Biotest

From Nature for Life

The Specialists

Biotest AG

2009 | Annual Report

Contents

2009 at a glance

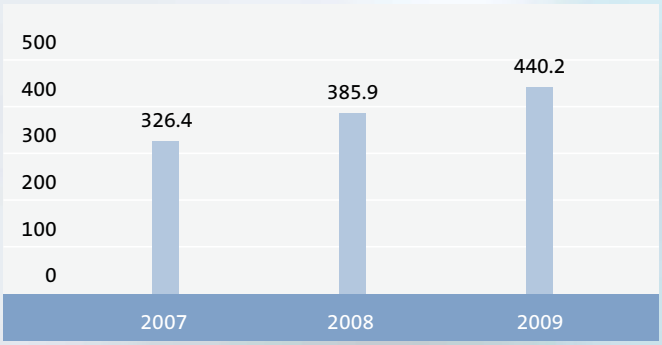
Biotest Group*		2009	2008	Change %
Revenue	€ million	440.2	385.9	14.1
therof: Germany	€ million	109.9	101.8	8.0
Rest of World	€ million	330.3	284.1	16.3
therof: Plasma Proteins	€ million	390.1	339.5	14.9
Microbiologial Monitoring	€ million	50.1	46.4	8.0
EBITDA	€ million	87.4	83.5	4.7
EBIT	€ million	61.5	59.0	4.2
EBIT in % of sales		14.0	15.3	–
Profit before tax	€ million	49.0	45.5	7.7
Retained earnings attributable to equity holders of Biotest AG	€ million	25.7	25.7	–
Structure of expenses by nature:				
– Cost of materials	€ million	152.8	131.4	16.3
– Personnel expenditure	€ million	116.9	100.4	16.4
– Research and development expense	€ million	48.5	42.3	14.7
thereof: Biotherapeutics	€ million	20.7	16.6	24.7
– Research and development expense in % of sales		11.0	11.0	–
Capital expenditure in property, plant and equipment and intangible assets	€ million	40.2	32.9	22.2
Financing:				
– Cash flow**	€ million	31.3	30.5	2.6
– Depreciation and amortisation	€ million	25.9	24.5	5.7
Equity	€ million	269.9	253.4	6.5
– Equity in % of total equity and liabilities		42.6	42.8	–
Total equity and liabilities	€ million	633.5	592.0	7.0
Number of employees (full-time equivalents) as of year-end		1,834.3	1,701.2	7.8
Earnings per share	€	2.49	2.56	–2.7
Earnings per preference share	€	2.55	2.62	–2.7

* Continuing Operations after the disposal of the transfusion and transplantation diagnostic activities to Bio-Rad Laboratories, Inc.

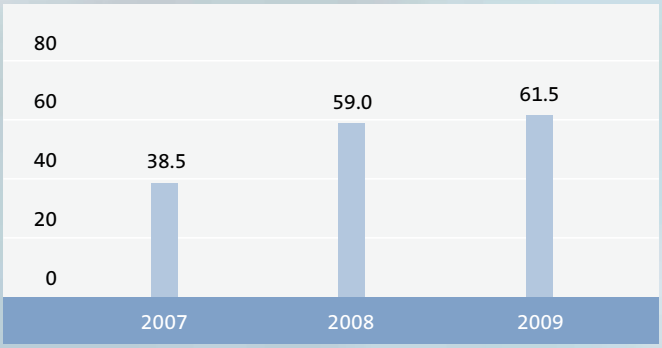
** From operating activities

Key figures 2007–2009*

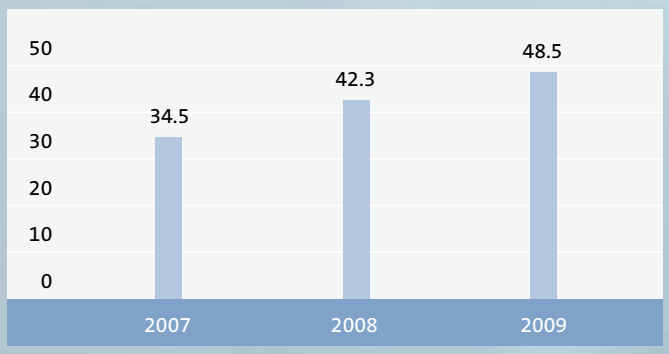
Revenue of the Biotest Group in € million



EBIT of the Biotest Group in € million



R&D expenses in € million



* 2008, 2009: Continuing Operations only

Biotest can look back on a successful financial year 2009. In a difficult overall economic environment we increased our sales significantly compared with the previous year to € 440.2 million. We also succeeded in again improving on the previous year's excellent earnings before interest and taxes, taking our 2009 EBIT to € 61.5 million. We made major progress in important strategic projects, including doubling our immunoglobulin production capacity to 4.0 tonnes per year. Our 3 monoclonal antibodies are now all in clinical development. With an equity ratio of 42.6 % and a sound financing base of borrowed capital, Biotest has the resources it needs to take the Company's development further forward. In this process we can rely on nearly 2,000 competent and committed employees.

Highlights 2009

January
Biotest is granted approval for the albumin preparations Albiomin 5% and Albiomin 20% in a further six European markets.

March
Biotest is granted permission to distribute the immunoglobulins manufactured at the new production plant in Dreieich. Biotest's manufacturing capacity was thus doubled from two to four tonnes a year.

April
The hepatitis B immunoglobulin Hepatect® CP, a leading preparation for use in post liver transplantion reinfection prophylaxis, is granted approval in seven more European countries.

June
Start of clinical development of the IgM concentrate produced in Dreieich. The drug is being developed for a range of indications comparable to that of Pentaglobin®, for which approval has already been granted, but has a higher IgM content and is therefore functionally more active.

July
The Microbiological Monitoring segment launches newly developed PCR test kits for identifying bacterial germs in foodstuffs.

September
Start of clinical development of BT-063. With this, all three monoclonal antibodies in the Biotest pipeline are now in their clinical phase.

October

Biotest concludes an agreement with Bio-Rad Laboratories Inc. on the sale of its transfusion and transplantation diagnostic activities.

December

The European Commission grants the immunoglobulin Zutectra® EU-wide approval. It is the world's first immunoglobulin for use in hepatitis B reinfection prophylaxis that can be administered subcutaneously. Biotest has thereby consolidated its leading position in this indication.

In the context of the high-profile convention of the American Society of Hematology (ASH), Biotest presents interim data from the phase I clinical trial of the monoclonal antibody BT-062 in the indication multiple myeloma. The trial provided initial evidence of clinical efficacy: in 53% of cases the tumour's progress could be halted for longer than six weeks.

Biotest commences production of monoclonal antibodies in Boca Raton. Production of the BT-061 batches required for additional clinical trials gets under way.

heipha Dr. Müller GmbH completes the expansion of its production and logistics capacities. With the installation of a new packaging plant, Biotest significantly increased its capacity.

The new immunoglobulin production facility in Boca Raton with an annual capacity of around 1.5 million tonnes goes into test operation.

Foreword

"Another successful year for Biotest despite the difficult market environment"

Prof. Dr. Gregor Schulz, Chairman of the Board of Management, and Dr. Michael Ramroth, CFO of Biotest AG.

Dear Shareholders,

"A specialist in immunology and haematology" is how we describe Biotest in a nutshell. This description incorporates Biotest's specific strengths – a clear focus on treating diseases of the immune system and the blood, and within this special area a comprehensive product offering, a range of products and services that covers the entire value chain as well as highly promising development projects.

Being a specialist means even more for us, however. It means bearing responsibility, responsibility for the highest levels of safety and quality. Thinking ahead to further improve products and processes. And sharing knowledge in a dialogue with users, scientists and colleagues. Moreover, specialists are ready to constantly expand their knowledge, and they collaborate constructively with strong partners. On the following pages we feature some of the members of staff at Biotest and provide an insight into their work. They represent around 2,000 women and men who work for Biotest all over the world. Our employees' competence, experience and commitment form the basis of Biotest's long-term success.

The sale of our transfusion and transplantation diagnostic activities, completed in January 2010, is a major milestone in implementing Biotest's strategy. This transaction further improves Biotest's financial position. Even more importantly, this transaction enables us to expand and consistently strengthen our core business in plasma proteins and to take biotherapeutic projects further forward. That will be our task in the years ahead.

In 2009 we made further progress in the area of plasma proteins. For example, we increased the international orientation of our product portfolio. And, with Zutectra®, approved throughout Europe at the end of 2009, and the approval of our tried and tested Hepatect® in additional countries, we have also extended our competence in hyperimmunoglobulins.

With special drugs of this kind, Biotest is the world market leader for a number of indications, such as preparations for hepatitis B reinfection prophylaxis after liver transplantations. The plasma proteins development pipeline contains a number of candidates that further strengthen our position in this area. As these products are subject to less extensive market and price fluctuations, our strength in hyperimmunoglobulins also contributes toward stable business development at Biotest.

In the area of biotherapeutics, the three monoclonal antibodies have all been in clinical development since 2009. The course of clinical development was positive for all projects. For BT-061 and BT-062, further data on efficacy and tolerability is available.

For the monoclonal antibody BT-061 we plan to engage in a development and marketing cooperation from clinical phase III onward. Until then we will take activities forward on our own. The value of the project increases with additional data from clinical trials.

Biotest again exceeded its original sales and earnings targets for 2009 – for both sales and earnings, 2009 was another record year. This was accomplished despite the difficult market environment. And we anticipate further growth in sales volumes in the coming years too as the trends that boost demand for our products remain intact: the range of indications for immunoglobulins is growing. Furthermore, economic improvement in developing economies ensures that more people are gaining access to medical care.

For 2010 we expect further sales growth, mainly as a result of higher distribution volumes. In this connection our increased capacity in 2009 will have a positive effect. Moreover, we anticipate in 2011 the approval of a new IVIG preparation for the US market. The technical aspect of the plant expansion required in conjunction with this in Boca Raton, FL, has been completed.

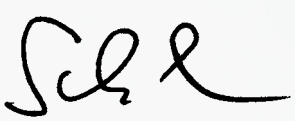
We owe last year's successes and the sound business progress we made to the commitment and high motivation of our employees. We would like to thank them most sincerely for both.

We would also like to thank our business partners, the banks that finance us and accompany us constructively on our way, and above all our shareholders for the trust they have shown in us.

Biotest used the year 2009 to strengthen its profile and to take forward the Company's strategic development. On this basis we can make 2010 another successful year despite difficult framework conditions.

We invite you most cordially to continue to accompany us on this journey.

Sincerely yours,



Prof. Dr. Gregor Schulz
Chairman of the
Board of Management

Dr. Michael Ramroth
Chief Financial Officer

The Specialists

Biotest is a specialist in immunology and haematology. We develop, manufacture and distribute all over the world highly specific drugs that are used in the prevention and treatment of serious and in many cases life-threatening diseases. At Biotest, specialists in different disciplines work hand in hand and cooperate with scientists and with the users of our products. For Biotest, being a specialist means bearing responsibility, sharing knowledge, thinking ahead, being ready to learn something new, and collaborating constructively with other experts.

Being a specialist means a dedication to

comprehensive responsibility

"We manufacture drugs that are used to treat critically ill patients. That is why safety and quality are our foremost concern. All of us at Biotest are committed to this."

Dr. Frank Morfeld, Head of Plasma Fractionation

Dr. Frank Morfeld's work day begins with the morning email report. As Head of Plasma Fractionation at Biotest in Dreieich, Germany, he reads the report on what has happened the previous night. He checks whether all plant and equipment has operated without problems and whether the process times and yields achieved are right. If need be, Morfeld, 46, checks with his group managers in production and colleagues at quality assurance before deciding where optimisation may be required at the plant or in the processes.

Fractionation is the first step in the production process by which Biotest breaks blood plasma down into immunoglobulins, coagulation factors and albumin. The various proteins in the plasma are precipitated by means of highly concentrated alcohol and separated by being passed through large filter presses. "The fractions formed in this way are the basis of nearly all our plasma protein preparations," explains Morfeld, who has a doctorate in biochemistry. Biotest operates two modern plasma fractionation facilities of its own, one in Dreieich and the other at the US subsidiary's head office site in Boca Raton, Florida.

Ensuring efficiency and quality in production is the main priority. That goes for Dr. Morfeld and his team just as it does for those in charge of all the other processing steps – from the successive purification stages to aseptic filling.

By signing off the production documentation, Dr. Morfeld guarantees that the plasma fractionation fulfils the requirements of current good manufacturing practice (CGMP) and recognised pharmaceutical rules, that quality and purity criteria have been met, and that all documents required to follow up the production process seamlessly on demand are complete. These documents form part of the release test of the end product by the qualified person. This test is required before the drug can be delivered to customers.

For Biotest, quality means first and foremost safety and purity. CGMP regulations prescribes binding drug production standards. It requires, among other things, that the equipment must always be in first-rate condition and duly maintained, that employees are qualified and that every move is in keeping with a precisely defined workflow.

Dr. Frank Morfeld discussing the latest production process data with colleagues. At Biotest, production complies with the requirements of current good manufacturing practice (cGMP). Compliance must be strictly checked and comprehensively documented.

The sterile filling of plasma proteins. Quality and safety are our highest priority in production.

In addition, Biotest has subjected itself to the voluntary quality and safety standards of the Plasma Protein Therapeutics Association (PPTA), an organisation set up by the world's leading manufacturers of plasma proteins. In many areas, they go far beyond the statutory requirements.

PPTA standards cover the entire production process, starting with the choice of plasma donors. They include rules for biomolecular methods of testing plasma donations before they are used in production, and they lay down stringent standards for further testing during fractionation. These high standards, the observation of which is checked strictly, ensure that blood plasma preparations are absolutely safe drugs.

That is why meticulousness and a keen sense of responsibility are among the characteristics that every Biotest employee must possess. Dr. Morfeld says the ability to work in a team is another key qualification in his area. "In fractionation we have precisely assigned tasks. People must work together, communicate and support each other. With processes running continuously, a precise handover from one shift to the next is very important, for example."

During a comprehensive orientation every new employee in the team is made keenly aware of his or her responsibility. This includes, for example, lectures by product managers: they inform production employees about the therapeutical indications for which the preparations are used and present the categories of patient that receive them.

Dr. Morfeld has been with Biotest since 1996 and in charge of plasma fractionation since 2002. "The work is varied and we get feedback fairly quickly on how good we were," he says, describing what makes his work so enjoyable. And what exactly constitutes "good" for him and his team? In Morfeld's words, "when we fulfilled all quality requirements to the maximum, are right on track with our production plan and have achieved good yields."

Being a specialist means a dedication to

sharing knowledge

"Every new drug approval is accompanied by intensive discussions between the specialists at Biotest and the authorities. We all benefit from the transfer of expertise."

Josefine Buth, Corporate Regulatory Affairs

Josefine Buth discussing with her colleague Dr. Orel Mielke a current issue in connection with an approval process. Dialogue with experts from other departments at Biotest and with representatives of the authorities is essential for an efficient and successful approval procedure.

The 3rd of December 2009 was a special day in Josefine Buth's professional life. It was the day the European Commission granted Biotest its approval for Zutectra®. This was a premiere as it was the first time Biotest had used the centralised European approval procedure (see Keyword) for the hepatitis B immunoglobulin for the treatment of patients after liver transplantations. Zutectra® can now be marketed in all countries within the European Union.

At Corporate Regulatory Affairs, Josefine Buth is responsible for the approval procedures for immunoglobulins such as Zutectra®. Her department manages all the regulatory activities that Biotest has to undertake in the course of development and approval of plasma proteins and is also in charge of this task for the Biotherapeutic segment.

The 37-year-old expert, who holds an MDRA (Master of Drug Regulatory Affairs) degree, considers the bundling of approvals competence in one department – along with lean and flexible structures – to be one major advantage of Biotest. "If something needs to be discussed, we can get together fast," she explains. "Decisions are taken swiftly because we have a great deal of direct responsibility and can quickly consult with the management when required."

One of the core tasks of Corporate Regulatory Affairs is to coordinate with the various approvals authorities. Its main contacts are the European Medicines Agency (EMA), the US Food and Drug Administration (FDA) and Germany's Paul Ehrlich Institute (PEI). The experts there are

Keyword: Centralised procedure

Various drug approval procedures are available in Europe; the centralised procedure is one of them. The European Commission grants a centralised approval on the basis of a recommendation by the European Medicines Agency (EMA). It is valid for all European Union member states and is recognised by European Economic Area (EEA) member states. Thus, a drug that has been granted central approval can be marketed over nearly all of Europe.

Biotest has experience with all the various kinds of European drug approvals. For approvals standards and procedures in North America via the FDA there are specialised teams at BPC (Biotest Pharmaceutical Corporation) in Boca Raton, Florida.

the ones who receive the documents Biotest sends in order to apply for approval of a new or enhanced preparation.

Before they reach this stage, however, the experts at Biotest and the authorities will as a rule already have exchanged information about the project. “We take regulatory requirements into account from the outset and contact the authorities at a very early stage,” Josefine Buth explains. It is a matter of both technical issues such as the exact course of the approvals process and matters relating to the product, its quality, its manufacture or the implementation of clinical trials. “Both sides learn a great deal about each other from this dialogue,” the specialist adds.

The quality of the application is the basis of an efficient approval process. The documents that Biotest sends to the authorities consist of what the many different specialists supply. Research and development staff, production and quality control, drug safety, clinical research and other experts work in the project teams, and coordinating their work is another of the functions that Corporate Regulatory Affairs performs.

Apart from ensuring that all regulatory requirements are fulfilled at all stages in the development of new products, Josefine Buth and her colleagues take care to ensure that all documents supplied to the authorities are complete and that all the information they contain is comprehensible and coherent. This is an area in which there is sometimes an intensive tussle with specialists in other departments, but the process is worthwhile. “Ideally,” Ms. Buth says, “we will then have clarified many of the questions that the authorities will ask us in the course of the approval process.”

Being a specialist means a dedication to

interactive teamwork

"Developing drugs means working together. The continuous exchange with specialists at Biotest and with our external partners enables us to find the optimal strategy."

Dr. Thomas Häder, Manager Corporate Clinical Research

Dr. Thomas Häder talking with his colleagues Dr. Helga Koch (left) and Dr. Gabriele Niemann. Communication makes up much of the specialist's daily routine.

Communication is one of Dr. Thomas Häder's most important tasks. Biologist Häder estimates that he spends about half of his time in conferences, on the telephone or writing and answering emails. To share information with colleagues on the latest state of the project or to agree the next step in the procedure with partners, for example.

Close contact with medical specialists and experts in other disciplines was one of the reasons that prompted Dr. Häder to switch from pure research to clinical development at Biotest. "I wanted to be closer to the patient," he explains, "and to experience more of how the preparations are developed and subsequently used."

Since 2007 Dr. Häder, 42, has been in charge of clinical trials for BT-062 in the Biotherapeutic segment. Biotest is developing the monoclonal antibody in the lead indication multiple myeloma, a previously incurable and fatal disease that is due to a malignant growth of plasma cells in the bone marrow. A phase I clinical trial is currently under way, with the trials being held at the Dana Farber Cancer Institute in Boston, Massachusetts, among other places. A further trial, this time a phase I/II trial, will probably begin in the next months, and Biotest will once more be collaborating closely with the team led by renowned cancer specialist Professor Kenneth Anderson at the Dana Farber Cancer Institute.

Collaboration – at Biotest, this word characterises drug development at all levels. The company cooperates in all its projects with a large number of partners, such as doctors and hospitals that are among the world's leading specialists in the indication in question. It also collaborates with clinical research organisations (CROs) that support the implementation of clinical trials.

At Biotest the project team, too, consists of specialists in different disciplines and different departments. “I am in continual contact with my colleagues in drug safety and drug approvals in particular,” Dr. Häder explains. In addition, constant communication with different departments, such as pre-clinical development, bioanalytics and production, is essential during ongoing clinical development. BPC employees in Boca Raton, Florida, are also involved in the project. Their common aim is to find the optimal approach to the further development of BT-062 within the framework defined by quality and safety requirements.

R&D strategy in the Biotherapeutic segment is targeted at pursuing further development of monoclonal antibodies from clinical phase III on jointly with a large company that does business worldwide and taking them to approval. As phase III trials must involve a very large number of patients, conducting them is highly complex and cost-intensive. By means of cooperation in development and subsequent marketing, Biotest could take the projects forward faster.

In the case of BT-062, collaboration as the recipe for success is even reflected in the product itself: BT-062 consists of a Biotest antibody and a cytotoxic agent, combined by means of a technology provided by the US company ImmunoGen to form an immunoconjugate. The antibody ensures the targeted binding of BT-062 with particular cancer cells. Only when that has taken place is the highly effective cytotoxic agent released into the cancer cell. In this way primarily malignant cells are combated with a high dosage, without harming healthy cells. The results that Dr. Häder and his colleagues have received from clinical trials to date indicate this approach is effective and well tolerated. These findings must now be optimised in further trials and confirmed by tests on a larger number of patients.

All of the patients treated in the trial remain anonymous as far as Biotest is concerned in order to protect their personal rights. However, at conferences on multiple myeloma, patients describe their experience with the disease. For Dr. Häder, these are moments in which the great significance of active agent development is particularly strikingly apparent. “Once you have heard a patient express the hope of arresting the course of the disease for at least six months in order to live to see a grandchild go to school for the first time, you realise how important the swift development of new and effective therapies is,” he comments.

Being a specialist means a dedication to

new horizons

“For us at Biotest, vocational training does not mean just teaching specialised knowledge and methods. It is also a matter of awakening enthusiasm for constantly furthering your personal development and facing up to fresh challenges in your professional environment.”

Constanze Geyer, Head of Vocational Training / Intern Advising

Constanze Geyer talking with apprentices. Biotest currently trains apprentices in six trades: chemical assistant, biology lab assistant, industrial management assistant, office communications clerk, industrial maintenance engineer and electronic plant technician.

Planning an orientation for the new apprentices, writing contracts for diploma students, preparing the trade fair stand for an education fair or discussing the progress that the apprentices are making with the teachers at the vocational school – these are all part of the work of Constanze Geyer, who has been in charge of looking after apprentices, interns and diploma students at Biotest since October 2007.

Her job is to be the contact person and provide assistance for the young people who come to Biotest to learn one of the six trades on offer. Biotest took on eleven apprentices in 2009, and a curriculum is specially devised for each and every one of them for the apprenticeship they are serving. Practical stages in different departments of the Company are combined with theoretical instruction at vocational school and internal instruction at the Company. Biotest cooperates with other companies in the region for vocational training; apprentices do some of their training with other companies to learn key aspects of their trade and to broaden their horizons.

At Biotest, providing personalised support for the apprentices is important, and it starts with the selection procedure. “It is not only the applicants who have to show themselves in a positive light at the job interview; we too must use our strong points to impress as the company where they may be serving their apprenticeship,” Constanze Geyer explains. This is an important point in the competition for talented youngsters, which will become even more important in the years ahead in view of the demographic development. And the Biotest concept is proving popular: in 2009 the Company received about 450 applications for apprenticeship.

After vocational training, Biotest offers employees attractive further education programmes in different fields. Chemical assistants, for exam-

ple, can do in-service training to qualify as an "Industriemeister Chemie" (production foreman chemistry). Lab technicians and commercial employees can also study while continuing to work with the Company.

Biotest sets great store by further education geared to the workplace and offers a wide range of options, which include, for example, specialised training and seminars on good manufacturing practice (GMP). Management staff and management trainees are assisted in their further development at Biotest by seminar and coaching programmes. In workshops, management and staff join forces to improve processes and structures in their organisational unit. In addition, Biotest keeps abreast of the increasing internationalisation of the Company and its markets by offering a needs-oriented range of language courses and seminars to improve intercultural competence.

With the 60+ Programme launched in 2009 Biotest has established a further platform for the internal transfer of expertise, which is extremely important. Potential successors for the jobs of employees who are 60 or older are identified at an early stage and are then prepared step by step for taking on the new challenges.

No matter whether you are an apprentice, an employee or a manager, regular feedback is important if you are to gain an idea of your strengths and potential. That is why Biotest has operated the 360-degree feedback programme for management staff since 2008. For the apprentices Constanze Geyer sees to the exchange between the Company's vocational training cooperation partners, the instructors at Biotest and, of course, the apprentices themselves.

The various programmes and measures make for an attractive range of tasks in the human resources department. "Looking after and managing young people," Constanze Geyer explains, "is a very varied and exciting task, offering new challenges to me all the time."

Personnel development has many faces at Biotest: in addition to specialised professional development, great importance is attached to conveying key qualifications such as leadership competence.


Biotest

Being a specialist means a dedication to

visionary innovation

"For Biotest, developing a production line of its own lays the groundwork for fully utilising the commercial potential of monoclonal antibodies. I and my colleagues associate this with a field of activity that is constantly developing and is and remains exciting."

Iris Kinnman, Lab Director of Cell Culture Development, Biotherapeutic segment

Identifying agents, testing them for tolerability and efficacy in specific indications and determining the optimal dosage is one facet of drug development. However, establishing a product successfully in the market also requires a system by means of which the agent can be manufactured safely, in high quality and as efficiently as possible. A considerable part of R&D expenditure at Biotest is therefore invested in process and production development. This particularly applies to the Biotherapeutic segment, where Biotest is active in an innovative environment.

The core element in the manufacture of monoclonal antibodies is a so-called bioreactor. The bioreactor is a container in which genetically modified cell lines can be cultivated under optimal conditions to produce monoclonal antibodies. Since 2009 Biotest Pharmaceuticals Corp. has operated a large-scale technical production plant. To this end a manufacturing plant, used for the production of vaccines prior to Biotest's acquisition of the US activities in 2007, was converted accordingly. The bioreactor has a capacity of 2,000 litres. "That is a scale that suits the needs of a pharmaceutical company of our size," says Iris Kinnman, Lab Director of Cell Culture Development in the Biotherapeutic segment. Through the Group's technology transfer programme Ms. Kinnman, a biotech engineer, had the opportunity to work for a year in the United States, where she assisted in the commissioning of the US plant. She made a substantial contribution toward the manufacturing plant's successful production start.

This capacity is needed – Biotest is planning to produce in Boca Raton, Florida, the material required for clinical trials, including phase III, of the monoclonal antibodies BT-061, BT-062 and BT-063 and, after the drug having received approval, to manufacture the agent itself. The plant complements production by toll manufacturers with whom Biotest cooperates.

Before production can get under way on a large scale, the process must first be developed on a small, laboratory scale. "Our aim is to develop a production process that is sound and repro-

ducible and delivers agents in high quality at justifiable costs," Iris Kinnman explains. In the Biotherapeutic segment, process development – the field in which Iris Kinnman works – handles this task, which is one of the core elements of drug development.

Compared with the process in the lab, where fermenters with a five-litre capacity are used, large-scale production is much more than "the same, but bigger". In order for manufacturing on a 2,000-litre production scale to function and deliver an optimal yield, all of the process-relevant parameters must be precisely defined during development and, if necessary, be adjusted to the larger size. In addition, processes and standards must be established to fulfil current good manufacturing practice (CGMP) requirements.

The geographical distance between the developers in Germany and a production site in Boca Raton may at first glance seem enormous. But the fact that Biotest has production facilities of its own has a number of advantages. In particular, these include cost savings and greater planning flexibility.

An exact fit to monoclonal antibody process development requirements also applies, Kinnman says, to her workplace in the cell culture lab in Dreieich, Germany. "We have excellent equipment here; it is state of the art," she illustrates. That and the opportunity to be involved from the start in developing a new segment are what makes her work so interesting. "The entire segment is growing with the progress made in antibody development. Our scope of duties is changing as a result, with exciting new topics constantly being added."

