded in the 2013 financial year with Wanbang Biopharmaceuticals, Shanghai, China, a company belonging to the Fosun Pharma Group, for the marketing of human albumin. The Company expects this to generate an additional up to € 30 million in sales over the medium-term. Sales are expected to start in China in 2014.

The Company's presence in Russia was also expanded last year. A long-term distribution agreement was entered into with Merz Pharma GmbH & Co. KGaA, Frankfurt am Main, Germany (Merz) with effect from 1 January 2013, under which Merz distributes numerous Biotest products such as Intratect® und Pentaglobin® amongst others in Russia. Merz has a nationwide sales force and is therefore able to ensure the targeted advertising of the products. The sales achieved by Biotest in Russia in 2013 already confirm this decision in the first financial year of the cooperation.

In addition, we were able to make considerable progress with regard to marketing authorisation and sales in various other markets in the world. In the third quarter of 2013 an agreement was signed with a major distributor to supply Mexico, one of the largest South American markets for plasma proteins. Marketing authorisation was obtained for albumin in Brazil, under which the first significant sales are expected in financial year 2014. In addition to the market launch of the 10 % intravenous immunoglobulin solution Intratect® (100 g/l) in Germany in January 2013 sales had started in several European markets by the 2013 year end.

Research and Development

Research and development form the basis for the future development of the Company and constitute an integral part of the Biotest Group's strategy. Important progress was achieved in the following development projects in the 2013 financial year:

Haematology therapy indication area

Indatuximab Ravtansine (BT-062): The BT-062 preparation received the INN (International Non-proprietary Name) "Indatuximab Ravtansine" in the 2013 financial year. The recruitment of patients was completed for the phase I/IIa study (no. 975) of Indatuximab Ravtansine (BT-062) for the monotherapy of multiple myeloma, a malignant disease of the bone marrow. A total of 35 patients were treated with the product candidate. The treatment is being continued in one of these patients in whom no progression in the disease had been observed for two years. In a subsequent phase II study (no. 983), in which Indatuximab Ravtansine (BT-062) is administered in combination with lenalidomide and dexamethasone, the maximum tolerable dosage level of this combination treatment was determined at 100 mg/m². The tolerability and efficacy of the combination treatment will now be further investigated at this dosage level. The results to date are very promising. The combination therapy shows good efficacy across all dosage groups with complete or partial remission in more than 70 % of the patients. This response rate is even 89 % at the well tolerated dosage level of 100 mg/m². The result was 75 % in a group of patients who no longer responded to previous therapies using lenalidomide and dexamethasone.

In the third quarter of 2013 a phase I/II clinical study in solid tumours was submitted to the authorities for authorisation. Authorisation to conduct the study has already been given in Belgium. Patients with metastatic triple-negative breast cancer (these tumours do not respond to treatment with oestrogen-, progesterone- or HER2-directed (Herceptin 2) therapy) as well as invasive bladder cancer are to be treated with Indatuximab Ravtansine (BT-062) and the product will be investigated for its efficacy and tolerability. The enrolment of the first patients is expected in the first quarter of 2014.

Research cooperation with EpiVax Inc. regarding non-immunogenic haemophilia A therapy: At the beginning of December 2013 Biotest announced the joint research programme with EpiVax Inc., Providence, Rhode Island, USA (EpiVax), for 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 research – using EpiVax's so-called proprietary immunomodulating "Tregitope" technology – has already started. The project is currently in the pre-clinical testing phase.

Clinical immunology therapy indication area

BT-063: A toxicity study involving a three-month treatment period and subsequent follow-up was started as preparation for conducting a phase I/II study in patients diagnosed with systemic lupus erythematosus (SLE).

BT-094 (Cytotect 70): Additional pregnant women with seroconversion were enrolled in the ongoing phase III study (no. 963) for the prevention of cytomegalovirus (CMV) infection of unborn babies of mothers with primary CMV infection during pregnancy.

Civacir®: The first patients in the US were treated with Civacir® as part of the pivotal phase III study (no. 988). Additional patients are currently being screened. Civacir® will be used for the prophylaxis of hepatitis C re-infection following liver transplantation.

Tregalizumab (BT-061): As part of the continuing development of the monoclonal antibody Tregalizumab (BT-061) in collaboration with AbbVie, Biotest started phase IIb (TREAT 2b – **T**cell **RE**gulating **A**rthritis **T**rial 2b, no. 986) involving a planned 304 patients. Patient recruitment has started and the first patients were treated in December 2013. The clinical trial protocol has already been approved in several countries – including the US and Canada – by the competent national regulatory authorities. The decision to continue to develop Tragalizumab (BT-061) and to start the largest phase IIb study in the Company's history is based on the initial results of an interim analysis of the phase IIb study (no. 979) completed in the third quarter of 2013. The final data, which confirmed the good efficacy and safety of earlier studies, was presented to the ACR (American College of Rheumatology) international rheumatology conference in San Diego at the end of October 2013. Furthermore, analysis of the data of another study (no. 985), which investigated the additional pharmacodynamic and -kinetic properties of the agent, has been completed. The pharmacodynamic data collected indicates that higher dosage levels of Tregalizumab (BT-061) could result in even greater efficacy.

In February 2014 Biotest agreed with AbbVie to make a payment in advance of USD 3.9 million for the production of the clinical test material for Tregalizumab (BT-061).

Zutectra®: Patient recruitment for the phase III study (ZEUS – Zutectra Early USe, no. 987) is accelerating. Zutectra® has been authorised in the European Union since 2009 for the indication and prevention of hepatitis B virus (HBV) re-infection for patients six months liver transplantation due to HBV-induced liver insufficiency. The objective is to use the ZEUS study data to obtain marketing authorisation for the use of Zutectra® one to two weeks after transplantation. This study involves about 20 study centres in Italy, France, England and Spain.

Intensive care medicine therapy indication area

Fibrinogen: Authorisation to conduct the clinical phase I/II study (no. 984) was given for the fibrinogen concentrate currently under development. In the first part of the study patients who suffer from a congenital deficiency of fibrinogen are treated with a single dose in order to evaluate the pharmacokinetic properties, tolerability and safety of the fibrinogen concentrate. The treatment of the first patients has also already started in the second part of the study, in which the dose of fibrinogen best suited to the individual patient for acute bleeding or as prophylaxis for planned surgery where there is a bleeding tendency.

IgM concentrate: A statistical estimation based on 40 treated patients was performed for the ongoing phase II study of the IgM concentrate. Based on this the study has been expanded to 160 patients. A second interim analysis is planned after 100 patients have been treated.

The following table provides an overview of the current Biotest studies.

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/ study design	Number of study participants	Status as of 31 December 2013
Haematology indication area				
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/IIa Multiple myeloma	975	Repeated multiple dosing, intravenously on day 1, 8 and 15; every 28 days, dose escalation above 40 mg/m²	35	Patient recruitment concluded
Phase II Multiple myeloma	983	Combination with lenalidomide and dexamethasone based on 975 design (repeated multiple dosing)	46 planned	Patient recruitment ongoing
Phase I/IIa Breast cancer, bladder cancer	989	Repeated multiple dosing, intravenously on day 1, 8 and 15; every 28 days, dose escalation above 100 mg/m²	80 planned	Patient recruitment ongoing

OVERVIEW OF CLINICAL STUDIES

Type of study	Study number	Dosage/ study design	Number of study participants	Status as of 31 December 2013
Clinical immunology indication area				
BT-094 (Cytotect 70)				
Phase III Cytomegalovirus (CMV) infection transmitted in pregnancy	963	Multiple dosing in pregnant women with primary CMV infection (seroconversion); control group without treatment	Screening of about 25,000 pregnant women	Patient recruitment ongoing
Civacir®				
Phase III HCV-induced liver transplantation	988	IV dose after HCV-induced liver transplantation for re-infection pophylaxis	84 planned	Patient recruitment 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 Rheumatoid arthritis Study name: „TREAT 2b"	986	Combination with methotrexate, subcutaneous, multiple dosing, treatment duration 24 weeks with subsequent optional 28-week extension phase; placebo-controlled	More than 300 planned	Patient recruitment ongoing
Zutectra®				
Phase III Hepatitis B re-infection in the early phase after liver transplantation Study name: „ZEUS"	987	Zutectra®(s.c. HBIG); multiple dosing after liver transplantation	60 planned	Patient recruitment ongoing
Intensive care medicine				
Fibrinogen				
Phase I/II Congenital fibrinogen deficiency	984	Single dose to determine the pharmacokinetics, tolerability and safety; individual treatment of acute bleeding based on patient needs	20 planned	Patient recruitment ongoing
IgM concentrate				
Phase II Severe community acquired pneumonia	982	Multiple dosing in sCAP (severe community acquired pneumonia); treatment for five days, i.v. administration, placebo-controlled double-blind study	160 planned	Patient recruitment ongoing

Marketing and distribution

Fovepta®: In the 2013 financial year Vietnam was selected to be the first country in the world for the marketing launch of the product, 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 the transmission of the virus infection by a subcutaneous dose immediately after birth. Further marketing authorisations have been submitted so that sales should also begin in these countries following authorisation.

Intratect® 100 g/l (10 % solution): Following receipt of the marketing authorisation in October 2013 under the decentralised European marketing authorisation procedure the marketing of Intratect® 100 g/l (10% solution) was launched in several countries in Europe as well as in the Middle East. The sales launch in Germany in January 2013 was followed by the start of marketing by the end of the year in Great Britain, Italy, Switzerland, Austria, Ireland as well as various Gulf states, amongst others. Applications for further marketing authorisations in the international area have been submitted so that sales should also begin in these countries following authorisation.

Social responsibility

With its products and their areas of use, the Biotest Group operates in a highly ethical environment. Biotest's preparations 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.

Biotest is a cooperation partner in the "Project Recovery" that has been in effect since October 2013. This project, initiated in a partner search over a period of decades by the Canadian Blood Service (CBS) and the Canadian Haemophilia Society (CHS) is now being implemented by Biotest AG in partnership with CBS and Grifols Inc. on behalf of the World Federation of Haemophilia (WFH). As part of Project Recovery, Biotest will manufacture the factor VIII concentrate Haemoctin® from the cryoprecipitate (early stage of factor VIII within the plasma protein manufacturing process) previously produced by Grifols Inc. from Canadian blood donors. Haemophilia is a lifelong, inherited bleeding disorder that affects about one in 10,000 people worldwide. Close to 75 % of the people suffering worldwide from this disorder receive little or no treatment. The preparation will be provided through the WFH Humanitarian Aid Programme to patients in developing countries, where sufferers so far have little or no access to medicines for the treatment of haemophilia. In addition to the production process Biotest is also responsible for the entire coordination process and shipping logistics. This project is unique in the world and combines the use of previously unused cryoprecipitates with a humanitarian aim.

As in previous years, Biotest AG has also supported patient organisations in the 2013 financial year in many ways at the national and international level. In the area of immunology Biotest is providing support – both in terms of financial and organisational support – to the "International Patient Organisation for Primary Immunodeficiency" (IPOPI) in its work to improve the diagnostics for patients with immunological diseases and the access of patients to adequate therapy.

Finally, Biotest is also working at the political level, amongst other things, as part of the European "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

In the 2013 financial year Biotest was again able to increase sales significantly by 13.8 % and exceeded the € 500 million mark for the first time. The Group generated sales of € 500.8 million compared to € 440.0 million in the 2012 financial year. In conjunction with the market launch of Bivigam® in the US, strong growth was achieved mainly in the Therapy segment. Sales increased in this segment by 16.7 % from € 330.9 million to € 386.2 million. Sales in the Plasma & Services segment also increased by 5.7 % to € 102.5 million (previous year: € 97.0 million). Sales remained constant at € 12.1 million in Other Segments.

SALES BY SEGMENT

in € million	2013	2012	Change as a %
Therapy	386.2	330.9	16.7
Plasma & Services	102.5	97.0	5.7
Other Segments	12.1	12.1	0.0
Biotest Group	**500.8**	**440.0**	**13.8**

Although Biotest also continued to grow in Germany in 2013 (+ 4.5 % compared to the previous year), sales momentum accelerated particularly in foreign markets on which increased focus is being placed as part of the internationalisation strategy. In the past year, 81.3 % (previous year: 79.7 %) of Biotest revenues were already generated outside its domestic market. The largest increase was achieved in North and South America. With the marketing launch of Bivigam® in the USA sales increased there from € 58.5 million to € 86.0 million – a growth rate of 47.0 %. The growth rates in Asia and other countries of the world were also in the double digit range of 14.4 % and 31.6 %, respectively.

SALES BY REGION

in € million	2013	2012	Change as a %
Germany	93.4	89.4	4.5
Rest of Europe	169.1	160.5	5.4
North and South America	86.0	58.5	47.0
Asia	139.4	121.8	14.4
Rest of the world	12.9	9.8	31.6
Biotest Group	**500.8**	**440.0**	**13.8**

The cost of sales also increased from € 255.3 million to € 293.2 million as a result of the significant increase in sales. The cost of sales ratio increased slightly to 58.5 % (previous year: 58.0 %). Distribution costs increased in absolute terms from € 57.1 million to € 60.1 million in conjunction with the market launch of Bivigam®. The decrease in the ratio of these costs to sales by 1.0 % to 12.0 % illustrates the economies of scale achieved. Administrative expenses increased from € 27.9 million to € 30.6 million. The administrative expense ratio also decreased to 6.1 % due to efficiency gains (previous year: 6.3 %).

The driving forward of research and development work was the focus for Biotest in the 2013 financial year. For this reason, costs in this area increased substantially to € 64.6 million (previous year: € 51.4 million). Its ratio to sales also increased by 1.2 % and is now 12.9 %. The start of various, partly international, studies – TREAT 2b, the largest study in the Company's history, was started amongst others – documents Biotest's successful development pipeline. These projects are likely to make significant contributions to revenue and earnings in the future.

Other operating income increased slightly to € 12.6 million (previous year: € 11.6 million). This is offset by other operating expenses which decreased from € 15.2 million to € 11.1 million. Impairment losses and write-offs of receivables included under this item affected earnings more strongly in the previous year.

As a result of these positive developments Biotest was able to significantly increase operating profit (EBIT) by 20.4 %. The Group generated an EBIT of € 53.8 million in 2013 compared to € 44.7 million in the previous year. The EBIT margin increased to 10.7 % (previous year: 10.2 %) due to the disproportionate increase in earnings compared to that of sales. The Therapy segment again made the largest contribution to EBIT, generating € 32.1 million in 2013, 22.1 % above the level of the previous year (€ 26.3 million). The earnings of the Plasma & Services segment also increased significantly and amounted to € 23.7 million (previous year: € 18.4 million). The various international cooperation agreements for toll manufacturing had a positive effect in this regard. In contrast, Other Segments recorded a loss of € 2.0 million compared to breakeven (€ 0.0 million) in the 2012 financial year.

The financial result improved again in the past financial year and amounted to € –7.0 million compared to € –9.2 million in the previous year. This was mainly attributable to a decrease in currency translation losses due to the appreciation of the euro. This business performance resulted in a substantial increase in earnings before taxes for Biotest of 31.0 % to € 47.8 million (previous year: € 36.5 million). Earnings after taxes increased by even more as the effective tax rate was reduced as a result of less non-evaluated losses and amounted to € 32.0 million – a plus of 38.5 % compared to the previous year's amount of € 23.1 million. This resulted in earnings per share of € 2.54. In the previous year, this only amounted to € 1.94 in Continuing Operations. The substantial increase is to be viewed as particularly positive as the number of shares outstanding had been increased as a result of the capital increase implemented in the middle of 2013.

KEY PERFORMANCE FIGURES OF THE BIOTEST GROUP

in € million	**2013**	2012*	Change as a %
EBIT	53.8	44.7	20.4
EBT	47.8	36.5	31.0
EAT	32.0	23.1	38.5
Earnings per share in €	2.54	1.94	30.9

* Continuing Operations

MAJOR COST POOLS OF THE BIOTEST GROUP*

in € million	**2013**	**As a % of sales**	2012	As a % of sales
Cost of sales	–293.2	58.5	–255.3	58.0
Distribution costs	–60.1	12.0	–57.1	13.0
Administrative expenses	–30.6	6.1	–27.9	6.3
Research and development costs	–64.6	12.9	–51.4	11.7
Other operating income and expenses	1.5	–0.3	–3.6	0.8
Financial result	–7.0	1.4	–9.2	2.1

* Costs/expenses are denoted with a negative sign

B. FINANCIAL POSITION

Total assets of Biotest increased significantly to € 886.5 million as of 31 December 2013 (31 December 2012: € 682.3 million) primarily as a result of the successful capital measures. Under the capital increase the maximum possible number of 1,461,909 new preference shares was placed at a price of € 52.00 per share and generated issue proceeds of € 73.7 million after deducting transaction costs and taxes. The privately placed bonds of € 210.0 million were also fully placed and now form the core of our debt financing.

This was reflected on the asset side of the balance sheet as of 31 December 2013 by the significant increase in cash and cash equivalents as well as the general expansion of business operations. Non-current assets increased from € 314.9 million as of 31 December 2012 to € 324.0 million. Increased property, plant and equipment and deferred tax assets were offset by lower intangible assets. Property, plant and equipment amounted to € 254.9 million as of 31 December 2013, about 4.9 % above the previous year's amount (€ 243.0 million). While a total of € 40.1 million was invested in property, plant and equipment – particularly as part of the mirroring of the albumin production and the start of the work for the "Biotest Next Level" project – depreciation thereon amounted to € 24.4 million. Investments in intangible assets of € 2.8 million were offset by amortisation of € 7.4 million.

Current assets increased sharply – as a result of the business expansion and cash inflows relating to the capital measures – and amounted to € 562.5 million as of 31 December 2013 (31 December 2012: € 349.0 million). Inventories increased to € 227.0 million (31 December 2012: € 184.2 million) mainly as a result of the marketing launch and ramp-up of production of Bivigam® as well as the preparations for the planned growth in 2014. Similarly, trade receivables also increased to € 118.5 million (31 December 2012: € 96.1 million) due to the sharp increase in sales. Cash and cash equivalents increased significantly to a total of € 204.4 million as of 31 December 2013 as a result of the net proceeds from the capital measures (31 December 2012: € 57.2 million). The inflow of funds from the capital increase and the privately placed bonds issue are to be used mainly for the expansion of the facilities at Dreieich and the general financing of the Company.

The successful business performance and the capital measures are also reflected on the liabilities side of the balance sheet. The equity of the Group increased to € 460.7 million (31 December 2012: € 369.4 million). The subscribed capital increased from € 30.0 million as of 31 December 2012 to € 33.8 million. The share premium increased significantly from € 153.3 million to € 225.6 million. Retained earnings amounted to € 169.2 million (31 December 2012: € 152.6 million) after including the consolidated net profit for the previous year and deducting items recognised directly in equity, foreign currency translation differences and the dividend payment of € 6.2 million. The equity ratio decreased from 54.1 % to 52.0 % as a result of the sharp increase in total assets.

The restructuring of the Group's financing resulted in a reduction in current debt offset by a sharp increase in non-current debt. Non-current financial liabilities increased to € 226.2 million as a result of the replacement of the syndicated loan agreement in force in the previous year by the privately placed bonds. This balance sheet item amounted to € 71.0 million as of 31 December 2012. On the other hand, deferred revenue decreased from € 8.3 million as of 31 December 2012 to the current level of € 2.5 million. This item includes a portion of the payments received under the agreement with AbbVie that are accounted for using the percentage-of-completion method.

The realignment of the financing base is particularly evident in current liabilities, where financial liabilities decreased from € 41.5 million to € 5.3 million. However, other current provisions increased by € 5.5 million to € 24.5 million as of 31 December 2013. Trade payables also increased slightly to € 51.4 million as of the reporting date (31 December 2012: € 47.4 million).

The capital available to the Company over the long-term (equity, pension provisions and non-current liabilities to bank) covers 84.2 % of total assets (previous year: 72.9 %).

Net debt decreased from € 55.2 million to € 27.1 million as of 31 December 2013.

C. CASH FLOWS

The investments made and the successful capital measures are also reflected in the cash flow statement. Cash flow from operating activities amounted to € –7.2 million as a result of the increased need for working capital in conjunction with the significant increase in sales and the associated build-up in inventories and receivables. There was an inflow of € 34.7 million in the previous year. Interest and taxes paid decreased from € 30.4 million in 2012 to € 16.1 million. The taxes paid on the proceeds from the sale of the former Microbiological Monitoring segment were disclosed amongst other things under this item in the previous year.

Cash flow from investing activities amounted to € –32.3 million in 2013. This includes primarily capital expenditure made in connection with the expansion of albumin production at Dreieich, the start of "Biotest Next Level" and the establishing of plasma centres. Here, the deferred payment of € 10.4 million received from Merck KGaA at the beginning of the financial year in connection with the sale of the former Microbiological Monitoring segment was particularly evident. Cash flow from investing activities amounted to € –29.3 million in the previous year.

The free cash flow in 2013 amounted to € –39.5 million compared to € 5.4 million in the 2012 financial year.

Cash flow from financing activities was significantly increased by the proceeds from the capital increase and privately placed bonds issue, which resulted in a significant inflow of € 186.9 million in 2013. In the past year scheduled loan principal repayments resulted in an outflow € 31.4 million.

In total, the cash flow from financing activities more than compensated for the outflows from the free cash flow so that cash and cash equivalents as of 31 December 2013 increased significantly up to € 204.4 million (31 December 2012: € 57.2 million).

KEY CASH FLOW STATEMENT FIGURES FOR THE BIOTEST GROUP

in € million	2013	2012
Operating cash flow before changes in working capital	86.4	73.7
Cash flow from changes in working capital	–77.5	–8.6
Interest and taxes paid	–16.1	–30.4
Cash flow from operating activities	**–7.2**	**34.7**
Cash flow from investing activities	–32.3	–29.3
Cash flow from financing activities	186.9	–31.4
Cash changes in cash and cash equivalents	**147.4**	**–26.0**

Biotest currently has loans of € 226.2 million available over the long term. In addition, credit lines of € 99.7 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 loans.

Financing strategy

Biotest'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 investments are 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 52.0 % as of 31 December 2013 Biotest has an excellent basis for financing its future investments. A crucial milestone for future financing is the capital increase that was successfully implemented in June 2013. With issue proceeds of € 73.7 million after deducting transaction costs and taxes this considerably strengthened the liquidity situation of the Group for the planned capital expenditure and our negotiating position regarding the privately placed bonds.

In addition, Biotest fully restructured its debt financing in the past financial year: The syndicated loan agreement of an original amount of € 175.0 million that was still in force in the previous year was fully repaid and cancelled as of 11 November 2013. This financing was replaced by privately placed bonds of an original amount € 210.0 million, which now form the core of the debt financing. The privately placed bonds comprise euro (EUR) and US dollar (USD) tranches with different maturities and interest rates.

TRANCHE STRUCTURE OF THE PRIVATELY PLACED BONDS

Currency	Term	Interest rate
EUR	5 years	Fixed
EUR	5 years	Variable
USD	5 years	Variable
EUR	7 years	Fixed
EUR	7 years	Variable
EUR	10 years	Fixed

The total of equity and the non-current components of debt financing is to cover non-current assets. Biotest enters into revolving agreements for working capital loans, which generally have a term of one or two years, to finance its operating business.

The capital structure is described in Section E.14 of the notes.

V. SUMMARY ASSESSMENT OF THE BUSINESS SITUATION OF THE COMPANY

The Biotest Group continued its consistent growth course in the 2013 financial year and also further increased profitability. Revenues (+13.8%) and EBIT (+20.4%) increased significantly compared to the previous year.

The Biotest Group has the overall resources to drive forward the operating business as planned. The increase in the marketing of Bivigam® in the US, market entry into other lucrative markets, either completed or imminent, and further development of monoclonal antibodies amongst others offer additional profit potential. The financial position, which has been strengthened on a sustained basis by the successful capital measures, and the balanced financing structure form the foundation for the planned future growth of the Biotest Group.

C. SUPPLEMENTARY REPORT

After the end of the reporting period Biotest France SAS, Paris, France, was formed by Biotest AG in January 2014.

Biotest Pharmaceuticals Corporation (BPC), a wholly-owned subsidiary of Biotest AG with its headquarter in Boca Raton, Florida, USA, decided on 20 February 2014 to recall some lots of Bivigam® 100ml/ 10g from 2013. The reason for the recall was the possibility that a very small percentage of the 100 ml bottles may exhibit an integrity defect. No such defects have been reported from the market so far. The cost of the recall resulted in a decrease in operating profit in the amount of € 5.9 million. The financial impact has already been reflected in the 2013 consolidated financial statements.

D. OUTLOOK, RISK AND OPPORTUNITIES REPORT

I. OUTLOOK

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

The Board of Management proceeds from a positive development of the Biotest Group for the current 2014 financial year. The demand for plasma proteins is in a constant growth corridor worldwide, also the launch of existing products in new markets provides further sales potentials in the short and medium term.

With the completed expansion of the human albumin production, major advances in the research and development work as well as the important decision to double the capacity in Dreieich crucial foundations for the future development of the Group were built. From this strong basis, the Board of Management expects to continue on the Group's constant and profitable growth path in 2014.

B. DIRECTION OF THE GROUP IN FINANCIAL YEAR 2014

The general direction of the Biotest Goup in financial year 2014 will not change from today's perspective.

C. MARKET DEVELOPMENTS

Target markets

According to current studies the global demand for immunoglobulins will further increase annually by 7–8% in 2013 and over the next few years.[16] The supply is growing slightly disproportionately. Thus, despite the increase in demand, the Biotest Goup expects that prices for these products will remain under pressure. Nevertheless, market entry into the US, the largest immunoglobulin market in the world, as a result of the market launch of Bivigam® provides additional sales opportunities that were not previously available.

16 Morgan Stanley Research, Ig Survey: growth and share OK, AD surprises, 29 October 2013

The Biotest Group also expects that the global market volume for plasma clotting factors will increase by about 2 % per year.[17] In addition, the resumption of sales of human albumin in China offers significant sales potential over the medium term. Sales are expected to start in China in 2014. The safety warnings issued in June 2013 by the FDA and the European PRAC (Pharmacovigilance Assesment Committee) in June 2013 for solutions containing hydroxyethyl starch could help the albumin market to grow even larger than previously expected. There is also 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 20.8 billion in 2012. Sales for the psoriasis indication, which is treated with Tregalizumab (BT-061), were USD 4.1 billion in the same period. Preparations to treat multiple myeloma (Biotest Indatuximab Ravtansine (BT-062) development project) generated worldwide sales of almost USD 6 billion. Further increases are forecast up to 2018 in all product groups as part of new as well as extensions to existing market authorisations.[18]

D. EXPECTED PERFORMANCE OF THE BIOTEST GROUP

Expected business and earnings situation of the Biotest Group

For the 2014 financial year the Management Board expects a growth of sales and operating profit (EBIT) in the range of 10 % compared to the previous year. This growth results from the expansion of the production facility for human albumin and the increase in sales with Bivigam®.

Expected financial and asset position of Biotest

Biotest restructured its refinancing in the 2013 financial year as part of the capital measures and related replacement of the syndicated loan agreement. The Group has thereby also ensured a balanced financing structure – both in terms of the ratio of debt to equity and current to non-current loan financing – for 2014 and beyond.

The Group will use a substantial portion of the cash and cash equivalents for the "Biotest Next Level" project in order to cover the planned expansion of capacity at Dreieich. The planned increase in inventories is also to be financed. The targeted increase in the marketing of Bivigam® will result in a build-up of intermediates and final products. In addition, current assets will increase as a result of the expected growth in sales of Intratect® 100 g/l (10 % solution) and full utilisation of the significantly increased albumin production capacity.

Capital expenditure of up to € 60 million is planned for Biotest for the 2014 financial year, of which up to € 20 million is attributable to the "Biotest Next Level" project. However, further investments will be made to expand existing and build new plasma centres in the US for BPC and for the construction of the plasma goods receipt area and completion of individual technical projects at Dreieich.

In addition to the organic growth described above and the financing thereof, the 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 2014 financial year:

Haematology indication area

Indatuximab Ravtansine (BT-062): It was determined that the optimum dosage is a 100 mg/m² treatment and patient recruitment will now be continued in the combination phase II study (no. 983) in multiple myeloma. A total of 46 patients are to be treated. Based on the comprehensive data that will then be available Biotest will continue the clinical development of Indatuximab Ravtansine (BT-062) for this indication. In addition, the efficacy and safety of the product candidate against solid tumours such as triple-negative metastatic breast cancer (these tumours do not respond to treatment with oestrogen-, progesterone- or HER2-directed (Herceptin 2) therapy and metastatic bladder cancer will be investigated for the phase I/IIa study (no. 989). It is expected that the first patient will be treated at the beginning of 2014.

17 Market Research Bureau (2012), Forecast of the global coagulation factors concentrates market 2010 to 2025

18 Evaluate Pharma, Yearly Product sales and forecast, 3 January 2013

Clinical immunology indication area

BT-063: A phase I/II study in patients diagnosed with systemic lupus erythematosus is in the preparation stage for the BT-063 monoclonal antibody under development. This study is expected to be submitted to the authorities in the second half of 2014 for authorisation.

Civacir®: In the phase III study (no. 988) additional patients will be screened and treated in the current financial year.

Fovepta®: Following the marketing launch in 2013 and the first sales in Vietnam, marketing authorisation in other countries is planned for the current and following years. Market introduction in the relevant regions is planned for 2015.

Intratect® 100g/l (10 % solution): The preparation is to be marketed in Spain in the current 2014 financial year, thereby expanding the coverage of the most important European countries. Applications for further marketing authorisations in the international area have been submitted so that sales should also begin in these countries following authorisation.

Tregalizumab (BT-061): The first patients were recruited and treated in 2013 for the international phase IIb study TREAT 2b (no. 986) which includes 300 patients. In the largest study in the Company's history, Tregalizumab (BT-061) is administered subcutaneously in combination with methotrexate for a treatment duration of six months. If patients respond to the therapy, they can be treated with the antibody for a further six months.

Intensive care medicine therapy area

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 with the enrolment of additional patients in a total of five countries.

IgM concentrate: The ongoing phase II study (no. 982) in the severe community acquired pneumonia (sCAP) indication will be continued. Following the treatment of the 100th patient another interim analysis will be prepared in the first half of 2014.

Plasma & Services segment

The core element of the business strategy within the Plasma & Services segment is the optimal management of plasma sales together with the best possible utilisation of capacity. Biotest will decide in each case when to allocate capacity to the manufacturing of in-house products, when to sell collected plasma and when and to what degree to use available capacity to provide toll manufacturing to third parties.

Due to the constant high demand for Biotest products and planned significant increase in production capacity as part of the "Biotest Next Level" it is expected that toll manufacturing will remain at about the level of 2013.

With the increase in capacity of the Biotest Group, sales in the Plasma & Services segment should increase further over the next few years at a constant level of profitability.

II. RISK REPORT

As a global Group in a highly advanced field of technology, the Biotest Group 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. RISK STRATEGY

As defined by the Board of Management and Supervisory Board in their joint risk strategy report, the Company may take controlled risks in order to generate prospects for long-term profitable growth. The risk strategy is aimed at ensuring the 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.

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 accounting standards of relevance 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. 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. This was the case in Greece in financial year 2012.

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 risk of sharp declines in prices for plasma proteins has not increased due to the price trends in recent years, steadily growing demand and changes in the supply situation since the previous year. 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, the relationship between globally available plasmatic and recombinant clotting factors has thus far remained stable. Substitution risks are therefore manageable in the Company's view.

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 whatever measures necessary to minimise risk such as, for example, a delivery stop.

Political changes to the legal framework can also entail a sales market risk. Ceilings that were also below the previous year amount were set for the first time in 2013 in Italy for the consumption of pharmaceutical drugs. 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 – 2012.

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. Furthermore, the Company has entered into long-term supply contracts so that, in the Company's assessment, procurement market risks are very low so that, 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 many countries of the Near and Middle East has destabilised in recent years. 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 receive payment for drug deliveries currently excluded from embargo and sanction measures from countries, which are otherwise subject to an embargo. Biotest is trying to minimise these difficulties through intensive contact with their banks and explaining the underlying transactions.

It continuously monitors all political risks. The potential economic consequences of an occurrence of such risks are closely analysed.

Corporate strategy risks

Research and development risks

New drugs undergo several preclinical trials and 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. Furthermore, it is impossible to put a precise figure on the amount of development investment that will be required – unexpected additional costs may be incurred. This may also result from current regulations in Europe, which may become more stringent in the future, that require pharmaceutical companies to prove the added benefits of new products over existing ones or the advantages of new products in terms of health care costs. 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 are 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 not duly comply with their obligations or 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. The Biotest Group's employees could improperly influence the awarding of contract by granting or accepting undue advantages. Biotest combats this risk through various preventive anti-corruption measures. 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.

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 Public Prosecutor's Office in Frankfurt conducted another investigation on 30 October 2013 at the business premises of Biotest AG in connection with the Public Prosecutor's investigation in May 2012 of several employees of Biotest AG for breach of trust, fraud, bribery and tax evasion regarding the Russian business. The Offenbach tax office was also consulted on this. On 13 January 2014 the Company was notified that administrative offence proceedings had been instituted. Biotest AG denies the accusations and is actively supporting the Public Prosecutor's Office and tax office with regard to the investigation. These administrative offence proceedings could result in the risk of additional tax payments and fines being imposed. Appropriate provisions have been recognised for the defence costs arising from the proceedings.

Personnel risks

Other risks include the possibility that Biotest will not be in a position to retain employees in key positions or be able to find suitable candidates for such positions. Biotest combats this risk through continuous and targeted staff continuing education, training programmes of interest 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 a SAP system for this since 2008. The security of the technology used is therefore 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 current already comprehensive use of IT systems and is enhancing the corresponding security systems in parallel in the same way. The proper handling of systems and data is covered extensively in our operating procedures.

Financial and currency risks

Biotest AG increased capital in 2013 and also issued privately placed bonds. In this connection the syndicated loan agreement was terminated. The privately placed bonds were 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 privately placed bonds bear 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.

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, in responsibility of the owner of the admission, 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 defence costs and subsequent tax payments could result from the previously described Public Prosecutor's investigation regarding the Russian business of the Biotest. A further risk could also entail the imposition of a monetary fine.

All identifiable risks from ongoing legal proceedings are covered through provisions.

Furthermore, tax risks can 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. Significant opportunities could result from the planned first testing for the Indatuximab Ravtansine (BT-062) agent in solid tumours, as large patient groups were treated for this beyond its use in multiple myeloma.

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 introduction of Bivigam® in the US, the marketing authorisation of albumin in Brazil as well as the planned resumption of activities in the Chinese market are proof of this development.

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.

A multitude 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. In this regard, the very successful capital measures completed in 2013 such as the capital increase and the placement of privately placed bonds have significantly improved the opportunities with respect to the financing of future growth.

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. It has also maintained 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 105 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 REQUIRED UNDER 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 6,595,242 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 of Section 41 (4d) of the WpHG in effect from 1 February 2012 Dr. Martin Schleussner, Renate Schleussner and Dr. Hans Schleussner notified us on 22 February 2012 that they each held a reportable share of 50.27 % of the voting rights in Biotest AG. Kreissparkasse Biberach notified us that it held 24.36 % of the voting rights as of 20 January 2007.