Iris Kinnman and her process development colleagues develop in the lab the optimal process for the manufacture of monoclonal antibodies. The next task is then to transfer it to large-scale technical implementation.

Group management report

THE FINANCIAL YEAR IN REVIEW

In financial year 2009, Biotest Group sales totalled €440.2 million, an increase of 14.1% on the previous year's €385.9 million. Earnings before interest and taxes (EBIT) increased by 4.2% to €61.5 million (2008: €59.0 million), and earnings before taxes (EBT) rose from €45.5 million to €49.0 million (+ 7.7%). All figures relate to Continuing Operations.

In a significantly more difficult market environment compared with previous years, Biotest thus maintained its profitable growth in 2009. The disproportionately low increase in earnings in relation to sales was due to particular factors affecting the cost of sales in financial year 2009. These primarily related to expenses in connection with reconstructing our manufacturing plant in Boca Raton. Furthermore, a higher cost of materials ratio and additional write-downs on inventories as a result of lower market prices at year-end also had an effect.

Important progress was made in implementing the corporate strategy, especially with respect to the internationalisation of our plasma protein product portfolio and to key research and development projects. All three monoclonal antibodies in the Biotest pipeline are now in clinical development. For BT-061 and BT-062 we have initial indications of efficacy and tolerability.

In October 2009, Biotest agreed on terms with Bio-Rad Laboratories, Inc. on the sale of the transfusion and transplantation diagnostic business. This transaction was closed on 6 January 2010.

We have enhanced our profile as a specialist in immunological and haematological treatments, and report transfusion and transplantation diagnostics as a Discontinued Operation. With the exception of the statement of financial position, the previous year's figures have been adjusted accordingly.

With an equity ratio of 42.6% and good capital backing, the financing structure at Biotest is very sound. We have the funding required to take the Company's continued development forward.

BUSINESS ACTIVITY AND CORPORATE STRUCTURE

Biotest is a provider of pharmaceutical and biotherapeutic drugs and of reagents and systems for microbiological monitoring. With a value chain that ranges from pre-clinical and clinical development to worldwide marketing, Biotest specialises mainly in the immunology and haematology therapeutical indications.

SEGMENTS

Business at Biotest is carried out in the three operating segments Plasma Proteins, Biotherapeutics and Microbiological Monitoring, with the Biotherapeutic segment currently focusing exclusively on research and development. Overall Group management and non-attributable costs are shown in the Corporate / Reconciliation segment.

Biotest has changed its reporting system for the 2009 Annual Report. This was due to the sale of the transfusion and transplantation diagnostic business to Bio-Rad Laboratories, Inc. These activities were the main component of the Medical Diagnostic segment and are reported as a Discontinued Operation as of 31 December 2009.

With the sale, ownership of the Group companies Biotest Medical Diagnostics GmbH, Dreieich, Germany, and Biotest Diagnostics Corp., Rockaway, NJ, USA, and of our distribution companies' assets related to this business was transferred to Bio-Rad Laboratories, Inc. as of 6 January 2010.

The remaining business of the former Medical Diagnostic segment retained by the Biotest Group, consisting mainly of the merchandise trading business (the majority of which remains with Biotest) and the company Viro-Immun Labor-Diagnostika GmbH, are now reported as part of the Microbiological Monitoring segment.

In the tables of the consolidated financial statements, revenue, income and key financial figures for the Continuing Operations are shown. The numbers for the previous year were adjusted accordingly. Unless stated otherwise, the figures discussed in the Group management report exclude the contribution made by the division that was due for sale. Here, too, the figures for the previous year have also been adjusted accordingly.

CORPORATE STRUCTURE

Biotest AG is the Group's parent company. It is a joint stock company under German law (Aktiengesellschaft) with its head office in Dreieich, Germany, near Frankfurt am Main. The Company has issued ordinary and preference shares, which are both listed in Deutsche Börse's Prime Standard and are traded in Frankfurt and at various regional German stock exchanges. Biotest AG preference shares are included in Deutsche Börse's SDAX index. For further information about the share, including an outline of shareholder structure, see the Group management report chapter headed "The Biotest share" on page 58ff.

A substantial part of the business is conducted within Biotest AG. In addition, the Company has equity investments in subsidiaries in twelve countries, the most important of which are the following:

Biotest Pharma GmbH, Dreieich, Germany: This company owns the plasma protein production units in Dreieich and the product licences for the goods manufactured there. Biotest Pharma GmbH makes all licences and facilities available to Biotest AG as part of a licensing agreement and lease agreement, respectively. Research and development is carried out by Biotest AG as a service provided to Biotest Pharma GmbH.

Biotest Pharmaceuticals Corp., Boca Raton, FL, USA (BPC): The company handles plasma protein activities in the United States, including operations relating to the plasma collection centres based in the United States. It also operates a monoclonal antibody production unit.

Plasmaservice Europe GmbH, Dreieich, Germany, **Plasmadienst Tirol GmbH,** Innsbruck, Austria, and **Plazmaszolgálat Kft.,** Budapest, Hungary: Subsidiaries in which the operations of the European plasma collection centres are pooled.

heipha Dr. Müller GmbH, Eppelheim, Germany: The company develops, manufactures and markets systems for the monitoring of cleanrooms and surfaces, as well as raw materials and end products. Biotest AG has a 51% stake in heipha Dr. Müller GmbH, which is fully consolidated in the Microbiological Monitoring segment.

The consolidated financial statements include 23 fully consolidated companies, of which 16 are based outside Germany. All Biotest Group equity investments are shown on page 172 in the list of companies in which an equity interest is held.

As of the reporting date, 58.9% of Biotest Group employees were based in Germany and a further 33.2% worked in the United States.

CURRENCIES

Biotest invoices 36.3% of Group sales in currencies other than the euro. The most important foreign currency is the US dollar, which accounted for 24.4% of Group sales invoiced in 2009. Exchange rate fluctuations influence margins on products manufactured in the euro zone but invoiced in other currencies, euro-denominated expenditure on purchases in other currencies, and the contributions to sales and profits made by subsidiaries based in countries outside the euro zone.

MANAGEMENT

Biotest AG is headed by a two-member Board of Management. The Board of Management manages the Company under its own authority. The Supervisory Board monitors the Board of Management and advises it regularly. The Supervisory Board consists of six members, four of whom are elected by the Annual Shareholders' Meeting and two by Biotest Group employees in Germany.

Management and supervision of the Biotest Group are oriented on high, generally accepted standards. The main management principles are incorporated in all the Company's segments and determine the scope for strategic decisions and business policy measures.

For a detailed description of how the Company is structured, managed and supervised see the Management declaration (page 83ff). The declaration also comprises the Corporate governance report, including the Remuneration report and the Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act. For further details on the remuneration of the Board of Management and the Supervisory Board we refer you to item F7 in the Notes to the consolidated financial statements (page 168ff).

PLASMA PROTEINS SEGMENT

Products

Biotest obtains proteins from human blood plasma, which can be broken down into the following main groups: immunoglobulins, coagulation factors and albumins. They are used in the treatment of congenital and acquired diseases and are applied primarily in the medical fields of haematology and clinical immunology. Another area of application is intensive care and accident and emergency medicine.

Plasma Proteins segment product range

Preparation	Indications
Immunglobulins	
Intratect® / Intraglobin®	Replacement therapy to treat antibody deficiency, primary humoral immunodeficiencies or secondary antibody deficiency syndromes as well as autoimmune diseases
Hyperimmunoglobulins	
Cytotect® / Biotest Megalotect	Cytomegalovirus infections (prophylaxis)
Varitect®	Herpes zoster virus infections (propylaxis and therapy)
Hepatect® Nabi-HB®	Hepatitis B immunoprophylaxis
Zutectra®	Hepatitis B reinfection prophylaxis after liver transplantation (pre-filled syringe for subcutaneous application)
Coagulation Factors	
Haemoctin®	Type A haemophilia (acute treatment and prophylaxis)
Haemonine®	Type B haemophilia (acute treatment and prophylaxis)
Intensive care and accident and emergency medicine	
Pentaglobin®	Severe bacterial infections
Albiomin Albumin Biseko®	Restoration of volume balance in the event of a loss of plasma proteins, for example as a result of surgery or burns

In addition to drugs marketed under its own brand names, Biotest produces plasma proteins for other companies or government institutions within the scope of toll manufacturing agreements. Our partners supply plasma or preliminary products and receive in return the drugs that are manufactured from them.

Markets and influencing factors

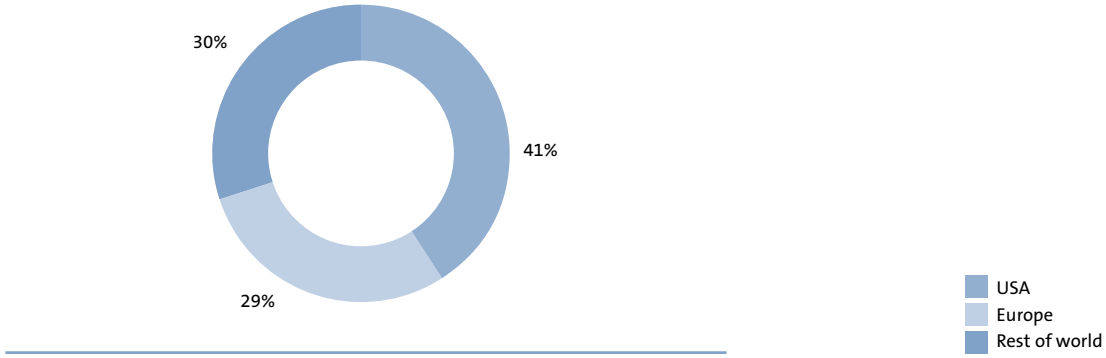
Biotest markets plasma proteins all over the world. Its core markets are Europe and the United States, which together account for about 67% of the sales volume achieved. With the hyperimmunoglobulins Hepatect® and Zutectra® (Europe) and Nabi-HB® (USA), Biotest is the leading provider of hepatitis B prophylactic therapy after liver transplantation, respectively.

Intratect® is one of the leading preparations in numerous European markets and is used mainly in primary and secondary antibody deficiency syndromes and autoimmune diseases.

With the product Pentaglobin® Biotest produces the world's only IgM-enriched immunoglobulin product.

With an annual demand of around 38 tonnes the United States is the world's largest market for immunoglobulins (see chart).

Global market for immunoglobulins



The main factors influencing demand are the indication range and the dosage of preparations used. In coagulation factors, demand also depends on how many people have access to effective prophylaxis in the form of long-term treatment.

Treatment with plasma proteins is usually a vital therapy, so the influence of overall economic developments on demand is limited. An indirect connection results from the budgets of collectively financed healthcare systems being partly determined by the state of government finances.

While there is no alternative to plasma-based products in the case of immunoglobulins and albumins, (recombinant) factors produced by means of biotechnology are also used to treat haemophilia.

Price development in the world market for blood plasma exerts a substantial influence on the cost of sales for Biotest. Furthermore, the prices that can be achieved for finished products depend to a significant extent on the quantity of plasma proteins available in relation to the demand for them. An indicator of the supply trend is the number and capacity of installed plasma donation centres and the blood plasma sourced there. In view of the size of the US market, trends in the United States are considered to exercise a controlling influence on the entire world market.

Value chain

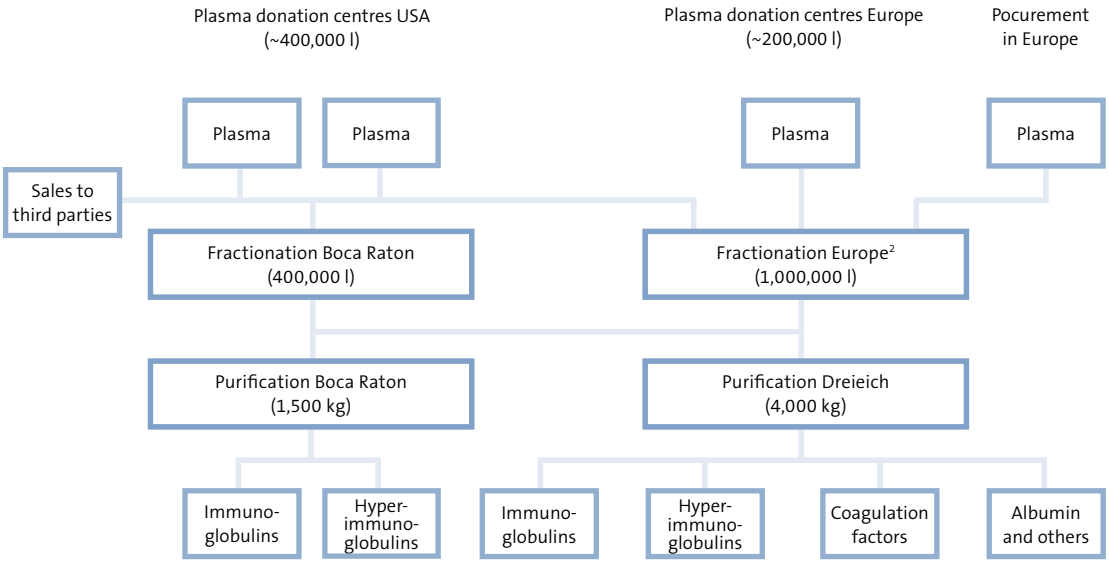
In the Plasma Proteins segment Biotest covers the entire value chain. It has production facilities in Europe and the United States. In addition, we procure preliminary products and intermediates from partners.

Blood plasma can be extracted from full blood donations or by means of plasmapheresis, in which only the plasma is extracted from the donor's blood. The plasma that Biotest processes is mostly gained by means of plasmapheresis. We operate 20 own plasma donation centres in Europe and the United States and also procure plasma from suppliers. Biotest only uses plasma from designated qualified donors, who donate plasma regularly and are subject to strict health checks.

In plasma fractionation the specific proteins are extracted from the raw material after a mandatory 60-day storage period and exhaustive prior testing.

After fractionation the plasma is subjected to purification via chromatography and nanofiltration. Production includes several viral depletion and/or inactivation processes. The entire production process is subject to the maximum standards of safety and purity.

Plasma protein production network [1]



[1] In the final phase of expansion
[2] Biotest incl. partners

Group companies or partners handle distribution of the plasma proteins, and Biotest initiates and supervises all distribution activities. Business with developing or threshold countries is usually by means of tenders for the supply of high volumes, for example the quantities required for an entire year.

Research, development and required activities prior to drug approvals are dealt with by specialised departments. At Biotest the Medical/Regulatory Affairs department manages the required activities in connection with the development and approval of plasma proteins. As a competence centre within the Group, the employees in this department also perform this task for the Biotherapeutic segment.

Regulatory environment

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

In EU member states, plasma proteins are approved in various ways. The European Union's agency EMA and the European Commission manage the centralised approval procedure. In a further procedure, the "mutual recognition procedure", approval is granted by means of reciprocal recognition of national approvals by EU member states.

In the United States, drugs are subject to the regulatory provisions of the FDA.

Biotest is a member of the Plasma Protein Therapeutics Association (PPTA) and has adopted the association's strict safety standards for obtaining and processing blood plasma. The Q-SEAL quality mark documents compliance with these. As of 31 December 2009, in addition to Biotest, only four companies around the world were authorised to use the Q-SEAL.

In pre-clinical and clinical research as well as in manufacturing and the approval process, Biotest procedure follows the prescribed statutory and regulatory guidelines such as those of the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) as well as GMP and GCP. This also applies to activities in the Biotherapeutic segment.

BIOTHERAPEUTIC SEGMENT

Products

Biotest has three monoclonal antibodies undergoing clinical trials.

	Lead indications	Development status*
BT-061	Rheumatoid arthritis, psoriasis	Phase II clinical trials
BT-062	Multiple myeloma	Phase I/IIa clinical trials**
BT-063	Systemic lupus erythematosus (SLE)	Phase I clinical trials

* The highest level of clinical trials under way; several phases may run concurrently.
** Start 2010

All the antibodies are characterised by a specific mechanism of action that distinguishes them from other therapeutic approaches, either approved or in development.

- BT-061 stimulates regulatory T cells (also known as T-regs) and thereby has an immunomodulatory effect. This way, as far as is known at present, only natural regulatory mechanisms are supported and harmful immune responses are inhibited, so the immune system as a whole remains operational and ready to fight infections.
- BT-062 is attached to a highly effective cytotoxic agent to form an immunoconjugate. It binds specifically onto cancer cells and only then releases the cytotoxic agent. The immunoconjugate has been granted "orphan drug" designation in Europe and the United States.
- BT-063 neutralises a specific cell growth factor that plays an important role in the origins and formation of the clinical picture.

Markets and influencing factors

Rheumatoid arthritis is a systemic autoimmune inflammatory disease, which causes damage to the joints and other organs, affecting approximately 1 in 100 people. It is a major cause of disability and it is also associated with reduced life expectancy, especially if not adequately treated. Despite current treatment options, many patients still experience pain, worsening of joint destruction and disability, so new treatment options are needed. World market volume for rheumatoid arthritis therapies in 2009 was estimated at $13.0 billion; in 1998 it totalled around $1.3 billion.

In treating psoriasis the world market volume for biologics is estimated to have been worth about $2.8 billion in 2009. Here too, no treatments are currently available that lead to a lasting remission.

Multiple myeloma, a form of leukaemia, is incurable. About 95% of patients die within ten years of being diagnosed. In Europe the disease's estimated frequency is 25 per 100,000 inhabitants. The global market volume of multiple myeloma treatment was an estimated $4.5 billion in 2009.

World sales achieved by systemic lupus erythematosus (SLE) treatments are estimated to have totalled $430 million in 2009. There is no specific therapy for this disease, which is lethal in serious cases. A preparation with SLE as its target indication is currently at the beginning of the approval process.

Once the first biotherapeutic has been approved, the market will grow steadily. We expect the global market for biotherapeutics to treat SLE to reach a volume of more than $1.5 billion in 2012. Based on currently available information, BT-063's mechanism of action differs significantly from that of all other development projects of this kind.

Value chain

Biotest has own resources for all major elements in the Biotherapeutic segment value chain. They range from pre-clinical and clinical development as well as regulatory affairs and drug safety via market research to antibody production. Employees in this segment work in Dreieich, Germany, and at BPC in Boca Raton, FL, USA.

We complement these resources by cooperating with partners. Cooperation arrangements exist, for example, in research into new therapy principles and indications, in establishing biotechnology production systems and manufacturing processes, and in pre-clinical development. Biotest AG supervises and manages all activities by its partners.

Drug development is divided into phases. In pre-clinical development, agents are tested in models or in animal trials. Tests on humans are undertaken in phase I to phase III clinical trials. Various studies in the same or in different phases can take place concurrently.

Regulatory environment

In Europe, monoclonal antibodies are approved via a centralised procedure carried by the EMA. National agencies with the relevant expertise are involved in this process. The supervisory and approval authorities in Europe and the United States are the same as for plasma proteins.

Drugs that cater for a high level of medical demand but would not undergo further development without facilitation due to extremely low patient numbers and too low a market potential can be granted "orphan drug" status. This status allows for improved interaction with the regulatory authorities during the clinical development and approval of new therapies and includes exclusive marketing rights for the preparation over several years in the event of approval. The monoclonal antibody BT-062 has received "orphan drug" designation in the European Union and the United States.

MICROBIOLOGICAL MONITORING SEGMENT

This segment pools the activities of Biotest AG (the Biotest HYCON product division), heipha Dr. Müller GmbH and Viro-Immun Labor-Diagnostika GmbH as well as the marketing of merchandise.

Products

This segment develops, manufactures and markets reagents, devices and systems for the hygiene monitoring of air, surfaces and manufacturing processes as well as procedures to test end products for potential microorganism contamination and products for virological laboratory diagnostics. In addition, Biotest distributes merchandise for resale.

Main products of the Microbiological Monitoring segment

	Application areas
Biotest HYCON	
Air samplers	Testing the air for germ contamination, used especially for monitoring cleanroom conditions
Particle counters	Testing the air for particle contamination, used especially for monitoring clean-room conditions
heipha Dr. Müller	
Culture media	Used for hygiene monitoring (e.g. the monitoring of surfaces) and for product and sterility checks
Viro-Immun	
Reagents and evaluation instruments	Used for blood tests as part of infection diagnostics

Markets and influencing factors

The market for industrial microbiology products, with an estimated global volume of €1.1 billion and annual growth of 4 to 6%, comprises many different industries. The largest segment, accounting for about 50%, is the food industry, followed by the pharmaceutical industry.

The most important customer group for Biotest is the pharmaceutical industry. They use these products in statutory tests for contamination by germs. Cosmetics and food industry companies are joining the customer ranks in increasing numbers. By region, Germany is the most important market with a share of about half of segment sales. heipha Dr. Müller GmbH is the leading provider of clean-room monitoring solutions to the pharmaceutical industry. Business with customers from other EU member states is of great importance. heipha products are increasingly gaining market shares in the United States and Japan.

heipha Dr. Müller GmbH also supplies products to the medical market in the German-speaking region. Due to increasingly strong cost pressure in the healthcare sector, pressure on prices is extremely heavy in this market segment.

The development of sales markets that are of particular relevance for Biotest is strongly dependent on the cyclical state of the pharmaceutical industry. This is determined in part by increasing endeavours on the part of the pharmaceutical industry to cut costs. There is also a trend toward genotypic diagnostic procedures, alongside traditional biochemical methods. This applies especially to the identification of germs. Supervisory authorities and companies are showing increasing interest in faster tests that can also be automated.

Value chain

The raw materials used in the production of test media are substances such as agar, peptones and salts as well as ready-made blends. They are mixed in accordance with the relevant formulation, sterilised and then filled onto plates and strips and into test tubes, bottles or bags. The segment's production facilities are at the headquarters of heipha Dr. Müller GmbH and the microbiology technology centre in Eppelheim and at Biotest AG headquarters in Dreieich. Research and development for the Biotest HYCON and heipha Dr. Müller product lines is based in Eppelheim and for new technologies in Dreieich.

Manufacturing processes are in line with good manufacturing practice (GMP) guidelines and take place in controlled and certified cleanroom conditions. Research and development is the responsibility of specialist teams. Cooperation agreements are in place with research institutes and other companies, for example in the field of system technology.

The products are marketed by Biotest AG and its subsidiaries or by partner companies. In most European countries, the United States and Japan, specialist sales teams advise customers.

Regulatory environment

heipha/HYCON products help customers to maintain the standards of hygiene, raw material and end product control laid down in the pharmacopeia and required by the supervisory authorities. Increasingly complex production process standards in the food industry are leading to more controls in which products of this kind are used.

Preconditions for exporting culture media to the United States include, amongst other things, evidence that the manufacturing process and the end product are free of impurities caused by BSE pathogens.

GROUP STRATEGY

Biotest's Group strategy is aimed at expanding the Group's position as a specialist in innovative immunology and haematology. The core targets in all segments are to internationalise the business and to strengthen Biotest's position as a quality provider.

The main element of the business model is to cover the central elements in the value chain from our own resources, particularly research and development, production, quality assurance and distribution. On special issues or in areas where it would not be efficient to maintain own resources, we cooperate with partners. Our aim in these areas is to establish close and long-term cooperation, something we also apply to our distribution partners.

In the continuous development of its product range, Biotest's main focus is on special areas such as highly specific hyperimmunoglobulins.

For a more detailed explanation of the Group's strategic development in 2009 and of strategy at segment level and its implementation in the reporting year, please see the appropriate chapters on pages 42 and 47ff, respectively. Our financial strategy is explained in detail in connection with the outline of the Company's financial and assets position on page 53ff.

CORPORATE MANAGEMENT

Biotest products are used in highly ethical clinical areas. The quality of products, production, research and development and distribution processes as well as the Company's entire public conduct must be of the highest standard. This influences, among other things, the configuration of manufacturing conditions and the corporate management system as well as the selection, basic qualifications and further training of our employees.

Biotest is managed on the basis of financial and non-financial performance indicators, the development of which influences enterprise value in different ways. Financial and non-financial performance indicators are measured on a continuous basis. Monthly reporting includes analyses of actual figures and their deviation from planned and previous year's figures, shown by segment and company. Further enquiries and investigations are undertaken on an event-driven basis. Key figures are discussed and evaluated at regular meetings of the Board of Management, leading to the initiation of in-depth investigations and measures.

For further details on management and control systems and principles in use at Biotest, see the Management declaration on page 83.

FINANCIAL PERFORMANCE INDICATORS

The metrics used in corporate management in relation to the Group as a whole are listed in the following table.

Key performance indicators at Group level

Key performance indicators	Calculation method	2009 figure
Earnings key performance indicators (Group)		
Return on capital employed (ROCE) (%)	EBIT / Fixed capital	11.1%
EBIT margin (%)	EBIT / Sales	14.0%
EBT margin (%)	EBT / Sales	11.1%
Contribution margin	(Sales - Cost of sales) / Sales	48.2%
Cash flow from operating activities	See page 53	€31.3m
Cost of sales ratio (%)	Cost of sales / Sales	51.8%
Distribution expense ratio (%)	Distribution expenses / Sales	15.7%
R&D expense ratio (%)	R&D expenses / Sales	11.0%

At the segment level, earnings before interest and taxes (EBIT) are the main management indicators. The figures for 2009 are stated in the segment reporting from page 47.

In addition, sales figures and contribution margin per product and, in distribution, per employee are taken into consideration. We also constantly analyse the structure of receivables and the risks they entail. Inventories are analysed monthly on the basis of various criteria.

For more detailed information see the chapter headed “Financial position and statement of assets” and item E8 in the Notes to the consolidated financial statements.

NON-FINANCIAL INDICATORS

Major non-financial performance indicators for the Group as a whole are capacity utilisation in production, production run and downtimes, and the level of stocks held along the production chain.

In plasma protein production we also monitor yield per unit of plasma and the level of supplies obtained from our own donation centres in relation to the entire amount that we process. In sales, key indicators are Biotest’s share of the market as a whole, or the number of customers per product (breadth of distribution).

Other non-financial performance indicators include the areas personnel and research and development. Research and development projects are steered by means of milestone plans. Segment management and the Board of Management are kept informed of project progress via regular reports.

We aim to reduce environmental pollution and the consumption of resources in our production as far as possible and beyond statutory requirements. We monitor our raw material and energy consumption as well as our emissions of exhaust fumes and waste water closely.

THE YEAR 2009: ECONOMIC ENVIRONMENT

OVERALL ECONOMIC DEVELOPMENT

The year 2009 was characterised by the international financial and economic crisis and its impacts. Growth rates collapsed in all industrialised and developing economies compared with 2008, and the performance of many economies declined in absolute terms.

While the trend was particularly negative in the first half-year, there were clear signs in the further course of the year that the economy was recovering or, at least, that the downturn was not continuing. Over the full year, GDP in Germany fell by 5.0% year on year. The US economic performance decreased by 2.4% in 2009 in comparison to the previous year.

Governments and central banks intervened extensively in the markets with economic stimulus and stabilisation packages. Expenditure on these packages burdened public sector budgets and led to a marked increase in many countries’ level of debt.

In international foreign exchange markets the euro remained stable against the US dollar, the most important foreign currency for Biotest’s business. The average exchange rate for 2009, which is definitive for establishing the sales and earnings contributions of international subsidiaries, was higher than in the previous year. For exchange rate details see item B3 of the Notes to the consolidated financial statements (page 106).

INDUSTRY-SPECIFIC DEVELOPMENT

Plasma Proteins

The volume of the world market for immunoglobulins rose by around 6% on the previous year. The main growth drivers were, again, new indications and treatments using a generally higher dosage of the preparations as well as the opening-up of new markets. The world sales volume of coagulation factors rose slightly, but with no change in the ratio of plasmatic to recombinant factors, which was about 0.7 : 1.