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 privately placed bonds 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 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. Severance pay includes fixed remuneration through the end of the term of the contract and is limited to a maximum of three times the annual fixed salary. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the Company vehicle provided are also paid. In addition to these entitlements the severance payment shall also include a sum equal to twice the annual fixed remuneration, provided that the severance payment relating to the fixed remuneration does not exceed three times the annual fixed remuneration in total.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

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

in € million	Note	2013	2012
Revenue	D 1	500.8	440.0
Cost of sales		–293.2	–255.3
Gross profit		**207.6**	**184.7**
Other operating income	D 5	12.6	11.6
Distribution costs		–60.1	–57.1
Administrative expenses		–30.6	–27.9
Research and development costs	D 4	–64.6	–51.4
Other operating expenses	D 6	–11.1	–15.2
Operating profit		**53.8**	**44.7**
Financial income	D 7	16.9	20.6
Financial expenses	D 8	–23.9	–29.8
Financial result		**–7.0**	**–9.2**
Income from associated companies	D 9	1.0	1.0
Earnings before taxes		**47.8**	**36.5**
Income tax	D 10	–15.8	–13.4
Earnings after taxes from Continuing Operations		**32.0**	**23.1**
Earnings after taxes from Discontinued Operation	D 11	–	10.3
Earnings after taxes		**32.0**	**33.4**
Attributable to:			
Equity holders of the parent		**32.0**	**33.4**
from Continuing Operations		32.0	23.1
from Discontinued Operation		—	10.3
Non-controlling interests		—	—
from Continuing Operations		—	—
from Discontinued Operation		—	—
Earnings per share in €	E 11	**2.54**	**2.82**
from Continuing Operations		2.54	1.94
from Discontinued Operation		–	0.88
Additional dividend rights per preference share in €	E 11	**0.06**	**0.06**
from Continuing Operations		0.06	0.06
from Discontinued Operation		—	—
Earnings per preference share in €	E 11	**2.60**	**2.88**
from Continuing Operations		2.60	2.00
from Discontinued Operation		–	0.88

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

in € million	2013	2012
Consolidated profit for the period	**32.0**	**33.4**
Exchange difference on translation of foreign operations	–10.0	–0.2
Income tax effect	1.5	–
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**–8.5**	**–0.2**
Actuarial gains (previous year: losses) from defined benefit pension plans	0.5	–7.0
Income tax effect	–0.2	2.0
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**0.3**	**–5.0**
Other comprehensive income, net of tax	**–8.2**	**–5.2**
Total comprehensive income, net of tax	**23.8**	**28.2**
Attributable to:		
Equity holders of the parent	23.8	28.2
Non-controlling interests	–	–
from Continuing Operations	23.8	17.9
from Discontinued Operation	–	10.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the Biotest Group as of 31 December 2013

in € million	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Intangible assets	E 1	48.1	54.6
Property, plant and equipment	E 2	254.9	243.0
Investments in associates	E 3	1.6	2.8
Other financial investments	E 4	0.2	0.2
Other assets	E 8	0.7	0.5
Deferred tax assets	E 5	18.5	13.8
Total non-current assets		**324.0**	**314.9**
Current assets			
Inventories	E 6	227.0	184.2
Trade receivables	E 7	118.5	96.1
Current income tax assets		1.0	3.8
Other assets	E 8	11.6	7.7
Cash and cash equivalents	E 9	204.4	57.2
		562.5	**349.0**
Assets from Discontinued Operation	E 10	—	18.4
Total current assets		**562.5**	**367.4**
Total assets		**886.5**	**682.3**
EQUITY AND LIABILITIES			
Total equity			
Subscribed capital		33.8	30.0
Share premium		225.6	153.3
Retained earnings		169.2	152.6
Share of profit or loss attributable to equity holders of the parent		32.0	33.4
Equity attributable to equity holders of the parent	E 11	**460.6**	**369.3**
Non-controlling interests		0.1	0.1
Total equity	E 11	**460.7**	**369.4**
Non-current liabilities			
Provisions for pensions and similar obligations	E 12	59.1	57.1
Other provisions	E 13	5.4	4.0
Financial liabilities	E 14	226.2	71.0
Other liabilities	E 15	0.5	—
Deferred tax liabilities	E 5	7.8	7.6
Liabilities from deferred revenue	E 16	2.5	8.3
Total non-current liabilities		**301.5**	**148.0**
Current liabilities			
Other provisions	E 13	24.5	19.0
Current income tax liabilities		10.0	5.1
Financial liabilities	E 14	5.3	41.5
Trade payables		51.4	47.4
Other liabilities	E 15	26.2	27.2
Liabilities from deferred revenue	E 16	6.9	16.7
		124.3	**156.9**
Liabilities from Discontinued Operation	E 10	—	8.0
Total current liabilities		**124.3**	**164.9**
Total liabilities		**425.8**	**312.9**
Total equity and liabilities		**886.5**	**682.3**

The Notes are 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 2013

in € million	Note	2013	2012
Earnings before taxes		47.8	36.5
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	E 1, E 2	31.8	31.4
Income from associated companies	E 9	–1.0	–1.0
Losses from the disposal of fixed assets		0.2	0.8
Changes in pension provisions	E 12	0.6	–3.2
Financial result		7.0	9.2
Operating cash flow before changes in working capital		**86.4**	**73.7**
Changes in other provisions	E 13	7.3	0.5
Changes in inventories, receivables and other assets		–78.5	–5.1
Changes in liabilities from deferred revenue		–15.6	–16.7
Changes in accounts payable and other liabilities		9.3	12.7
Cash flow from changes in working capital		**–77.5**	**–8.6**
Interest paid		–5.3	–4.7
Taxes paid		–10.8	–25.7
Cash flow from operating activities		**–7.2**	**34.7**
Cash from the disposal of fixed assets		–	0.6
Payments for the investment of fixed assets	E 1, E 2	–42.9	–35.4
Cash from the sale of affiliated companies		10.4	–
Changes in other financial assets		–	4.0
Interest received		0.2	0.6
Cash flow from investing activities		**–32.3**	**–29.3**
Dividend payments for the previous year	E 11	–6.2	–5.5
Proceeds from the capital increase		73.7	–
Proceeds from the assumption of financial liabilities	E 14	222.0	1.3
Payments for the redemption of financial liabilities	E 14	–102.6	–27.2
Cash flow from financing activities		**186.9**	**–31.4**
Cash changes in cash and cash equivalents		147.4	–26.0
Exchange rate-related changes in cash and cash equivalents		–0.2	–
Cash and cash equivalents on 1 January	E 9	57.2	83.2
Cash and cash equivalents on 31 December	E 9	**204.4**	**57.2**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of the Biotest Group for the period from 1 January 2011 to 31 December 2013

in € million	Subscribed capital	Share premium	Accumulated differences from currency translation	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance on 1 January 2012	**30.0**	**153.3**	**8.2**	**155.1**	**346.6**	**0.1**	**346.7**
Gains/losses recognised directly in equity	—	—	–0.1	–5.1	–5.2	—	–5.2
Profit for the period	—	—	—	33.4	33.4	—	33.4
Total comprehensive income	**—**	**—**	**–0.1**	**28.3**	**28.3**	**—**	**28.2**
Dividend payments	—	—	—	–5.5	–5.5	—	–5.5
Balance on 31 December 2012	**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
Costs relating to the capital increase	—	—	—	–2.4	–2.4	—	–2.4
Dividend payments	—	—	—	–6.2	–6.2	—	–6.2
Balance on 31 December 2013	**33.8**	**225.6**	**–0.4**	**201.6**	**460.6**	**0.1**	**460.7**

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

NOTES

A. GENERAL INFORMATION

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

Since refocusing on its core business at the beginning of financial year 2012, the Biotest Group has been divided into the following segments: Therapy, Plasma & Services and Other Segments.

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

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 2,160 staff worldwide as of the reporting date (previous year: 1,870).

The consolidated 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 the IFRS which are mandatory for financial years beginning on 1 January 2013.

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 indicated, all amounts are stated in euro million (€ million). In the 2013 financial year the Biotest Group changed over from presenting amounts in euro thousands to euro millions due to the current size of the figures. The previous year's figures were adjusted accordingly. The financial statements have been prepared in euros.

There were no discontinued operations in the current financial year. Unless otherwise indicated, all amounts disclosed in the consolidated financial statements relate solely to continuing operations as was the case in the previous year.

The claim to the subsequent purchase payment from the Merck KGaA Group, Darmstadt, Germany was disclosed under Discontinued Operation in the statement of financial condition and statement of income.

The Board of Management of Biotest AG will submit the consolidated financial statements to the Supervisory Board on 12 March 2014. The Supervisory Board will decide on the release of the consolidated financial statements for publication on 21 March 2014.

CHANGES IN RECOGNITION AND MEASUREMENT METHODS

All valid and mandatory International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) of relevance for the Biotest Group have been applied in the preparation of these financial statements.

The accounting and measurement methods applied are the same as those of the previous year, with the exception of the standards presented below that were applied for the first time and the change in the accounting for non-refundable upfront payments under development alliances.

IAS 1 Presentation of Financial Statements (amended)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time are to be disclosed separately from items which remain in equity. This change affects only the presentation in the financial statements and therefore has no impact on the financial position, cash flows and results of operation of the Group.

IAS 19 Employee Benefits (amended)

The amended standard applies to financial years beginning on or after 1 January 2013. The amended IAS 19 repeals the corridor approach and requires actuarial gains and losses to be recognised in other comprehensive income. Furthermore, the expected return on plan assets and the interest cost on the pension liability are replaced with a single net interest component. In th future, past service costs are recognised in full in the period of the associated plan change. The amendment to IAS 19 changes the requirements for benefits upon termination of employment and expands disclosure and explanation requirements. The amendment to IAS 19 did not have a material impact on the Group, as all actuarial gains and losses were already recognised directly in equity and there are no material plan assets.

IFRS 13 Fair Value Measurement

In May 2011 the IASB published IFRS 13, Fair Value Measurement. The new pronouncement does not specify the extent to which certain assets and liabilities are to be measured at fair value but simply defines the term 'fair value' and standardises the disclosure requirements for measurements at fair value. The new pronouncement is effective for financial years beginning on or after 1 January 2013. The application of IFRS 13 did not have a material impact on the measurement of fair value within the Group. Mandatory disclosures can be found in the Notes on the individual assets and liabilities, for which fair values were determined.

Changes in accounting and measurement methods

As of 1 January 2013 the Group changed the method of recognising revenue on non-refundable upfront payments received under development alliances from a linear basis to the percentage-of-completion method. The percentage-of-completion method results in a better presentation of the cash flows and results of operations, as the linear method no longer reflects the actual cost pattern.

The change in the accounting and measurement methods does not have a material impact on the financial position, cash flows and results of operations of prior periods.

Excluding the change in accounting and measurement methods, operating profit would have been higher by € 1.1 million in 2013 and earnings after taxes by € 0.8 million. Earnings per share would have been higher by € 0.06.

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

IFRS 9 represents the first phase of the IASB project to replace IAS 39 and addresses the classification and measurement of financial assets and financial liabilities. The Standard should have been adopted for the first time for financial years beginning on or after 1 January 2013. Under the amendment to the IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures published in December 2011, the date of the mandatory application was delayed to 1 January 2015. The IASB will address hedge accounting and impairment of financial assets in further project phases. The Group is currently reviewing the impact of the completed first phase. When the final standard including all phases is published, the Group will quantify the impact in conjunction with the other phases.

IAS 32 Offsetting financial assets and financial liabilities (amended)

The amendments clarify the meaning of "currently has a legally enforceable right to 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. It is not expected that these changes will have an impact on the financial position, cash flows and results of operations of the Group; they are applicable to financial years beginning on or after 1 January 2014.

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 Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the rules regarding consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements (amended 2008) as well as SIC-12 Consolidation – Special Purpose Entities. Based on the currently applicable principles, IFRS 10 uses a comprehensive control approach to determine which companies are to be included in the consolidated financial statements. The pronouncement offers additional guidelines for interpreting the meaning of control in ambiguous cases. An investor controls another entity if, based on his/her participating interest, he/she holds a stake in variable results and has opportunities to influence the economic success of the company's key business activities. Significant changes to current rules may exist in situations where an investor holds less than half the voting rights in one company but is capable of influencing the primary business activities of another company through other channels.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interest in Joint Ventures (as amended in 2008), and SIC 13 Jointly Controlled Entities – Nonmonetary Contributions by Venturers. IFRS 11 governs the recognition of joint arrangements and is based on the type of rights and responsibilities under the arrangement rather than its legal structure. IFRS 11 classifies joint arrangements into two groups: joint operation and joint venture. The previous option for using the proportionate consolidation of joint ventures is repealed in IFRS 11. In the future, these companies will only be included in the consolidated financial statements using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 prescribes comprehensive disclosure requirements for all types of interests in other companies, including joint arrangements, associates, structured companies and off-balance-sheet entities. Disclosures are to be made to enable users of financial statements to assess the nature of participating interests in other companies, the associated risks and the impact of these interests on the company's financial position, cash flows and results of operations.

IFRS 10, 11, 12 and the consequential amendments to IAS 27 and IAS 28 apply to financial years beginning on or after 1 January 2014. New or modified standards may be applied earlier. In this case, all the above new regulations will be applied at the same time. The only exception is IFRS 12, for which disclosure requirements may be applied early independently of the other pronouncements. The pronouncements apply retroactively. The only impact this has on Biotest is in respect of the Notes.

Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendment allows hedge accounting to be continued under certain criteria where derivatives designated as hedging instruments are transferred to a central counterparty as a consequence of laws and regulations (novation). The amendment shall apply for the first time to financial years beginning on and after 1 January 2014. The Group did not novate any of its derivatives during the reporting period. However, this amendment will apply to any future novations.

B. SIGNIFICANT RECOGNITION AND MEASUREMENT PRINCIPLES

1 SCOPE OF CONSOLIDATION

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

The scope of consolidation of the Biotest Group did not change in the 2013 financial year compared to 31 December 2012.

As in the previous year, BioDarou P.J.S. Co., with registered offices in Tehran, Iran, is included in the consolidated financial statements as an associate and is 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 List of participating interests.

2 CONSOLIDATION METHODS

The reporting date for Biotest AG and all companies included in the financial statements is 31 December 2013. The financial statements of the included companies are prepared applying uniform recognition and measurement methods prescribed by Biotest AG.

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

Subsidiaries are fully consolidated from the date of acquisition, i.e., the date on which the company acquires control. Control exists whenever the parent company holds more than half of the voting shares of any company or is otherwise able to govern the financial and operating policies of a company in order to benefit from its activities. Inclusion in the consolidated financial statements ends as soon as control by the parent company no longer exists.

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 at 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 the Biotest Group. Minority interests are disclosed as a separate item in the statement of income and 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 results of the associate is disclosed 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 from 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 equity 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 (closing rate), and income and expense are translated at the average annual rate. The resulting accumulated differences are recognised directly in a separate item in equity, which is disclosed under reserves in the statement of financial position.

Under IAS 21 "The Effects of Changes in Foreign Exchange Rates" goodwill representing assets of economically independent foreign subsidiaries is translated at the closing rate.

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

	Average exchange rates		Closing rates	
1 euro equals	**2013**	2012	**31. Dec. 2013**	31 Dec.2012
US dollar	1.3282	1.2856	1.3791	1.3194
UK pound	0.8493	0.8111	0.8337	0.8161
Russian ruble	42.3248	39.9238	45.3246	40.3295
Swiss franc	1.2309	1.2053	1.2276	1.2072
Hungarian forint	296.94	289.32	297.04	292.30
Brazilian real	2.8669	2.5097	3.2576	2.7036

Monetary items (cash and cash equivalents, receivables and liabilities) denominated in foreign currency in the consolidated companies’ individual statements of financial position prepared in local currency are measured at the closing rate. Income and expenses resulting from currency translation are reported as financial expense or financial income.

An exception to this is the treatment of a net investment in a foreign operation, where currency translation effects are recognised directly in equity under 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) GOODWILL

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

Goodwill is allocated to a group of cash-generating units. At the Biotest Group, these groups are equivalent to the segments and projects. 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. Goodwill was reallocated in the 2012 financial year on the basis of relative values as part of the realignment of the segment reporting.

An impairment loss is recognised through profit or loss if the recoverable amount of the asset or the cash-generating unit is less than the carrying amount. The recoverable amount is the higher of fair value less costs to sell 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 costs to sell. 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 fixed assets acquired are recognised at cost and divided into assets with a limited useful life and assets with an indefinite useful life. Assets with a limited useful life are amortised on a straight line basis over their estimated useful life. Where necessary, impairment losses are recognised in accordance with IAS 36. The useful lives applied range from 3 to 10 years.

The amortisation period and the amortisation method applied to an intangible asset with a definite useful life are reviewed at the end of each financial year at a minimum. 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 definite 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 definite 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
Other facilities, office furniture and equipment	3 – 10 years

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

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

Impairment losses 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 at the time of initial recognition. Transaction costs attributable to the acquisition are capitalised in the case of financial assets that are not subsequently measured at fair value through profit or loss. 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 reports in accordance with the projected unit credit method. Pension costs for the financial year are forecast 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.

Under IAS 19R all actuarial gains and losses are recognised directly in equity. The retrospective application did not affect the presentation in the consolidated financial statements.

Past service cost resulting from a retrospective change to pension obligations in a financial year is recognised immediately and in full.

13 OTHER PROVISIONS

Provisions are recognised in accordance with IAS 37 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 their most probable amount. Provisions with an expected time to 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 caused by the passage of time are recorded as interest expense.

In addition, obligations under Biotest'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 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 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.

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 generally constitute an entitlement to repayment 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, borrower's note loans 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 valued at market value. The market value of currency options and payer swaps is determined by financial institutions at the reporting date on the basis of market conditions.

As the stringent formal criteria for hedge accounting are not met by 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, excluding incidental costs, and subsequently measured at market value. Changes in market values are recognised through profit or loss in the statement of income.

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

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

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

16 DISCONTINUED OPERATION

The decision made in 2010 to sell the Microbiological Monitoring division was implemented on 1 August 2011 upon execution of the purchase agreement with the Merck KGaA Group.

At the time of sale, a patent lawsuit was pending, in which heipha Dr. Müller GmbH was accused of infringing a patent of the plaintiff. Therefore, part of the purchase price was withheld by the buyer. The Federal Court of Justice (Bundesgerichtshof) later declared this patent claim null and void. As a result, the plaintiff withdrew his action against heipha Dr. Müller GmbH with the effect that Biotest had a claim in 2012 to payment of the balance of the purchase price from the buyer of the sold division.

17 SALES

Sale of goods:

Revenue from the sale of products is recognised at the time of the 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 in the services business are recognised by the Biotest Group at the time the services are rendered. Service agreements for which the outcome can be reliably estimated are accounted for under 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 the 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 the cumulative performance (contract costs and contract result) exceeds the 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 through write-downs or provisions.

Revenue from non-refundable fees for providing technologies, fees for the use of technologies and licence fees are accounted for under the percentage-of-completion method with effect from 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 unit of account 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 component(s) still to be delivered can be reliably measured and (3) in the case of a general right to return the delivered component(s), delivery or performance of the component(s) still to be delivered is likely and can be significantly controlled by the Company. If all three criteria are met, Biotest uses the revenue recognition method applicable to each separate unit of account.

18 RESEARCH AND DEVELOPMENT COSTS

Research costs are recognised as expenses when incurred. Development costs are also generally recognised as expenses when 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 in their entirety. Development expenses incurred after approval is received by the authorities are not material.

19 GOVERNMENT GRANTS FOR RESEARCH AND DEVELOPMENT

Government grants for research and development are recognised through profit or loss at the time of the grant or in line with the research and development costs incurred. They are disclosed under other operating income and not netted against research and development costs.

20 FINANCIAL INCOME AND FINANCIAL EXPENSE

Interest is recognised as expense or income when 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 exactly discounts the estimated 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. Interest on financial instruments is disclosed separately in accordance with IFRS 7.

21 TAXES

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

Deferred taxes are recognised for all deductible temporary differences, as yet 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 as yet 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 at the amount at 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 is an enforceable right to offset actual tax refund claims against actual tax liabilities and this right applies to income taxes of the same tax subject levied by the same tax authority.

22 DETERMINATION OF FAIR VALUE

The Group measures financial instruments, for example derivatives, at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are shown in Chapter F3 Determination of fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between market participants 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 either in 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 the most advantageous market.

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

The measurement of the fair value 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.

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 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 the measurement at fair value) at the end of each reporting period.

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

23 UNCERTAIN ESTIMATES AND JUDGMENTS

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 expense recognised during the reporting period. Estimates and assumptions represent judgments 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 judgment affects revenue recognition from the partnering agreement with AbbVie Inc., Illinois, USA, (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 judgments, 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. 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 judgments made are explained in the notes for each individual situation.

C. SEGMENT REPORTING

The information disclosed in the segment report has been prepared in accordance with IFRS 8 "Operating Segments". The Biotest Group is segmented 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 operating 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.

Since the beginning of the 2012 financial year, the Biotest Group has been 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 previous Plasma Proteins and Biotherapeutics segments. It therefore comprises the development and production of blood plasma-based immunoglobulins, clotting factors and albumins, which are used in diseases of the immune system, haematological diseases and intensive care medicine. It also includes the preclinical and clinical development of monoclonal antibodies for the treatment of rheumatoid arthritis and blood cancers 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 claim to the subsequent purchase price payment from the Merck KGaA Group, Darmstadt, Germany, was disclosed under **Discontinued Operation** in the previous financial year.

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 Other Segments.

SEGMENT INFORMATION BY BUSINESS SEGMENT

in € million		Therapy	Plasma & Services	Other Segments	**Total Continuing Operations**	Discontinued Operation	Total
Revenue with third parties	2013	386.2	102.5	12.1	**500.8**	–	500.8
	2012	330.9	97.0	12.1	**440.0**	–	440.0
Operating profit (EBIT)	2013	32.1	23.7	–2.0	**53.8**	–	53.8
	2012	26.3	18.4	0.0	**44.7**	10.5	55.2
Investments in associates	2013	1.6	–	–	**1.6**	–	1.6
	2012	2.8	–	–	**2.8**	–	2.8
Capital expenditure	2013	38.5	4.4	–	**42.9**	–	42.9
	2012	31.9	2.6	–	**34.5**	–	34.5
Depreciation and amortisation losses	2013	26.1	4.5	1.2	**31.8**	–	31.8
	2012	24.2	4.3	0.9	**29.4**	–	29.4
Impairment losses	2013	–	–	–	**–**	–	–
	2012	2.0	–	–	**2.0**	–	2.0

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

in € million	**2013**	2012
Operating profit (EBIT)	**53.8**	**44.7**
Financial income	16.9	20.6
Financial expenses	–23.9	–29.8
Income from associated companies	1.0	1.0
Earnings before taxes (EBT)	**47.8**	**36.5**
Income taxes	–15.8	–13.4
Earnings after taxes from Discontinued Operation	–	10.3
Earnings after taxes (EAT)	**32.0**	**33.4**

SEGMENT INFORMATION BY REGION

	Revenue from third parties based on customer's geographical location		**Revenue from third parties based on company's registered office**		**Non-current assets based on company's registered office**	
in € million	**2013**	2012	**2013**	2012	**2013**	2012
Europe	262.5	249.9	413.6	374.7	191.3	173.0
Americas	86.0	58.5	87.2	65.3	132.7	141.9
Asia	139.4	121.8	–	–	–	–
Rest of the world	12.9	9.8	–	–	–	–
Biotest Group	**500.8**	**440.0**	**500.8**	**440.0**	**324.0**	**314.9**
Thereof:						
Germany	93.4	89.4	335.0	292.6	188.2	170.1
Rest of world	407.4	350.6	165.8	147.4	135.8	144.8
Thereof: USA	79.5	52.5	87.1	65.2	132.4	141.4

There is no significant trade between the individual segments.

D. EXPLANATORY NOTES TO THE STATEMENT OF INCOME

1 REVENUE

in € million	2013	2012
Biotest Group products	429.9	372.8
Toll manufacturing	42.2	38.1
Revenue from cooperation agreements	16.2	16.7
Merchandise	12.1	12.1
Other	0.4	0.3
	500.8	**440.0**

Revenue from cooperation agreements results from an upfront payment received under the agreement concluded with AbbVie for the worldwide development and marketing of the monoclonal antibody Tregalizumab (BT-061). As the upfront payment of USD 85 million relates primarily to research activities still to be carried out, most of the amount was accounted for as deferred revenue. Income is recognised under the percentage-of-completion method. The Biotest Group recognised revenue of € 16.2 million in respect of research work carried out in the 2013 financial year.

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

2 COST OF MATERIALS

in € million	2013	2012
Raw materials and supplies	184.5	145.6
Services purchased	30.9	22.3
	215.4	**167.9**

3 PERSONNEL EXPENSES

in € million	2013	2012
Wages and salaries	104.8	95.2
Social security contributions	17.5	16.2
Pension costs	3.9	4.7
	126.2	**116.1**

Personnel expenses include termination benefits of € 0.7 million (previous year: € 1.5 million).

The average number of employees, converted to full-time equivalents, was 1,884 in the 2013 financial year (previous year: 1,707). The Biotest Group had 1,997 employees, converted to full-time equivalents, as of 31 December 2013 (previous year: 1,727).

The Biotest Group employed 2,160 staff as of 31 December 2013 (previous year: 1,870).

Employees are distributed across functions as follows:

In full time equivalents	2013	2012
Production	1,402	1,185
Distribution	201	190
Administration	223	208
Research and Development	171	144
	1,997	**1,727**

4 RESEARCH AND DEVELOPMENT COSTS

Expenses for reseach and development totaling € 64.6 million (previous year: € 51.4 million) are recognised in full in the statement of income.

In February 2014 Biotest agreed with AbbVie to make a payment in advance of USD 3.9 million for the production of clinical test material for Tregalizumab (BT-061).

5 OTHER OPERATING INCOME

in € million	2013	2012
Income from service agreements	5.1	5.2
Reversal of write-downs	3.1	0.1
Insurance reimbursements and other refunds	1.9	1.1
Reversal of other provisions	1.1	1.5
Derecognition of liabilities	–	1.7
Reversal of pension provisions	–	0.9
Other	1.4	1.1
	12.6	**11.6**

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

In the 2013 financial year, the Biotest Group recognised through profit or loss government grants of € 0.8 million (previous year: € 0.7 million), of which € 0.6 million (previous year: € 0.6 million) relates to research and development projects, as well as wage subsidies and wage replacement benefits of € 0.2 million (previous year: € 0.1 million). Grants for research and development projects are included in research and development costs.

The Biotest Group as lessor generated income from operating leases of € 0.8 million in the 2013 financial year (previous year: € 1.0 million). Lease agreements in force as of the reporting date with a term to 2014 give rise to future lease income of € 0.1 million for the 2014 financial year. From today's perspective, no further lease income will accrue for subsequent financial years (2015 to 2018) nor for the period from 2019. Income from operating leases mainly results from the temporary leasing of currently non-operational land and buildings.

6 OTHER OPERATING EXPENSES

in € million	2013	2012
Expenses incurred in connection with service agreements	4.5	4.1
Additions to provisions	2.9	2.3
Write-downs of receivables	1.3	3.6
Donations	0.3	0.3
Losses from the disposal of non-current assets	0.2	0.9
Impairment losses	–	2.0
Other	1.9	2.0
	11.1	**15.2**

The write-down of receivables in the amount of € 1.3 million (previous year: € 3.6 million) relates to receivables no longer considered to be recoverable. These mainly include receivables due to Biotest AG from a Romanian distributor.

Additions to provisions in this financial year relate primarily to an amount of € 2.0 million for litigation risks.

Impairment losses recognised in the previous year relate mainly to an impairment of goodwill and an impairment of capitalised product registrations of the Brazilian company Farmaceutica Ltda. For further explanations, please refer to the statements regarding intangible assets and property, plant and equipment.

7 FINANCIAL INCOME

in € million	2013	2012
Income from currency translation	16.0	19.7
Interest income	0.3	0.5
Other	0.6	0.4
	16.9	**20.6**
Of which: financial instruments of the measurement categories according to IAS 39:		
Loans and receivables (LaR)	0.7	0.5
Financial liabilities measured at amortised cost (FLAC)	0.9	0.2
Financial assets held for trading (FAHfT)	0.6	1.2
Financial liabilities held for trading (FLHfT)	0.4	2.2

Income from currency translation includes income from realised foreign exchange gains arising on 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	2013	2012
Currency translation expense	17.1	22.1
Interest expenses	3.7	3.6
Net interest expenses for pensions	1.8	2.3
Interest rate hedging costs	0.5	0.2
Fair value measurement expenses	0.4	–
Loss on disposal of financial instruments	–	0.7
Other	0.4	0.9
	23.9	**29.8**
Of which: financial instruments of the measurement categories according to IAS 39:		
Financial assets measured at fair value through profit and loss (FVTPL)	–	0.7
Financial liabilities measured at amortised cost (FLAC)	3.2	3.2
Financial assets held for trading (FAHfT)	0.6	1.0
Financial liabilities held for trading (FLHfT)	0.8	2.2
Loans and receivables (LaR)	1.4	1.1

Expenses from currency translation include expenses from realised foreign exchange losses arising on 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.

All Greek government bonds were sold in 2012 after the mandatory exchange, resulting in financial expense of € 0.7 million in the 2012 financial year.

9 INCOME FROM ASSOCIATES

Income of € 1.0 million (previous year: € 1.0 million) was earned from associates in the 2013 financial year.

10 INCOME TAX

in € million	2013	2012
Current tax expense in respect of the financial year	17.5	18.2
Current tax expense (previous year: income) relating to previous years	3.2	–0.7
Current tax	**20.7**	**17.5**
Deferred taxes	**–4.9**	**–4.1**
Income tax expense	**15.8**	**13.4**

Deferred tax income on items recognised directly to equity amounted to € 2.3 million (previous year: increase in equity as a result of deferred tax income of € 2.0 million).

Applying the nominal income tax rate of 28.8 % (previous year: 28.8 %), the expected tax expense for the 2013 financial year differed from the effective amount as follows:

in € million	2013	2012
Earnings before taxes (EBT)	**47.8**	**36.5**
Expected tax expense	**13.8**	**10.5**
Effect of losses not recognised in the financial year	0.2	0.7
Recognition of tax credits for previous years	–2.0	–0.2
Effect from the impairment of goodwill	–	0.4
Write-downs on deferred taxes	–	1.0
Current tax expense (previous year: income) relating to previous years	3.2	–0.7
Tax effect of adjustments to deferred taxes from previous years	0.1	–0.3
Tax effect of non-deductible expenses	2.0	3.2
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	–0.7	–1.1
Tax effect of tax-free income	–0.8	–0.1
Income tax disclosed in the statement of income	**15.8**	**13.4**

The tax rate of 28.8 % is calculated 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 DISCONTINUED OPERATION

The decision made in 2010 to sell the Microbiological Monitoring division was implemented on 1 August 2011 upon execution of the purchase agreement with the Merck KGaA Group.

Amounts from Discontinued Operation were disclosed separately from those of Continuing Operations in the statement of income, segment reports and cash flow statement. Assets and liabilities held for sale were disclosed under assets of Discontinued Operation and liabilities of Discontinued Operation in the statement of financial position.

At the time of the sale, a patent lawsuit was pending, in which heipha Dr. Müller GmbH was accused of infringing a patent of the plaintiff. Therefore, part of the purchase price was withheld by the buyer. The Federal Court of Justice later declared the patent claim null and void. As a result, the plaintiff withdrew his action against heipha Dr. Müller GmbH with the effect that Biotest had a claim in 2012 to payment of the balance of the purchase price from the buyer of the sold division.

The results of the Discontinued Operation are as follows:

in € million	2013	2012
Results of the measurement/disposal of Discontinued Operation before tax	–	10.5
Tax on the measurement/disposal results	–	–0.2
Results from the measurement/disposal of Discontinued Operation after tax	**–**	**10.3**
Results of Discontinued Operation	**–**	**10.3**

The results from the sale of Discontinued Operation are as follows:

in € million	2013	2012
Sale proceeds net of selling costs	–	10.5
Less tax on profits from the sale	–	–0.2
Results of the sale of Discontinued Operation	**–**	**10.3**

12 AUDITORS' FEES

On 8 May 2013 the Annual Shareholders' Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the 2013 financial year.

Fees payable to the external auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft totalled € 0.7 million in the 2013 financial year (previous year: € 0.3 million), of which € 0.0 million (previous year: € 0.0 million) relates to the previous year. The fees comprise € 0.4 million (previous year: € 0.3 million) for the financial statement audit and € 0.3 million (previous year: € 0.0 million) for other advisory services.

E. EXPLANATION OF 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 2011	**31.1**	**60.9**	**9.6**	**–**	**101.6**
Additions	–	0.9	–	0.3	1.2
Disposals	–	–2.3	–	–	–2.3
Effect of foreign currency translation differences	0.3	–0.9	–	–	–0.6
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**
Accumulated depreciation					
Balance as of 31 December 2011	**–**	**32.3**	**6.5**	**–**	**38.8**
Amortisation for the financial year	–	5.7	1.6	–	7.3
Impairment losses	1.3	0.7	–	–	2.0
Disposals	–	–2.3	–	–	–2.3
Effect of foreign currency translation differences	–	–0.5	–	–	–0.5
Balance as of 31 December 2012	**1.3**	**35.9**	**8.1**	**–**	**45.3**
Amortisation 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**
Carrying amount at					
31 December 2012	30.1	22.7	1.5	0.3	54.6
31 December 2013	**28.8**	**17.3**	**–**	**2.0**	**48.1**

Impairment losses recognised in the previous year of € 2.0 million included € 1.3 million relating to the goodwill of Biotest Farmaceutica Ltda. and € 0.7 million relating to the product registrations in Brazil. These amounts are allocated to the Therapy segment.

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 as intangible assets in the consolidated financial statements. 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 necessary liver transplants due to hepatitis C. The Civacir project was not amortised on a scheduled basis in the 2013 financial year, as it remained under development and marketing authorisation had not yet been granted. Once production begins, the project amounts 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 being received from the competent authorities. The scheduled amortisation for the Bivigam® product commenced on the marketing launch in February 2013.

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

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

Following the realignment of the segments, in the previous year goodwill was allocated to the new cash-generating units in accordance with IAS 36.87 on the basis of the relative value in use. The Therapy and Plasma & Services segments represent the cash-generating units for impairment testing of goodwill.

A pre-tax discount rate of 9.22 % (previous year: 8.10 %) based on the relevant WACC (weighted average cost of capital) was applied in the impairment test of the goodwill of the Therapy segment. A pre-tax discount rate of 7.12 % (previous year: 6.55 %) was applied to 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 2019 onward are extrapolated. The average values for the years 2014 to 2018 are used as the basis for determining the perpetual annuity. A growth rate of 1.00 % (previous year: 1.00 %) was applied to the perpetual annuity.

The Civacir project was also subjected to an impairment test. The post-tax discount rate applied in this case was 7.88 % (previous year: 7.00 %), which was also based on the relevant WACC (weighted average cost of capital). Expected cash flows for the years 2014 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 2027.

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

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

Cash Generating Unit	Intangible asset	**Carrying amount as of 31 December 2013 in € million**	Carrying amount as of 31 December 2012 in € million
Therapy segment	Goodwill	22.2	23.3
Plasma & Services segment	Goodwill	6.6	6.9
Project	Patents, licenses and similar rights	8.0	10.5
		36.8	**40.7**

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

in € million	**2013**	2012
Cost of sales	4.6	4.5
Distribution costs	0.1	0.1
Administrative expenses	2.7	2.6
Research and development costs	–	0.1
Other operating expenses	–	2.0
	7.4	**9.3**

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						
Balance as of 31 December 2011	**162.4**	**146.3**	**85.6**	**1.4**	**24.1**	**419.8**
Additions	9.9	5.9	5.3	–	12.2	33.3
Book transfers	7.9	14.8	2.5	–	–25.2	–
Disposals	–1.6	–7.0	–13.8	–	–2.7	–25.1
Effect of foreign currency translation differences	–1.0	–0.8	–0.1	–	–0.2	–2.1
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**
Accumulated depreciation						
Balance as of 31 December 2011	**49.5**	**73.1**	**58.7**	**1.2**	**2.4**	**184.9**
Depreciation for the financial year	3.9	12.2	5.8	0.2	–	22.1
Disposals	–1.6	–6.3	–13.4	–	–2.4	–23.7
Effect of foreign currency translation differences	–	–0.4	–	–	–	–0.4
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**
Carrying amount as of						
31 December 2012	125.8	80.6	28.4	–	8.2	243.0
31 December 2013	**126.4**	**81.1**	**29.6**	**–**	**17.8**	**254.9**

Payments in advance in the 2013 financial year mainly include capital expenditure incurred as part of the expansion of capacity at Dreieich.

Government grants received 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) in the carrying amount of the assets concerned.

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

in € million	**2013**	2012
Cost of sales	17.6	15.8
Distribution costs	0.5	0.4
Administrative expenses	5.2	4.8
Research and development costs	1.1	1.1
	24.4	**22.1**

3 INVESTMENTS IN ASSOCIATES

Investments in associates relate to a 49 % stake held by Biotest Pharma GmbH in BioDarou P.J.S. Co. with registered offices in Teheran, Iran, measured using the equity method.

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

The investors intend to gradually provide the company with equity of up to € 4.0 million. 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. as of 31 December 2013 amounts to 37.5 billion rials (previous year: 37.5 billion rials) and is fully paid in.

As no audited financial statements were available for BioDarou P.J.S. Co. when the consolidated financial statements were prepared, previous year figures for BioDarou P.J.S. Co. as of 31 December 2012 are reported.