The defining market trend factor was a significant increase in raw materials that led to a higher product supply. The volume of US-sourced blood plasma rose from January to August 2009 (the period for which PPTA market data was available when the Group management report was drawn up) by about 30% on the previous year. In all, we estimate that about 30 million litres of blood plasma were collected around the world last year.

The resulting growth in production of finished products led to the demand surplus observed in recent years changing into a local supply surplus. In individual product categories an oversupply was observed.

Responding to this trend, the industry began in the second half of 2009 to scale down plasma recovery capacity. The number of plasma donation stations in the United States, for instance, had increased to 401 in April 2009, but then declined to 389 by August 2009.

The assumptions on which Biotest based its forecast for 2009 in the 2008 Annual Report have thus been proved correct on this point.

Its impact on price levels for end products varied: while the price level remained largely stable in the United States, in Europe it fell in individual markets, e.g. for albumin preparations and for polyspecific immunoglobulins.

In the reporting year, there were initiatives for cost reductions in the healthcare sector of various markets that Biotest serves.

Microbiology

Demand last year for test reagents for use in industrial microbiology ranged from stable to rising slightly. These are products used in connection with mandatory hygiene tests and are therefore indispensable for the customers.

In view of strict and more extensive requirements and documentation of hygiene monitoring, interest in system and automation solutions continues to be high. The main focus is on cutting the time between taking samples and making a diagnosis and on making documentation more secure and more efficient. Readiness to invest in appropriate products was light last year due to the unclear economic situation. Particularly in the United States, companies refrained from buying new equipment.

Among suppliers we are observing growing interest on the part of competitors in paying more attention to the industrial microbiology market.

Changes in the regulatory environment

In approval procedures for pharmaceutical products the authorities are demanding more data on safety and effectiveness in connection with the administration of the drugs to be approved to children and juveniles. In the future, for example, an approval will only be granted for patented new developments if a plan for a specified number of clinical trials involving children and juveniles – a paediatric investigation plan or PIP – has already been authorised by the EMA. This affects Biotest with regard to plasma proteins and biotherapeutics under development.

Uniform regulations governing the hygiene monitoring of test media used in non-sterile areas of pharmaceutical production came into force as planned on 1 January 2009.

OVERVIEW: BIOTEST IN 2009

ASSESSMENT SUMMARY BY THE BOARD OF MANAGEMENT

In financial year 2009 the Biotest Group increased sales and earnings. In spite of a significantly more difficult market environment we were thus able to maintain profitable growth even though growth rates failed to match the dynamic rates of previous years. As performance over the first six months was relatively good, the increasing price pressure felt in the second half of 2009 did not have a significant effect on the figures for the full year. Nevertheless, particular factors affecting the cost of sales, especially reconstruction work at our manufacturing plant in Boca Raton, meant that earnings did not increase to the same extent as sales. Other reasons included the increased cost of materials ratio and write-downs on inventories resulting from lower market prices at the end of the year.

The operating profit (EBIT) therefore rose by less than sales, but the increase of 4.3% was still an improvement on the previous year's already strong figure.

We made significant headway in implementing our corporate strategy, especially with regard to the internationalisation of our product portfolio and to important projects in the Biotherapeutic segment.

By selling our transfusion and transplantation diagnostic activities we have further sharpened our profile as a provider of immunological and haematological therapies. The sale proceeds will be used in the short term to reduce our financial liabilities. In the medium to long term they are to be invested in our highly promising research and development projects and in expanding capacity.

The Group's finances are extremely sound. The equity ratio of 42.6% as of the reporting date is comfortable and higher than the minimum of 40.0% that the Group has set out to achieve. The Group also has sufficient borrowed capital and can utilise further financing leeway within the framework of credit lines committed. We have been and continue to be able to underpin our operating business and projects significant for the further development of the Company with sufficient financial resources at all times. In response to the change in market conditions we have intensified risk and cost management within the Group yet again.

TARGET–PERFORMANCE COMPARISON

On the whole we either achieved or exceeded the targets we set for the financial year 2009 in the 2008 Group management report. Delays in R&D projects or in expanding production capacities in the United States are largely due to Biotest having had to fulfil additional regulatory requirements that were not to be foreseen in this form at the time when we made the forecast. On balance, the deviations from target were strictly limited.

Target–performance comparison for targets stated in the 2008 Annual Report

Category	Target for 2009	Performance in 2009	Reason for any deviation
Sales and earnings targets			
Sales*	10% growth on 2008 (€423.0 million)	€481.0 million (+13.7%)	Target achieved
EBIT*	2008 level (€55.6 million)	€58.5 million	Target achieved
Strategic and operational targets			
Plasma protein production in Dreieich, Germany	Approval of capacity expansion by March 2009	Approval granted on 19 March 2009	Target achieved
Plasma protein production in Boca Raton, FL, USA	Reconstruction of manufacturing area completed by the end of 2009	Commissioning in December 2009	Target achieved
Plasma protein production in Boca Raton, FL, USA	Approval by Darmstadt regional administration in autumn 2009	Approval planned for summer 2010	Delay due to fulfilment of additional building requirements required by the city of Boca Raton
Plasma supply	Opening/acquisition of further stations in 2009	Acquisition of station in Santa Fe, NM, USA, in January 2009	No further openings due to change in market situation
BT-061	Sign cooperation agreement	Talks under way with potential partners	Interest shown by various pharmaceutical companies Awaiting further results from clinical trials

* Including Discontinued Operations

STRATEGIC DEVELOPMENT OF THE GROUP IN 2009

By selling its medical diagnostic activities Biotest has sharpened its profile as a treatment provider. Our focus is on the development and marketing of innovative pharmaceutical and biotherapeutic drugs in immunology and haematology.

As the US-based Biotest Diagnostics Corp. also distributed products from the Microbiological Monitoring segment, these activities needed to be transferred to a new structure before the company was sold. For this reason, Biotest founded Biotest Microbiology Corp., and 16 Biotest Diagnostics Corp. employees switched to the new company.

In Belgium, after the disposal of our transfusion and transplantation diagnostic activities, we decided to contract out the remaining activities in other segments to external partners. In Spain we set up a new subsidiary to distribute plasma proteins because we anticipate increasing sales in the Spanish market.

The key points of strategic development in individual segments are presented in the segment development report on page 47ff.

BUSINESS AND EARNINGS POSITION

DEVELOPMENT OF GROUP SALES

Biotest achieved a further significant increase in sales in financial year 2009, mainly due to growth in the Plasma Proteins segment as a result of higher sales volumes.

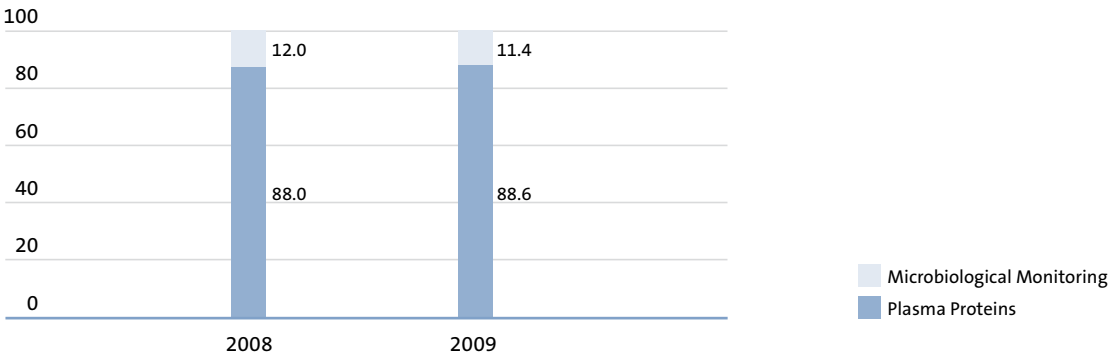
Biotest Group sales development

€ million	2009	2008	Change in %
Plasma Proteins	390.1	339.5	14.9
Microbiological Monitoring	50.1	46.4	8.0
Biotest Group	**440.2**	**385.9**	**14.1**
Discontinued Operation	40.8	37.1	10.0
Biotest Group, incl. the Discontinued Operation	481.0	423.0	13.7

At €401.8 million Biotest Group products made up 91.2% of Group sales in 2009 (2008: €355.8 million or 92.2%), with toll manufacturing of blood plasma accounting for a further 4.4% (€19.2 million), the figures for 2008 having been €16.8 million or 4.3% of total sales. The remaining €19.2 million, corresponding to 4.4% of Group sales, consisted of revenue from the sale of merchandise, revenue from partial profit realisation and other sales.

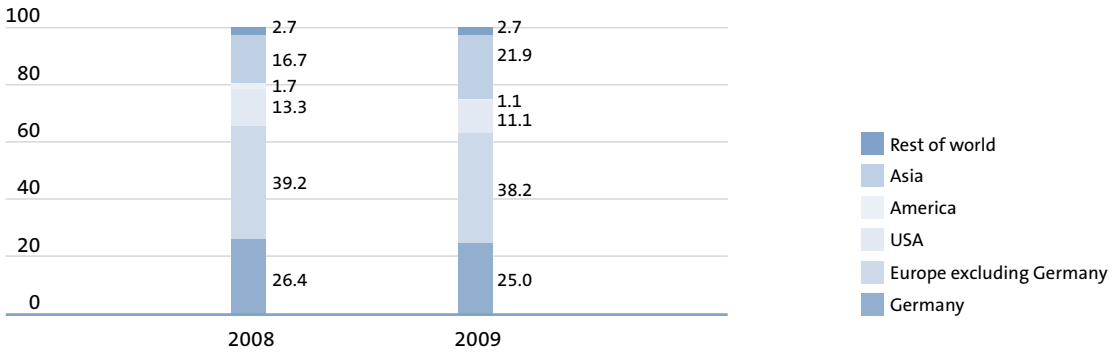
In its European core markets Biotest's 2009 sales totalled €278.2 million, or 10.0% more than the previous year's €253.0 million. The largest European market was Germany with a sales volume of €109.9 million as against €101.8 million in 2008 (+8.0%).

Sales by segment in %



In the distribution region North and South America, sales in 2009 declined by 6.8%, from €58.0 million in 2008 to €54.0 million. This figure includes a €44.6 million contribution to sales by BPC (2008: €46.7 million). In Asian markets, sales totalled €96.3 million, which was an increase of 49.5% on the previous year's €64.4 million. Sales in the region "rest of world", encompassing all other sales markets, rose in financial year 2009 by 11.4% to €11.7 million (2008: €10.5 million).

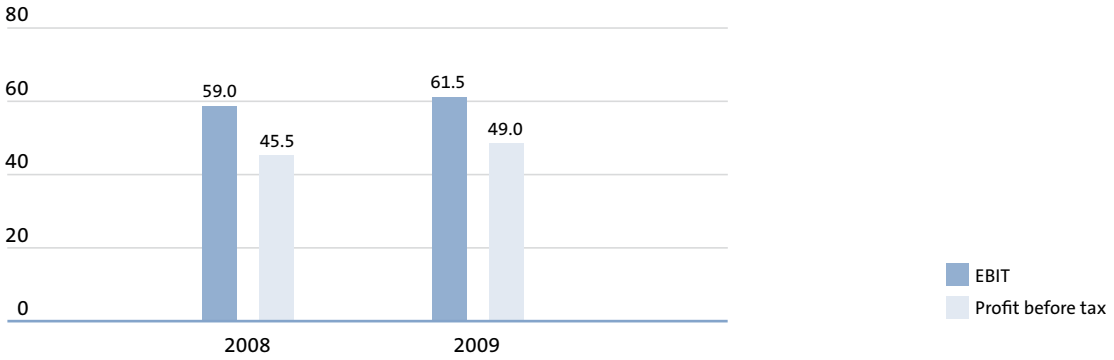
Sales by region in %



DEVELOPMENT OF GROUP RESULT

The Biotest Group achieved an operating profit slightly above the previous year's level.

EBIT and profit before tax in € million



Sales and earnings development was reflected in a lower EBIT margin. The main reasons were particular factors affecting the cost of sales in 2009, principally resulting from the reconstruction of our manufacturing plant in Boca Raton, increased write-downs on inventories due to lower market prices at year-end and a higher cost of materials ratio.

Earnings before taxes improved on the previous year and did so much more strongly than EBIT. This was due to an improvement in financial income and a lower increase in financial expenses. The return on capital employed (ROCE) in 2009 was influenced by the increase in current assets (working capital).

Profit after tax from Continuing Operations, at €31.9 million, was €0.8 million lower than the comparable figure for the previous year (€32.7 million) due to a marked increase in income tax expense.

Profit after tax from the Discontinued Operation improved to –€3.9 million, the comparable figure for 2008 having been –€4.6 million.

Consolidated profit after tax was therefore €28.0 and on the level of the previous year (2008: €28.1 million).

Key Biotest Group results figures

€ million	2009	2008	Change in %
EBIT	61.5	59.0	4.2
Profit before tax	49.0	45.5	7.7
Profit after tax	31.9	32.7	–2.4
Key return figures (%)			
EBIT margin	14.0	15.3	–
EBT margin	11.1	11.8	–
ROCE	11.1	11.7	–

EXPENSES

The largest cost pool at Biotest is the cost of goods sold. The substantial year-on-year increase was due mainly to the larger volume of sales in the Plasma Proteins segment. In addition, reconstruction and extension work meant that BPC's manufacturing plant was only partially operational in 2009, which resulted in vacancy and amortisation costs that reduced earnings. Other expenses were incurred for writing down inventories at year-end as a result of market prices, an increased cost of materials ratio and start-up costs for new plasma donation centres. In 2009 the cost of sales ratio, or the relationship of cost of sales to sales, was 51.8% (2008: 47.9%).

Extract from the Biotest Group's statement of income

€ million	2009	2008	Change in %
Cost of sales	–227.9	–184.9	23.3
Distribution expenses	–69.0	–64.9	6.3
Administrative expenses	–37.1	–35.9	3.3
Research and development expenses	–48.5	–42.3	14.7
Other operating income	9.6	4.3	123.3
Other operating expenses	–5.8	–3.2	81.3
Financial result	–12.8	–13.5	–5.2
Income tax expense	–17.1	–12.8	33.6

The distribution expenses rose less strongly than sales; as a percentage of sales they fell from 16.8% to 15.7%. Their absolute year-on-year growth was due mainly to higher sales-related factors such as commission.

The administrative expenses ratio in 2009 was also down on the previous year to 8.4% from 9.3%. The figure from the 2008 financial statements included high one-off costs in connection with the introduction of SAP as standard software in Germany that did not recur in 2009.

Higher research and development expenses reflect progress on projects in the Plasma Proteins and Biotherapeutic segments. Costs incurred in connection with further approval procedures for our plasma proteins also contributed toward the increase. Of the R&D expenses, Biotherapeutics accounted for 42.7%, Plasma Proteins for 53.0% and Microbiology segment projects for 4.3%. In all, Biotest spent 11.0% of its revenue on research and development last financial year; the 2008 figure also corresponded to 11.0% of revenue.

The balance of other operating income and other operating expenses was positive at €3.8 million (2008: €1.1 million).

Other operating income totalling €9.6 million (2008: €4.3 million) resulted partly from the release of deferred liabilities for outstandig invoices and licences as well as from the release of other provisions. In addition to transfers to provisions, the effects on expenses included write-downs of receivables.

Netted out, the financial result for the year improved to –€12.8 million from –€13.5 million in the previous year. Income totalled €6.9 million (2008: €5.6 million), as opposed to expenses €19.7 million (2008: €19.1 million). Interest expenses resulted from current and non-current bank loans.

In spite of taking out extra loans to finance the increase in working capital, financing costs at €9.2 million were lower than the previous year's €10.7 million. This was due to more favourable borrowing terms and conditions. These were in turn a result of the low Euribor level and the lower margins demanded by the banks in view of our good earnings and financial figures. The interest expense for pension benefits was, in contrast, €0.3 million higher than in the previous year. At €1.8 million, expenses dominated exchange rate effects.

Of the €17.1 million in income tax expense in 2009, €13.7 million (2008: €10.5 million) was current and €3.4 million (2008: €2.3 million) deferred taxes.

The tax ratio for the Group, calculated on the basis of income tax expense and profit before tax, was 34.9% in 2009 after 28.1% the previous year. The increase in the tax ratio is attributable to several very different factors, including higher non-tax-deductible expenses incurred in connection with write-downs on equity investments and loans and, in connection with deferred taxes, to losses at subsidiaries that could not be assessed.

Personnel expenses and cost of materials are assigned to different cost pools in the consolidated financial statements. In 2009 personnel expenditure totalled €116.9 million after €100.4 million the previous year (+16.4%). This was due to newly created jobs, pay-scale and salary increases.

The cost of materials rose by 16.3% year on year from €131.4 million to €152.8 million. This increase was mainly attributable to the higher volume of sales and the increase in inventories.

APPROPRIATION OF PROFITS

The Board of Management intends to propose to the Annual Shareholders' Meeting on 6 May 2010 the following appropriation of Biotest AG's net profit totalling €17.0 million:

- Distribution of a dividend amounting to €0.34 per ordinary share and €0.40 per preference share (2008: €0.30 and €0.36 respectively), the total sum distributed to be €4.3 million (2008: €3.8 million).
- Retained earnings brought forward: €12.7 million (2008: €7.9 million)

BUSINESS AND EARNINGS DEVELOPMENT BY SEGMENT

In this section we deal with the milestones reached in implementing strategy and go into the development of results in the Biotherapeutic segment. See page 61ff in the Research and development section for information on progress made in the development of the three monoclonal antibodies.

Key sales and income figures by segment

€ million	2009	2008	Change in %
Sales*			
Plasma Proteins	390.1	339.5	14.9
Microbiological Monitoring	50.1	46.4	8.0
EBIT			
Plasma Proteins	89.2	80.7	10.5
Biotherapeutics	–21.1	–16.8	–25.6
Microbiological Monitoring	4.4	5.6	–21.4
Corporate / Consolidation	–11.0	–10.5	–4.8

*) No sales were recorded in the Biotherapeutic and Corporate/Consolidation segments in 2008 and 2009.

PLASMA PROTEINS SEGMENT

Strategy

Internationalisation
Our target is to gradually expand our plasma proteins sales base. To do so we aim to secure approval in all the major European markets. We also plan to add individual plasma proteins currently only developed and produced in Dreieich, Germany, to the product range provided by BPC in the United States. These plasma protein products need a separate FDA approval in the United States and need to be manufactured out of US plasma.

In January 2009 we were also granted approval for the albumin preparations Albiomin 5% and Albiomin 20% in further six European markets by means of the EU's mutual recognition procedure. In April 2009 Hepatect® CP was approved in seven more European countries within the mutual recognition procedure.

BPC is to expand its position in the attractive US market. The focus is on taking forward to approval – expected in 2011 – a polyspecific intravenous immunoglobulin (IVIG) that is currently under development. In the reporting year the phase III clinical trials were concluded, the expansion of production capacity was completed technically and the production of consistency lots was commenced.

Expansion of the product range
By advancing the approval of further plasma proteins we are expanding our product range.

In December 2009 the European Commission approved the hepatitis B immunoglobulin Zutectra® for all EU member states. With Zutectra®, which is administered subcutaneously, Biotest secured approval of a drug by means of the central application procedure for the first time in the Company's history. The preparation is used to give patients who have had a liver transplantation after a hepatitis B infection lasting protection from a fresh infection. Zutectra® is the first preparation of its kind that

can be administered subcutaneously. Supplied in a pre-filled syringe, it is suitable for self-medication at home. Patients no longer depend on doctors to give them an intravenous infusion. That gives them more time, greater freedom in their daily lives and thus a higher quality of life.

For initial post-transplantation prophylactic treatment with higher doses, Hepatect® CP will continue to be indispensable. With Zutectra® we have expanded our product range systematically with a view to maintaining Biotest's leading position in this market segment over the long term.

For further information about new and further developments in plasma proteins see the Research and development chapter (page 61ff).

Demand-based development of capacities
We are adjusting our production to market developments. Our first concern is to expand capacity in line with demand and our second will be to link the Dreieich / Germany, and Boca Raton, FL / USA, production sites in the future.

On 19 March 2009 we gained permission to distribute immunoglobulins produced at the enlarged production plant in Dreieich. Biotest's manufacturing capacity was thus doubled from two to four tonnes a year. The new immunoglobulin production facility in the United States went on stream at the end of 2009 with an annual capacity of around 1.5 tonnes. We also began producing consistency lots of Nabi-HB® and IVIG.

Once BPC's expanded production is fully operational, we will have an annual worldwide fractionation capacity of around 1.4 million litres of blood plasma at our disposal.

Secure raw material supply
In securing blood plasma supplies our long-term aim is to meet about half of our requirements with our own donor stations, while our aim for the rare hyperimmune plasmas is to achieve total self-sufficiency.

In 2009 about 40% of the plasma that Biotest processed came from our own donor stations, and for hyperimmune plasmas we achieved our aim of total self-sufficiency.

With the inauguration of a station in Santa Fe, New Mexico, USA, the number of plasma donation centres that Biotest operates rose to 20 (10 in Europe and 10 in the United States). In view of the enormous increase in world market supplies of blood plasma, we have chosen not to open further centres as originally intended.

Sales development

The sales growth achieved in financial year 2009 was due mainly to an increase in sales volumes. This reflected the fact that after approval of the products manufactured at the second production plant in Dreieich, Biotest now has double the immunoglobulin production capacity at its disposal.

Sales in Plasma Protein core product groups

€ million	2009	2008	Change in %
Immunoglobulins	159.1	145.3	9.5
Coagulation factors	88.9	81.2	9.5
Albumin	32.3	25.2	28.2

In financial year 2009 we significantly increased year-on-year sales of the polyvalent immunoglobulins Intratect® and Intraglobin®. Over the year as a whole, increasing price pressure in individual markets was successfully compensated for in other markets.

Of the hyperimmunoglobulins, the significantly higher sales of Hepatect® (+5.3%) and Cytotect® (+20.7%) are particularly striking. Concerning Hepatect®, the approvals secured in further European markets in financial years 2008 and 2009 triggered additional sales growth; Cytotect® sales growth was mainly due to increasing use in organ transplantation.

BPC has succeeded in defending the leading position of Nabi-HB® in the United States for hepatitis prophylaxis during and after liver transplantation. In 2009 the product's market share was unchanged at around 50%. The medical benefits and long years of good experience with the preparation's efficacy have prompted many doctors to continue to administer the drug in off-label use.

Nabi-HB® contains no sugar (maltose), so unlike other products it does not pose a risk of causing false sugar readings for diabetes patients. Nevertheless, sales of Nabi-HB® in 2009 were lower than in the previous year because the number of liver transplantations in the United States was lower overall. The market situation also had an effect on the price level.

The decline in sales of Pentaglobin® anticipated by Biotest was due to the product's limited availability in financial year 2009.

The higher volume of coagulation factor sales was a result of the successful marketing of Haemoctin® in Europe, particularly in the Russian market.

In the albumin markets we anticipate continued regional differences but a steady overall volume demand in the years ahead. Developments in prices show a varied picture. In general, prices are under pressure at present.

The volume of toll manufacturing business increased. In this segment, sales to customers in the Asian distribution region again played an important role.

BPC increased revenue strongly from the sale of blood plasma to third parties without neglecting its own supplies. Demand for hyperimmune plasmas produced by BPC was especially dynamic.

Earnings development

With earnings before interest and taxes of €89.2 million (+10.5%) this segment made the main contribution toward the Group's result. The improvement was below sales growth, however, as particular factors effected an increase in the cost of sales in financial year 2009. As mentioned in the explanation of the Group result, the reconstruction work and ensuing vacancy costs at our manufacturing plant in Boca Raton were the main factors adding to the cost of sales. However, a higher cost of materials ratio, write-downs on inventories as a result of market prices, and other factors, such as start-up costs for new plasma donation centres and higher sales of plasma, for which the margin is lower than for immunoglobulins, contributed to the higher cost of sales ratio.

Production

In December we began producing the first batches of Zutectra®. Nanofiltration, introduced in 2008 as an additional safety stage in the production of Intratect® and Hepatect® CP, was part of routine operations throughout 2009.

In response to the changing market situation we adjusted the production activities at the Dreieich site in October 2009, reducing the production volume. This was accompanied by personnel measures (see Personnel report from page 65ff).

Raw material supplies

After successful completion of all the inspections required, the newly acquired or opened plasma donation centres in Nordhausen, Germany, Budapest, Hungary, and Santa Fe, New Mexico, USA, commenced operations in the course of 2009.

BIOTHERAPEUTIC SEGMENT

Strategy

Focusing on lead indications

With a view to achieving significant future sales and earnings potential we are concentrating on the clinical development of three monoclonal antibodies and on indications with a high prevalence rate and particularly great therapeutic demand. For information on the progress of R&D projects see the Research and development chapter (page 61ff).

Cooperation with a development and marketing partners

Biotest plans to take development of the monoclonal antibodies forward on its own until the clinical phase III is reached. From then on we would like to continue development jointly with globally active pharmaceutical or biotech partners. Our aim is thereby to achieve swift worldwide development and approval. We plan to finance our share of the further development costs from income earned on signing the contract and income anticipated in the further course of development (up-front and milestone payments).

Our concept provides for granting regional development and distribution rights to the partner. Biotest anticipates further distribution-related licence revenue once the distribution phase begins.

In financial year 2009 we continued our discussions with potential development and marketing partners for BT-061. Several of the globally operating pharmaceutical companies we contacted indicated interest in taking part in a project. Though the development and marketing concept that we envisage met with fundamental approval from all of the partners in question, further clinical data is required in order to negotiate contract terms that are attractive for Biotest. Additional evaluations of phase II trials could enhance the projects' value.

Developing own production capacities for monoclonal antibodies

Biotest has added resources of its own to the manufacturing of monoclonal antibodies outsourced to toll manufacturers in order to be able to thereby manufacture these at lower cost.

In 2009, production of monoclonal antibodies was taken up at the Boca Raton site, as the technology transfer from our partner Lonza to BPC had been successful. Production of the first batches of BT-061 has successfully been completed.

Earnings development

Segment EBIT at –€21.1 million was significantly lower than in the previous year (–€16.8 million). This was due to higher research and development expenditure in the course of project progress and the expansion of clinical trials.

MICROBIOLOGICAL MONITORING SEGMENT

Strategy

Development of new customer groups
In addition to the pharmaceutical industry we would like to gain food and cosmetics industry companies as customers. Our core target group in this regard are large multinational corporations.

In financial year 2009 we added to our product range a variety of new developments for food industry customers. For further details see the chapter Research and development (page 61ff).

Expanding Biotest's position as quality and innovation leader
Our research and development focus is on innovative technologies and systems that strengthen our position as an innovation leader. One core area is to link test media, equipment, software and evaluation options. A cooperation agreement to link our heipha Datamatrix-Code and Biotest HYCON product systems with innovative laboratory software is in preparation.

The system is scheduled to go on sale in 2010 and constitutes an important step in the direction of the paperless laboratory.

Sales development

Segment sales in 2009 totalled €50.1 million, which was an increase of 8.0% on the previous year's €46.4 million. As in previous years, our subsidiary heipha Dr. Müller GmbH made a major contribution toward this growth, with its products accounting for nearly 60% of segment sales. In contrast, the volume of Biotest HYCON product sales remained largely unchanged.

Microbiological Monitoring: sales by product group

€ million	2009	2008	Change in %
Biotest HYCON	12.0	12.0	–
heipha	29.3	25.2	16.3
Other*	8.8	9.2	–4.3
Total	**50.1**	**46.4**	**8.0**

* Mainly sales of merchandise and Viro-Immun

Demand for the ICRplus plates with data matrix code that heipha Dr. Müller GmbH launched in the market in 2008 was strong, exceeding the previous year's sales by about a third. They can be used to determine the bioburden on surfaces simply and safely and to carry out further processing electronically.