The earnings forecast for BioDarou P.J.S. Co. for the 2013 financial year shows lower earnings than in previous years due to the foreign exchange losses caused by the significant devaluation of the rial on 1 July 2013. The devaluation of the rial resulted in a foreign currency valuation loss of € 2.1 million, which is recognised in other comprehensive income.

The associate had the following assets and liabilities as of the 2012 reporting date:

The value of non-current assets and current assets amounted to € 1.1 million (previous year: € 2.8 million) and € 7.9 million (previous year: € 9.6 million), respectively, on 31 December 2012.

Non-current liabilities and current liabilities were measured at € 0.1 million (previous year: € 0.2 million) and € 5.7 million (previous year: € 6.4 million) on 31 December 2012.

Sales revenue amounted to € 21.6 million (previous year: € 11.1 million) and net profit was € 2.0 million (previous year: € 2.1 million) for the 2012 financial year.

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

The political situation in Iran in 2013 remained tense. The difficult payment situation was further aggravated in the 2012 financial year by the sanctions. The Biotest Group does not expect a permanent restriction on sales of pharmaceutical products in Iran.

4 OTHER FINANCIAL INVESTMENTS

in € million	**2013**	2012
Bond funds (Financial assets at fair value through profit or loss)	0.2	0.2
	0.2	**0.2**

The financial assets at fair value through profit or loss category include 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:

	Assets		Equity and liabilities		Recognised through profit or loss	
in € million	**2013**	2012	**2013**	2012	**2013**	2012
Intangible assets	0.3	0.2	–	0.3	–0.4	–0.4
Property, plant and equipment	–	–	13.8	16.3	–2.4	0.3
Other financial investments	1.0	0.9	–	–	–0.1	–0.4
Inventories	10.5	11.5	0.1	0.1	1.0	–5.1
Trade receivables	0.1	0.1	2.1	1.4	0.8	–1.3
Other provisions	2.8	1.6	0.1	–	–1.2	–0.1
Financial liabilities	–	–	0.3	0.2	0.1	–0.1
Pension provisions	5.4	5.7	–	–	0.1	0.5
Other liabilities	0.9	0.9	1.4	1.1	0.3	1.6
Other financial position items	0.4	0.2	–	–	–0.2	0.2
Tax credits	4.6	3.5	–	–	–1.3	0.4
Tax value of the recognised loss carried forward	2.5	1.0	–	–	–1.6	0.3
Total deferred taxes	**28.5**	**25.6**	**17.8**	**19.4**	**–4.9**	**–4.1**
Less netting of deferred tax assets and liabilities	–10.0	–11.8	–10.0	–11.8		
Deferred tax assets and liabilities	**18.5**	**13.8**	**7.8**	**7.6**		

The Group has tax loss carryforwards of € 8.1 million (previous year: € 8.8 million), which are available in various Group companies for limited and unlimited periods of time and can be offset against future taxable income of these companies or other Group companies. € 5.9 million (previous year: € 0.0 million) of the loss carryforwards recognised are attributable to tax categories with a tax rate of 36.74 %, € 1.7 million (previous year: € 3.8 million) to tax categories with a tax rate of 15.19 %, € 0.5 million (previous year: € 0.0 million) to tax categories with a tax rate of 10 %, and € 0.0 million (previous year: € 3.9 million) to tax categories with a tax rate of 5 %.

Deferred taxes are not recognised on tax loss carryforwards of € 16.2 million (previous year: € 15.0 million), as it is not sufficiently probable that these loss carryforwards will be able to be utilised. The unrecognised tax loss carryforwards relate solely to foreign companies. Foreign loss carryforwards of € 3.3 million (previous year: € 2.7 million) may be carried forward indefinitely. Furthemore, € 12.9 million (previous year: € 12.3 million) may be carried forward for up to five years.

Deferred taxes are not recognised in this financial year on portions of potential tax credits for research and development costs of Biotest Pharmaceuticals Corporation in the amount of € 3.3 million (previous year: € 2.9 million) due to insufficient future taxable income.

In some countries, Biotest has not yet been issued a final tax assessment for several years. Adequate provisions have therefore been recognised for assessment years still open.

No deferred tax liabilities (previous year: none) were recognised for taxes on non-distributed profits of subsidiaries and 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.

The temporary differences relating to shares in subsidiaries and associates, for which deferred taxes are not recognised, amount to € 0.4 million (previous year: € 0.5 million).

6 INVENTORIES

in € million	2013	2012
Raw materials and supplies	37.6	46.0
Work in progress	127.0	101.1
Finished goods and merchandise	62.4	37.1
	227.0	**184.2**

As in the previous year, the Biotest Group did not hold any inventories with a turnover rate of more than one year as of the reporting date.

Impairment losses recognised on inventories amounted to € 13.6 million (previous year: € 13.5 million); after being written down to their net realisable value, the residual carrying amount of these inventories was € 51.3 million (previous year: € 48.2 million).

7 TRADE RECEIVABLES

Trade receivables are typically due within one year. As in the previous year, none of the trade receivables totalling € 118.5 million (previous year: € 96.1 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	2013	2012
Trade receivables (gross)	144.3	122.3
Sale of trade receivables	–23.4	–21.2
Allowance for bad debts	–2.4	–5.0
Trade receivables (net)	**118.5**	**96.1**

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

Trade receivables were partially impaired in the previous year due to delayed payments from public hospitals and low financial resources in public budgets. Impaired receivables have decreased significantly in the current financial year.

As of the reporting date, Biotest AG has sold receivables totalling € 13.4 million (previous year: € 9.8 million) under factoring agreements. The factoring programme provides for the sale of domestic and foreign receivables of Biotest AG, whereby each customer has 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 € 10.0 million (previous year: € 11.4 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 on the percentage-of-completion method amounting to € 9.9 million (previous year: € 6.9 million). These relate to customer-specific production contracts measured at the corresponding production costs incurred plus a pro-rata profit, if such can be reliably estimated.

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

in € million	**2013**	2012
Balance as of 1 January	**5.0**	**1.8**
Additions	1.3	3.6
Disposals	–1.0	–0.3
Reversals	–2.9	–0.1
Balance as of 31 December	**2.4**	**5.0**

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

in € million	**2013**	2012
Carrying amount	**118.5**	**96.1**
Unimpaired and current as of the reporting date	78.3	55.6
Unimpaired as of the reporting date but past due in the following time bands		
< 90 days past due	16.9	21.1
91 – 180 days past due	5.9	6.9
181 – 365 days past due	5.0	4.0
> 1 year past due	3.0	1.0

The past due receivables of the Biotest Group in the 2013 financial year comprise receivables due to Biotest Medical S.L.U., Spain, of € 7.7 million (previous year: € 8.6 million), receivables due to Biotest S.r.L, Italy, of € 7.1 million (previous year: € 8.6 million) and receivables due to Biotest Hellas MEPE, Greece of € 0.1 million (previous year: € 2.7 million).

Net trade receivables are denominated in the following currencies:

in € million	**2013**	2012
EUR	77.2	72.3
USD	33.2	20.2
GBP	1.0	1.6
HUF	1.9	1.5
RUB	4.6	–
Other currencies	0.6	0.5
Trade receivables (net)	**118.5**	**96.1**

8 OTHER ASSETS

	2013		2012	
in € million	**Total**	**Non-current**	Total	Non-current
Value-added and other tax receivables	4.7	–	2.4	–
Deferred items	3.1	–	2.0	–
Receivables from associates	1.1	–	2.1	–
Payments in advance	0.6	–	0.6	–
Receivables from insurance companies	0.2	–	–	–
Receivables from factoring companies	0.2	–	–	–
Derivatives	–	–	0.1	–
Other assets	2.4	0.7	1.0	0.5
	12.3	**0.7**	**8.2**	**0.5**

Impairment losses on other assets were as follows:

in € million	**2013**	2012
Balance as of 1 January	**1.0**	**1.0**
Reversals	–0.2	–
Balance as of 31 December	**0.8**	**1.0**

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

in € million	**2013**	2012
Carrying amount	**12.3**	**8.2**
Unimpaired and current as of the reporting date	12.1	8.2
Unimpaired as of the reporting date but 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	**2013**	2012
EUR	8.4	5.9
USD	3.4	1.8
GBP	0.1	0.1
HUF	0.3	0.2
Other currencies	0.1	0.2
	12.3	**8.2**

9 CASH AND CASH EQUIVALENTS

in € million	**2013**	2012
Bank balances	32.0	39.2
Cash in hand	0.1	0.4
Short-term deposits	172.3	17.6
	204.4	**57.2**

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

Bank balances in the amount of € 11.1 million (previous year: € 4.0 million) are subject to availability restrictions due to the sanctions imposed by the European Union on Iran, as the necessary approvals of the German Bundesbank regarding the EU sanctions against Iran had not been granted as of the reporting date. The necessary approvals were in place at the time the financial statements were prepared.

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

10 ASSETS AND LIABILITIES OF DISCONTINUED OPERATION

The claim to the subsequent purchase price payment as described in Section D10 result in the following balance sheet items:

in € million	2013	2012
Other assets	–	18.4
Assets from Discontinued Operation	**–**	18.4
Current income tax liabilities	–	0.1
Other liabilities	–	7.9
Liabilities from Discontinued Operation	–	8.0

11 TOTAL EQUITY

Subscribed capital is fully paid in and amounted to € 33,767,639.04 (previous year: € 30,025,152.00) at 31 December 2013 following the capital increase on 26 June 2013, comprising ordinary shares of € 16,883,819.52 (previous year: € 16,883,819.52) and preference shares of € 16,883,819.52 (previous year: € 13,141,332.48). As of 31 December 2013, it was divided into 6,595,242 no-par-value ordinary shares and 6,595,242 no-par-value non-voting preference shares. 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 retained profits of Biotest AG as defined under the German Commercial Code.

In her letter dated 12 February 2008, Dr. Cathrin Schleussner advised Biotest AG that her share of the voting rights 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 (4d) of the German Securities Act (WpHG) that came into effect on 22 February 2012 Dr. Martin Schleussner, Renate Schleussner and Dr. Hans Schleussner notified the Biotest Group on 22 February 2012 that, with effect from 1 February 2012, they each held a 50.27 % share in Biotest AG with voting rights reportable under Section 41 (4d) of the WpHG. As of the reporting date of 31 December 2013, Kreissparkasse Biberach held 24.36 % of the company's ordinary shares per its last notification.

The proposed appropriation of net profit provides for dividend payments of € 7.9 million (previous year: € 6.2 million). A dividend of € 0.57 per share (previous year: € 0.50 per share) will be paid on the ordinary shares and a dividend of € 0.63 per share (previous year: € 0.56 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. Furthermore, 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 General 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 until 5 May 2015 in an amount of up to 10 % of the share capital of € 30.0 million at that time.

Furthermore, the Board of Management was authorised under the resolution of the Annual General Meeting of 6 May 2010 to increase the share capital of the Company with the approval of the Supervisory Board until 5 May 2015 through the issue of new non-voting bearer preference shares in return for cash contributions once or several times up to a total amount of € 3.7 million. With the approval of the Supervisory Board the Board of Management made full use of this authorisation under the resolution of 10 June 2013. On 26 June 2013 1,461,909 new bearer preference shares of Biotest AG were issued at the issue amount of € 2.56 with full entitlement to dividends from 1 January 2013. The shares were offered to the shareholders of Biotest AG in a ratio of 8:1 by way of an indirect subscription. The subscription price was set at € 52 per share.

Following the capital increase the subscribed capital amounts to € 33.8 million (previous year: € 30.0 million) and the share premium account to € 225.6 million (previous year: € 153.3 million). Expenses of € 3.4 million incurred in connection with the capital increase were recognised in retained earnings as were the related income tax benefits of € 1.0 million.

Diluted and basic earnings per share from Continuing Operations 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	2013	2012
Earnings after taxes (EAT)	32.0	23.0
Additional dividend on preference shares	–0.4	–0.3
Profit adjusted for additional dividend rights	**31.6**	**22.7**
Number of shares outstanding (weighted average)	12,465,537	11,728,575
Basic and diluted earnings per share in €	**2.54**	1.94
Additional dividend rights per preference share in €	**0.06**	0.06
Basic and diluted earnings per preference share in €	**2.60**	2.00

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

12 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

Assets of € 2.3 million were held during the 2013 financial year by a trustee, Biotest Vorsorge Trust e.V, 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 as defined in IAS 19, provisions for pensions and similar obligations were netted against the transferred assets. As a result, provisions for pensions and similar obligations were reduced accordingly.

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

in € million	2013	2012
Defined benefit obligation		
Pension plans	57.7	56.4
Similar obligations	3.7	3.0
	61.4	**59.4**
Plan assets at fair value		
Pension plans	1.4	1.6
Similar obligations	0.9	0.7
	2.3	**2.3**
Net defined benefit liability		
Pension plans	56.3	54.8
Similar obligations	2.8	2.3
	59.1	**57.1**

The defined benefit costs consist of the following components:

in € million	2013	2012
Current service cost	3.1	2.8
Past service cost	0.8	–
Curtailments	–	–0.9
Interest expense on net defined benefit liability	1.8	2.3
Total expense recognised in profit & loss	**5.7**	**4.2**
Actuarial gains/losses due to experience adjustments	0.7	–2.2
Actuarial gains/losses due to changes in financial assumptions	–1.3	9.2
Actuarial gains/losses due to changes in demographic assumptions	–	–
Return on plan assets (without amounts included in interest expense on net defined benefit liability)	0.1	–
Evaluations recognised directly in equity	**–0.5**	**7.0**
Defined benefit costs	**5.2**	**11.2**

Actuarial gains of € 0.5 million (previous year: losses of € 7.0 million) were recognised directly in equity in the 2013 financial year. Actuarial losses totalling € 16.5 million had been previously recognised directly in equity.

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

in € million	2013	2012
Defined benefit obligation as of 1 January	**59.4**	**51.1**
Current service costs	3.1	2.8
Past service costs	0.8	–
Curtailments/Settlements	–	– 0.9
Interest costs	1.9	2.3
Expense recognised in profit & loss	**5.8**	**4.2**
Actuarial losses (previous year: gains) due to experience adjustments	0.7	–2.2
Actuarial gains (previous year: losses) due to changes in financial assumptions	–1.3	9.2
Actuarial gains/losses due to changes in demographic assumptions	–	–
Evaluations recognised directly in the consolidated statement of comprehensive income	**–0.6**	**7.0**
Pension benefits paid	–3.2	– 2.9
Defined benefit obligation as of 31 December	**61.4**	**59.4**

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

in € million	2013	2012
Fair value of plan assets as of 1 January	**2.3**	**0.1**
Interest income	0.1	–
Expense recognised in profit & loss	0.1	–
Return on plan assets (without amounts included in interest expense on net defined benefit liability)	–0.1	–
Evaluations recognised directly in the consolidated statement of comprehensive income	–0.1	–
Contributions by employer	–	2.2
Fair value of plan assets as of 31 December	**2.3**	**2.3**

In the 2014 financial year the Biotest Group expects to make payments totalling € 3.3 million in respect of deferred benefit pension plans.

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

in € million	2013	2012
In the next 12 months	3.3	2.9
Between 2 and 5 years	13.7	12.3
Between 5 and 10 years	18.8	17.3
After 10 years	75.7	71.0
Total expected payments	**111.5**	**103.5**

The expected average life time of the defined benefit obligation is 37.3 years as of 31 December 2013 (previous year: 36.8 years).

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

in € million	2013	2012
Reinsurance	0.1	0.1
Cash and cash equivalents	2.2	2.2
	2.3	**2.3**

The calculation is based on the following actuarial assumptions:

As a percent	2013	2012
Discount rate at 31 December	3.4	3.2
Expected return on plan assets	3.4	0.3
Rate of increase for wages and salaries	3.4	3.4
Rate of increase for pensions	2.0	2.0
Employee turnover rate	0.0–6.8	0.0–6.6

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

Under IAS 19 a sensitivity analysis must be carried out for the first time for the 2013 financial year. Pursuant to IAS 19.145 the impact of possible changes in parameters for the underlying assumptions used in the calculation of pension obligations must be disclosed. Only changes that are realistically expected to occur in the following financial year are to be considered.

The 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 present value calculation as of 31 December 2013.

Parameters	Parameter change	Impact on the pension obligation in € million
Rate of interest	Increase by 100 basis points	–6.6
Rate of interest	Reduction by 100 basis points	8.0
Salary trend	Increase by 100 basis points	0.8
Salary trend	Reduction by 100 basis points	–0.7
Pension trend	Increase by 100 basis points	2.4
Pension trend	Reduction by 100 basis points	–2.2
Life expectancy	Increase by one year	2.4

€ 7.1 million (previous year: € 6.6 million) was recognised in the financial year as expenses for deferred contribution pension plans.

Expenses for deferred contribution pension plans are broken down as follows:

in € million	2013	2012
Deferred contribution plans of the company	1.0	0.9
Employer contributions to statutory pension insurance schemes	6.1	5.7
	7.1	**6.6**

13 OTHER PROVISIONS

in € million	Partial retirement	Other staff-related provisions	Miscellaneous provisions	Total	Current
Balance as of 31 December 2012	**0.4**	**12.4**	**10.2**	**23.0**	**19.0**
Additions	0.8	11.5	10.5	22.8	
Disposals	0.8	9.3	2.9	13.0	
Reversals	–	1.3	1.5	2.8	
Effect of foreign currency translation differences	–	–	–0.2	–0.2	
Unwinding of the discount	–	–	0.1	0.1	
Balance as of 31 December 2013	**0.4**	**13.3**	**16.2**	**29.9**	**24.5**

An appropriate provision was recognised under the collective bargaining agreement with the chemical industry employers' association (Bundesarbeitgeberverband Chemie e.V.) to promote partial retirement, which was in effect until 31 December 2009. The provision covers only obligations relating to ongoing partial retirement arrangements (outstanding settlement amounts, top-up amounts and severance pay if applicable), as upon expiration of the collective bargaining agreement no further legal obligations to conclude new partial retirement agreements exist.

Other 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.

Miscellaneous provisions include provisions for guarantees, litigation risks and similar items.

Additions to provisions in the 2013 financial year mainly comprise additions of € 7.6 million (previous year: € 7.6 million) for employee profit sharing, € 2.7 million (previous year: € 1.6 million) for the Long Term Incentive Programme, € 2.4 million (previous year: € 0.0 million) for obligations under R&D alliances, € 2.0 million (previous year: € 0.3 million) for litigation risks as well as € 1.4 million (previous year: € 0.0 million) for repurchase obligations.

Reversals of other provisions mainly comprise reversals of € 0.5 million (previous year: € 0.0 million) relating to tax on alcohol, € 0.5 million (previous year: € 0.3 million) relating to the Contribution Rate Security Law (Beitragssatzsicherungsgesetz) and € 0.1 million (previous year: € 0.3 million) relating to other tax risks.

The impact of changes in the discount rate on the previous year's present value was € 0.1 million (previous year: € 0.2 million).

14 FINANCIAL LIABILITIES

in € million	2013	2012
Non-current liabilities		
Privately placed bonds	208.5	–
Collateralised liabilities to banks	–	63.7
Unsecured subordinated loans	15.1	6.2
Unsecured other loans	2.6	1.1
	226.2	**71.0**
Current liabilities		
Privately placed bonds	0.8	–
Collateralised liabilities to banks	–	26.3
Unsecured subordinated loans	3.5	11.3
Unsecured other loans	1.0	2.1
Short-term portion of liabilities from finance leases	–	1.8
	5.3	**41.5**

With the exception of the short-term portion of liabilities from finance leases, the amounts of current financial liabilities disclosed on the statement of financial position correspond approximately to market values due to their short maturities.

Biotest AG as the financing parent company of the Biotest Group completely restructured its debt financing in the 2013 financial year.

The syndicated loan agreement, which was still in force in the previous year and contained as of 31 December 2012 a short-term tranche of € 33 million, a long-term tranche of € 29 million with full amortisation to 2014 as well as a bullet tranche of € 50 million payable in 2015, was fully repaid in November 2013.

The subordinated bullet loan (nominal amount of € 10 million) from 2005, the interest rate on which consisted of a variable and fixed rate component, was repaid at maturity on 15 January 2013. The variable component was dependent on the Company's financial indicators.

Privately placed bonds in the amount of € 210 million comprising the following tranches formed the financing core as at the reporting date:

Privately placed bonds	Currency	Term	Interest rate
Tranche 1	EUR	5 years	Fixed interest rate
Tranche 2	EUR	5 years	Variable interest rate
Tranche 3	USD	5 years	Variable interest rate
Tranche 4	EUR	7 years	Fixed interest rate
Tranche 5	EUR	7 years	Variable interest rate
Tranche 6	EUR	10 years	Fixed interest rate

€ 99.7 million (previous year: € 56.0 million) of the committed bilateral credit lines remained unused as of 31 December 2013.

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:

2013 (in € million)	**Total**	Residual maturity < 1 year	Residual maturity 1 to 5 years	Residual maturity > 5 years
Privately placed bonds				
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 pricing and repayment terms and the maturity profile of the previous year's financial liabilities are set out below:

2012 (in € million)	**Total**	Residual maturity < 1 year	Residual maturity 1 to 5 years	Residual maturity > 5 years
Collateralised liabilities to banks:				
Euro – variable at 0.9 %	49.9	0.3	49.6	–
USD – variable at 1.0 %	36.9	25.1	11.8	–
Euro – fixed at 3.8 %	3.2	0.9	2.3	–
Other loans:				
USD – fixed at 1.7 % to 3.5 %	2.6	1.7	0.9	–
Euro – fixed at 6.0 %	0.5	0.4	0.1	–
Euro – variable at 4.5 % to 4.8 %	0.1	–	0.1	–
Liabilities from finance leases:				
Euro – fixed at 4.6 %	1.8	1.8	–	–
Unsecured loans:				
Euro – variable at 6.9 %	10.0	10.0	–	–
EUR – fixed at 3.6 %	7.5	1.3	6.2	–
	112.5	41.5	71.0	–

Liabilities from finance leases were fully repaid in the 2013 financial year.

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

Collateral provided as third party assignor in the form of a land charge of € 95 million on properties belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH was returned as part of the repayment of the syndicated loan. Shares in Biotest Pharmaceuticals Corporation pledged as collateral were also returned.

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

15 OTHER LIABILITIES

in € million	**2013**	2012
Commissions payable	15.6	12.1
Deferred liabilities	3.0	2.9
Value added tax	1.5	1.3
Payments received in advance	1.5	6.6
Wage tax liabilities	1.2	1.1
Social security liabilities	1.1	0.8
Deferred items	1.0	0.8
Liabilities from derivative financial instruments	0.5	0.1
Other liabilities	1.3	1.5
	26.7	**27.2**

Other liabilities with a residual maturity of over one year amounted to € 0.5 million (previous year: € 0.0 million) as of 31 December 2013.

16 DEFERRED REVENUE

The Biotest Group recognised deferred revenue of € 9.4 million (previous year: € 25.0 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 recognised 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, the Company introduced in 2006 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. The LTIP established in 2009 was increased by a tranche in each of the years 2010, 2011, 2012 and 2013. However, 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 shown for the 2010, 2011, 2012 and 2013 tranches relate to employees who are eligible to participate in the programme.

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

The programme began on 15 May 2013 and will run to 31 December 2015. The 2013 tranche is designed in a similar fashion to the 2010, 2011 and 2012 tranches and is almost identical in structure.

Participation in the programme is subject to a personal investment by the participant in preference shares of Biotest AG. The personal investment consists of new preference shares to be acquired under the LTIP (new investment) as well as additional preference shares, the quantity of which depends on the investment in new shares (additional investment).

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

The 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 2016; this cash payment will depend on the level of new investment, the fixed salary as of 1 October 2013 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:

$$\frac{\text{New Investment} \times \text{Performance Factor 1} + \text{New Investment} \times \text{Performance Factor 2}}{100} \times \text{annual fixed salary as of 1 October 2013} = \text{payment}$$

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 taxes and interest (EBIT) of at least € 15.0 million in the 2015 financial year. If EBIT is less than € 15.0 million in 2015, the factor applied is 0.

Performance Target 2 is based on the average EBIT margin achieved at the Group level in the years 2013, 2014 and 2015. This is calculated by adding the annual EBIT margins for all three years and then dividing 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 by at least 25 % in absolute terms. It is calculated in the same way as Performance Factor 1.

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

If both performance criteria are met, a minimum of 1 % and a maximum of 10 % of the annual fixed salary as of 1 October 2013 is paid on expiry of the performance period if there is a new investment of 100 shares.

Including the members of the Board of Management, 108 employees of the Biotest Group are participating in the 2013 Long Term Incentive Programme with a total new investment of 24,499 preference shares. 6,175 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 2013 amounts to € 3.84 per 100 preference shares and € 100 of fixed salary. Non-market conditions are taken into account by adding Performance Factor 2, which is calculated on the basis of budget forecasts. The sum of the two factors equalled 5.62 % as of 31 December 2013.

All market parameters that are not directly observable are determined by means of statistical estimates. Empirical market valuation data is used to estimate volatilities. The applicable risk-free market interest rate is determined based on the parameters published by the German Central Bank (Deutsche Bundesbank) using the Svensson method. 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 of € 0.6 million was recognised as of 31 December 2013 based on the entire period ending 31 December 2015, which is also equal to the expense for the period in 2013.

2009 LONG TERM INCENTIVE PROGRAMME/ 2012 TRANCHE (2012 LTIP) AND 2011 TRANCHE (2011 LTIP)

The 2012 LTIP began on 1 June 2012 and runs until 31 December 2014, the 2010 LTIP began on 1 June 2011 and runs until 31 December 2013. The 2012 and 2011 tranches are designed in a similar fashion to the 2009 trance and are almost identical in structure The description of the content is identical to that of the 2013 LTIP. The different parameters applied are listed below.

Performance Factor 1 of the 2012 LTIP is identical to Performance Factor 1 of the 2013 LTIP Performance Factor 1 of the 2011 LTIP is almost identical to Performance Factor 1 of the 2013 LTIP 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	0.01
Worse than the first quartile	0.00

The key criterion for Performance Factor 1 is that the Group must achieve earnings before taxes and interest (EBIT) of at least € 15.0 million in the 2014 and 2013 financial years. If EBIT is less than € 15.0 million in 2014 and 2013, the factor applied is 0.

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 2012 LTIP:

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

The following applies to the 2011 LTIP:

Average EBIT margin 2011–2013	Performance Factor 2
Better than 14.8%	Maximum 0.05
Equal to 14.3%	0.04
Equal to 12.3%	0.02
Equal to 11.3%	0.01
Less than 10.3%	0.00

The amount of the incentive payment is calculated as described above for the 2013 LTIP; the annual fixed salary used in the calculation formula is be replaced with the respective fixed annual salary for the corresponding year.

Including members of the Board of Management, 98 employees of the Biotest Group are participating in the 2012 Long Term Incentive Programme with a total new investment of 21,911 preference shares. 5,875 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation. In the 2013 financial year two employees left the Biotest Group with a new investment or virtual investment of 650 preference shares. This resulted in income of € 0.1 million.

Including the members of the Board of Management, 85 employees of the Biotest Group are participating in the 2011 Long Term Incentive Programme with a total new investment of 20,665 preference shares. 2,900 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation. In the 2013 financial year two employees left the Biotest Group with a new investment or virtual investment of 650 preference shares. This resulted in income of € 0.0 million.

A pro rata provision of € 1.6 million was recognised as of 31 December 2013 for the 2012 LTIP based on the entire period ending 31 December 2014. The expense for the period for the 2012 LTIP amounted to € 1.1 million in 2013. The sum of the factors thus changed from 3.7380% at 31 December 2012 to 6.4% as of 31 December 2013.

A pro rata provision of € 1.8 million was recognised as of 31 December 2013 for the 2011 LTIP based on the entire period ending 31 December 2013. The expense for the period for the 2011 LTIP amounted to € 1.0 million in 2013. The sum of the factors thus changed from 3.0110% at 31 December 2011 to 5.0 % as of 31 December 2013.

2009 LONG TERM INCENTIVE PROGRAMME/ 2010 TRANCHE (2010 LTIP)

The 2010 tranche of the Long Term Incentive Programme was described in detail in the consolidated financial statements as of 31 December 2010.

A payment of € 0.8 million was made in the 2013 financial year in respect of the 2010 tranche.

FURTHER GENERAL INFORMATION ABOUT THE LTIP

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

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

2 FINANCIAL INSTRUMENTS

2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

Class of financial instruments	Item of the statement of financial position	Measurement category
Cash and cash equivalents	Cash and cash equivalents	none
Assets recognised at amortised cost	Trade receivables	LaR
	Other financial investments	HtM
	Other assets	LaR
Assets recognised at fair value	Other financial investments	FAFVtPL
Liabilities recognised at 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 or 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 2013 financial year.

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

in € million			Measurement basis in the statement of financial position under IAS 39				
Item of the statement of financial position	Measurement category under IAS 39	Carrying amount as of 31 December 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
Assets							
Trade receivables	LaR	118.5	118.5	–	–	–	–
Other assets							
Other receivables	LaR	12.3	12.3	–	–	–	–
Derivatives not designated as hedges	FAHfT	–	–	–	–	–	–
Other financial investments							
Bond funds	FAFVtPL	0.2	–	–	–	0.2	–
Equity and liabilities							
Trade payables	FLAC	51.4	51.4	–	–	–	–
Financial liabilities							
Collateralised liabilities to banks	FLAC	–	–	–	–	–	–
Unsecured liabilities to banks	FLAC	227.9	227.9	–	–	–	–
Liabilities from finance leases	n.a.	–	–	–	–	–	–
Other unsecured loans	FLAC	3.6	3.6	–	–	–	–
Other liabilities							
Primary financial liabilities	FLAC	26.2	26.2	–	–	–	–
Derivatives not designated as hedges	FLHfT	0.5	–	–	–	0.5	–

Cash and cash equivalents with a carrying amount of € 204.4 million (previous year: € 57.2 million) are not included in the above table, as these financial instruments are not assisgned to an IAS 39 measurement category.

Fair value as of 31 December 2013	Measurement category under IAS 39	Carrying amount as of 31 December 2012	Measurement basis in the statement of financial position under IAS 39				Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2012
			Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss		
118.5	LaR	96.1	96.1	–	–	–	–	96.1
12.3	LaR	8.1	8.1	–	–	–	–	8.1
–	FAHfT	0.1	-	–	–	0.1	–	0.1
0.2	FAFVtPL	0.2	-	–	–	0.2	–	0.2
51.4	FLAC	47.4	47.4	–	–	–	–	47.4
–	FLAC	90.0	90.0	–	–	–	–	90.2
228.6	FLAC	17.5	17.5	–	–	–	–	18.1
–	n.a.	1.8	-	–	–	–	1.8	1.9
3.6	FLAC	3.2	3.2	–	–	–	–	3.1
26.2	FLAC	27.1	27.1	–	–	–	–	27.1
0.5	FLHfT	0.1	–	–	–	0.1	–	0.1

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

in € million			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 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

in € million			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2012	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 2012
Loans and receivables	LaR	104.2	104.2	–	–	–	–	104.2
Financial assets recognised at fair value	FAFVtPL	0.2	–	–	–	0.2	–	0.2
Financial assets held for trading	FAHfT	0.1	–	–	–	0.1	–	0.1
Financial liabilities measured at amortised cost	FLAC	185.2	185.2	–	–	–	–	185.9
Financial liabilities held for trading	FLHfT	0.1	–	–	–	0.1	–	0.1

2.4 NET GAIN OR LOSS BY MEASUREMENT CATEGORIES

The net gain or loss for the 2013 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 measured at amortised cost	–2.6	–	0.3	–	–	–2.3
Total	**–2.3**	**–0.4**	**–0.7**	**–1.8**	**–**	**–5.2**

The net result 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 2012
Loans and receivables	0.5	–	–1.1	–3.4	–	–4.0
Financial investments held to maturity	–	–	–	–	–	–
Financial assets recognised at fair value	–	–	–	–	–0.7	–0.7
Financial assets held for trading	–	0.2	–	–	–	0.2
Financial liabilities held for trading	–	–	–	–	–	–
Financial liabilities measured at amortised cost	–3.1	–	0.2	–	–	–2.9
Total	**–2.6**	**0.2**	**–0.9**	**–3.4**	**–0.7**	**–7.4**

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

A loss of € 0.4 million (previous year: profit of € 0.2 million), comprising both interest rate and currency effects, is included in the result from the subsequent measurement of financial assets and liabilities held for trading.

2.5 CASH FLOW BY TIME BAND

The tables below shows 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 prevailing at the reporting date. Variable interest payments on financial instruments are calculated using the last interest rate fixing prior to 31 December 2013. Financial liabilities repayable at any time are always assigned to the earliest time band.

in € million	Carrying amount as of 31 December 2013	Cash flows in 2014			Cash flows in 2015		
Financial position items		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
Liabilities from finance leases	–	–	–	–	–	–	–
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	–	–

in € million	Carrying amount as of 31 December 2012	Cash flows in 2013			Cash flows in 2014		
Financial position items		Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−107.5	−0.4	−0.7	−37.6	−0.3	−0.5	−15.2
Liabilities from finance leases	−1.8	–	–	−1.8	–	–	–
Other interest-bearing liabilities	−3.2	−0.1	–	−2.1	–	–	−1.0
Trade payables	−47.4	–	–	−47.4	–	–	–
Other liabilities	−27.1	–	–	−27.1	–	–	–
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−0.1	–	–	−0.1	–	–	–
Financial asset derivatives:							
Currency derivatives not designated as a hedging instrument	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	–

Cash flows in 2015			Cash flows in 2016			Cash flows in 2017			Cash flows after 2017		
Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
−0.1	−0.4	−53.4	–	–	−1.7	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	−0.1	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–

3 DETERMINATION OF FAIR VALUE

Most trade receivables and other accounts receivable have residual maturities of less than a year. Therefore, carrying amounts as of the reporting date approximate fair values. Impaired trade receivables are to be assigned solely to level 3 with regard to the assessment of the default/credit risk, as the input factors are based primarily on an internal evaluation of the recoverability of the respective receivables. These are partially attributable to the aging 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.

In the case of other non-current receivables and investments held to maturity with residual maturities of more than one year, fair values correspond 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.

Trade payables as well as other liabilities normally have residual maturities of less than one year. Therefore, in this case as well, carrying amounts approximate 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 credit spread curve for each currency. Fair value classification takes place at hierarchy level 2.

As of 31 December 2013, the Biotest Group held no major investments categorised as available for sale in its portfolio.

In the case of derivative financial assets or liabilities (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 at hierarchy level 2.

The fair value of the pension fund is allocated to hierarchy level 1.

4 FINANCIAL RISK MANAGEMENT

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

Biotest uses derivative financial instruments to hedge currency positions in order 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 the risk of 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 the 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 and subsequently measured at their respective current 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.

Market values of derivative financial instruments are disclosed under other assets or other liabilities on the statement of condition. € 0.0 million (previous year: € 0.1 million) is disclosed under other assets and € 0.5 million (previous year: € 0.1 million) under other liabilities as of 31 December 2013.

CREDIT RISKS

A credit risk is the financial risk that a contractual partner will not meet his payment obligations. Biotest counters default risk through the continuous management of receivables. Credit terms and other conditions are based on the customer's credit rating. In addition, portions of domestic receivables and selected foreign receivables are sold to factoring companies or banks.

An allowance for bad debts of € 0.1 million (previous year: € 2.7 million) was recognised as of the reporting date for receivables from Greek customers. Countries that account for more than 10 % of the total receivables value are Italy and Iran. An allowance for bad debts of € 0.4 million (previous year: € 0.6 million) was recognised for receivables from Italian customers. As in the previous year, an allowance for bad debts was not recognised on receivables from customers in Iran.

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

Specific allowances for bad debts are recognised for potential default risks relating to 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	2013	2012
Trade receivables	118.5	96.1
Other assets	12.3	8.2
Other financial investments	0.2	0.2

MARKET RISKS

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

FOREIGN CURRENCY RISKS

The Biotest Group is exposed to currency risks that arise mainly from an imbalance in global cash flows. This imbalance is caused primarily by higher sales in USD offset by lower purchases in USD. The Biotest Group protects itself as a matter of principle against identifiable future currency risks 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 risks naturally and to use currency futures to manage currency risks.