Viewed by region, there were striking increases in sales to customers in Japan, Italy and France. These were due in part to successful new business with bulk buyers. Sales in the United States were down on the year. Along with the weaker US dollar exchange rate, this was due to pharmaceutical and food industry companies exercising extreme restraint in buying new equipment, particularly in the first half of 2009. The volume of culture media business achieved in the United States rose significantly, in contrast, because in this distribution region we also succeeded in gaining bulk buyers for our products.

In 2009 we continued the programme of seminars on various aspects of hygiene monitoring that heipha Dr. Müller GmbH has held for years. Pharmaceutical and food industry companies show great interest in these training courses, which are subject to a fee.

In the financial year the segment brought various new products and product developments to the market. They include a test for hygiene monitoring in food production and the innovative "ergo Touch" series particle monitoring devices from Biotest HYCON. These new devices are easier to use.

heipha Dr. Müller GmbH has added to the heipha Datamatrix-Code series and now supplies test media that are ideally suited for use in production facilities for the latest generation of antibiotics.

Since October 2009 Biotest has distributed a DNA-based testing system for identifying microorganisms under a licensing agreement with Biotecon Diagnostics GmbH, Potsdam, Germany. The test system has been put through an interlobarotary test with eight leading pharmaceutical companies and was classified as very good at identifying germs swiftly.

Earnings development

At €4.4 million, the segment operating profit was lower compared to the previous year's level (€5.6 million). A growth-related increase in earnings was reduced by investments in R&D as well as marketing and distribution.

Production

In October 2009 we completed the expansion of our logistics capacities in Eppelheim, Germany. A newly built warehouse provided an additional 600 pallet spaces.

By installing a new production line, heipha Dr. Müller GmbH increased its production capacity for irradiated sedimentation plates by 40%. The plant also makes it possible to equip the sedimentation plates with data matrix code.

Developments in the discontinued Medical Diagnostic segment

In 2009 the activities of the discontinued Medical Diagnostic segment, which was sold with effect from 6 January 2010, earned revenue totalling €40.8 million, an increase of 10.0% on the previous year's €37.1 million. EBIT amounted to –€3.0 million (2008: –€3.9 million).

In the Biotest Group, Medical Diagnostics failed to reach the critical mass required for lasting business success. In combination with Bio-Rad the segment will have better prospects.

FINANCIAL POSITION AND STATEMENT OF ASSETS

FINANCING STRATEGY

The Biotest Group pursues a conservative financing strategy. Its paramount aims are to ensure adequate liquidity at all times and to maintain sufficient leeway to safely finance the growth of the Group's operating business and implement investment in corporate growth according to plan.

The plasma proteins production process extends over a lengthy period of time, due mainly to the testing periods prescribed by drug legislation. As a result we build up significant stocks of inventories and finished products on a temporary basis and need to finance these current assets.

Biotest uses equity capital and borrowing to finance them. It aims to achieve a sound and conservatively aligned financing structure with an equity ratio target of 40.0%. Equity capital and the long-term component of debt financing shall jointly cover the cost of fixed assets. To finance our operating activities we conclude revolving credit agreements with terms to maturity of generally one or two years.

CASH FLOW STATEMENT

With €31.3 million in 2009, Biotest's cash flow from operating activities was higher than in the previous year (€30.5 million). EBITDA improved by 4.8% to €87.4 million, but was countervailed by higher current assets and higher tax and lower interest payments.

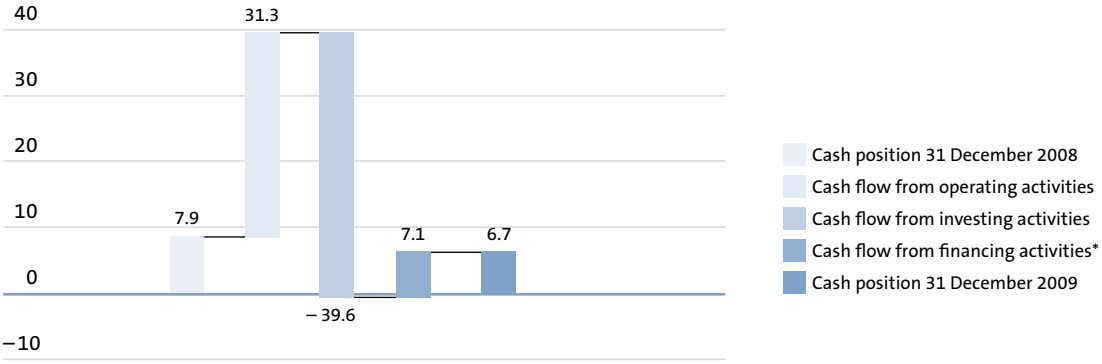
Key cash flow statement figures for the Biotest Group

€ million	2009	2008
Cash flow from operating activities before changes in working capital	88.1	82.8
Cash flow from changes in working capital	–35.7	–24.1
Interest and taxes paid	–21.1	–28.2
Cash flow from operating activities	**31.3**	**30.5**
Cash flow from investing activities	–39.6	–29.5
Cash flow from financing activities	7.1	–1.9
Cash changes in cash and cash equivalents	**–1.2**	**–0.9**

The significant expansion of current assets is attributable to higher receivables and to the increase in inventories. The latter is due to the expansion in business volume and the fact that in connection with the forthcoming approval of various plasma proteins, including Zutectra®, we built up stocks of finished products in the course of the year so as to be able to commence marketing as soon as approval is granted.

The outflow of cash from investing activities was €10.1 million higher in the reporting year than in 2008. 79% of capital expenditure could be financed internally. Use was made of credit lines to cover the remaining financing requirement and dividend payments.

Cash flow statement in € million

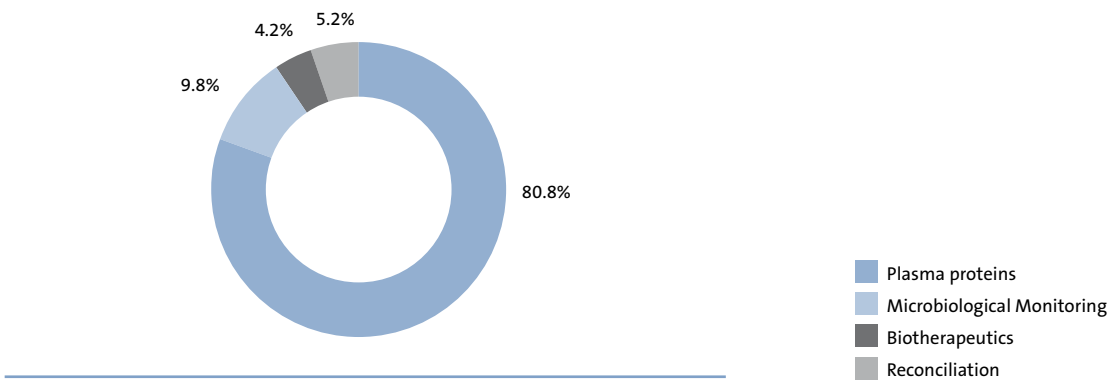


* Including changes in value due to exchange-rate-changes. Some values have been rounded.

CAPITAL EXPENDITURE AND DEPRECIATION AND AMORTISATION

Biotest invested €40.2 million (2008: €32.9 million) in the reporting year. Of the additions to the statement of financial position, €38.6 million (2008: €28.5 million) consisted of investments in property, plant and equipment and €1.6 million (2008: €4.4 million) of purchases of intangible assets.

Capital expenditure by segment



The majority of capital expenditure went toward expanding the manufacturing plant for immunoglobulins at BPC. Investment in the plant to manufacture monoclonal antibodies also continued at Boca Raton, where a plant formerly used to produce vaccines was converted to manufacture monoclonal antibodies.

Investment at the Dreieich site included further expansion of immunoglobulin production. In addition, in 2009 we acquired two plots of land with pre-existing buildings in the immediate vicinity of the Biotest Group's headquarters. In the short term we are using the buildings as extra storage space; in the medium to long term we aim to use the area for our further expansion plans.

heipha Dr. Müller GmbH invested in the continued development of its production and storage capacities in Eppelheim. This included the installation of a new machine for filling test media and the optimisation of warehousing and the flow of goods.

Investments in intangible assets consist mainly of additional SAP functionalities in connection with the rollout at subsidiaries.

As a result of write-downs totalling €25.9 million (2008: €24.5 million) the Biotest Group's net capital expenditure in 2009 amounted to €14.3 million compared with €8.4 million in the previous year.

Of the write-downs, €25.4 million (2008: €24.2 million) was scheduled depreciation and amortisation. Extraordinary write-downs amounting to €0.5 million (2008: €0.3 million) resulted mainly from fixtures and fittings in rented premises that could not be removed upon moving out.

ASSETS POSITION

Statement of financial position

The Biotest Group's net assets and liabilities on the statement of financial position as of 31 December 2009 was €633.5 million, or 7.0% more than the previous year's figure of €592.0 million.

Assets

While non-current assets changed very little year on year, current assets were significantly higher as of the reporting date than in the previous year. This was due mainly to the sales-related increase in inventories and to higher trade receivables.

Key asset items in the Biotest Group's consolidated statement of financial position

€ million	2009	2008	Change in %
Assets			
Property, plant and equipment	232.0	229.9	0.9
Intangible assets	66.7	73.8	–9.6
Inventories	170.3	156.6	8.7
Trade receivables	96.0	94.5	1.6
Other assets	19.3	20.5	–5.9

The increase in inventories was a result of higher stocks in the Plasma Proteins segment at Biotest AG (€138.5 million compared with €112.3 million as of 31 December 2008).

The decision made in autumn 2009 to adjust plasma proteins production to the changed market environment has a delayed effect on inventories held due to the long production cycles. Trade receivables rose with the higher sales volume, with factoring enabling us to keep the growth rate below that of sales. As of the reporting date we had sold receivables totalling €40.6 million (2008: €26.2 million) by means of factoring; this amounted to 28.9% of the total volume of receivables.

Of the €96.0 million in accounts receivable shown in the statement of financial position, €68.7 million (71.6%) was neither impaired nor due as of the reporting date. In the previous year the proportion of non-due receivables was 65.4%. For a detailed description of the structure of receivables see item E8 of the Notes to the consolidated financial statements from page 132ff.

Other assets as of the reporting date included receivables from factoring companies amounting to €9.8 million (2008: €12.2 million) and €0.7 million (2008: €3.0 million) in value added and other tax claims.

Equity and liabilities

On the equity and liabilities side the increase in the net assets and liabilities on the statement of financial position was attributable to the increase in equity due to 2009 profits (minus the dividend paid for 2008) and to the increase in financial liabilities. The volume of provisions was almost unchanged on the year.

Key equity and liability items in the Biotest Group's consolidated statement of financial position

€ million	2009	2008	Change in %
Equity and liability			
Equity	269.9	253.4	6.5
Non-current liabilities	214.8	220.3	–2.5
thereof non-current financial liabilities	153.7	166.6	–7.7
thereof provisions	51.9	47.1	10.2
Current liabilities	148.8	118.3	25.8
thereof trade payables	40.6	48.7	–16.6

The change in non-current borrowing was due mainly to lower financial liabilities.

The majority of non-current provisions – €51.9 million (2008: €47.1 million) – consisted of pension provisions and similar obligations. The change on the year was mainly a result of actuarial losses.

Current liabilities increased by 25.8% on the previous year. This development was mainly due to the fact that we made greater use of existing credit lines to fund operating resources.

Trade payables declined by 16.6% to €40.6 million.

Leasing liabilities increased by 11.6% to €10.6 million compared with 31 December 2008. A contributory factor was that we financed SAP software via hire purchase, carrying it as an asset.

At 42.6% the equity ratio as of the reporting date was 0.2 percentage points lower than in the previous year, but still well above our target of 40.0%, and 76.5% of the net assets and liabilities on the statement of financial position was covered by equity or by non-current liabilities. The term structure of loan commitments as of 31 December 2009 is outlined in detail in item E15 (page 142ff) of the Notes to the consolidated financial statements.

FINANCING

The long-term syndicated loan agreement for €230.0 million that Biotest took up in 2007 in connection with the acquisition of the US plasma proteins business and extended in 2009 constitutes the core of debt financing. Thus far, €5.0 million of the long-term financing have been repaid as planned.

With effect from 6 May 2009 Biotest extended its loan agreement with the syndicate banks. The existing financing framework was extended by a €40.0 million two-year revolving credit facility. In addition, a further €15.0 million line of credit was agreed to cover euro exchange rate fluctuations in relation to the US dollar for a €85.0 million loan taken out by BPC. This ensures that exchange rate fluctuations will not restrict free lines of credit as long as their effect does not exceed €15.0 million. Biotest AG was also granted a €20.0 million credit by another bank in financial year 2009.

As of the 2009 reporting date Biotest had at its disposal free lines of credit totalling €70 million.

Of its existing lines of credit used, Biotest must repay €50.8 million in financial year 2010. This figure also includes financial liabilities from revolving credit facilities. Biotest plans to extend the majority of its existing revolving credit facilities in 2010.

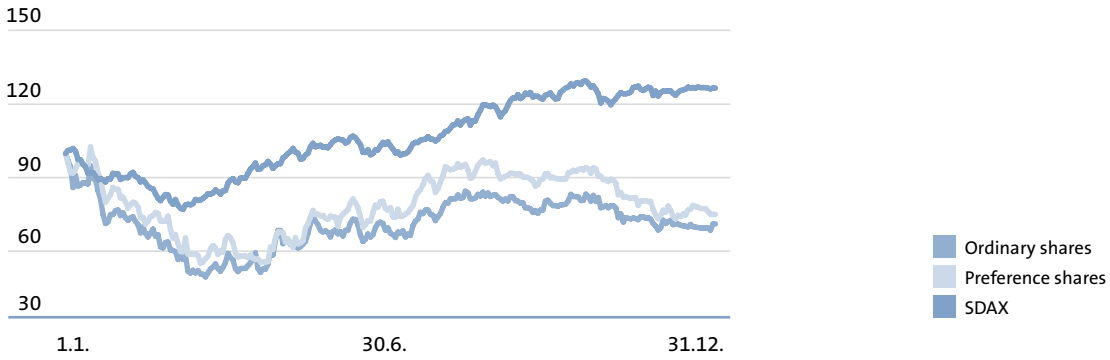
In item E8 of the Notes to the consolidated financial statements (page 132) Biotest outlines the importance of off-balance-sheet financing instruments for the Group, while item F3 (page 160) includes details of the financial derivatives used (including interest rate swaps and currency swaps).

THE BIOTEST SHARE

STOCK MARKET ENVIRONMENT

In 2009, developments in the stock market were split in two directions. In the first quarter, share prices fell on a broad front. Nearly all selection indices of the Deutsche Börse reached their lowest level for the year at the end of March 2009. The DAX index, for instance, was about 25% down on its 2008 year-end level, and the SDAX index's decline was similarly large. In the following quarters, share prices regained ground strongly. At the end of 2009 the DAX stood at 5,957.43 points, a gain of 23.9% over the course of the year. The SDAX stood at 3,549.02 points at the end of the last trading day in 2009, equivalent to a 26.7% improvement compared with the previous year's closing.

Performance of the Biotest share in 2009 Closing price 2008 = 100



Source: Deutsche Börse AG

The DAX Pharma & Healthcare sector index, which maps the price development of leading pharmaceutical and healthcare industry shares, ended the year's trading at 1,639.25 points. Compared with its 1,429.64 points at the end of 2008, that was a 14.7% increase.

DEVELOPMENT OF SHARE PRICE AND SHARE TRADING

The prices of Biotest AG ordinary and preference shares followed the market trend and fell sharply in the first quarter of 2009. They shared less in the recovery of the following quarters, however, and failed to recoup their first-quarter losses. The 2009 year-end prices of €38.90 for ordinary and €34.42 for preference shares constituted year-on-year losses of 28.7% and 24.8% respectively.

Biotest AG's market value as of 30.12.2009 was 27.2% lower than in the previous year. In the market capitalisation ratings for free float shares that is one of the criteria for Deutsche Börse's share indices, the Biotest AG preference share came in 17th in the SDAX in 2009. In the share trading rating for the past twelve months it came in 7th.

Data and key figures for the Biotest share

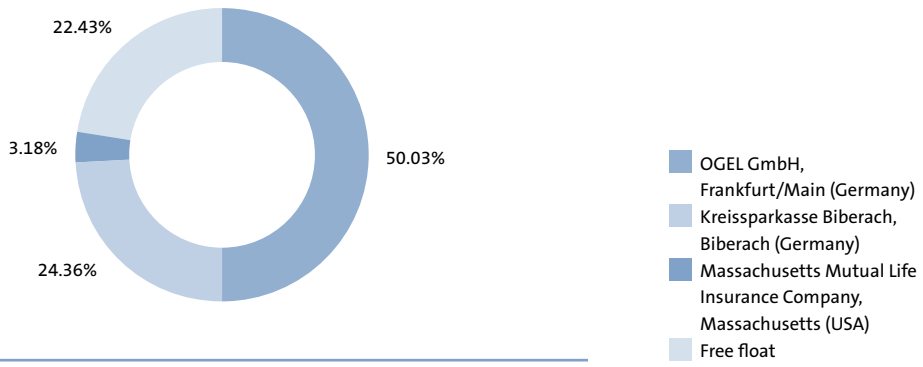
€	2009	2008
Earnings per share	2.49	2.56
Additional dividend rights per preference share	0.06	0.06
Earnings per preference share	2.55	2.62
Cash flow per share [2]	7.52	7.06
Dividend per ordinary share [1]	0.34	0.30
Dividend per preference share [1]	0.40	0.36
SHARE PRICE TREND FOR ORDINARY SHARES (XETRA data)		
Opening price	56.00	38.50
Highest price [3]	56.00	67.00
Lowest price [3]	26.00	30.00
Closing price	38.90	54.56
SHARE PRICE TREND FOR PREFERENCE SHARES (XETRA data)		
Opening price	45.77	34.40
Highest price [3]	48.35	64.00
Lowest price [3]	24.55	25.41
Closing price	34.42	45.77
MARKET CAPITALISATION OF BIOTEST AG (as of year's end in € million)		
Total	433.24	594.79
thereof ordinary shares	256.55	359.84
thereof preference shares	176.69	234.95

[1] 2009 amount as proposed to the AGM
[2] Cash flow from operating activities before changes in working capital
[3] Share price relevant figures relate to the price in the XETRA trading on the Frankfurt Stock Exchange.

SHAREHOLDER STRUCTURE

At the end of 2009, Biotest AG's share capital amounted to about €30 million. It consisted of 6,595,242 ordinary shares and 5,133,333 non-voting preference shares. According to information pursuant to Section 21 of the German Securities Trading Act (WpHG), the year-end shareholder structure for ordinary shares was as follows:

Shareholder structure ordinary shares



OGEL GmbH has stated that it is controlled by Dr. Cathrin Schleussner, a member of Biotest AG's Supervisory Board. The Biotest AG shares held by members of the Schleussner family have been consolidated in OGEL GmbH.

In 2009 the Board of Management received no notifications of changes in shareholder structure in accordance with Section 21 (1) WpHG. In February 2009, OGEL GmbH informed the Board of Management that it was not continuing the talks begun in 2008 on a possible sale of its ordinary shares in Biotest AG.

Information about Biotest AG's 2009 Annual Shareholders' Meeting is included in the Corporate governance report (see page 87), which forms part of the Management declaration.

DIALOGUE WITH THE CAPITAL MARKET

A continuous dialogue with the players in the capital market and informing them promptly of material developments is very important to Biotest. Biotest maintained a constant, close dialogue with shareholders, analysts, the media and the general public throughout the financial year. We presented our sales and results figures for 2008 at the accounts press conference in Frankfurt/Main on 11 March 2009. On 5 November 2009 the Board of Management outlined at a press and analysts' conference the development of business and earnings as well as progress in implementing corporate strategy in the first nine months of the financial year.

The three-, six- and nine-month interim reports of the Biotest Group as well as the consolidated financial statements were prepared in accordance with the rules of the International Accounting Standards Board (IASB), London. We published the consolidated financial statements and the 2008 Annual Report on 23 March 2009.

In presentations and one-to-one talks at conferences, industry forums and road shows the Board of Management explained the Company's strategy and operational development at major financial centres in Europe and North America. In addition, Biotest held presentations at six investor conferences in Frankfurt, London, Munich and New York. Furthermore, we were available throughout the year to answer questions by shareholders, investors, analysts and journalists.

We informed the public promptly of key events and developments for the Company's advancement and evaluation in ad hoc announcements or press releases.

All of the Company's press releases and publications are available, along with other information, in the Investor Relations section of the Biotest Group's website at www.biotest.de. It also includes an overview of all relevant publications in the 2009 in the Annual Document.

COVERAGE BY ANALYSTS

In financial year 2009 banks and equity analysts provided regular coverage of developments at the Biotest Group. As of 31 December 2009 their recommendations for the preference share were as follows:

Buy / Accumulate:	3
Hold:	2
Sell / Reduce:	0

Further information on the respective analysts can be found at our Internet site:
www.biotest.de/Investors.

RESEARCH AND DEVELOPMENT

FOCUS OF RESEARCH AND DEVELOPMENT ACTIVITIES

The Biotest Group's R&D activities are aimed at strengthening its position as a provider of highly specific products for immunology and haematology. In plasma proteins our focus is on developing new indications for our products and making the products easier to handle, such as by providing simpler forms of application. Biotest has the competences and resources needed to take plasma protein development projects forward from the pre-clinical phase to approval with own teams.

In monoclonal antibodies the lead indications – serious autoimmune and haematological diseases – complement the therapeutical indications of our plasma proteins. For this reason Biotest already has extensive experience with these indications and is also very well linked to research institutions and hospitals that are active in this field.

The cooperation with a development and marketing partner that is planned from clinical phase III is intended to enable Biotest to give high priority to the continued development all three monoclonal antibodies. Proportionate to development progress, Biotest is continually expanding its own resources in the Biotherapeutic segment.

In the Microbiological Monitoring segment the focus of our research and development continues to be on developing solutions to increase the efficiency and safety of hygiene monitoring. These include both improved test media and further development of automation concepts.

RESEARCH AND DEVELOPMENT IN FINANCIAL YEAR 2009

In financial year 2009 Biotest spent €48.5 million on research and development, equivalent to 11.0% (2008: 11.0%) of Group sales. It was invested for the most part in personnel expenses and external costs for the outsourcing of pre-clinical, clinical and production activities.

Research and development expenditure by segment

€ million	2009	2008	Change in %
Plasma Proteins	25.7	24.0	7.1
Biotherapeutics	20.7	16.6	24.7
Microbiological Monitoring	2.1	1.7	23.5
Total	**48.5**	**42.3**	**14.7**

The number of Biotest Group employees engaged in research and development rose by 14.5% to 173.4 (full-time equivalents) in the course of 2009. This figure corresponds to 9.5% of the total headcount.

KEY RESEARCH AND DEVELOPMENT RESULTS

Plasma Proteins segment

In addition to approvals of Intratect®, Albiomin als well as of the hepatitis B immunoglobulins Hepatect® and Zutectra® already mentioned in the presentation of business development (cf. page 47), we achieved major progress in other R&D projects in financial year 2009.

New developments

IgM concentrate: In June 2009 we started the clinical development of IgM concentrate, a product manufactured in Dreieich, Germany. In the phase I clinical trial the preparation was administered to 24 healthy volunteers. The aim of the trial was to investigate its tolerability and pharmacokinetics. No serious side effects occurred either during treatment or in the 13-week follow-up phase.

The product is being developed for a range of indications comparable with those for Pentaglobin®, which has already been approved. The new preparation has an even higher IgM content and could therefore exhibit an improved functional activity in the patient.

Civacir™: BPC is developing this hyperimmunoglobulin for the hepatitis C virus reinfection prophylaxis indication after a liver transplantation with the aim of securing approval in the United States and the European Union. In financial year 2009 we collected additional pre-clinical data in order to achieve an optimal antibody concentration for this preparation. The results thus obtained on its virus-neutralising effect were very good.

Intravenous immunoglobulin (IVIG): In the phase III clinical trial, treatment of the last patient included was completed in May 2009 at the end of the 12-month scheduled duration of treatment. Work on the final clinical report began after the end of the obligatory three-month follow-up phase in August 2009. This preparation is being developed solely for the US market. Approval is to be applied for in the third quarter of 2010.

Zutectra®: Along with the EU approval procedure, we prepared for the hepatitis immunoglobulin's market launch in the reporting year. After the approval was granted in December 2009, distribution commenced at the beginning of 2010.

Further development of existing products

Intratect®: A phase III clinical trial delivered highly promising data on the drug's efficacy in treating chronic pain syndrome/fibromyalgia. The pain level was successfully reduced to a statistically significant and clinically relevant extent. Further immunological tests are planned to show which groups of patients can benefit from immunoglobulin therapy.

Cytotect®: An international phase III trial was initiated to secure approval in the indication "avoiding the transmission of a cytomegalovirus infection and preventing disablement of the unborn child during pregnancy". By the end of 2009 about 4,000 pregnant women had been included in the trial.

As primary CMV infection occurs in about 1% of pregnancies, approximately 20,000 additional women need to be included in the trial. In the second half of the year additional large hospitals in further European countries were included in the trial. The aim of this measure is to speed up the project's progress.

Biotherapeutic segment

In September 2009, clinical development of BT-063 began with the first administration of the antibody to a healthy volunteer. All three monoclonal antibodies in Biotest's pipeline are now in their clinical phase.

Progress of clinical and pre-clinical trials

In financial year 2009, six clinical trials of Biotest's three monoclonal antibodies were under way. The documentation for a further trial on the development of BT-061 was submitted in September 2009, and the documents for a further trial of BT-062 were submitted to the FDA in October 2009.

Clinical trials in the Biotherapeutic segment

Type of trial and indication	Trial no.	Dosage / trial design	Planned number of participants	Status*
BT-061				
Phase I Tests on healthy volunteers	961	Up to 60 mg intravenously, up to 180 mg subcutaneously, single dose	57	Administration to healthy volunteers completed, final evalution available
Phase IIa Rheumatoid arthritis	962	Up to 100 mg subcutaneously and 25 mg intravenously, multidose, treatment duration six weeks, placebo-controlled	96	Patient recruitment ongoing (final group for treatment), positive results of interim analysis available
Phase II Rheumatoid arthritis (BT-061 + MTX**, placebo-controlled)	971	0.5 mg and 2.0 mg intravenously, 50 mg subcutaneously, multidose, treatment duration eight weeks	110	Intravenous administration: treatment of patients completed, results of interim analysis available Subcutaneous administration: patient recruitment under way
Phase I/IIa Psoriasis	967	Up to 20 mg intravenously, up to 25 mg subcutaneously, single dose, placebo-controlled	56	Treatment of patients completed, final evalution available by March 2010
Phase II Psoriasis	973	Multidose, intravenous and subcutaneous, placebo-controlled, treatment duration eight weeks	48	First patients enrolled in February 2010
BT-062				
Phase I Multiple myeloma	969	Repeated single dose, intravenously, every 21 days, 10-200 mg/m^2	34	Trial in progress, presentation of interim results in December 2009 (ASH)
Phase I/IIa Multiple myeloma	975	Repeated multidose (split dose), intravenously	60	Protocol approved by FDA in November 2009
BT-063				
Phase I Tests on healthy subjects	977	Single dose, intravenously, up to 100 mg	24	First administration to healthy volunteers in September 2009

*) Status as of 31 December 2009 unless otherwise stated
**) Methotrexate, a preparation highly valued in the treatment of rheumatoid arthritis

BT-061 development:
Trial 961 on healthy subjects, which was scheduled to have been completed in the fourth quarter of 2008, was extended. Further dosages were tested to provide additional data about the safety and tolerability of the antibody in higher doses, which were administered subcutaneously. The final evaluation of this trial is available.

In trial 971 the antibody was originally to be administered intravenously (IV) only. After already having reached the optimal effective level with low intravenous doses, we added subcutaneous administration to the trial design. That has brought us a step closer to our development target of taking BT-061 to approval as a preparation for subcutaneous administration. In October 2009 Biotest presented the results of data analysis from a first, unblinded part of the trial.

For the indication psoriasis a phase II clinical trial has been initiated based on the positive data from phase I/IIa.

BT-062 development:
The phase I clinical trial went on according to plan in financial year 2009. As multiple myeloma is an oncological disease, we were already able to test the immunoconjugate consisting of a monoclonal antibody and a highly effective cytotoxic agent for this indication in patients in clinical phase I.

In December 2009, Biotest presented preliminary data from the trial at the American Society of Hematology (ASH) meeting in New Orleans, in which 25 patients had been involved up to that date.

Based on encouraging results in respect of efficacy and the good tolerability observed to date, Biotest continued with the development of BT-062 and initiated a trial with a more intensive dosage schedule.

With a view to the planned clinical development in Europe we established a Scientific Advisory Board with European oncologists. Clinical development of BT-062 in Europe will probably begin in 2011 once a dosage schedule has been agreed upon.

BT-063 development:
After approval of the phase I clinical trial by the relevant authority and the ethics commission, BT-063 was administered to first healthy volunteers in September 2009. So far, the antibody has proved very tolerable.

Results to date
All clinical development data available so far has been very satisfactory. The monoclonal antibodies have generally proved to be highly tolerable. Signs of clinical efficacy were found for both indications. The phase I BT-062 trial also revealed initial indications of efficacy. In 53% of patients progress of the tumour was arrested for more than six weeks, and in one case for as long as 30 weeks.

Microbiological Monitoring segment
The focus of R&D activities in 2009 was on solutions to shorten the process on the basis of the polymerase chain reaction (PCR), reducing the time required between taking samples and achieving results.

In July 2009 we launched newly developed real-time PCR test kits to demonstrate the existence of bacterial pathogens, such as salmonella, in food. These test kits are used for quality assurance in the food sector to comply with statutory standards and requirements in a wide range of areas, such as baby food or milk products.

In September 2009 a real-time rapid PCR test was launched for hygiene monitoring in pharmaceutical industry cleanrooms. This innovative test to identify swiftly and easily microorganisms that occur frequently is based on molecular genetic methods and is a good addition to our culture medium programme for this target group. Further PCR-based products are under development.

Patent protection

By submitting an additional seven patent applications in the Biotherapeutic segment Biotest continued its strategy of seeking wide-ranging protection of in-house developments in the financial year. The patents relate both to clinical application of the antibodies and to their mechanism of action.

PERSONNEL

DEVELOPMENT OF STAFF NUMBERS

As of 31 December 2009 the Biotest Group employed 1,983 staff in Continuing Operations around the world, corresponding to 1,834.3 full-time equivalents. A year earlier the headcount was 1,842 employees and 1,701.2 full-time equivalents. A further 256.0 (2008: 251.1) full-time equivalents were attributable to the Discontinued Operation.

The 7.8% increase in the number of full-time equivalents was largely attributable to the Plasma Proteins segment. It reflected the acquisition of the plasma donation centre and the expansion of production in Dreieich. In addition, we enlarged our R&D teams in the Biotherapeutic segment in line with project progress.

As of the end of 2009, 710.6 or about 39% of jobs in the Group were with Biotest AG, and a further 588.8 full-time equivalents (32%) were with BPC.

Staff by segment as of 31 December (Full-time equivalents)

	2009	2008	Change in %
Plasma Proteins	1,438.8	1.356.7	6.1
Biotherapeutics	58.1	38.2	52.1
Microbiological Monitoring	314.0	292.8	7.2
Corporate	23.4	13.5	73.3
Biotest Group	**1,834.3**	**1,701.2**	**7.8**

As of the reporting date, 58.8% of the Group's employees were based in Germany and a further 33% in the United States.

As of 31 December 2009, Biotest AG employed 25 apprentices (2008: 21). A further three trainees, the same number as in the previous year, were undergoing training.

ORGANISATION AND WORKING HOURS

In the Plasma Proteins segment we retained the rotating shift work model introduced in plasma fractionation in spring 2008 with a reduced shift strength until the end of 2009. Since 1 January 2010 production has been suspended at the weekend and a partially continuous rotating shift schedule has been implemented.

With the introduction of rotating shift work, Biotest created around 15 positions in plasma protein production sourced from temporary recruitment agencies. Since year-end 2009 we have not employed temporary staff in production any more.

Some employees had to switch jobs temporarily. This change went ahead quickly thanks to the flexibility and readiness to cooperate of the employees in question and to constructive cooperation with the works council. If the market environment were to improve again, we would be able to respond to the change swiftly with respect to the production.

REMUNERATION

The first tranche of the new Long Term Incentive Programme (LTIP), the performance-related remuneration system for specialist and executive staff at Biotest, began on 1 June 2009. The tranche runs from 2009 to 2011, with disbursement of the incentive payment scheduled for 2012. Compared with the previous tranches we have increased the number of employees entitled to take part in the programme this year.

LTIP participation is granted by invitation from the Board of Management and is subject to a personal investment in Biotest AG preference shares. Unlike in previous years, shares purchased in previous LTIP tranches no longer counted toward the personal investment required.

In addition, a part of the shares acquired for previous tranches must still be held until the end of the fourth tranche. They must correspond to at least 50% of the shares newly acquired as part of the 2009 tranche.

In May 2009 Biotest disbursed the incentive payment for the first LTIP tranche, which ran from 2006 until the end of 2008. Biotest will be making an incentive payment for the 2007 tranche in May 2010.

Performance factors are one element on which the incentive payment is based. The other factors and the method used to calculate the LTIP payment are described in detail in item F1 of the Notes to the consolidated financial statements.

In 2009 Biotest AG expanded its Company pension scheme by an additional offering. On a voluntary basis, employees can now have a part of their gross compensation paid into the Biotest pension savings plan.

The accumulated total will bear interest at 4.0% p.a. until 2012, and the interest rate paid in subsequent years will be at least 0.5 percentage points higher than the guaranteed interest rate for endowment insurance policies. For pay-scale employees Biotest AG paid in 2009 a voluntary profit-sharing sum for 2008 into the savings plan.

Savers acquire an entitlement to payment of the capital and interest by Biotest AG on reaching retirement age. Biotest is setting aside provisions for these commitments. The contingency funds are insured against the risk of insolvency with the Pensions-Sicherungs-Verein (PSV), the German pension assurance association.

PERSONNEL DEVELOPMENT

Executive and junior executive development

Biotest has continued to extend its activities in this area. Development programmes launched as early as 2008 have been continued and expanded by the addition of further components. In this connection, we consider it to be particularly important to strengthen international cooperation within the Group.

The General Management Programme, introduced by the Biotest Group in 2008, is intended for executives of Group subsidiaries and senior executives of Biotest AG. Its aim is to further develop the participants' strategic, methodological and specialist competence. Biotest cooperates on the programme with an internationally recognised business school.

The Effective Management & Leadership programme for the development of management and leadership competence was attended by 45 selected participants from Germany and other countries.

Over 95% of qualified senior executives and 80% of line managers made use of the opportunity, introduced at the end of 2008, to gain a comprehensive assessment of their perceived leadership performance via the 360-degree feedback programme.

Training and professional development

Biotest AG hired 11 new apprentices last year – nearly twice as many as in the previous year. With training facilities for electronic plant technicians and industrial maintenance engineers, we have now increased the number of professions to be taught to six. The others are biology lab assistant, chemical assistant, industrial management assistant and office communications clerk. All apprenticeships are open to applicants of either sex in equal measure.

The international trainee programme with a focus on marketing and distribution continued. With the acceptance of a further trainee, the number of participants in this two-year programme for university graduates increased to four in 2009. A selection process for new trainees was put in place.

In the second quarter of 2009 we launched the 60+ Programme. Its aim is to ensure the succession of positions currently filled by employees aged 60 or over at an early stage. To this end we identify candidates with the potential to take over in the medium term the tasks performed by colleagues who are nearing retirement age and prepare them for the position via corresponding qualification measures. It is especially important for us to enable the successors to benefit from the experience and specialised knowledge of the men and women who are doing the work at present.

Three employees made use of the opportunity, first provided in 2009, to gain a further professional qualification as "Industriemeister" (foreman). In addition, Biotest has supported two employees taking further training on the biological-technical sector since 2009. Well-established in-service courses for commercial staff round off our training offering geared toward enabling employees to gain further qualifications.

SOCIAL RESPONSIBILITY

Biotest primarily supports medical science initiatives, research projects and measures by patients' organisations, by means of donations and as a sponsor. We took on further commitments in this regard in 2009.

EVENTS AFTER THE REPORTING DATE

On 6 January 2010 the European anti-trust authorities approved the sale of our transfusion and transplantation diagnostic activities to Bio-Rad Laboratories, Inc. Biotest and Bio-Rad thereby closed the contract they had signed on 23 October 2009 and notarised on 4 November 2009.

RISK REPORT

Biotest's business operations and the development of its sales and results depend to some extent on factors whose occurrence cannot always be predicted and which may be partly or entirely beyond our control. This results in risks which, should they arise, might have an adverse effect on Biotest's asset, financial and earnings position. At the same time, this circumstance provides opportunities for business and earnings growth that are better than those outlined in the Outlook.

In the Risk report we describe the risks to which Biotest is exposed, both as a Group and at segment level. We explain how the Company deals with these risks and how they are controlled and managed. We also include an assessment by the Board of Management of the likelihood that any of the individual risks outlined will arise.

FINANCIAL MARKET AND ECONOMIC CRISIS

Uncertainty continues to characterise the state of the world economy. Although the worst fears at the time immediately following the collapse of the US investment bank Lehman Brothers in September 2008 have yet to be confirmed, all assumptions on the further development of markets and financing conditions continue to be subject to a heightened risk forecast.

The Board of Management therefore intensified significantly its measures to monitor and control risks in financial year 2009. In close cooperation with the members of senior management, the Board obtains information about the current situation on an ongoing basis and is thereby able to respond swiftly to any changes in the Company's risk position.

RISK STRATEGY

At Biotest, risk policy is an inherent part of the Group strategy. The Board of Management and Supervisory Board have specified in their joint risk strategy report that the Company may take controlled risks in cases where prospects for lasting profitable growth can be created. Risk strategy is aimed at ensuring the Company's continued existence and enhancing its value sustainably and systematically.

As a matter of principle, all major management decisions at Biotest, such as the approval of capital expenditure, are taken only after detailed assessment of the associated risks and opportunities.

RISK MANAGEMENT AND CONTROLLING

Biotest systematically records and assesses operating and strategic risks; their management forms an integral component of the Group's overall management. All risks with fundamental implications and a reasonable likelihood of arising are closely monitored.

Our IT-based risk management system fulfils the requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG). Major potential risks are an element of the monthly internal reporting system, and the Risk Management Committee analyses current exposure to risks in all segments and draws up a detailed risk report for the Board of Management every six months. This report covers the following risk areas: market risks, process and production risks, financial risks, personnel risks and organisational risks.

Between meetings of the Risk Management Committee the segment managers brief the Board of Management at Board meetings on the current risk situation in their respective areas of responsibility. In the case of an ad hoc change in the risk position, the Board of Management is informed directly and at short notice should the need arise.

Biotest has taken out insurance policies to limit the financial consequences of liability risks and material damage to plant and machinery. The scope of protection afforded by insurance is reviewed regularly and adjusted where necessary.

Within the Biotest Group about 60 risk reporters cover all potential risks. They are employees in Germany and other countries who hold key positions within the Group.

For all risk reporters binding principles apply in dealing with risks. Risk management processes are documented in detail, and the corresponding documents are lodged in the risk management system.

All Biotest employees must behave in a risk-conscious way, within the bounds of the responsibility they hold. The relevant executive staff is responsible for the control and management of risks.

The internal Audit department reviews risk management and controlling standards and processes regularly for their suitability und efficacy.

The last audit took place in summer 2009.

INTERNAL AUDIT SYSTEMS FOR ACCOUNTING PROCESSES

Biotest has implemented an internal audit system for accounting that covers all main business processes at Biotest AG and at all of its subsidiaries.

The Board of Management formulates the scope and orientation of the systems in place on the basis of Company-specific requirements and the Board's own accountability. However, even appropriate and functional systems cannot provide absolute certainty of identifying and managing risks.

The risk management system is aimed at identifying and evaluating risks that might run counter to the rules to which the consolidated financial statements conform. Furthermore, risks that have been identified are limited, for example using the services of external specialists if required. Lastly, the risk management system serves to check risks that have been identified for their influence on the consolidated financial statements and to map these risks.

The aim of the internal audit system for accounting is to ensure with adequate certainty by carrying out checks that in spite of the risks that have been identified, consolidated financial statements are prepared that conform to the rules.

The relevant guidelines are summarised in an organisational manual to which all employees have access via the intranet.

Biotest AG's accounting manual conforms to IAS/IFRS standards (International Accounting Standards/ International Financial Reporting Standards). It is binding on all Group companies and covers all IFRS standards that are of relevance for Biotest. The manual is constantly updated to include IFRS amendments. All managers in charge of financial accounting are informed on a continual basis about new or amended regulations and are trained accordingly.

In order to avoid risks arising from failure to meet deadlines, preparation of accounts at Biotest AG and all consolidated companies is based on fixed timetables and schedules in which all of the necessary activities are described in detail.

Individual financial statements and consolidated financial statements are drawn up with the aid of audited systems. In each Group company, internal audit processes have been established by means of organisational instructions and clear responsibilities, including the separating of functions by means of double-checks. The heads of Group companies may only undertake business transactions which have a material effect on the Group's earnings, financial and asset position or the Group's risk position with the approval of Company management.

Companies compile data for the consolidated financial statements in a uniform, detailed reporting package on which the responsible Finance and Controlling departments agree on a monthly basis. All individual financial statements prepared by Group companies are subjected to plausibility checks and any differences that may arise in the consolidation process are analysed and rectified where necessary.

Measures to be undertaken as part of the process of preparing consolidated financial statements are subjected to electronic and manual checks. Further checks at the consolidated financial statement level are target–performance comparisons and the analyses of changes in items on the statement of financial position and the statement of income.

To ensure that IT security is maintained, confidential data and documents are protected by appropriate security provisions from access by unauthorised persons. These provisions apply to both accounts-related IT systems (access authorisation, passwords, encryption) and to all business premises (access control, access privileges).

The individual and consolidated financial statements of subsidiaries are either audited or reviewed by external auditors.

Biotest's internal Audit department reviews business processes in all segments and associated companies. Its powers, duties and position within the Group are laid down in the audit guidelines. Audits are undertaken in accordance with an annual audit plan, on which the Board of Management and the Supervisory Board's Audit Committee decide. Individual audit findings are submitted to the Board of Management promptly. In addition, the Audit department submits a detailed yearly report to the Board of Management and the members of the Audit Committee.

RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Biotest uses derivative financial instruments to hedge currency and interest positions. The corresponding contracts are concluded in accordance with defined risk limits. For a detailed description of the risk management system for financial instruments see item F3 (page 160) of the Notes to the consolidated financial statements.

PRESENTATION OF SIGNIFICANT INDIVIDUAL RISK CATEGORIES

The risks described below are not the only ones to which Biotest is exposed. Other risks and uncertainties of which we are currently unaware or which we currently consider to be insignificant could impact on business operations and have an adverse effect on the Company's asset, financial and earnings position.

The order in which the risks below are listed is in no way indicative of the probability of their occurrence.

Environmental risks and industry risks

Economic risks

Overall economic development has little or no direct influence on Biotest's business position, but its indirect effects are of greater significance as the economic situation of the players in the healthcare sector and the state of public sector budgets depend on the development of the economy as a whole.

Biotest would not be able to defy an extensive and lasting recession. The risk of a possible downturn in sales is caused by the possibility of lower demand and/or rising pressure from customers to reduce prices. Another potentially dampening effect is that Biotest might be forced to reduce or discontinue supplies to individual markets. That could be the case if it were not possible to hedge sufficiently against default on relevant receivables or if this could only be achieved on significantly worse terms. If a country's overall economic position were to deteriorate to such an extent that serious consequences on its solvency and its healthcare system were to be feared, Biotest might have to discontinue deliveries to such a country in order to reduce risks.

In view of the current economic environment we consider economic risks to have increased.

Sales market risks

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

Due to a marked rise in blood plasma supply the risk of a possible price decline for plasma proteins has increased. This risk is compensated by the continuing growth of demand.

As Biotest plasma proteins are interlinked products with respect to their production, different sales opportunities for individual products might also lead to higher price and quantity risks.

We monitor market developments very closely. We are reducing the risk of short-term fluctuations in sales quantities and prices by opening up additional international markets and by concluding longer-term supply agreements. However, the risk remains, especially with regard to individual tenders in the Plasma Proteins segment, that the volume of sales could be lower than planned.

Price risks have increased on account of the tense economic situation.

Substitution risks exist primarily for plasmatic coagulation preparations in industrialised countries. If further countries were to switch to recombinant factors, that could impair Biotest's sales prospects.

The ratio of plasmatic to recombinant factors in use around the world is, however, stable according to our observations. We see no indications of a change in this in the short term.

The risk of default on receivables has increased significantly due to the impact of the financial market crisis on the ability of companies and countries in some regions to pay. Biotest is monitoring the receivables development and is limiting the risk involved where necessary. Along with the use of factoring or taking out insurance cover, a further option is to limit the volume of business in regions identified as high-risk.

Procurement market risks
Procurement market risks are considered to comprise the risk of shortages or higher prices of the raw materials and supplies needed for production or of products acquired by means of licensing agreements.

In all operating segments our production requires special raw materials, such as serums and biological products. Were raw materials and supplies to become scarcer or to increase substantially in price, there would be a risk that Biotest's ability to manufacture or supply might be restricted.

Biotest has concluded long-term agreements for the supply of raw materials for its production, and a large portion of its raw materials are procured from own sources. This applies especially to supplies of blood plasma, a rising proportion of which we procure from our own plasma donation centres. The target quota for our own supplies is around 50%, which will ensure sufficient independence from price fluctuations in the global market.

We are therefore, and in view of the adequate current supply of blood plasma, of the opinion that the procurement market risk is at present very limited.

Political risks
Part of Biotest's sales in the Plasma Proteins segment is attributable to tender contract business. In certain countries, business of this kind is subject to a high level of potential political influence, which might in individual instances be to Biotest's disadvantage. As Biotest acts with a high level of risk awareness in this market sector, the associated risk can be regarded as minor.

Biotest maintains relations with companies all over the world. In unfavourable circumstances destabilisation of the political situation in individual countries could impair business relations and prospects.

Should international sanctions be imposed on countries in the Middle East, this might influence Biotest's business opportunities in this region.

The deterioration in the economic situation in some Eastern European countries or parts of South America could lead to greater instability of political systems, with restrictions on exporting foreign currency and import or export bans as possible consequences. That could pose a threat to business relations between Biotest and the mostly state organisations in these countries.

Biotest monitors all political risks precisely and continuously. In our view the economic consequences that might result from these risks arising are manageable.

Corporate strategy risks

Research and development risks
Research and development is a central element in Biotest's business strategy. Particularly in the Plasma Proteins and Biotherapeutic segments, this involves risks.

New drugs must undergo several clinical tests prior to approval and market launch, and the risk is that a therapeutic effect assumed to exist might not be confirmed. In addition, it is impossible to put a precise figure on the amount of development investment that will be required. Unforeseen additional costs may arise.

This is a risk that is particularly relevant for monoclonal antibodies, which are still in their early development phases. Pre-clinical and clinical development costs already incurred and still required are substantial. In spite of results that have so far been altogether encouraging, success in the form of an approval is not guaranteed for any of the projects. As this is new pharmaceutical-technical terrain, there is an increased risk that developments may fail, either partly or completely, that approvals may not be granted as anticipated or that third parties may initiate patent infringement proceedings.

Using milestone planning, we constantly monitor the developmental progress of projects. We undertake regular interim analyses to evaluate the data newly obtained in pre-clinical and clinical development and thereby establish a reliable decision-making basis on how to proceed with the project. The findings of these interim analyses may, however, not be published, in order not to breach of the standards of good clinical practice (GCP).

Under the terms of our patent strategy we continually verify and extend the patents that protect our products. By means of the proposed cooperation with a development and marketing partner from phase II onward we are also distributing the risk.

Performance-related risks

Process and production risks
By process and production risks we mean the impairment of an efficient and environmentally friendly provision of goods and services due to inefficient structures or production processes, or material damage to plant and machinery.

We constantly monitor and analyse our production processes in order to take in-time action to deal at an early stage with any possible risks arising. All employees involved in production are aware of production workflows from work instructions.

We do not currently see increased risk in this area.

Supplier relationship risks
Biotest procures a number of preliminary and intermediate products from external suppliers. There is thus a risk that individual business or cooperation partners may not comply with, or may not comply adequately with, their obligations or may terminate existing agreements. There is also a risk of claims against us for possible infringements committed by our partners.

Given that, as a rule, our business relationships last many years and in view of the close dialogue we maintain with our suppliers, we believe that the likelihood of the relevant risks actually arising is very low.

Risks relating to plasma as a raw material
Blood plasma is obtained from the blood or plasma of many donors. There is a residual risk of plasma contaminated with bacteria, viruses or prions that are currently known but have remained undiscovered or were previously unknown entering the production cycle. That could lead to contamination of the end products.

Possible consequences would be the authorities mandating the recall of individual batches from the market or restricting or suspending approval. In addition, contamination caused by previously unknown bacteria, viruses or prions could result in tighter legislative controls on plasma-based drugs.

Biotest applies the highest safety standards to recovering and processing plasma, which in many respects exceed the stringent statutory requirements. In choosing the location of plasma donation centres, for example, we exclude from the beginning on regions or city districts that are associated with a higher risk of infection.

All blood and plasma donations obtained are subjected to extensive testing and quarantine phases. The testing procedures that we use comply with the latest scientific standards and reliably detect currently known and unknown bacteria and viruses.

Biotest's manufacturing processes incorporate a number of viral deactivation or viral depletion stages such as nanofiltration. These further reduce the risk of known or as yet unknown viruses contaminating the end products.

The rules and regulations governing cleanliness and hygiene in the production are provided to all employees via work instructions. Strict checks ensure that they are observed.

Contamination of end products can thus be very largely ruled out.

Personnel risks in production
Personnel risks arise from possible deliberate or accidental misconduct by employees that might negatively affect production efficiency or safety. We combat this risk by means of comprehensive and precisely documented standards and work instructions and by regular training of our employees, with hygiene as a focal point.

Compliance
There is a fundamental risk of corruption in competing for supply contracts and in procurement. Biotest Group employees could exert impermissible influence on contract awards by granting or taking undue advantage.

Biotest combats this risk by various anti-corruption measures that we are currently in the process of extending. For further information, please see the Management declaration on page 83ff. Employees in particularly sensitive areas, including field sales, clinical research and drug approval, are given thorough training on compliance issues.

Other personnel risks
Other risks include the fact that Biotest may not be in a position to retain employees in key positions or be able to find suitable candidates for such positions. This applies in particular in view of the prevailing, or clearly emerging, shortage of specialist staff, which is due in part to demographic trends. In addition, the high density of pharmaceutical and chemical companies in the Rhine-Main region has resulted in fierce and increasing competition for high-performing employees and talent.

Biotest takes action to avoid these personnel risks through ongoing and targeted employee training, attractive training programmes and a performance-related remuneration scheme for management. The Company's growth and internationalisation have considerably enhanced the Group's attractiveness as an employer.

IT risks
A large part of production and other business processes at Biotest relies on IT support. That is why the security of the technology used is a top priority for us. This applies both to the stability of IT systems and backup solutions and to potential unauthorised third-party access and possible attacks from the internet. At Biotest, production and administration operate with separate IT networks.

Biotest is developing relevant security systems continuously. Proper handling of systems and data is covered comprehensively in work instructions.

Financial and currency risks
Biotest invoices part of its sales in foreign currencies. Exchange rate fluctuations between the euro and these currencies could impact on the Group's result as well as on its sales potential in individual markets. The profit contribution made by Biotest Pharmaceuticals Corp., which conducts its business in US dollars, to the Group result, which is denominated in euros, depends in part on the exchange rate between the two currencies. Biotest counteracts currency risks by means of derivative financial instruments insofar as it makes sense to do so.

Despite these measures, however, enormous losses by individual currencies would not be without consequences for the consolidated financial result. That is why we monitor possible currency risks continuously and put additional safeguards in place wherever possible.

Financial risks may also arise from the unexpected cancellation in of credit lines or a sudden increase in lending rates. As a consequence of the financial market crisis that has affected banks around the world there has, above all, been a greater risk of credit lines that are coming to an end either not being extended or only being extended on considerably less favourable terms and conditions.

Biotest has concluded long-term agreements for the majority of its debt financing. In all, we consider the ratio of equity to borrowing to be balanced.

In the Board of Management's view the risk posed by financial factors is manageable, but should continue to be observed closely. For possible financing risks in the event of a change of majority shareholder in Biotest AG (change of control) we refer to the Explanatory notes on statements in accordance with Section 315 (4) of the German Commercial Code (HGB) at the end of the Group management report.

Other risks

Side effect or drug interaction risks
In drugs that have already received approval, unexpectedly severe or previously unknown side effects or drug interactions may occur during application. Inappropriate handling, storage or application of our preparations can also give rise to significant negative effects on customers and patients.

The measures that authorities undertake in such cases range from ordering the recall of individual batches to imposing restrictions on or revoking approvals. Side effects, interactions or quality defects can also have an adverse effect on Biotest's reputation. By means of an intensive dialogue with hospitals and specialist medical practices we make sure that we are informed at an early stage of any newly discovered side effects and interactions.

Risks arising from ongoing legal proceedings and tax risks
Biotest AG's tax statements for the years 2004 to 2008 remain subject to audit by the tax authorities. Further demands established by the tax audit for the period from 1999 to 2003 for which the relevant tax statement has yet to be received, are covered in the consolidated financial statements.

Preliminary proceedings against Biotest AG and Biotest Pharma GmbH for suspicion of a breach of the Foreign Trade Act (cf. the Risk report in the 2008 Annual Report) were discontinued in the fourth quarter of 2009.

GENERAL STATEMENT ON THE GROUP'S RISK POSITION

In the Board of Management's opinion, Biotest is currently not subject to any risks extending beyond those that are an inevitable part of its business operations. All material risks are monitored continually, and wherever possible and reasonable, precautions are taken accordingly to prevent any potential financial consequences from occurring. No risks are currently apparent that might jeopardise the Biotest Group's economic stability.

OUTLOOK

STATEMENTS RELATING TO FUTURE EXPECTATIONS

The expectations and plans of the Board of Management with regard to the Biotest Group's future business development are based on assumptions made on the most probable scenario from the current perspective. Such plans are, however, along with all forecasts of future development, naturally associated with a degree of uncertainty. The actual development of the market environment or of Biotest segments may differ considerably from assumed developments.

STRATEGIC DIRECTION OF THE GROUP IN FINANCIAL YEARS 2010 AND 2011

Biotest will continue this year and in the following financial year to expand its position as a provider of tolerable and effective drugs for the treatment and prophylaxis of haematological and immunological diseases.