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

Foreign currency risk	**USD**		**GBP**		**HUF**		**RUB**	
in € million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Cash reserves	7.2	1.3	0.7	0.5	1.1	0.2	0.3	12.4
Trade receivables	37.2	20.2	1.0	1.6	1.9	1.5	4.6	–
Other primary financial assets	3.4	1.8	0.1	0.1	0.3	0.2	–	–
Other derivative financial assets	–	–	–	–	–	–	–	–
Trade payables	–10.4	–9.2	–0.1	–0.2	–	–	–	–0.2
Liabilities to financial institutions	–39.3	–39.4	–	–	–	–	–	–
Other primary financial liabilities	–7.3	–5.9	–	–	–0.5	–0.3	–1.5	–
Other derivative financial liabilities	–	–0.1	–	–	–	–	–	–0.1
Net position	**–9.2**	**–31.3**	**1.7**	**2.0**	**2.8**	**1.6**	**3.4**	**12.1**

The following currency option contracts and currency futures were held as of the reporting date:

in € million	**Nominal amount**		**Market values**	
	2013	2012	**2013**	2012
Currency options	–	–	–	–
Currency futures	–	70.6	–	–0.1

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

INTEREST RATE RISKS

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 on existing loans (see also remarks in Section E14 Financial liabilities). Interest rate hedging instruments are used to minimise such risks.

The following interest rate hedging transactions were in place during the 2013 financial year:

in € million	**Nominal amount 2013**	**Market values 2013**
Interest rate swaps	30.0	–0.5
	30.0	**–0.5**

The interest rate hedging transactions have a term of up to 10 September 2018 and 23 September 2020, respectively and a fixed rate of 1.45 % and 1.8175 %, respectively. There were no interest rate hedging transactions 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 respective appointed banks. They result from the measurement of outstanding positions at market prices without taking into account the opposite change in value of the underlying transactions. They correspond to the income or expense which would result if the derivative contracts were closed out as of the reporting date.

LIQUIDITY RISKS

Liquidity risk is the risk that a company will be unable to adequately meet its financial commitments. 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 agreed credit lines as of 31 December 2013:

	2013		2012	
in € million		Drawn down		Drawn down
Credit lines granted (freely available)	331.2	231.5	191.7	110.7
Fixed loan commitments received (subject to specific terms and conditions)	–	–	5.0	5.0
	331.2	**231.5**	**196.7**	**115.7**

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 2013 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. The Biotest Group is not exposed to a concentration of risk in terms of liquidity due to the diversification of funding sources and its liquid funds.

5 SENSITIVITY ANALYSIS PURSUANT TO IFRS 7.40

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

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

FOREIGN CURRENCY RISKS

For the analysis of foreign currency risks, a sensitivity analysis is performed for specific currencies that pose a significant risk to the Biotest Group. The following major currencies are analysed: USD, GBP, HUF and RUB.

If the euro had appreciated by 10 % against all currencies as of 31 December 2013, the financial result would have been € 0.7 million higher (previous year: € 5.1 million higher).

If the euro had depreciated by 10 % against all currencies as of 31 December 2013, the financial result would have been € 0.8 million lower (previous year: € 4.7 million lower).

The hypothetical impact on profit or loss of € 0.7 million or € −0.8 million results from the following currency sensitivities:

in € million	Appreciation of the EUR by 10 %	Depreciation of the EUR by 10 %
EUR to USD	1.1	−1.4
EUR zo GBP	–	0.1
EUR to HUF	−0.1	0.1
EUR to RUB	−0.3	0.4
	0.7	**−0.8**

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. Taking into account translation risk would have different effects.

INTEREST RATE RISKS

For interest rate risks, a sensitivity analysis serves to illustrate the effects of changes in market interest rates on interest income and expense, 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 these are 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 was 100 basis points higher as of 31 December 2013, the fair value of the financial instruments would have been € 1.5 million (previous year: € 0.0 million) higher. The hypothetical impact on profit or loss of € 2.5 million (previous year: € −0.4 million) arises from the potential effects from interest rate derivatives of € 1.5 million (previous year: € 0.0 million) and primary financial liabilities or € 1.0 million (previous year: € −0.4 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 2013 had been 100 basis points higher or 0 basis points lower, equity would have remained unchanged.

MARKET RISKS

The figures for the sensitivity analysis in accordance with IFRS 7.40 (b) 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 RISKS

As part of the presentation of market risks, 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 risks have 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 as of 31 December 2013 was 52.0 % (previous year: 54.1 %). In addition, both long-term and quarterly special financial ratios are used for analysis and management purposes. One of the key ratios 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 2013 financial year. An adequate organisation structure as well as defined operating and control processes were implemented in order to manage the Biotest Next Level project and the financial resources required for this.

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

In June 2013 Biotest AG implemented a capital increase. The maximum possible number of 1,461,909 new preference shares were purchased at a price of € 52 by previous shareholders through the exercising of 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 bonds with an equivalent value of € 210 million on the capital markets. EUR tranches with maturities of 5, 7 and 10 years and a USD tranche with a maturity of 5 years were underwritten. The tranches with maturities of 5 and 7 years have fixed and variable interest rates. The tranche with the 10 year maturity has a fixed rate coupon.

The proceeds from the privately placed bonds and capital increase are to be used mainly for the expansion of the facilities at Dreieich and also for the 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 uncertain 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 € 20.8 million (previous year: € 21.7 million). These relate mainly to guarantees for goods and 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 the claim to be unjustified given that the overall market for hepatitis B immunoglobulins in 2011 and 2012 remained more or less at the same level 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 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 2014	2015 to 2018	from 2019	Total
Obligations under long-term service agreements	9.4	35.8	–	45.2
Future payments under rental and operating lease contracts	4.9	11.4	6.5	22.8
Purchase commitments for property, plant and equipment	4.5	–	–	4.5
	18.8	**47.2**	**6.5**	**72.5**

Payments for approved capital expenditure are made within one year.

Obligations under long-term service agreements relate to purchase commitments under two toll manufacturing agreements for the period from 2014 to 2019 totalling € 45.2 million (previous year: € 56.9 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. Expenses under rental and operating lease agreements amounted to € 3.2 million for the 2013 financial year (previous year: € 4.2 million).

Some rental, lease and operating lease agreements for 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., Teheran, Iran, and its subsidiary Plasma Gostar Pars P.J.S., Teheran, 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 € 0.2 million (previous year: € 1.6 million) during the financial year. The resulting receivables from associates amounted to € 0.9 million (previous year: € 2.0 million) as of the reporting date.

B) OTHER RELATED PARTIES

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

Members of Dr. Hans Schleussner's family are deemed to be related parties as defined in IAS 24. As in the previous year, expenses incurred by related parties of the Schleussner family were low in 2013.

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 € 9.9 million (previous year: € 9.8 million) during the financial year. The resulting receivables from associates amounted to € 6.0 million (previous year: € 8.0 million) as of the reporting date.

C) SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Board members

As of 31 December 2013, 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 Board Chairman of Boehringer Ingelheim, Ingelheim am Rhein, Germany

Supervisory Board Chairman 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

Partner and Managing Director of the investment company Odewald & Compagnie, Berlin, Germany

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

Thomas Jakob,
Ulm, Germany

Businessman

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

Aktiengesellschaft für Umsatzfinanzierung S.A., Senningerberg, Luxemburg

Kerstin Birkhahn,
Langen, Germany

Engineer

Jürgen Heilmann,
Dreieich, Germany

Administrative staff member

Supervisory Board remuneration

The remuneration of the Supervisory Board for the 2012 financial year was laid down by the Articles of Association that were valid until 10 May 2012. The amendments to the of Articles of Association of 10 May 2012 came into effect on 1 January 2013.

Each Supervisory Board member receives an annual fixed remuneration of € 15 thousand. The Chairman of the Supervisory Board receives twice this amount and the deputy one-and-a-half times this sum. An additional € 4 thousand is paid for work performed on a committee with the Chairman of the Audit Committee receiving € 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 insurance premiums for all members of the Supervisory Board. One member of the Supervisory Board receives personal liability coverage under the existing employer's liability insurance. No other non-cash benefits were granted.

The Supervisory Board members received the following remuneration for their activities in the 2013 financial year:

in € thousand 2013	Fixed remuneration	Variable remuneration	**Total remuneration**
Dr. Alessandro Banchi (Chairman)	64	25	89
Dr. Cathrin Schleussner (Deputy Chairperson)	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 the 2012 financial year:

in € thousand 2012	Fixed remuneration	Variable remuneration	**Total remuneration**
Dr. Alessandro Banchi (Chairman) (since 10 May 2012)	33	16	49
Dr. Thorlef Spickschen (Chairman) (until 10 May 2012)	18	9	27
Dr. Cathrin Schleussner (Deputy Chair)	29	15	44
Kerstin Birkhahn	15	10	25
Thomas Jakob	21	10	31
Jürgen Heilmann	18	10	28
Dr. Christoph Schröder (since 10 May 2012)	15	6	21
Prof. Dr. Marbod Muff (until 10 May 2012)	8	4	12
	157	**80**	**237**

In addition to the Supervisory Board remuneration shown above, additional amounts paid in the 2013 and 2012 financial years to employee council 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.

Board of Management

Prof. Dr. Gregor Schulz,
Umkirch, Germany
Chairman of the Board of Management

Dr. rer. pol. Michael Ramroth,
Mörfelden-Walldorf, Germany
Member of the Board of Management

Dr. Georg Floß,
Marburg, Germany
Member of the Board of Management
(since 9 January 2013)

Total remuneration of members of Board of Management Members active in the 2013 financial year amounted to € 2,597 thousand (previous year: € 1,424 thousand).

Of this total, Prof. Dr. Gregor Schulz received a fixed salary of € 340 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling € 49 thousand. His performance-related remuneration amounted to € 173 thousand.

Dr. Michael Ramroth received a fixed salary of € 300 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling € 35 thousand. His performance-related remuneration amounted to € 159 thousand.

Dr. Georg Floss received a fixed salary of € 254 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling € 32 thousand. His performance-related remuneration amounted to € 99 thousand.

A supplementary agreement to the Board of Management agreement of all three Board of Management members contains a severance pay clause that becomes effective in the event of the early termination of the Board of Management agreement as a result of a clearly defined change of control. Severance pay includes fixed remuneration through the end of the term of the contract and is limited to a maximum of three times the annual fixed salary. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the Company vehicle provided are also paid. In addition to these entitlements, the severance payment shall also include a sum equal to twice the annual fixed salary. In total, however, the severance payment may not exceed three times the annual fixed salary.

There shall be no entitlement if the Board of Management agreement is terminated for good cause, illness or incapacity to work, or if the Board of Management member in question has reached the age of 60 or 65, respectively, at the time of termination or received remuneration or benefits from a third party in connection with the change of control.

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

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

in € thousand	**Personal investment in preference shares** (in number of share)	**Fair value of the options as of 31 December**	**Total cost of the stock option plan in the financial year**
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**
2012 (2010, 2011 and 2012 tranches)			
Prof. Dr. Gregor Schulz	1,800	673	216
Dr. Michael Ramroth	1,800	593	190
	3,600	**1,266**	**406**

The Long Term Incentive Programme/2010 tranche was paid out in the 2013 financial year: Prof. Dr. Gregor Schulz received € 92 thousand and Dr. Michael Ramroth received € 79 thousand.

Pension entitlements for current members of the Board of Management amount to € 5,283 thousand (previous year: € 4,195 thousand), of which € 2,565 thousand (previous year: € 2,517 thousand) relates to Prof. Dr. Gregor Schulz, € 1,806 thousand (previous year: € 1,678 thousand) to Dr. Michael Ramroth and € 912 thousand (previous year: € 0 thousand) to Dr. Georg Floß. Assets in the amount of € 1,782 thousand (previous year: € 1,471 thousand) were transferred as of 31 December 2013 to Biotest Vorsorge Trust e.V. for the purposes of insolvency protection of the pension entitlements.

Provisions of € 4,096 thousand (previous year: € 4,234 thousand) were recognised for pension obligations to former Boad of Management members and their dependents. There were no loans outstanding to members of the Company's management bodies as of the reporting date.

In the 2013 financial year pension payments of € 442 thousand (previous year: € 415 thousand) were made to former members of the Board of Management.

10 PARTICIPATING INTERESTS

The following is a list of the companies in which Biotest AG holds a direct or indirect participating interest in accordance with Section 313 (2) of the German Commercial Code (HGB). 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** in € million
Biotest Pharma GmbH	Dreieich, Germany	103.1	100.00	0.1
Biotest Grundstücksverwaltungs GmbH*	Dreieich, Germany	6.1	98.00	0.7
Biotest (UK) Ltd.	Birmingham, Great Britain	2.4	100.00	0.3
Biotest Italia S.r.l.	Milan, Italy	9.0	100.00	−0.3
Biotest Austria GmbH	Vienna, Austria	2.0	100.00	0.4
Biotest (Schweiz) AG	Rupperswil, Switzerland	1.3	100.00	0.2
Biotest Hungaria Kft.	Budapest, Hungary	3.6	100.00	0.2
Biotest Farmaceutica Ltda.	São Paulo, Brazil	0.2	100.00	−0.6
Biotest Hellas MEPE	Athens, Greece	−8.0	100.00	0.3
Biotest Medical S.L.U.	Barcelona, Spain	0.4	100.00	0.2
Plasmadienst Tirol GmbH*	Innsbruck, Austria	0.1	100.00	−0.2
Plasma Service Europe GmbH*/**	Dreieich, Germany	1.9	100.00	1.5
Biotest Pharmaceutical Corporation*	Boca Raton, USA	150.4	100.00	−1.5
Biotest US Corporation	Boca Raton, USA	161.3	100.00	0.0
Plazmaszolgálat Kft.*	Budapest, Hungary	0.2	100.00	−0.1
BioDarou P.J.S. Co.*	Teheran, Iran	6.6	49.00	1.9
Biotest Pharma OOO***	Moscow, Russia	0.0	100.00	0.0
Biotest Seralc° N.V.***	Mechelen, Belgium	0.0	100.00	0.0

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

11 PENDING AND IMMINENT LEGAL PROCEEDINGS

Provisions of € 2.5 million (previous year: € 0.6 million) were recognised as of the reporting date for pending and imminent legal proceedings.

12 EVENTS AFTER THE REPORTING DATE

In January 2014 a new Biotest company was formed in France, Biotest France SAS with headquarters in Paris.

Biotest Pharmaceuticals Corporation (BPC), located in Boca Raton, Florida, USA and a wholly-owned subsidiary of Biotest AG, decided on 20 February 2014 to recall some lots of Bivigam® 100ml/10g from 2013. The reason for the recall was the possibility that a very small percentage of the 100 ml vials may exhibit a vial integrity defect. No such defects have been reported from the market so far. The cost of the recall resulted in a decrease in operating profit in the amount of € 5.9 million. The financial impact of the recall has already been reflected in the 2013 consolidated financial statements.

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 2014

Prof. Dr. Gregor Schulz
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 2014

Biotest Aktiengesellschaft

Management Board

Prof. Dr. Gregor Schulz
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 2013. 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 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kretschmer	Barkey
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

2013 SUPERVISORY BOARD REPORT

During the past financial year, the Supervisory Board fulfilled its duties in accordance with the law, the Articles of Association and rules of procedure and discussed in particular the governance, the strategy and the planning of the Group. It 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 for the Company. This also included information relating to planning, business performance, the risk situation and risk management. Furthermore, the Supervisory Board was informed by the Board of Management in writing on a monthly basis of the business situation and any deviations from current and planned business developments. The Chairman of the Supervisory Board and Chairman of the Audit Committee automatically received all Internal Audit reports.

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 material importance to the Company were discussed in detail by the Supervisory Board based on reports from the Board of Management and reviewed for plausibility. The Supervisory Board was involved in all decisions of fundamental importance to the Company.

During the 2013 financial year the Supervisory Board held five regular meetings. Four resolutions were approved by way of circulation. The Chairman of the Board of Management also 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 fundamental decisions 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 regularly discussed by the Supervisory Board included governance, strategy and planning of the Company, the Company's current business performance, the capital increase implemented in June as well as the "Biotest Next Level" project, its funding and current status of the Public Prosecutor's investigations in connection with the Russian business.

The Supervisory Board appointed Dr. Floß as a member of the Board of Management of Biotest AG on 9 January 2013 and made further decisions on Board of Management matters by circular resolution (see also "Changes to the Board of Management and Supervisory Board" below).

At the meeting held on 22 March 2013 the Supervisory Board, in addition to reviewing the current business performance, focused on Biotest AG's single entity financial statements and the consolidated financial statements for the 2012 financial year along with the auditors from Ernst & Young GmbH. Individual financial statement items were discussed in detail. Following these detailed discussions the single entity financial statements of Biotest AG and the consolidated financial statements for the 2012 financial year were approved. The annual financial statements were thereby adopted. Other agenda items included a resolution regarding the appropriation of net profit and the adoption of the Supervisory and Corporate Governance reports. Proposed resolutions on the agenda for the Annual Shareholders' Meeting were adopted and a new instalment of the Long Term Incentive Programme for the Board of Management and corporate management was approved. The Chairman of the Supervisory Board reported on the targets met by the Board of Management members in the 2012 financial year and presented the agreed Board of Management targets for 2013. Furthermore, the Board of Management presented the "Biotest Next Level" project for the capacity expansion at Dreieich for the first time and explained the background, funding requirements and scope of the planned expansion in detail. The capital increase from the still available authorised capital and a promissory note were presented as the building blocks for the funding. The Supervisory Board agreed an amendment to the Board of Management employment contract of Dr. Floß so that his contract contains in future the same change-of-control provision as the contracts of the other members of the Board of Management.

At the Supervisory Board meeting of 8 May 2013 held immediately prior to the Annual Shareholders' Meeting, the Board of Management informed the Supervisory Board of the current business performance based on the figures for the first quarter of 2013. Furthermore, the Supervisory Board approved in principle the capital increase from authorised capital proposed by the Board of Management. Lastly, the Supervisory Board prepared for the Annual Shareholders' Meeting.

On 10 June 2013 the Supervisory Board took decisions by way of circulation regarding the approval to use the authorised capital, the subscription offer, timetable and pricing. On 26 June 2013 the Supervisory Board approved the final capital increase amount by another circular resolution.

At the meeting held on 4 July 2013 the Board of Management informed the Supervisory Board of the current business situation of the Group focusing on developments abroad, the successful implementation of the capital increase and the status of the "Biotest Next Level" project. In addition to the monthly report to the Supervisory Board, the Board of Management also reported to the Supervisory Board on the current status of the Public Prosecutor's investigations into allegations of breach of trust and bribery in connection with the Russian business. The Chairman of the Board of Management also provided an overview of the pipeline of current R&D projects. The Supervisory Board also discussed the strategy for the plasma business for the coming years.