Our focus for Plasma Proteins is to increase the product range in additional markets by means of new and further developments and approvals. We attach particular importance to hyperimmunoglobulins for use with specific clinical pictures. Biotest has many years' experience in this product area, is already a world market leader for individual indications, and has access to the hyperimmune plasma that is required for production.

From a regional perspective we aim to further expand our position, especially in our European core markets and in the United States. This applies to products in all three operating segments. We are also investigating the possibility of entering other developed markets.

In the Biotherapeutic segment, we expect to have further data from clinical trials in the indications rheumatoid arthritis and plaque psoriasis in summer 2010. It will form a further, more extensive basis for ongoing talks with pharmaceutical companies on proposed cooperation.

As the monoclonal antibody development projects gain in maturity, the potential for synergies between the Plasma Proteins and Biotherapeutic segments will increase. We will make use of this potential, for example, to expand our distribution structures.

DEVELOPMENT OF THE MARKET ENVIRONMENT

Overall economic development

After last year's dramatic downturns, experts generally agree that the global economy is bound for recovery in 2010. The International Monetary Fund anticipates global economic growth of 3.9%.

The federal government expects Germany's gross domestic product to grow by 1.4% in 2010. For the 27 European Union member states the European Commission assumes 0.7% growth. In the United States the US central bank forecasts 2.8% to 3.5% growth in economic output.

After the downturn in economic performance and its consequences for the employment market in 2009 were eased by public sector support measures, the focus of economic debate in 2010 and 2011 is switching to the enormous increase in budget deficits and public indebtedness. The costs arising from financial market stabilisation and economic stimulus packages will weigh heavily on public sector budgets. The result is likely to be greater pressure for further economies to implement savings measures, which in turn might affect the public healthcare system distribution markets that are of relevance for Biotest. Cost reduction measures can be expected.

The plasma proteins market

The basic trends that have governed market developments for a number of years still apply.

Demand for immunoglobulins continues to increase, driven by constant expansion of the indication range, by higher dosages used in immunoglobulin therapy and by this treatment being made available to additional patients. For 2010 we expect demand growth of 6%, followed by a further 5% in 2011.

The market volume for plasma-based coagulation factors will increase by 2% respectively in 2010 and 2011. In the albumin markets we anticipate regional differences in demand but steady overall demand development in the years ahead.

We assume that the supply of plasma will rise to a temporary peak in the course of 2010 and that product availability will then start to fall. This is indicated by a number of companies in the industry starting last year already to scale down their plasma collection capacities.

Due to the lengthy production cycles this trend will, however, not become apparent in the market for end products until toward the end of the year. We expect the pressure on plasma protein prices that is already in evidence in certain market segments to continue in 2010. In 2011, prices will then have largely stabilised.

The biotherapeutic market

As the antibody BT-061 is in the middle phase of clinical development (phase II), we abstain from a detailed description of the market environment here.

We are not aware of any research and development projects by competitors with candidates that show a mechanism of action that is comparable with that of Biotest's monoclonal antibodies. Our ongoing assessment is that BT-061, BT-062 and BT-063 within the scope of their respective lead indications differ clearly from approved or other preparations that are under development.

The microbiological monitoring market

As monitoring the cleanness of air and surfaces is subject to strict regulatory standards, companies cannot simply resign to do it. Consequently, we do not expect demand for products of this kind to decline sharply. A damping effect might result if pharmaceutical or food industry companies were to drop entire production lines due to the economic crisis, but we see no current indications that this might happen. Indeed, we expect companies to keep a sharper lookout for solutions to enable them to perform their hygiene monitoring more efficiently.

Development of the regulatory environment

We anticipate no fundamental changes to the statutory framework conditions for our products. It remains to be seen whether the projects discussed in some countries for compulsory discounts on drugs financed by statutory healthcare systems will actually be implemented.

Expected business and earnings position of the Biotest Group

The impact of the economic crisis and the changed market environment for plasma proteins cannot fail to influence business and earnings development. Overall, however, the prospects for the parent company Biotest AG and for the Biotest Group continue to be favourable.

Demand for products in the Plasma Proteins and Microbiological Monitoring segments continues to grow.

For this year and the next year, the Board of Management assumes that Biotest will continue the successful development of previous years. For 2010 we anticipate sales growth in the low single-digit percentage range, and for 2011 we expect a more significant sales increase of about 10%.

We further anticipate in 2010 an operating profit (EBIT) that corresponds to the financial year 2009 level, though this does not take into consideration potential earnings from a possible licence agreement or project participation in the Biotherapeutic segment.

If prices in sales markets were to come under greater pressure than expected, and if the consequences from the financial crisis were to impact more strongly than anticipated on the financing conditions of state healthcare systems, a moderate decline in EBIT can not be ruled out.

In 2011 the expected higher sales and benefits arising from the Dreieich and Boca Raton production network in the Plasma Proteins segment will lead to an operating profit that is slightly higher than the 2010 level.

Biotest's aim is to continue to allow shareholders to participate appropriatley in the Company's development. We are proposing to the 2010 Annual Sharehoulders' Meeting the distribution of an slightly increased dividend of €0.34 per ordinary share and €0.40 per preference share.

Expected financial and assets position of the Biotest Group

Biotest has sufficient financial resources at its disposal to continue its operating business and corporate development in accordance with strategic planning. The ratio of equity to borrowing and current to non-current loans in corporate financing is appropriate at its present level, and management will strive to maintain it.

In the medium to long term we plan to use the proceeds of the sale of our transfusion and transplantation diagnostic activities to finance more research and development projects and to further expand our plasma proteins capacities.

The planned investment volume is around €37 million for the current year and will be similar in 2011. Major projects are the manufacturing plant for monoclonal antibodies in Boca Raton, a new packaging plant and additions to incoming goods and storage capacities for plasma protein production in Dreieich, plus a new PCR laboratory.

We expect to be able to finance these investments partly from cash flow from operating activities and will make use of borrowed funds for any further funding required. Our existing lines of credit and the proceeds from the sale of transfusion and transplantation diagnostic activities give us the leeway we need.

Cash flow from operating activities and as yet unused lines of credit ensure that the Biotest Group will at all times have sufficient cash resources at its disposal to discharge its payment obligations.

EXPECTED SEGMENT DEVELOPMENT

Plasma Proteins

New markets
We aim to expand the sales base for our products by entering additional markets. Contracts have already been agreed for BPC to produce preliminary immunoglobulin products from 2011 as a toll manufacturer for a US pharmaceutical company.

New products and indications
IgM concentrate: We are taking the project forward to development as planned. We are planning to launch an additional trial (phase I or II).

IVIG: Development of intravenous immunoglobulin (IVIG) for distribution in the US market continues. We expect to be granted approval for the product and the production plant in the course of 2011 and to be able to launch the product in the market in the same year.

Civacir™: Pre-clinical trials will continue this year and next. As matters stand, we expect to continue clinical testing in 2011.

Biotherapeutics

Progress of development
Developing biotechnological agents is a complex process and its progress depends on data from corresponding ongoing clinical trials. The clinical development plan is adjusted regularly to ensure efficient and systematic product development that is oriented toward the requirements of patients and approvals. Clinical trials can therefore make faster or slower progress than originally foreseen. Findings in the course of the trial can make it expedient to amend the trial design. Changes of this kind are in no way indicative of an R&D project's success or failure.

Biotest will continue with clinical development of its monoclonal antibodies in 2010 and 2011 and initiate further trials. We will continue to concentrate on the respective lead indications. In individual cases we will start initial investigations in further indications. Crucial to any such decision is a sufficient likelihood of success and sufficient patient potential and/or medical demand.

With regard to BT-061 the focus of further clinical phase II trials will be on optimising the dosage of the preparation, testing efficacy and tolerability across longer treatment cycles, and including additional groups of patients in the trials. The resulting findings will need to be confirmed in confirmatory studies.

With regard to BT-062 we plan to launch a further phase I/IIa clinical trial in the United States this year. Different dosages and dosage intervals will be tested. The start of development in Europe will be planned on the basis of the results of this trial.

With regard to BT-063 we will continue with the current clinical phase I trial in 2010.

Other
We are continuing to actively pursue talks on cooperation with regard to the monoclonal antibody BT-061 in the indications rheumatoid arthritis and plaque psoriasis. Our aim continues to be to sign an agreement in 2010.

In Boca Raton we are starting preparations in 2010 to produce BT-062 in addition to BT-061 at the BPC production facility.

Microbiological Monitoring

New markets
Detecting and identifying microorganisms by means of traditional methods is being supplemented and in part replaced by innovative new technologies. Greater efficiency and speed of test processes are of particular importance, with biomolecular processes playing an increasingly large role.

Biotest aims to help shape developments in this field.

New products
In the first half of 2010 we would like to start distribution of our solution for largely paperless hygiene monitoring in the pharmaceutical industry. To do so we have integrated the heipha Datamatrix-Code product range into standard laboratory software.

Research and development
We are working on a new generation of particle counters characterised by ease of use and integrated documentation of measuring points. Further biomolecular testing procedures are also under development.

OPPORTUNITIES

Opportunities management system
Biotest views risks and opportunities from the perspective of an integrated management approach. Continuous observation of the development of sales markets and regulatory framework conditions enables us to identify opportunities at an early stage.

This is the responsibility of segment managers, assisted in this task by employees from their respective segment and from central departments.

The opportunities position is the subject of regular reports to the Board of Management. In the event of a change in the opportunities position requiring immediate action, the Board of Management is informed directly and at short notice.

Biotest evaluates comprehensively opportunities that have been identified and decides on possible investments on the basis of the results. Testing processes include discounted cash flow procedures and comparisons of different scenarios. In addition, we take possible risks into consideration. The project must also fit the strategic alignment of the segment and the Group.

By a close and constant dialogue with leading medical experts we are precisely informed on the current state of medical developments in the markets that are of relevance for us. In this way we are able, for example, to identify additional potential indication areas for our plasma proteins.

Opportunities arising from the development of framework conditions

Immunoglobulins are currently undergoing efficacy tests in numerous new indication areas. If these tests report positive results, additional sales potential could be possible for plasma proteins.

A test for infection by the cytomegalovirus is currently not part of the routine tests carried out in maternal care. One reason for this is that there is as yet no approved treatment for primary infection. A possible approval of Cytotect® for this indication could lead to making corresponding testing part of routine maternal care. That in turn would lead to CM virus infections being identified more often in pregnant women, which could increase the sales potential of Cytotect® considerably.

Various observations indicate that patients with haemophilia develop inhibitors more frequently if they are treated with recombinant coagulation factors. If these findings are confirmed, the market position of plasma-based coagulation factors might improve.

Even more stringent hygiene monitoring or hygiene monitoring documentation requirements could lead to a further increase in demand for the products from the Microbiological Monitoring segment.

Opportunities arising from corporate strategy

The sale of our transfusion and transplantation diagnostic activities enables us to focus resources even more strongly on further development of our plasma proteins core business and highly promising R&D projects in the Biotherapeutic segment.

Concentrating on core markets with exacting approval and quality requirements makes us less susceptible to short-term market fluctuations. The resulting higher stability in the sales and earnings situation could provide us with additional financial leeway for further growth.

Performance-related opportunities

In recent years Biotest has invested heavily in expanding its resources and expertise in the fields of drug development and approval and has reinforced the relevant teams accordingly. At the same time we have retained the advantages of being a relatively manageable unit with short distances and quick decisions. If we succeed in realising the benefits that result from this combination we might above all take research and development projects forward faster and at less expense.

Projects that have been initiated to enhance efficiency in plasma protein production may lead to an improvement in the cost of sales ratio in this area. The production network that links Dreieich and Boca Raton could lead to a further efficiency increase in plasma protein production.

OVERALL STATEMENT BY THE BOARD OF MANAGEMENT ON THE GROUP'S EXPECTED DEVELOPMENT

For this year and next year, Biotest assumes that it will be able to continue the successful development of previous years. We aim to increase sales once more, keep results stable and enable shareholders to participate in the Company's development via a reliable dividend policy.

The consequences of the economic crisis and the change in the market environment for plasma proteins cannot fail to influence business and earnings development, but overall the Group's prospects continue to be good. Our sharper strategic profile, combined with our sound financing structure, will have a beneficial effect on Biotest's further development.

MANAGEMENT DECLARATION

DECLARATION IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB) IN CONJUNCTION WITH SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE

Biotest AG is a joint stock company under German law (Aktiengesellschaft). Along with the relevant statutory provisions, the basis of its management, decision-making and control mechanisms is the Company's Articles of Association. They were last amended with effect from 25 May 2009 by a resolution that was adopted by the Annual Shareholders' Meeting. The latest version is available for download from the Company's website at www.biotest.de.

In accordance with statutory requirements a two-tier management system is in place at Biotest AG. The Board of Management is in charge of managing the Company and the Supervisory Board of monitoring it. The two bodies are strictly separate and distinct with regard to membership and responsibilities.

MANAGEMENT

Management and supervision of the Biotest Group are in the line with high, generally accepted standards. The main management principles are incorporated in all the Company's segments and determine the scope for strategic decisions and business policy measures.

The Board of Management and Supervisory Board follow attentively the ongoing corporate governance debate and develop the standards systematically. The guidelines of our responsible corporate management are:

- Cooperation on a basis of trust between the Board of Management, which runs the Company, and the Supervisory Board, which supervises the Board of Management and exercises its control function efficiently and independently
- Being guided at all times by the shareholders' interests
- Responsible and efficient risk management
- Observing and abiding of statutory requirements and regulatory provisions
- Timely and transparent communication both internally and externally

The basis of cooperation within the Company is laid down in working guidelines that are issued to every employee on joining the Company.

Management by the Board of Management

The Board of Management manages the Company under its own authority. It is bound to serve the Company's interest and to enhance its enterprise value by means of sustainable development. It develops the Company's strategic alignment, agrees it with the Supervisory Board and ensures its implementation. The Board of Management manages the Company in accordance with rules of procedure, the law, the Articles of Association and its respective contracts of employment. The Board of Management works together with the other Company bodies on the basis of mutual trust and the employee representatives for the good of the Company.

According to the Articles of Association the Board of Management may consist of one or several members; it currently consists of two members. They were appointed by the Supervisory Board, which named one Board member as chairman. The Company is represented under law by two Board members or by one Board member and an authorised officer (Prokurist).

The Board of Management's rules of procedure lay down the details of how it functions as a body. Details include:

- The schedule of responsibilities, which specifies each Board member's areas of responsibility
- Decisions to be made by the entire Board of Management
- The special tasks of the Board chairman
- Business that requires Supervisory Board approval
- Regular, timely and comprehensive briefing of the Supervisory Board
- Provisions with regard to meetings and resolutions

Control and advice from the Supervisory Board

The Supervisory Board monitors the Board of Management and advises it regularly. Membership of the Supervisory Board is based on Germany's One-Third Participation Act; the Supervisory Board consists of six members, four of whom are elected by the Annual Shareholders' Meeting and two by Biotest Group employees.

OGEL GmbH, a company based in Frankfurt am Main, Germany, is entitled by the Articles of Association to nominate representatives to sit on the Supervisory Board. For details of this entitlement see Biotest AG's Articles of Association.

The Supervisory Board performs in full all tasks with which it is entrusted by the terms of statutory framework provisions, the Articles of Association and the German Corporate Governance Code (the "Code" or GCGC).

All tasks and powers of the committees are laid down in the Supervisory Board's rules of procedure. These rules of procedure also include the Code's requirements, for example in respect of Supervisory Board members' professional aptitude for their job, the limitation in number of Supervisory Board directorships held in other listed companies and the age limit. Other provisions relate to:

- The election and duties of the Supervisory Board chairman and his/her deputy
- The convening of meetings
- Decision making at meetings and at other times (in writing or by telephone)
- The obligation to observe secrecy and to disclose conflicts of interest

In order to enhance its efficiency the Supervisory Board has set up three committees.

The Presiding Committee prepares for the deliberations and resolutions adopted by the entire Supervisory Board and monitors their implementation by the entire Supervisory Board. Its members are as follows:
Dr. Thorlef Spickschen (Chairman)
Dr. Cathrin Schleussner (Deputy Chairperson)
Prof. Dr. Marbod Muff

The Personnel Committee deals with Board of Management appointments and member remuneration and with preparations for deliberations and decisions by the entire Supervisory Board on any new contracts to be concluded.

Its members are as follows:
Dr. Thorlef Spickschen (Chairman)
Dr. Cathrin Schleussner (Deputy Chairperson)
Thomas Jakob

The Audit Committee deals, among other things, with the preliminary audit of the annual financial statements and the independence of the auditors appointed to audit the annual and consolidated financial statements. It also regularly examines the Group's risk position.

The members of the Audit Committee are:
Prof. Dr. Marbod Muff (Chairman)
Dr. Thorlef Spickschen (Deputy Chairman)
Barbara Arnold-Schlosser

The Supervisory Board reviews the efficiency of its work regularly and at least once every two years.

Collaboration of the Board of Management and Supervisory Board

The Board of Management informs the Supervisory Board regularly, promptly and comprehensively on all relevant matters of planning, business development, risk position and risk management for the Company. It must report monthly on the Company's business and earnings position, including deviations from plans and targets and stating reasons for them.

Certain business, such as the acquisition and disposal of equity investments in other companies, fundamental changes in corporate organisation or business strategy, and capital increases or decreases require the prior approval of the Supervisory Board. Supervisory Board members are given all decision-relevant documents, in particular the annual financial statements, consolidated financial statements and the auditor's report, for each meeting in due time.

Members of the Board of Management attend meetings of the Supervisory Board in an advisory capacity unless, in the individual instance, the Supervisory Board or its chairman decides otherwise.

Management and control of Group companies

The Group's affiliated companies are corporations that may differ in legal form depending on their domicile. They are led by a managing board or a comparable body. Shareholders' meetings lay down the guidelines of Company strategy and make key investment and business decisions. In principle the Group management's consent is required for all key business decisions at affiliated company level.

Within Biotest AG the segment managers report to the Board of Management and are subject to its control.

Compliance in the Biotest Group

The permanence, efficacy and independence of the compliance unit in the Biotest Group and its responsibilities, rights and duties are laid down in the compliance manual.

Biotest is a member of the "Verein Arzneimittel und Kooperation im Gesundheitswesen e.V." (Pharmaceuticals and Cooperation in Healthcare), Berlin, Germany. Pharmaceutical companies based in Germany set up this voluntary self-regulation organisation to guard against breaches of competition law and, if need be, impose punishments for them.

To implement and specify the code of behaviour in day-to-day cooperation with hospitals, doctors and other medical specialists, Biotest AG put in place in January 2009 a compliance system for the Plasma Proteins and Biotherapeutic segments. Its particular concern is to combat the risk of corruption in connection with pharmacotherapy.

Transparency and financial accounting

The Biotest Group is committed to regular, open and timely communication with institutional investors and analysts, private shareholders, employees and other stakeholders. We share information regularly with shareholders, making no distinction between them in the provision of information. All new developments are communicated without delay by means of press releases and ad hoc announcements, annual and interim financial reports, and presentations to analysts' and investors' conferences. This information, along with the financial calendar and information about the Annual Shareholders' Meeting, can be consulted on and downloaded from our website.

In addition, information about directors' dealings and voting rights announcements, as well as all Company law information for which publication is mandatory, is published.

The annual consolidated financial statements and interim financial statements after three, six and nine months of each financial year are prepared by the Board of Management on the basis of the International Accounting Standards (IAS) approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS), as applicable in the European Union, as interpreted by the Standing Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC). Biotest AG's individual financial statements, on which the dividend payment is based, is drawn up in accordance with the provisions of the German Commercial Code (HGB).

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the Company's supreme governing body and at the same time of central significance for the dialogue between shareholders and the Board of Management and the Supervisory Board. By comprehensive information in the forefront of the Annual Shareholders' Meeting we ensure that shareholders can make full use of their rights.

The Annual Shareholders' Meeting makes its decisions by a simple majority of votes cast and in cases where a capital majority is required, by a simple majority of the share capital represented when the vote is taken – unless the law or the Articles of Association stipulate otherwise.

The most important information and details about the Annual Shareholders' Meeting are published on our website. We also publish on the website the text of the speech made by the Chairman of the Board of Management and the accompanying presentation.

CORPORATE GOVERNANCE REPORT

The Corporate governance report (page 87 to page 90 Directors' dealings) is not a mandatory part of the Group management report.

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

Corporate governance principles

The corporate management and control of Biotest AG are designed to secure the Company's long-term success. The Board of Management and the Supervisory Board work closely together and base their actions on internationally accepted standards of good corporate governance.

Corporate management and control thereof meet the valid legal requirements and the recommendations ("should" provisions) of the German Corporate Governance Code unless the Declaration of compliance expressly indicates exception. Amended and supplemented on several occasions in recent years, the list of recommendations and suggestions in the Code represents in our view a high standard, also at an international level.

Notes on the new version of the Code

With effect from 18 June 2009 the Code was amended on a number of points, taking into consideration, among other things, the provisions of the Appropriateness of Management Remuneration Act (VorstAG) and the German Accounting Law Modernisation Act (BilMoG).

Section 3.8 of the Code now includes detailed requirements of the minimum excess to be paid by Board of Management and Supervisory Board members in connection with D&O insurance.

According to Section 4.2.2, the full Supervisory Board determines the total compensation of the individual Board of Management members. The remuneration system for the Board of Management is also to be determined and regularly reviewed by the full Supervisory Board. In addition, the Code recommends exercising care to ensure that any external compensation expert who is called in should be independent. Section 4.2.3 specifies that the compensation structure must be oriented toward sustainable growth of the enterprise. Variable remuneration elements must be based on a multi-year assessment, take positive and negative developments into account and not encourage taking unreasonable risks. Section 4.2.4 comprises the statutory requirement to disclose the compensation of each member of the Board of Management.

The Supervisory Board is to respect diversity in the composition of the Board of Management and in its proposals on the election of Supervisory Board members. Board of Management members are not to join the Company's Supervisory Board for two years after the end of their term on the Board of Management unless proposed by shareholders who hold more than 25% of voting rights in the Company. In this case, the switch to Supervisory Board chairman should be an exception and must be justified to the Annual Shareholders' Meeting.

In addition it is suggested that the chairman of the Audit Committee should be independent and not a former member of the Board of Management whose term ended less than two years previously.

The Board of Management and Supervisory Board last issued on 9 March 2010 a declaration ("Declaration of compliance", reprinted in full below) on the recommendations of the GCGC in accordance with Section 161 of the German Stock Corporation Act.

DECLARATION OF COMPLIANCE

Declaration by the Biotest AG Board of Management and Supervisory Board 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 5 March 2009, which referred to the German Corporate Governance Code of 6 June 2008, Biotest AG has complied with all of the recommendations of the German Corporate Governance Code in that version with one exception:

- Biotest AG has not taken up the recommendation in Section 5.3.3 of the German Corporate Governance Code to set up a Supervisory Board nomination committee. Elections to the Supervisory Board are not due for two years. Biotest AG's Supervisory Board only comprises four shareholder representatives. Biotest AG continues to consider setting up a committee from the small number of shareholder representatives to be unnecessary. The improvement in transparency of the selection procedure at which the recommendation is aimed is also ensured at Biotest AG in full meetings of the Supervisory Board.

The Board of Management and Supervisory Board further declare that all other recommendations of the German Corporate Governance Code in its version from 18 June 2009 are complied with, with one exception:

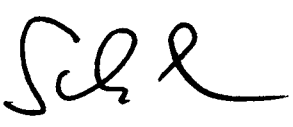
Biotest AG has not adopted the recommendation in Section 3.8 of the German Corporate Governance Code.

The D&O policy taken out by the Company for members of the Board of Management does not include a deductible of 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Board of Management member. Biotest AG is of the opinion that a deductible of this size has not been necessary in the past with regard to the responsibility and motivation of the members of the Board of Management in performing their duties. Biotest AG intends to add a deductible of this amount to its D&O policy for members of the Board of Management in implementation of Section 93 (2) (3) of the German Stock Corporation Act (AktG) by 30 June 2010.

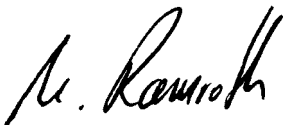
With reference to the above, Biotest AG has not yet agreed a corresponding deductible for the D&O policy for members of the Supervisory Board.

Dreieich, Germany, 9 March 2010

For the Board of Management



Prof. Dr. Gregor Schulz



Dr. Michael Ramroth

For the Supervisory Board

Dr. Thorlef Spickschen

In addition to this latest version, earlier versions of the Declaration of compliance can also be consulted on and downloaded from the Biotest website.

CORPORATE GOVERNANCE IN FINANCIAL YEAR 2009

The Annual Shareholders' Meeting of Biotest AG was held in Frankfurt am Main, Germany, on 7 May 2009 with 79.11% of ordinary share capital represented. The resolutions proposed by the Board of Management were approved each by clear majorities.

By an overwhelming majority of 97.1% of the voting share capital present, the Annual Shareholders' Meeting agreed to the creation of a new authorised capital from which preference shares can be issued to employees of the Company and of its affiliated companies.

At the meeting of preference shareholders held immediately after the Annual Shareholders' Meeting this agenda item did not meet approval with only 74.7% of the preference share capital present and therefore failed to achieve the required three-quarters majority. As a result, the employee share programme could not be implemented as intended.

CHANGE IN THE COMPOSITION OF THE SUPERVISORY BOARD

The Annual Shareholders' Meeting elected Prof. Dr. Marbod Muff from Ingelheim am Rhein, Germany, as a new member of the Supervisory Board. Prof. Dr. Muff was appointed as a Supervisory Board member at the request of the Company and by order of Offenbach County Court (Amtsgericht) with effect from 22 September 2008.

The mandate for all members of the Supervisory Board runs until the end of the Annual Shareholders' Meeting that rules on formally discharging the Supervisory Board for the financial year 2011.

LEGAL PROCEEDINGS IN RESPECT OF THE AMENDMENT TO THE ARTICLES OF ASSOCIATION ADOPTED IN 2006

Ruling on 12 February 2008, the Frankfurt am Main Higher Regional Court found in favour of an action in rescission against the decision by the 2006 Annual Shareholders' Meeting to amend the Company's Articles of Association. Biotest AG appealed against this ruling. On 8 February 2010 the German Federal Supreme Court upheld the appeal.

The decision that was the subject of the appeal involved the right of the chairman of the Annual Shareholders' Meeting to impose time limits on the right of shareholders to speak and ask questions. By amending the Articles of Association Biotest AG was implementing the provisions of the German Integrity of Companies and Modernisation of Rescission Proceedings Act (UMAG). The German Federal Supreme Court's ruling confirmed that the authority given in Section 20 (a) of Biotest AG's Articles of Association to the chairman of the Annual Shareholders' Meeting to impose a time limit on the right of shareholders to speak and ask questions is legally valid.

In financial year 2009 Biotest published all of its financial reports within the period specified by the GCGC. We published the full consolidated financial statements for 2009 together with the Annual Report on 19 March 2010 and thereby also within the deadline set by the Code. On the same day we presented the financial statements at an press and analysts' conference in Frankfurt am Main.

DIRECTORS' DEALINGS

In financial year 2009 the following notifiable share purchase and sale transactions were undertaken by members of executive bodies and other senior executives of Biotest AG:

Name	Function	ISIN	Share class	Purchase/ sale	Trade date	Number of shares	€ price	€ value
Dr. Michael Soldan	Head of Medical / Regulatory Affairs	DE0005227235	Biotest preference share	Purchase	4 June 2009	500	33.62	16,810.00
Dr. Rolf Vornhagen	Director	DE0005227235	Biotest preference share	Purchase	28 May 2009	650	33.48	21,762.00
Dr. Joachim Herborg	Director Marketing und Vertrieb	DE0005227235	Biotest preference share	Purchase	27 May 2009	650	33.58	21,827.00
Dr. Frank Osterroth	Head of Biothe-rapeutics Division	DE0005227235	Biotest preference share	Purchase	18 May 2009	650	32.50	21,125.00
Dr. Rainer Pabst	General Manager Biotest Phar-maceuticals Corp. USA	DE0005227235	Biotest preference share	Purchase	15 May 2009	675	31.71	21,400.95
Dr. Frank Schulze	Head of Microbio-logy Division	DE0005227235	Biotest preference share	Purchase	15 May 2009	650	30.89	20,077.40
Dr. Michael Ramroth	Member of a managing body	DE0005227235	Biotest preference share	Purchase	15 May 2009	1,000	30.12	30,118.82
Dr. Georg Floß	Executive Vice Presi-dent Plasma Proteins	DE0005227235	Biotest preference share	Purchase	15 May 2009	650	30.28	19,682.00
Prof. Dr. Gregor Schulz	Member of a managing body	DE0005227235	Biotest preference share	Purchase	15 May 2009	1,000	29.93	29,930.00
Prof. Dr. Gregor Schulz	Member of a managing body	DE0005227235	Biotest preference share	Purchase	15 May 2009	1,000	30.50	30,500.00
Dr. Michael Ramroth	Member of a managing body	DE0005227235	Biotest preference share	Purchase	13 March 2009	1,000	27.60	27,600.00
Dr. Thorlef Spickschen	Member of an adminis-trative or supervisory body	DE0005227235	Biotest preference share	Purchase	19 Feb 2009	2,000	34.85	69,695.25
Prof. Dr. Gregor Schulz	Member of a managing body	DE0005227235	Biotest preference share	Purchase	04 Feb 2009	500	37.91	18,955.00

REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

An explanation of the structure of the remuneration system and the remuneration paid to members of executive bodies is part of the Corporate governance report.

The Remuneration report also forms part of the Group management report.

Board of Management remuneration

The Supervisory Board determines the remuneration of 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 elements. Added to this are benefits in kind.

In financial year 2009 the Supervisory Board had the system of Board of Management remuneration reviewed by an external management consultancy. The focus was on the appropriateness of remuneration and the design of components with a short- and long-term incentive effect. All components were found to be appropriate in themselves and as a whole.

Criteria for appropriateness of remuneration are the tasks of the individual Board of Management member, his/her personal performance, the economic situation, success and future prospects of the Company and the usual terms of the remuneration taking into account the comparative environment and the remuneration structure otherwise in place at the Company.

In accordance with Section 4.2.3 of the GCGC the following is a detailed outline of the Company's remuneration of the Board of Management, including non-monetary components.

Fixed remuneration

The non-performance related fixed remuneration of members of the Board of Management is composed of their fixed salary and fringe benefits. The amount is based on Biotest's financial situation and future prospects and on remuneration in the competitive environment. The annual fixed salary is specified for the entire term of the respective contract of employment and paid in 13 monthly instalments.

Fringe benefits

In addition to their fixed salary, members of the Board of Management receive fringe benefits.

Both members of the Board of Management are covered professionally and privately by Biotest AG's collective accident insurance policy. They also receive an allowance toward their social security and direct insurance contributions.

Members of the Biotest AG Board of Management are also covered by the Group's professional indemnity insurance (a D&O policy) that Biotest has taken out for all top level management.

Both members of the Board of Management are provided with a top of the range Company car free of charge and may also use it privately.

Bonuses
The performance-related remuneration component (bonuses) is based on the achievement of corporate and personal targets. EBIT and return on capital employed (ROCE) are weighted at 30% each and the achievement of agreed personal targets in the previous financial year at 40%. A separate bonus for the achievement of targets of particular significance may also be determined by the Supervisory Board's Presiding Committee.

Remuneration component with a long-term incentive effect and risk elements
The remuneration component with a long-term incentive effect and risk elements is based on Biotest's Long Term Incentive Programme (LTIP). In addition to the members of the Board of Management this also includes select senior executives who have a profound influence on the Company's success by virtue of their position within the Group, their decisions, their management and their actions.

The programme's structure is geared to the established criteria which the capital market sets for systems of this kind and complies with the requirements of the GCGC.

The first tranche of the 2006 LTI programme was launched on 1 October 2006 and ended on 31 December 2008, with an incentive payment in May 2009. The terms of the other LTIP 2006 tranches were/are as follows:

- From 20 June 2007 to 31 December 2009.
- From 1 May 2008 to 31 December 2010.

The term of the 2009 LTIP's first tranche runs from 1 June 2009 to 31 December 2011.

The precondition for taking part is an own investment by the participant in the form of a purchase of preference shares in Biotest AG. The maximum number of preference shares that members of the Board of Management may purchase is 1,000. The shares must be held in a securities account at least until the incentive payment has been disbursed. Shares acquired in the first tranche as the participant's personal investment were counted toward the personal investment required for the second and third tranches.

The precondition for participation in the 2009 LTIP was a further personal investment in a maximum of 1,000 preference shares, excluding shares from any previous tranches. In addition, participants must hold some of the shares purchased for previous years' tranches until the end of the 2009 LTIP (first tranche). The number had to be at least 50% of the shares newly acquired in connection with the 2009 tranche, i.e. a maximum of 500.

The level of the incentive payment is calculated from the performance of Biotest preference shares compared to the SDAX index and from the average EBIT margin achieved during the term of the tranche in question. Item F1 of the Notes to the consolidated financial statements provides a detailed explanation of the procedure used to calculate the incentive payment. It is anticipated that participants will be paid the incentive component in May of the year following expiry of the tranche.

Total remuneration paid to the Board of Management
For their work in financial year 2009 the active members of the Board of Management were paid a total compensation of €911 thousand (2008: €908 thousand). Of this total, Prof. Dr. Gregor Schulz received €489 thousand and Dr. Michael Ramroth received €422 thousand.

Prof. Schulz's fixed salary in 2009 totalled €300 thousand and the value of his fringe benefits amounted to €38 thousand.

In financial year 2009 Dr. Ramroth was paid a fixed salary of €260 thousand and fringe benefits worth €30 thousand. His bonus amounted to €132 thousand.

As of the 31 December 2009 reporting date, the value of LTIP investment not yet paid out over the entire period totalled €425 thousand for Prof. Schulz and €369 thousand for Dr. Ramroth; the expense in the financial year was €160 thousand for Prof. Schulz and €137 thousand for Dr. Ramroth.

No loans or advances were made to members of the Board of Management in financial year 2009.

Last financial year no member of the Board of Management received payments or services or any such undertakings from a third party in respect of his work as a member of the Board of Management.

Pension entitlements
The Board of Management is covered by Biotest AG's Company pension scheme. Members have been given an individual commitment in accordance within the framework of the Biotest AG pension plan. Provisions created in accordance with IFRS for these commitments totalled €2,040 thousand as of the reporting date. Individual amounts depend on length of service, allowable salary and the scale of benefits above and below the cut-off level for contributions to Germany's statutory pension scheme.

The measurement is based on actuarial surveys by an independent actuary and calculated in accordance with the projected unit credit method. For a more detailed explanation see item B12 of the Notes to the consolidated financial statements on page 110.

Change of control
Should the contracts of the members of the Board of Management be terminated prematurely due to a change of control (as defined in greater detail), both contracts include a severance payment provision. It is described in the Explanatory notes on statements in accordance with Section 315 (4) of the German Commercial Code (HGB) on page 94.

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

The pension benefits agreed in their service contracts are paid to former Board of Management members and their surviving dependants. A provision of €3,650 thousand has been made for this purpose. The value of pension provisions was calculated in accordance with IAS 26.

Supervisory Board remuneration

The remuneration of the Supervisory Board is laid down in the Articles of Association. Members receive an annual fixed remuneration of €15 thousand each. The chairman of the Supervisory Board receives twice this amount and his/her deputy one and a half times this sum. For work on a Supervisory Board committee an additional €3 thousand is paid, with the committee chairman receiving €5 thousand. Biotest AG reimburses the value-added tax payable on Supervisory Board remuneration. Members of the Supervisory Board also receive a variable remuneration of €1,000 for every €0.01 by which the dividend paid for the financial year exceeds €0.24. This variable remuneration is limited to a maximum of €10,000.

The members of Biotest AG's Supervisory Board are, like members of the Board of Management, covered by the Group's professional indemnity insurance (a D&O policy). Biotest pays the insurance premiums for all members of the Supervisory Board. No further payments in kind were made.

Supervisory Board remuneration, including reimbursement of value-added tax payable in some cases, is listed by individual in the following table.

	Fixed remuneration		Variable remuneration		Total	
€ thousand	2009	2008	2009	2008	2009	2008
Dr. Thorlef Spickschen (Chairman)	51	43	25	5	76	48
Dr. Cathrin Schleussner (Deputy Chairperson)	29	29	15	5	44	34
Prof. Dr. Marbod Muff	23	6	10	2	33	8
Thomas Jakob	18	18	10	5	28	23
Barbara Arnold-Schlosser	18	18	10	5	28	23
Astrid Paluch	15	15	10	5	25	20
Total	**154**	**129**	**80**	**27**	**234**	**156**

EXPLANATORY NOTES ON STATEMENTS IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

Biotest AG's subscribed capital in accordance with the Articles of Association amounts to €30,025,152. It is divided into 6,595,242 ordinary shares and 5,133,333 preference shares. The shares are bearer shares; preference shares do not carry 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.

The Kreissparkasse Biberach notified us that it held 24.36% of the shares with voting rights as of 20 January 2007.

Beyond this, the Board of Management is not aware of any direct or indirect shareholdings in the Company exceeding 10% of voting rights. There are no shareholders with special rights conferring controlling rights.

Members of the Board of Management are appointed and dismissed by the Supervisory Board in accordance with the provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 7 (2) of the Articles of Association. In accordance with Section 179 (1) AktG any amendment to the Articles of Association requires a resolution to be passed by the Annual Shareholders' Meeting (Section 133 AktG). Authority to amend merely the wording of the Articles of Association has been vested in the Supervisory Board in accordance with Section 27 of the Articles of Association in compliance with Section 179 (1) (2) AktG.

In accordance with resolutions adopted by the Annual Shareholders' Meeting on 27 May 2008 the Company is authorised to acquire its own shares pursuant to Section 71 (1) (8) AktG up to a value of 10% of the share capital at the time of the Annual Shareholders' Meeting of €30,025,152. Together with other own shares held by the Company or own shares that are attributable to it pursuant to Sections 71a ff of the German Stock Corporation Act, the shares acquired must at no time amount to more than 10% of the share capital.

This authorisation was valid until 26 November 2009; the Company has not to date exercised its rights under this authorisation. An authorisation to acquire own shares adopted by the Annual Shareholders' Meeting on 3 May 2007 was cancelled. Furthermore, a resolution adopted by the Annual Shareholders' Meeting on 20 May 2005 authorised the Board of Management to increase the Company's share capital by up to €10,240 thousand by 19 May 2010 subject to the approval of the Supervisory Board by issuing new ordinary and/or preference shares against cash contributions and/or contributions in kind.

Following capital increases on 3 August 2005, 18 October 2005 and 28 September 2007, authorised capital now amounts to €695 thousand.

A resolution adopted by the Annual Shareholders' Meeting on 8 July 2004 authorised the Board of Management subject to approval of the Supervisory Board to issue profit participation rights with a nominal value of up to €50,000 thousand until 7 July 2009. In financial year 2005 use was made of this authorisation to a total of €10,000 thousand. On 25 November 2005 the Company entered into a participation rights agreement with a term of seven years and a total volume of €10,000 thousand. This amount was paid on 5 December 2005 with a discount of 3.4%. The loan is a subordinated bullet loan and the interest consists of a variable and a fixed component. The variable component is dependent on financial indicators of the Company.

Biotest AG has concluded significant agreements with third parties in respect of the Group's long-term financial arrangements that take effect in the event of a change of control. The syndicated loan agreement grants the lending banks the right to terminate the agreement in the event of a change of control at Biotest AG or Biotest Pharmaceuticals Corp. if they consider that the change of control would make continuance of the agreement unacceptable.

The participation rights agreement relating to a loan agreement falling due at maturity at a nominal value of €10.0 million provides for the possibility of extraordinary termination rights for creditors. In the event of termination the entire sum would be due immediately and additional compensation for early termination would also be payable.

The service agreements with both members of the Board of Management include a provision governing severance payment in the event of the Board of Management agreement being terminated prematurely as a result of circumstances defined in detail as a change of control. The settlement consists of the fixed remuneration until the end of the contractual term plus pro rata bonuses calculated on the basis of the average for the previous two financial years plus a consideration that takes into account the value of the use of a Company car. In addition to these entitlements the severance payment consists of a sum amounting to twice the annual fixed salary. In all, however, the severance settlement may not exceed three times the annual fixed salary.

There is no entitlement if the Board of Management contract is terminated for good cause, illness or incapacity to work, or if the member of the Board of Management concerned has reached the age of 60 or 62, accordingly, at the time of termination or received benefits from a third party in connection with the change of control.

Statement of income

of the Biotest Group for the period from 1 January to 31 December 2009

€ thousand	Note	2009	2008 *) **)
Revenue	D1	440,191	385,838
Cost of sales		−227,870	−184,873
Gross profit		**212,321**	**200,965**
Other operating income	D5	9,553	4,287
Distribution expenses		−69,047	−64,912
Administrative expenses		−37,072	−35,901
Research and development expenses	D4	−48,457	−42,300
Other operating expenses	D6	−5,825	−3,176
Operating profit		**61,473**	**58,963**
Financial income	D7	6,900	5,560
Financial expenses	D8	−19,701	−19,062
Financial result		**−12,801**	**−13,502**
Income from associated companies	D9	297	–
Profit before tax		**48,969**	**45,461**
Income tax	D10	−17,070	−12,784
Profit after tax from Continuing Operations		**31,899**	**32,677**
Profit after tax from the Discontinued Operation	D11	−3,879	−4,558
Total profit after tax		**28,020**	**28,119**
thereof:			
Retained earnings attributable to equity holders of the parent company		**25,672**	**25,742**
thereof from Continuing Operations		29,551	30,300
thereof from the Discontinued Operation		−3,879	−4,558
Minority interest		2,348	2,377
thereof from Continuing Operations		2,348	2,377
thereof from the Discontinued Operation		–	–
Earnings per share in €	**E12**	**2.16**	**2.17**
thereof from Continuing Operations		2.49	2.56
thereof from the Discontinued Operation		−0.33	−0.39
Additional dividend rights per preference share in €	**E12**	**0.06**	**0.06**
thereof from Continuing Operations		0.06	0.06
thereof from the Discontinued Operation		–	–
Earnings per preference share in €	**E12**	**2.22**	**2.23**
thereof from Continuing Operations		2.55	2.62
thereof from the Discontinued Operation		−0.33	−0.39

*) Adjustment of previous year's figures for the Discontinued Operation
**) Adjustment of previous year's figures for change in recognition of income and expenses from currency translation

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

Statement of comprehensive income

of the Biotest Group for the period from 1 January to 31 December 2009

€ thousand	2009	2008 *)
Profit for the period	**28,020**	**28,119**
Actuarial gains/losses from defined pension benefit plans	–4,808	1,756
Deferred taxes thereon	1,307	–544
Other income / expenses recognised in equity	7	–109
Deferred taxes thereon	–	–
Currency translation for international subsidiaries	–2,546	3,443
Total deferred taxes on income and expenses recognised in equity	**1,307**	**–544**
Income and expenses recognised in equity	**–6,040**	**4,546**
Comprehensive income	**21,980**	**32,665**
Income and expenses recognised in equity	**–6,040**	**4,546**
thereof from Continuing Operations	–5,694	4,391
thereof from the Discontinued Operation	–346	155
Total profit for the period	**28,020**	**28,119**
thereof from Continuing Operations	31,899	32,677
thereof from the Discontinued Operation	–3,879	–4,558
Comprehensive income	**21,980**	**32,665**
thereof from Continuing Operations	26,205	37,068
thereof from the Discontinued Operation	–4,225	–4,403
thereof:		
Retained earnings attributable to equity holders of the parent company	19,663	30,280
thereof from Continuing Operations	23,888	34,683
thereof from the Discontinued Operation	–4,225	–4,403
Minority interest	2,317	2,385
thereof from Continuing Operations	2,317	2,385
thereof from the Discontinued Operation	–	–
Comprehensive income	**21,980**	**32,665**
thereof from Continuing Operations	26,205	37,068
thereof from the Discontinued Operation	–4,225	–4,403

*) Adjustment of previous year's figures for the Discontinued Operation

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

Statement of financial position

of the Biotest Group as of 31 December 2009

€ thousand	Note	31 December 2009	31 December 2008
Assets			
Intangible assets	E1	66,680	73,808
Property, plant and equipment	E2	214,160	209,786
Finance lease assets	E2	17,795	20,109
Investments in affiliates	E3	100	100
Investments in associates	E4	768	–
Other financial investments	E5	215	237
Trade receivables	E8	–	451
Other assets	E9	2,215	2,072
Deferred tax assets	E6	6,260	5,990
Total non-current assets		**308,193**	**312,553**
Inventories	E7	170,326	156,554
Trade receivables	E8	95,992	94,030
Current income tax assets		3,686	2,442
Other assets	E9	17,049	18,393
Cash and cash equivalents	E10	6,730	8,072
Assets of the Discontinued Operation	E11	31,478	–
Total current assets		**325,261**	**279,491**
TOTAL ASSETS		**633,454**	**592,044**
Equity and liabilities			
Subscribed capital		30,025	30,025
Share premium		153,332	153,332
Reserves		55,731	39,826
Retained earnings attributable to equity holders of the parent company		25,673	25,742
Shareholders' equity	**E12**	**264,761**	**248,925**
Minority interest		5,101	4,449
Total equity	**E12**	**269,862**	**253,374**
Pension provisions and similar obligations	E13	48,287	43,388
Other provisions	E14	3,659	3,653
Financial liabilities	E15	153,720	166,648
Other liabilities	E16	375	220
Deferred tax liabilities	E6	8,774	6,416
Total non-current liabilities		**214,815**	**220,325**
Other provisions	E14	19,622	19,270
Current income tax liabilities		7,783	4,679
Financial liabilities	E15	50,822	28,192
Trade payables		40,583	48,730
Other liabilities	E16	21,017	17,474
Liabilities of the Discontinued Operation	E11	8,950	–
Total current liabilities		**148,777**	**118,345**
Total liabilities		**363,592**	**338,670**
TOTAL EQUITY AND LIABILITIES		**633,454**	**592,044**

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

Cash flow statement

of the Biotest Group for the period from 1 January to 31 December 2009

€ thousand	Note	2009	2008 *) **)
Profit before tax		48,969	45,461
Depreciation and amortisation of intangible assets and property, plant and equipment	E1; E2	25,949	24,479
Losses from associated companies		−297	–
Amortisation of securities held as financial assets		−471	–
Gains from the disposal of fixed assets		−19	−15
Changes in pension provisions	E13	1,239	−594
Financial result		12,801	13,502
Cash flow from operating activities before changes in working capital		**88,171**	**82,833**
Changes in other provisions	E14	2,371	2,703
Changes in inventories, receivables and other assets		−35,564	−35,524
Changes in payables and other liabilities		−2,542	8,751
Cash flow from changes in working capital		**−35,735**	**−24,070**
Interest paid		−9,239	−14,429
Taxes paid		−11,899	−13,842
Cash flow from operating activities (Continuing Operations)		**31,298**	**30,492**
Cash flow from operating activities (Discontinued Operation)		384	3,997
Total cash flow from operating activities		**32,682**	**34,489**
Cash from the disposal of fixed assets		498	192
Payments for investment in fixed assets	E1; E2	−40,167	−32,946
Changes in other financial assets		22	76
Interest received		62	3,212
Cash flow from investing activities (Continuing Operations)		**−39,585**	**−29,466**
Cash flow from investing activities (Discontinued Operations)		−175	−3,606
Total cash flow from investing activities		**−39,760**	**−33,072**
Dividend payment for the previous year	E12	−3,827	−3,827
Dividend payments to minority interests	E12	−1,665	−1,162
Cash inflow from the assumption of financial liabilities	E15	45,788	36,635
Payments for the redemption of financial liabilities	E15	−33,236	−33,596
Cash flow from financing activities (Continuing Operations)		**7,060**	**−1,950**
Cash flow from financing activities (Discontinued Operation)		−298	−347
Total cash flow from financing activities		**6,762**	**−2,297**
Cash change in cash and cash equivalents		−1,316	−880
Exchange rate-related changes		−12	63
Cash and cash equivalents at the beginning of the period	E10	7,969	8,889
Total cash and cash equivalents at the end of the period	**E10**	**6,744**	**8,072**
Less cash and cash equivalents at the end of the period for the Discontinued Operation	E10	14	103
Cash and cash equivalents at the end of the period the for Continuing Operations	**E10**	**6,730**	**7,969**

*) Adjustment of previous year's figures for the Discontinued Operation
**) Adjustment of previous year's figures for change in recognition of income and expenses from currency translation

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

Statement of changes in equity

of the Biotest Group for the period from 1 January 2008 to 31 December 2009

€ thousand	Subscribed capital	Share premium	Accumulated differences from currency translation	Earnings and reserves	Equity without minority interests	Minority interests	Total equity
As of 1 January 2008	**30,025**	**153,332**	**–1,346**	**40,482**	**222,493**	**3,267**	**225,760**
Gains/losses recognised immediately in equity	–	–	3,443	1,095	4,538	8	4,546
Profit for the period	–	–	–	25,742	25,742	2,377	28,119
Comprehensive income	**–**	**–**	**3,443**	**26,837**	**30,280**	**2,385**	**32,665**
Acquisition of minority interests	–	–	–	–21	–21	–41	–62
Dividend payments for 2007	–	–	–	–3,827	–3,827	–1,162	–4,989
As of 31 December 2008	**30,025**	**153,332**	**2,097**	**63,471**	**248,925**	**4,449**	**253,374**
Gains/losses recognised immediately in equity	–	–	–2,546	–3,463	–6,009	–31	–6,040
Profit for the period	–	–	–	25,672	25,672	2,348	28,020
Comprehensive income	**–**	**–**	**–2,546**	**22,209**	**19,663**	**2,317**	**21,980**
Dividend payments for 2008	–	–	–	–3,827	–3,827	–1,665	–5,492
As of 31 December 2009	**30,025**	**153,332**	**–449**	**81,853**	**264,761**	**5,101**	**269,862**

A GENERAL

The Biotest Group consists of Biotest Aktiengesellschaft (Biotest AG), the parent company, with its registered office in Dreieich, Germany, and its subsidiaries in Germany and abroad. The Group's headquarters are located at Landsteinerstrasse 5, 63303 Dreieich, Germany. Biotest is a provider of pharmaceutical and biotherapeutic drugs as well as of reagents and microbiological monitoring systems. With a value chain reaching from pre-clinical and clinical development to global distribution, Biotest is primarily specialised in therapeutical applications in immunology and haematology.

As of 31 December 2009 the Biotest Group reported three operating segments.

In the Plasma Proteins segment, Biotest develops immunoglobulins, coagulation factors and albumins on the basis of human blood plasma that are used for the treatment of diseases of the immune system and the haemopoietic systems. The products are manufactured on the basis of blood plasma and human blood. Plasma Service Europe GmbH, Dreieich, Germany, and its subsidiary Plazmaszolgálat Kft., Budapest, Hungary, established in 2008, support the supply of blood plasma within the Group, as do Plasmadienst Tirol GmbH, Innsbruck, Austria, and Biotest Pharmaceuticals Corporation, Boca Raton, FL, USA.

In addition, in its Biotherapeutic segment, Biotest promotes the clinical development of monoclonal antibodies, among other things for the indications rheumatism and leukaemia.

The Microbiological Monitoring segment develops and markets products used in industrial hygiene monitoring. Its products consist mainly of culture media and hygiene monitoring devices.

The former Medical Diagnostic segment is reported as Discontinued Operation. This division encompasses products for blood group and tissue typing. Its product range consists mainly of reagents, test serums and test systems. In July 2009 the Biotest Group decided to intensify the disinvestment process for its Medical Diagnostic division. In the third quarter, exclusive sales negotiations were commenced with the purchaser. They led to an agreement on 23 October 2009 with various companies in the Bio-Rad Group, USA. As of 31 December 2009, the contract of sale, signed and notarised on 4 November 2009, was still subject to approval by the anti-trust authorities. The transaction was not concluded until the beginning of financial year 2010.

The Biotest Group has 2,252 employees worldwide.

The consolidated financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are mandatory in the European Union. The IFRS comprise the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the interpretations of the Standing Interpretation Committee (SIC). Accounts are prepared at the Biotest Group on the basis of IFRS, of which application is mandatory for financial years commencing on 1 January 2009.

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 (EC) Regulation No. 1606/2002 on the application of international accounting standards issued by the European Parliament and Council on 19 July 2002.

Unless stated otherwise, all amounts are shown in thousands of euros (€ thousand).

On 9 March 2010, Biotest AG's Board of Management forwarded the consolidated financial statements to the Supervisory Board. The Supervisory Board will decide on 18 March 2010 on the release of the consolidated financial statements for publication.

Changes in accounting and valuation methods

Since financial year 2009, the Biotest Group has no longer distinguished between operating and financial income and expenses when recognising foreign currency differences. All income and expenses arising from currency translation are recognised in the financial result. The figures for the previous year have been adjusted accordingly.

All valid and mandatory International Financial Reporting Standards and interpretations by the International Financial Reporting Interpretation Committee (IFRIC) that are of relevance for the Biotest Group have been applied.

On 29 March 2007 the revised IAS 23 "Borrowing Costs" was published. The previous option not to carry borrowing costs as assets was abolished. Since 1 January 2009 borrowing costs that can be directly allocated to the purchase, construction or manufacture of a qualified asset must be recognised as part of the cost of acquisition or manufacturing. For this purpose the Biotest Group has recognised qualified assets for which production began after 1 January 2009. Application of the amendments to IAS 23 had no effect on the asset, financial and earnings position of the Biotest Group in financial year 2009.

On 6 September 2007 the IASB issued a revised version of IAS 1 "Presentation of Financial Statements". The main changes to IAS 1 relate to the presentation of non equity-related changes in equity, the requirement under certain circumstances to prepare an opening balance sheet for the earliest comparison period (third balance sheet), the statement of income tax effects on the individual components of other comprehensive income, the statement of adjustments arising from reclassification of the components of other comprehensive income and the replacement of the terms balance sheet and income statement with statement of financial position and statement of comprehensive income. One of the main material changes is that all income and expenses, including income and expenses recognised in equity without effect on net income, must now be disclosed as part of the statement of comprehensive income. Furthermore, more detailed reporting is required on income and expenses recognised in equity without effect on net income (other comprehensive income). Application of the new version of IAS is mandatory for financial years commencing on or after 1 January 2009. The Biotest Group has taken account of the new provisions of IAS 1 in its consolidated financial statements for 2009.

On 17 January 2008 the IASB published amendments to IFRS 2 "Share-based Payment". The changes mainly relate to the definition of exercise conditions and the regulations governing cancellation of an undertaking by a party other than the company. The amendments are applicable retroactively to financial years commencing on or after 1 January 2009. Application of the amendments to IFRS 2 had no effect on the asset, financial and earnings position of the Biotest Group.

On 14 February 2008 the IASB published amendments to IAS 32 and IAS 1 in the document entitled "Puttable Financial Instruments and Obligations Arising on Liquidation". The changes relate mainly to provisions for defining and delimiting equity capital and borrowed capital. The revised version of the standard permits classification of puttable financial instruments as equity in certain circumstances. The amendments are applicable to financial years commencing on or after 1 January 2009. Application of the amendments to IAS 32 and IAS 1 had no effect on the asset, financial and earnings position of the Biotest Group.