The Board of Management again informed the Supervisory Board in the Supervisory Board meeting of 18 September 2013 of the investigations in connection with the Russian business, the current business situation of the Group, the forecast for 2013 as well as the key points for the 2014 budget. The Chairman of the Board of Management reported on the strategy to drive forward the development of monoclonal antibodies as well as a IgM concentrate together with partners. The current status of the "Biotest Next Level" project was presented. The project manager detailed the progress made on the project and confirmed that the previous milestones within the budget plan and timetable had been achieved. Furthermore, the funding of the project over and above the proceeds from the capital increase was discussed. The Supervisory Board approved, amongst other things, the issuance of promissory notes. The Supervisory Board also approved a change in the organisational reporting line of the Compliance Officer directly to the Board of Management and addressed the succession planning for the Chairman of the Board of Management.

At the Supervisory Board meeting of 5 December 2013 the Board of Management informed the Supervisory Board of the Group results, current Compliance activities, the status of discussions with potential development partners for the monoclonal antibody BT-062 and the status of the businesses in Brazil and Iran. The Board of Management reported on the current status of the investigations in connection with the Russian business. The Supervisory Board also welcomed the proposal that Biotest AG wants to have a new day care centre operated in its name close to its business premises in order to be able to provide childcare places for the children of employees. The Board of Management also confirmed that the "Biotest Next Level" project is on plan. The Supervisory Board also approved the 2014 budget proposed by the Board of Management after a discussion. The Chairman of the Audit Committee reported to the Supervisory Board on the ten largest risks for the Company, the 2014 proposals for risk management as well as the main focus areas for the audit of the 2013 annual financial statements, which were determined in coordination with Ernst & Young GmbH. Finally, the Supervisory Board again discussed the demographic developments within the Group and approved the formation of subsidiaries in France and Turkey.

COMMITTEES

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

The Personnel and Presiding Committee held two meetings together with the Board of Management in 2013 and two additional meetings, in which the Board of Management only participated for specific agenda items. At the meeting of 22 March 2013 the Committee approved amendments to the Board of Management employment contract of Dr. Floß. The targets achieved by the Board of Management for 2012 and the new targets for the Board of Management for 2013 were also discussed. The Committee confirmed that it endorses the continuation of the LTI programme under the present terms and conditions. At the second meeting held on 4 July 2013 the Personnel and Presiding Committee addressed the succession planning for certain senior management positions and the Chairman of the Board of Management. The succession planning for the CEO was initiated well in advance in a structured process including professional advice of an internationally renowned executive search company. This process, amongst other things, was again on the agenda of the meeting held on 18 September 2013. The succession planning for certain senior management persons was again the topic of the committee meeting held on 5 December 2013 as was the current assessment of the investigations in connection with the Russian business.

The Audit Committee held two meetings in 2013. The single entity and consolidated financial statements for the 2012 financial year as well as the findings of the auditors were the focus of the first meeting held on 18 March 2013. At the second meeting held on 4 December 2013 the Committee discussed, amongst other things, the focus areas for the audit of the 2013 annual financial statements and the fact that all impairment tests had been conducted without any negative impact. Part of the agenda were also the Internal Audit report and the adoption of the 2014 audit plan. The Committee also discussed the presentation of the risk management system and the ten largest risks.

CORPORATE GOVERNANCE

The Supervisory Board continually monitored the further development of corporate governance standards within the Company in 2013. 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 2014 the Board of Management and 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 SUPERVISORY BOARD

As mentioned in the most recent Supervisory Board report, the Supervisory Board appointed Dr. Floß as a member of the Board of Management of 9 January 2013 and the term of office of Prof. Schulz was extended to 31 December 2014.

There were no other changes to the Board of Management and Supervisory Board.

SINGLE ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH audited the single entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2013 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 17 March 2014 as well as at the meeting of the Supervisory Board on 21 March 2014. At 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 2013 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 2013 financial year.

Dreieich, 21 March 2014

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 13 May 2013. The following information applies to both the old version of 15 May 2012 and the updated version of the Code of 13 May 2013.

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 22 March 2013, which referred to the German Corporate Governance Code as amended on 26 May 2010 and 15 May 2012, Biotest AG has complied with all recommendations of the German Corporate Governance Code as amended on 15 May 2012 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. Biotest AG has set in its view an appropriate deductible for its Supervisory Board members. However, this is not equivalent to the deductible amount for Supervisory Members required by law. In Biotest AG's view, an increase in the deductible set would be out of proportion to the current remuneration levels for Supervisory Board duties.
- 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 unnecessary. 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, an age limit for Supervisory Board members (still to be defined) 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.

  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 members 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.

In this regard, an exception is declared in respect 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 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.

Furthermore, the Board of Management and the Supervisory Board declare that the Company has complied with all recommendations of the German Corporate Governance Code as amended on 13 May 2013 with the exception of the following:

- Biotest AG will continue not to follow the recommendation set forth 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 above remain valid.
- Biotest AG will continue not to follow the recommendation set forth in Section 5.3.3 of the German Corporate Governance Code to form a Supervisory Board nomination committee. The reasons given above remain valid.
- Biotest AG will also continue not to follow the recommendations set forth in Section 5.4.1 (2) and (3) of the German Corporate Governance Code as amended on 15 May 2012 for the reasons given above for this exception.
- Biotest AG will continue not to follow the recommendation set forth in Section 5.4.6 (2). The reasons given above regarding the calculation of variable remuneration for Supervisory Board members remain valid.
- The new 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. However, a limit is specified for the maximum amount of all remuneration components. The bonus is calculated on the basis of percentage rates applied to the fixed salary that are subject to a maximum limit. The remuneration component with long-term incentive effect and risk features is limited by a specified number of participating preference shares, multiplying factors that are subject to a maximum and a link to the fixed salary. The Supervisory Board is of the opinion that it is neither necessary, nor would it be appropriate, to interfere with the existing Board of Management employment contracts in order to set explicit upper limit amounts for remuneration.
- The new 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) cannot currently be 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.

- An amendment to Section 6.3 of the German Corporate Governance Code requires that shares or related financial instruments held by Board of Management and Supervisory Board members now be disclosed separately in the Corporate Governance Report by Board of Management and Supervisory Board, if it directly or indirectly holds more than 1 % of the shares issued. Dr. Schleussner, Deputy Chair of the Supervisory Board, controls OGEL GmbH, which, to the knowledge of the Company, holds approx. 50.03 % of the issued ordinary shares of the Company. She therefore indirectly holds 50.03 % of the ordinary shares of Biotest AG. Information regarding this can be found in the Group Management Report under "Explanatory notes in accordance with Section 315 (4) of the German Commercial Code (HGB)". The combined total of the shares held by other members of the Supervisory Board as well as by Board of Management members is below 1 % of the ordinary shares issued by the Company. The Company does not consider it necessary to repeat the information contained in the Group Management Report in the Corporate Governance Report. It does not follow the recommendation in this respect.

Dreieich, 21 March 2014

For the Board of Management

Prof. Dr. Gregor Schulz

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 8 May 2013 in Frankfurt am Main. 82.4 % of the voting capital (ordinary share capital) was represented. All resolutions submitted (appropriation of net profit, approval of the actions of the members of the Board of Management and Supervisory Board and selection of the external auditors) 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 2013 financial year:

Date	Reporting party	Role	Transaction Type and Venue	Financial instrument	ISIN	Number of Units	Price in €	Transaction volume in €
14 May 2013	Prof. Dr Markus Rothenburger	Head of Medical/ Regulatory Affairs	Purchase/Stuttgart	Preference shares	DE0005227235	750	54.05	40,537.50
21 May 2013	Dr. Jörg Schüttrumpf	Head of GB Global Research	Purchase/Stuttgart	Preference shares	DE0005227235	750	56.00	42,000.00
21 May 2013	Dr. Christina Erb	Head of Central Project Management	Purchase/Stuttgart	Preference shares	DE0005227235	105	55.90	5,869.50
27 May 2013	Dr. Georg Floß	Board of Management	Purchase/Stuttgart	Preference shares	DE0005227235	1,200	55.60	66,720.00
28 June 2013	Prof. Dr Markus Rothenburger	Head of Medical/ Regulatory Affairs	Purchase/OTC	Preference shares	DE0005227235	93	52.00	4,836.00
28 June 2013	Dr. Georg Floß	Board of Management	Purchase/OTC	Preference shares	DE0005227235	100	52.00	5,200.00
28 June 2013	Dr. Joachim Herborg	Head of Marketing and Distribution Division	Purchase/OTC	Preference shares	DE0005227235	250	52.00	13,000.00
28 June 2013	Dr. Jörg Schüttrumpf	Head of GB Global Research	Purchase/OTC	Preference shares	DE0005227235	93	52.00	4,836.00
28 June 2013	Dr. Michael Ramroth	Chief Financial Officer	Purchase/OTC	Preference shares	DE0005227235	537	52.00	27,924.00
28 June 2013	Prof. Dr. Gregor Schulz	Chairman of the Board of Management	Purchase/OTC	Preference shares	DE0005227235	425	52.00	22,100.00

REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

An explanation of the structure of the remuneration system and of the remuneration paid to members active in 2013 of the executive bodies as part of the Corporate Governance Report

The remuneration report is also an integral part of the Group Management Report.

Remuneration 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, a bonus and a component that entails a long-term incentive effect and risk features. Added to this are benefits in kind.

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

Fixed remuneration

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

Benefits in kind

Board of Management members receive benefits in kind in addition to 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 (so-called D&O insurance) with an appropriate deductible for the Board taking into account the legal requirements. The deductible is 10 % of the insured event and is limited to 150 % of the fixed annual remuneration of the respective Board of Management member and meets the requirements of Section 93 (2) clause 3 of the AktG. The Board of Management members are provided with a top-of-the-range company car free of charge; personal use of the car is permitted.

Bonuses

The performance-based remuneration component (bonuses) 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 a long-term incentive effect and risk features

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

The 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 requires a personal investment of the participant in the form of the purchase of preference shares of Biotest AG. The programme including the process for calculating incentive payments is described in detail in Section F.1 of the notes to the consolidated financial statements. It is anticipated that the incentive component will be paid in May of the year following the expiry of the tranche.

Total remuneration of the Board of Management

The three active Board of Management members in 2013 were paid total remuneration of € 2,597 thousand (2012: € 1,424 thousand for only two active Board of Management members). Of this amount, € 1,018 thousand is attributable to Prof. Gregor Schulz, € 888 thousand to Dr. Michael Ramroth and € 691 thousand to Dr. Georg Floß.

The fixed salary of Prof. Schulz amounted to € 340 thousand in 2013 plus benefits in kind valued at € 49 thousand and a bonus of € 173 thousand. Dr. Ramroth received a fixed salary of € 300 thousand plus benefits in kind valued at € 35 thousand in the 2013 financial year. The bonus amounted to € 159 thousand. Dr. Floß received a fixed salary of € 254 thousand plus benefits in kind valued at € 32 thousand in the 2013 financial year. The bonus amounted to € 99 thousand.

In addition, LTIP amounts not yet paid out over the entire period totalled € 1,039 thousand for Prof. Schulz, € 917 thousand for Dr. Ramroth and € 514 thousand for Dr. Floß as of the valuation date of 31 December 2013. No loans or advances were granted to Board of Management members during the 2013 financial

year. In the previous financial year, no Board of Management member received any payments or services or commitments from third parties in respect of his work as a Board of Management member.

Pension entitlements

The 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. Pension entitlements amounted to € 5,283 thousand as of the reporting date, of which € 1,782 thousand were reinsured. 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.

€ 240 thousand has been set aside under the programme at Biotest under which remuneration is converted into pension contributions.

The valuation is based on the actuarial reports prepared by an independent actuary in accordance with the projected unit credit method. A more detailed explanation is set out in Section B.12 of the notes to the consolidated financial statements.

Assets amounting to € 1,782 thousand were transferred to Biotest Vorsorge Trust e.V. for the purposes of protecting the pension entitlements against insolvency.

Change of control

The employment contracts for all Board of Management members contain a severance pay clause in the event of the early termination of such contract as a result of a clearly defined change of control. This is described in the Explanatory notes in accordance with Section 315 (4) of the German Commercial Code (HGB).

Remuneration system for former Board of Management members and their dependents

Contractually agreed pension benefits are paid to former Board of Management members and their dependents. These entitlements amount to € 5,034 thousand, of which € 938 thousand is reinsured. The pension provisions are measured in accordance with IAS 26.

Supervisory Board remuneration

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. € 4 thousand is paid for work performed on a committee; the Chairman of the committee receives an additional € 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 per share. 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 insurance premiums for all members of the Supervisory Board. One member of the Supervisory Board also receives personal liability coverage under the existing employer's liability insurance. No other non-cash benefits were granted. The remuneration of the Supervisory Board including the reimbursement of the value added tax payable in some cases on the Supervisory Board remuneration is disclosed in the following table.

in € thousand 2013	Fixed remuneration	Variable remuneration	**Total remuneration**
Dr. Alessandro Banchi	64	25	89
Kerstin Birkhahn	15	10	25
Jürgen Heilmann	19	10	29
Thomas Jakob	19	10	29
Dr. Cathrin Schleussner	31	15	46
Dr. Christoph Schröder	29	10	39
	177	**80**	**257**

GLOSSARY / TECHNICAL TERMS

A

ALBUMIN (OR HUMAN ALBUMIN)
Protein produced in the liver that acts to maintain colloid osmotic pressure of the blood and as a transport 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.

CYTOMEGALO / CYTOMEGALY VIRUS (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.

CRYOPRECIPITATE
An intermediate preparation of plasma fractionation that contains the factor VIII, von Willebrand factor and fibrinogen that are important for blood clotting.

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)
US authorities responsible for monitoring foodstuffs and marketing authorisations for 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.

HER2 (HERCEPTIN 2)
The HER2 protein is a receptor on the surface of body cells. The protein is a member of a family of epidermal growth factor receptors. The number of receptors on the cell surface is determined by the HER2-Gen.

HYDROXYETHYL STARCH (HES)
Substance artificially produced from maize starch or potato starch, which is used as a replacement 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 toxins.

IMMUNOGLOBULINS
Synonymous with antibodies. These recognise and bind pathogens and mediate their elimination through cells of the immune system.

IMMUNOLOGY
The science of immune defence and immune regulation to maintain the body's integrity, i.e. distinguishing self from non-self.

IMMUNOSUPPRESSIVE
Describes an act that suppresses the 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.

INN (INTERNATIONAL NON-PROPRIETARY NAME)
The public domain name issued by the World Health Organisation for a drug. This enables medical professionals throughout the world to use a standard name for a medication that often has different brand names in the respective countries.

INTENSIVE CARE MEDICINE
The branch of medicine that deals with the diagnosis and treatment of life-threatening conditions.

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

L

LENALIDOMIDE
Substance that is distributed as a medication by the US drug manufacturer Celgene under the trade name REVLIMID® and is used in combination with dexamethasone, especially for the treatment of multiple myeloma in order to inhibit amongst other things cell division of certain tumour cells.

LIVER INSUFFICIENCY
Better known as liver failure, denotes the termination of liver function.

M

METHOTREXATE
A drug for the treatment of 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 sexual hormone in the steroid hormone class. Side effects in the form of autoimmune reactions such as lupus erythematodes (SLE) can occur on taking oestrogen preparations.

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 the absorption of the medication to its distribution in the body, the biochemical conversion and breakdown up to the elimination of the substance (release, absorption in the bloodstream, distribution in the body, metabolism and elimination).

PHARMACOVIGILANCE
Systematic review of the safety of a drug, for which adverse effects are to be recognised in order to be able to take appropriate measures to minimise risk.

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.

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.

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.

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

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

PROGESTERONE
Forms the female sex hormone together with oestrogen. Progesterone prepares the uterus for pregnancy and acts to maintain pregnancy.

PSORIASIS
Scaly patches. Chronic skin disease.

R

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

RESPIRATORY SYNCYTIAL VIRUS (RSV)
Virus that leads to respiratory illnesses and mainly affects young babies and small children, in whom a RSV infection is caused. Patients with immunosuppression, which may occur after a bone marrow transplantation, are also at risk.

RHEUMATOID ARTHRITIS
Chronic inflammatory disease of the joints.

S

SCAP
Severe community acquired pneumonia. The spread of the inflammation of the lung to the body can often result in complications, such as sepsis, septic shock or organ failure.

SEROCONVERSION
Development of specific antibodies against antigens of a foreign body in an infection or vaccination or the change in antibody classes during an infection from IgM (early antibodies) to IgM (late antibodies).

SERUM PROTEINS
Name given to proteins contained in blood serum.

SUBCUTANEOUS (S.C)
Anatomical location referring to the tissue beneath the skin. This consists mainly of the connective and fatty issue directly beneath the skin. Medications are administered by injecting them beneath 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 fever; patients usually have rheumatoid arthritis-like joint pains. Erythema occurs on the skin (redness of the skin due to dilation of the capillaries.) Other organs can also be affected by this disease.

Z

ZOSTER VIRUS (VARICELLA ZOSTER VIRUS)
Member of the herpes virus family. The first infection usually results in chickenpox. Reactivation, for example through the weakening of the immune system, can result in 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. The 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 yet constitute actual receivables or payables.

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; operating profit.

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.

M

MONTE CARLO SIMULATION
Stochastic process in which probability theory is used in an attempt to obtain numerical solutions to problems that are difficult or impossible to solve analytically.

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. The net present value is the sum of the present values of all payments resulting from this investment.

O

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

P

PREFERENCE SHARE
Share without voting rights which gives the holder an entitlement to a preferred, typically higher, dividend. The ordinary share is the counterpart to a preferred share.

PRIVATE PLACED BOND
Form of (long-term) debt financing in which a loan is granted to a borrower through the provision of capital by various creditors.

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.

SYNDICATED LOAN
Loan granted to a single borrower by a group of banks.

W

WEIGHTED AVERAGE COST OF CAPITAL (WACC)
The weighted average cost of capital denotes an approach that forms part of the discounted cash flow methods used for valuing companies. The 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

25 MARCH 2014
Press conference on financial statements
Annual report 2013

7 MAY 2014
Q1 2014 Report

7 MAY 2014
Annual Shareholders' Meeting

12 AUGUST 2014
Q2 2014 Report

12 NOVEMBER 2014
Q3 2014 Report
Analyst conference

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