On 22 May 2008 the IASB published amendments to IFRS 1 and IAS 27 in a document entitled "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate". The amendments relate among other things to the recognition of the purchase costs of an equity investment on first-time application of IFRS as well as to distributions from results achieved prior to the date of acquisition of a group company. These changes are to be applied prospectively to financial years commencing on or after 1 January 2009. Application of the amendments had no effect on the asset, financial and earnings position of the Biotest Group.

On 22 May 2008 the IASB approved a number of minor amendments to various standards as part of its first annual improvements project. In addition to new phrasing of standards, the document includes amendments that have an effect on accounting, recognition and measurement. Application of the majority of these changes is not mandatory until financial years commencing on or after 1 January 2009. Application of the amendments had no material effect on the asset, financial and earnings position of the Biotest Group.

On 13 October 2008 the IASB approved amendments to IAS 39 and IFRS 7. These amendments were a reaction to the financial market crisis and enabled companies to reclassify financial instruments in certain circumstances. Reclassification changes were applicable retroactively from 1 July 2008. On 27 November 2008 the IASB also published amendments to IAS 39 on the application of the reclassification rules. This publication clarified the date from which the amendments published on 13 October 2008 were to apply. At the Biotest Group no use has been made of the option to reclassify these financial instruments.

On 28 June 2007 IFRIC 13 "Customer Loyalty Programmes" was published. This interpretation deals with the accounting and valuation of customer loyalty programmes. IFRIC 13 is applicable for financial years commencing on or after 1 July 2008. According to EU Regulation No. 1262/2008 dated 17 December 2008, IFRIC 13 comes into force at the beginning of the first financial year after 31 December 2008. Application of IFRIC 13 had no effect on the asset, financial and earnings position of the Biotest Group.

On 4 July 2007 IFRIC 14, dealing with IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published. This interpretation deals in particular with the limit set by IAS 19 "Employee Benefits" on a surplus that can be recognised as a defined benefit asset, and with which repercussions apply to the valuation of assets and obligations arising from defined benefit contracts as a result of the statutory obligation to make minimum contributions. The interpretation is applicable for financial years commencing on or after 1 January 2008. According to EU Regulation No. 1263/2008 dated 17 December 2008, IFRIC 14 comes into force at the beginning of the first financial year after 31 December 2008. Application of IFRIC 14 had no effect on the asset, financial and earnings position of the Biotest Group.

On 5 March 2009 the IASB published amendments to IFRS 7 "Improved Disclosure of Financial Instruments". The amendments provide for greater disclosure on the valuation of financial instruments at fair value and on liquidity risks. They are mandatory for financial years commencing on or after 1 January 2009. On first-time application, however, the additional disclosure requirements do not include comparative figures for the previous year. The Biotest Group applied the amendments to IFRS 7 in the reporting year. The required disclosures can be found in the section on financial instruments and risk management.

On 12 March 2009 the IASB published amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments". The amendments serve to clarify the treatment of embedded derivatives in the statement of financial position when reclassifying financial instruments. The amendments are applicable to financial years commencing on or after 30 June 2009. Future application of the amendments will have no effect on the asset, financial and earnings position of the Biotest Group.

Standards/interpretations not applied ahead of schedule

The IASB has issued and/or revised a series of additional accounting standards and interpretations whose application is mandatory from the next financial year, provided they are passed by the Council of the European Commission and are relevant to the Biotest Group:

Standards/ interpretations	Title	Applicable from
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
IAS 32	Financial Instruments: Classification of Rights Issues	1 February 2010
IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009
IFRS 1 revised	First-time Adoption of IFRS	1 July 2009
IFRS 3 revised	Business Combinations	1 July 2009
IFRIC 12	Service Concession Arrangements	29 March 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2010
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	30 June 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 November 2009
IFRS 1	Additional Exemptions of First-time Adopters	1 January 2010
IFRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2010

We assume that first-time adoption of the above-mentioned accounting provisions will not lead to any material effects on the Biotest Group's asset, financial and earnings position.

B BASIC ACCOUNTING AND VALUATION PRINCIPLES

B1 Scope of consolidation

With 6 (2008: 6) domestic and 16 (2008: 14) foreign companies in which Biotest AG directly or indirectly holds the majority of voting rights, all material subsidiaries are included in Biotest AG's consolidated financial statements.

Changes were made to the scope of consolidation of the Biotest Group in financial year 2009. The change in the scope of consolidation does not diminish comparability with the previous year.

In financial year 2009 the Biotest Group founded the Spanish company Biotest Medical S.L.U., a marketing company that commenced operations as of 1 January 2010. It was set up to handle the plasma proteins business in Spain.

Furthermore, at the end of 2009 the company Biotest Microbiological Corporation was founded in the United States. This new US company also commenced operating activity in the Microbiological Monitoring segment as of 1 January 2010. The new company will handle the microbiological business of Biotest Diagnostics Corporation, which has been sold.

As in the previous year, BioDarou P.J.S. Co., with registered office in Teheran, Iran, is included in the consolidated financial statements as an associated company recognised using the equity method.

The material companies included in the financial statements are listed in note F8 of the Notes to the consolidated financial statements. A complete listing of all companies in which an equity interest is held by the Biotest Group is disclosed in the online edition of the German Federal Gazette (Bundesanzeiger).

By the terms of the contract of sale dated 23 October 2009 and notarised on 4 November 2009, the Medical Diagnostic division was sold. The transfer of economic ownership took place on 6 January 2010. As a result, Biotest Medical Diagnostics GmbH and Biotest Diagnostics Corporation are included in the consolidated financial statements for the last time in financial year 2009 and classified as held for sale.

B2 Consolidation methods

The reporting date for Biotest AG and all companies included in the financial statements is 31 December 2009. The financial statements of the companies included are prepared in accordance with uniform accounting and valuation policies prescribed by Biotest AG.

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

Capital consolidation is carried out pursuant to IFRS 3 according to the purchase method, and the cost of purchase has been offset against the fair value of the equity attributable to the parent company at the time of purchase on a pro rata basis. Any remaining positive difference is recognised as goodwill in intangible assets. If the fair value of the pro rata equity attributable to the parent company is greater than the cost of purchase at the time of first consolidation, this results in a reassessment of the fair value. Any remaining amount in excess of the parent company's cost of purchase is recognised immediately with effect on net income. Goodwill is subject to regular impairment testing. Insofar as this testing results in any lower fair values, an impairment loss is recognised.

First-time consolidation in the financial statements is effected at the time of acquisition.

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

Minority interests comprise the shares of the profit for the period and net assets of heipha Dr. Müller GmbH, Viro-Immun Labor-Diagnostika GmbH and Grundstücksverwaltungs GmbH, which relate to shares in companies not held 100% by the Biotest Group. Minority interests are shown separately in the statement of income and the statement of financial position.

B3 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 as of the reporting date and income and expenses are translated using average annual rates. The resulting accumulated differences are recognised in a separate item in equity, which is reported under reserves in the statement of financial position.

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

The following exchange rates were applied for translating the currencies used by the fully consolidated companies of the Biotest Group:

	Average exchange rates		Exchange rates as of the reporting date	
Equivalent of €1	2009	2008	31 December 2009	31 December 2008
US dollar (USD)	1.3933	1.4706	1.4406	1.3917
Pound sterling (GBP)	0.8911	0.7965	0.8881	0.9525
Japanese yen (JPY)	130.23	152.33	133.16	126.14
Swiss franc (SFR)	1.5099	1.5871	1.4836	1.4850
Hungarian forint (HUF)	280.54	251.74	270.42	266.70

Where monetary items (cash and cash equivalents, receivables and liabilities) are recorded in local currency in the consolidated companies' individual statements of financial position, these items are valued as of the reporting date. Resulting income and expenses from currency translation are reported as financial expenses or financial income.

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

B4 Intangible fixed assets

a) Goodwill
Goodwill arises on the acquisition of companies or shares in companies from the difference between the cost of purchase (purchase price) and the fair values of the acquired assets and liabilities. Goodwill is recognised at cost of purchase. Any goodwill recognised is tested at least annually for impairment and, if appropriate, written down in accordance with IAS 36 "Impairment of Assets".

Goodwill is allocated to a group of cash generating units. At the Biotest Group, these groups of cash generating units correspond to the segments.

For the purpose of impairment testing, the allocable future cash flows of these cash generating units are used to determine their recoverable amount as the value in use on the basis of the discounted cash flow method. This method discounts cash flows based on the several-year business plan and a long-term growth rate forecast. The growth rate depends on the business in question and is between 0% and 2%. The after-tax discount rates of 6% to 8% are based on the relevant weighted average cost of capital (WACC). Necessary write-downs are determined by comparing the book value of the cash generating unit with the recoverable amount.

b) Other intangible fixed assets
Other intangible fixed assets acquired are recorded at cost of purchase and divided into assets with a definite or indefinite useful life. Assets with a definite useful life are amortised on a straight line basis over their estimated useful life. If necessary, impairment is recognised in accordance with IAS 36. The useful lives recognised are between 3 and 10 years.

The amortisation period and the amortisation method used for an intangible asset with a definite useful life are reviewed at least at the end of each financial year. 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 reported in the statement of income under the expense category which corresponds to the function of the intangible asset.

Intangible assets with an indefinite useful life are subject to an impairment test at least once a year at the level of the individual asset or at the level of the cash generating unit. There is no scheduled amortisation. The useful life of these intangible assets is to be reviewed at least once a year to check that the indefinite useful life is still justified. If this is not the case, amending the assessment from an indefinite useful life to a definite useful life is carried out on a prospective basis

B5 Property, plant and equipment

Property, plant and equipment are recognised in accordance with the purchase cost model at cost of purchase and sales less accumulated scheduled depreciation and any impairment. Depreciation is carried out on a straight line basis over the expected useful lives, which are estimated as follows:

Buildings	Up to 50 years
Machinery	5–12 years
Plant and equipment	3–10 years

If necessary, impairment is recognised in accordance with IAS 36. Here, the book values of property, plant and equipment are compared with the respective recoverable amounts if there are any indications for impairment.

With regard to self-constructed property, plant and equipment, in addition to material and personnel costs, the conversion costs include an appropriate portion of overheads. Repair and maintenance expenses are recognised with effect on net income when incurred. Extensions and material improvements are capitalised. Interest on borrowed funds is recognised as an expense as long as they do not, pursuant to IAS 23, count toward the production of qualified assets. Government grants reduce the cost of purchase or conversion.

B6 Leasing

Whether or not an agreement is or contains a leasing relationship is determined on the basis of its economic content. Here an assessment is required as to whether the performance 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 4.6).

If fixed assets are rented or leased and the Biotest Group essentially bears all the risks and rewards relating to the leased assets, such contracts are classified as finance leases. These are recognised at the lower of the fair value and present value of the minimum lease payments at the time of contract conclusion in accordance with IAS 17 “Leases”. Amortisation and depreciation are carried out over the expected useful life. If necessary, impairment is recognised in accordance with IAS 36. The relevant payment obligations resulting from the future lease payments are correspondingly recognised as liabilities. The interest element of lease payments is recognised with effect on net income as interest expense over the term of the lease agreement.

Assets recognised in the context of finance leases mainly relate to manufacturing plants and software.

Unless all the relevant risks and rewards related to the leased item transfer to the Biotest Group under lease agreements, the lease is accounted for by the lessor as an operating lease. The lease payments are recognised as expense when they are incurred.

B7 Impairment

Should facts or circumstances imply the impairment of long-lived assets or an annual impairment test of an asset be required, the recoverable amount, which represents the higher of the net sale value and its value in use, is determined.

The recoverable amount is determined for each individual asset, unless the asset does not generate any cash flow that is largely independent of the cash flows of other assets or other groups of assets.

To determine the value in use, the estimated future cash flows are discounted to their present value, based on a discount rate before tax which reflects current market expectations relating to the interest rate effect and the specific risks of the asset.

If the recoverable amount is below the book value, the value of the asset is deemed to be impaired and it is written down to the recoverable amount.

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

Except for in relation to goodwill, write-ups to a maximum of the amortised cost are carried out if the estimated recoverable amount is higher than the book value.

B8 Inventories

Inventories are recognised at cost of purchase or sales or, if lower, recoverable net sale value as of the reporting date. The latter corresponds to the estimated selling price which may be recovered in the course of the ordinary business, reduced by expected completion or selling costs. The cost of sales is determined on the basis of the “first in first out” method or weighted average. In addition to the directly allocable individual costs, pursuant to IAS 2 “Inventories”, the cost of sales includes appropriate portions of the overheads allocable to the production process. These are based on the normal capacity of the manufacturing plants without taking account of costs for borrowed capital.

B9 Trade receivables and other assets

Trade receivables and other assets are carried at nominal value. Accounts receivable denominated in foreign currencies are translated at the closing rates. Foreign exchange gains or losses are recognised as income or expenses. Default and transfer risks are accounted for through the recognition of allowances. The allowances are determined on the basis of experience and individual risk assessment. An allowance is recognised if there is an objective and substantial indication that the Group will not be in a position to collect the receivable. Receivables are taken off the books as soon as they become unrecoverable.

Accounts receivable that arise through application of the percentage of completion method are reported less payments on account if the cost of sales already incurred, including the profit portion, exceeds the payments on account received.

B10 Other financial assets

Financial assets are measured at fair value or cost of purchase at the time when they are first recognised. With regard to all financial assets that are not subsequently measured at fair value and recognised with effect on net income, the transaction costs attributable to the acquisition are taken into account. 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 using recognised valuation models and with reference to current market parameters. The cash flows determined already or established on the basis of forward rates using the current yield curve, are discounted by the discount factors specified on the basis of the yield curve applicable on the reporting date. The mean rates are applied.

B11 Cash and cash equivalents

Cash and cash equivalents comprise cash and current account balances, cheques and financial investments that can be disposed of at short notice with maturities of less than three months. They are reported at their nominal value.

B12 Pension provisions

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

Commitments under defined contribution plans are determined by the contributions to be made in the period, so that in this case no actuarial assumptions are required.

Defined benefit plans are valued on the basis of actuarial opinions in accordance with the projected unit credit method. The pension costs for the financial year are forecast based on the approaches determined at the beginning of the financial year. The parameters included (interest rate, staff turnover rate, salary increases, etc.) are anticipated factors.

Pursuant to IAS 19.93A – 19.93D all actuarial gains and losses are recognised directly in equity.

Any service period costs to be charged retrospectively that arise in a financial year due to a retrospective change in pension commitments are determined separately and amortised over the period until the claims are vested. If claims are already vested at the time of the change, the pension costs are recognised with effect on net income as an expense in that period.

B13 Other provisions

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

The provisions are discounted at a rate before tax that reflects the risks specific to the liability, whereby the increase in the provision caused by the passage of time is recognised as interest expense.

Material companies within the Biotest Group are subject to the collective pay-scale agreements of the chemical industry and are consequently subject to the chemical industry's framework agreement on partial retirement for older workers. Provisions for partial retirement liabilities are recognised for all employees who, during the term of the framework agreement, are likely to start working on a part-time basis when approaching retirement age. The maximum thresholds for the employer's obligation indicated in the pay-scale agreement are taken into account in this context. Amounts are valued at the present value of the probable obligations. Experience has shown that the thresholds stated in the collective pay-scale agreement are used fully.

In addition, the Biotest Group reports a share-based remuneration system under other provisions that is recognised in accordance with IFRS 2.

B14 Financial liabilities

Financial liabilities are reported at loan amount less transaction costs and subsequently carried at amortised cost in accordance with the effective interest rate method. Any difference between the net loan amount and the repayment value is shown over the term of the financial liability in the statement of income.

B15 Financial instruments

Financial instruments are contracts which result 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, and other loans granted and accounts receivable, financial investments held to maturity as well as primary and derivative financial assets held for trading.

Financial liabilities are regularly the basis for a claim for return 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. No derivative financial instruments are acquired for trading purposes.

Derivative financial instruments are valued at market value. The market values of currency option contracts, interest rate caps and payer swaps are determined by the banks on the basis of market conditions as of the reporting date. In the case of derivative financial instruments held for hedging purposes, changes in the market values are recognised on the basis of the type of hedging transaction.

Since the stringent formal criteria for hedge accounting are not met in the Biotest Group, derivative financial instruments are reported in accordance with the rules for trading derivatives, despite a hedge being in place from a financial point of view. The derivative financial instruments are initially recorded at cost of purchase and subsequently at market value. The changes in valuation are recognised in the statement of income.

B16 Discontinued Operation

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-current assets are regrouped as current assets if the asset is classified as held for sale and the book value is therefore to be realised by disposal and not by continued use. IFRS 5 states as a condition for this grouping that it must be planned and possible to carry out the sale within the next twelve months.

In financial year 2009 the Biotest Group brought the sales negotiations for its Medical Diagnostic division to a successful conclusion. The contract was signed in the fourth quarter of 2009 (signing date). After approval of the transaction by the competition authorities, the sale was confirmed on 6 January 2010 and completed on that date (closing date).

With the signing of the contract, the assets and liabilities held for sale were considered a Discontinued Operation. In the statement of financial position these items are shown under assets of the Discontinued Operation and liabilities of the Discontinued Operation. All assets and liabilities affected have since been deemed current.

Assets held for sale are valued at the lower of book value or fair value less the costs of disposal. Depreciation and amortisation of these assets was not continued. In the statement of financial position and statement of income, these assets and the results of the Discontinued Operations are stated as separate items.

Discontinued Operations are stated separately in the statement of financial position, the statement of income, the cash flow statement and segment reporting, and explained in the Notes. With the exception of the statement of financial position, the previous year's figures have been adjusted accordingly.

Deconsolidation from the consolidated financial statements will be undertaken in financial year 2010 as the contract's closing date is the determining factor. As of 31 December 2009 the purchase contract was still subject to approval by the competition authorities.

B17 Revenue

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

Service agreements for which the result can be reliably estimated are accounted for according to the percentage of completion method in accordance with IAS 11 "Construction Contracts". The service provided, including pro rata results, is recognised as revenue according to the percentage of completion. The percentage of completion to be recognised is determined according to the expenses incurred (cost-to-cost method). The contracts are recognised under receivables or liabilities according to the percentage of completion method.

Where the accumulated performance (contract cost and contract result) exceed payments received on account in individual cases, the construction contracts are recognised as assets under receivables according to the percentage of completion method. If the balance after deducting payments received is negative, this is recognised as a liability under construction contracts under liabilities according to the percentage of completion method. Anticipated contract losses, which are determined taking account of discernible risks, are covered through write-downs or provisions.

B18 Research and development expenses

Research costs are recognised as expenses at the time when they are incurred. Development costs are also generally recorded as expenses when incurred as it is not sufficiently certain that products may be marketed or production processes employed until they have been approved by the authorities and such approval is typically granted only at the end of the development process. The requirements for capitalisation pursuant to IAS 38 "Intangible Assets" are therefore not fulfilled in their entirety. Development costs incurred after approval by the authorities are not material.

B19 Government grants for research and development

Government grants for research and development are recognised with effect on net income at the time of the grant or in accordance with the research and development expenses incurred. They are recognised under other income and not offset against the research and development expenses.

B20 Financial income and expenses

Interest is recognised as expense or income when it is incurred. The interest component included in lease payments under finance leases is determined using the effective interest rate method and recognised as interest expense. The effective interest rate method uses a calculation interest rate with which the estimated future cash inflow is discounted over the expected life of the financial instrument to the net book value of the financial asset. All income and expenses arising from currency translation are recognised in the financial result.

In accordance with IFRS 7, interest on financial instruments is also reported separately.

B21 Taxes

The actual tax assets and tax liabilities for the current period and for earlier periods are to be valued at the amount at which a refund from or payment to the tax authorities is to be expected. The calculation of the amount reflects the tax rates and tax legislation of the respective national tax regulations of the countries in which 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 book value 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 offset the deferred tax asset at least in part. In addition, deferred tax assets which have not been applied are reviewed on each reporting date and recognised at the amount by which it is probable that future taxable income will facilitate the realisation of the deferred tax asset.

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

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

B22 Estimates

The preparation of the consolidated financial statements requires the use of estimates when reporting and measuring assets and liabilities in accordance with IFRS. These are reviewed on an ongoing basis. Changes are recognised prospectively in the reporting period or in future periods. Assumptions and estimates are made in particular in connection with the measurement of goodwill, provisions, allowances for bad debt and inventories, the measurement of share-based payments as well as in the determination of the fair values. The material assumptions and parameters used for the estimates made are disclosed in the Notes.

C SEGMENT REPORTING

Information disclosed in the segment report has been prepared in accordance with IFRS 8 "Operating Segments".

Segmentation at the Biotest Group is carried out along product lines in accordance with internal reporting. At Biotest AG, the chief operating decision maker within the meaning of IFRS 8 is the Board of Management. In addition, there is a segment manager responsible for each segment. The segment managers report to the chief operating decision maker and their performance is measured on the basis of the performance of the segment for which they are responsible and not on the overall performance of the Biotest Group.

The segment information made available to the chief operating decision maker in periods of less than twelve months is based on the IFRS values and essentially comprises information up to operating profit (EBIT). Operating profit (EBIT) is used as a variable to assess segment performance. In order to measure assets, assets and liabilities are allocated to the segments on the basis of their economic origin at their respective IFRS book values.

The Biotest Group decided in financial year 2009 to dispose of its Medical Diagnostic segment. The closing date of the contract was 6 January 2010, with the entire division being sold except for merchandise and the company Viro-Immun Labor-Diagnostika GmbH. IFRS 5 requires the disposal to be listed separately in the Company's segment reporting as a Discontinued Operation. For this reason, the former Medical Diagnostic segment is reported under Discontinued Operation. The merchandise not disposed of as well as the company Viro-Immun Labor-Diagnostika GmbH were assigned to the Microbiological Monitoring segment.

The Biotest Group's business segments are now as follows:

- **Plasma Proteins:** The Plasma Proteins segment researches, develops, manufactures and distributes drugs based on human blood plasma. The preparations are used to treat diseases of the immune system or the haemopoietic systems.

- **Microbiological Monitoring:** The Microbiological Monitoring segment researches, develops, produces and markets products used in hygiene monitoring of air and surfaces in industry.

- **Biotherapeutics:** The Biotherapeutic segment researches, develops and produces monoclonal antibodies, including for the treatment of rheumatoid arthritis and multiple myeloma. At present, the Biotherapeutic segment is not yet generating sales.

- **Corporate:** The costs of the overriding Group management are reported separately in the Corporate segment. Its assets consist of other financial investments, income tax receivables, deferred tax assets, and cash and cash equivalents. Its liabilities include bank loans for the financing of assets not assigned to the operating segments, income tax liabilities and deferred tax liabilities. In addition, income and expenses that cannot be assigned to other segments due to their unique nature are reported in the Corporate segment. This segment does not constitute an operating segment within the meaning of IFRS 8. For this reason, it is included in the Reconciliation segment.

The former Medical Diagnostic division, reclassified for as held for sale, is reported under Discontinued Operation. The former Medical Diagnostic segment researched, developed, produced and marketed products for blood group and tissue typing in medical laboratories.

Segment information by business segment

€ thousand		Plasma Proteins	Microbiological Monitoring	Biotherapeutics	Reconciliation	Total of Continuing Operations	Discontinued Operation	Total
Revenue with third parties	2009	390,053	50,138	–	–	**440,191**	40,770	480,961
	2008*)	339,424	46,414	–	–	**385,838**	37,118	422,956
Operating profit (EBIT)	2009	89,134	4,406	–21,062	–11,005	**61,473**	–2,957	58,516
	2008*) **)	80,730	5,542	–16,756	–10,553	**58,963**	–3,839	55,125
Assets	2009	530,679	38,914	5,261	27,122	**601,976**	31,478	633,454
	2008*)	496,001	38,008	2,909	22,772	**559,690**	32,354	592,044
Investments in associates	2009	768	–	–	–	**768**	–	768
	2008*)	–	–	–	–	**–**	–	–
Capital expenditure	2009	32,497	3,898	1,662	2,110	**40,167**	1,129	41,296
	2008*)	23,089	2,835	1,471	5,460	**32,855**	3,684	36,539
Liabilities	2009	259,448	37,666	14,246	43,282	**354,642**	8,950	363,592
	2008*)	222,313	16,063	24,682	67,282	**330,340**	8,330	338,670
Depreciation and amortisation	2009	19,982	1,848	549	3,052	**25,431**	1,658	27,089
	2008*)	18,448	1,996	448	3,260	**24,152**	1,753	25,905
Impairment	2009	518	–	–	–	**518**	–	518
	2008*)	327	–	–	–	**327**	–	327

*) Adjustment of previous year's figures for the Discontinued Operation
**) Adjustment of previous year's figures for change in recognition of income and expenses from currency translation

Revenue is segmented by region as well as by business segment. This segmentation of revenue is based on the customer's geographical location and the registered office of the relevant company. Assets are allocated on the basis of the geographical location of the owner.

Segment information by region

	Revenue with third parties according to the customer's geographical location		Revenue with third parties according to the company's registered office		Non-current assets	
€ thousand	2009	2008 *)	2009	2008 *)	2009	2008 *)
Europe	278,134	253,000	357,368	315,319	181,386	176,311
USA	54,004	57,991	80,236	68,565	126,525	120,121
Asia	96,279	64,391	2,587	1,954	282	420
Rest of world	11,774	10,456	–	–	–	–
Biotest Group	**440,191**	**385,838**	**440,191**	**385,838**	**308,193**	**296,852**
thereof:						
Germany	109,866	101,807	263,482	227,415	175,807	170,752
Other countries	330,325	284,031	176,709	158,423	132,386	126,100
of which USA	48,995	51,183	80,236	68,565	126,525	120,121

*) Adjustment of previous year's figures for the Discontinued Operation

There is no material provision of supplies between the individual segments.

D EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

D1 Revenue

€ thousand	2009	2008 *)
Biotest Group products	401,833	355,771
Merchandise	14,408	11,198
Toll manufacturing	19,158	16,753
Revenue according to percentage of completion method from service agreements	4,688	1,912
Other	104	204
	440,191	**385,838**

*) Adjustment of previous year's figures for the Discontinued Operation

D2 Cost of materials

€ thousand	2009	2008 *)
Raw materials and supplies	131,650	116,478
Services purchased	21,149	14,874
	152,799	**131,352**

*) Adjustment of previous year's figures for the Discontinued Operation

D3 Personnel expenses

€ thousand	2009	2008 *)
Wages and salaries	95,277	81,989
Social security contributions	18,566	16,491
Pensions costs	3,106	1,903
	116,949	**100,383**

*) Adjustment of previous year's figures for the Discontinued Operation

The personnel expenses include costs for indemnification and severance pay totalling €1,709 thousand (2008: €1,198 thousand).

In the Continuing Operations, the average number of employees in terms of full-time equivalents in financial year 2009 was 1,840 (2008: 1,639). As of 31 December 2009, the Biotest Group had 1,834 (2008: 1,701) full-time equivalent employees in its Continuing Operations.

For the Discontinued Operation, the average number of full-time equivalent Biotest Group employees in financial year 2009 was 257 (2008: 229). As of 31 December 2009, there were 256 (2008: 239) full-time equivalent employees in the Discontinued Operation.

Employees are allocated to operating divisions as follows:

In full-time equivalents	2009	2008 *)
Sales	303	280
Administration	223	208
Production	1,135	1,062
Research and development	173	151
	1,834	**1,701**

*) Adjustment of previous year's figures for the Discontinued Operation

As of 31 December 2009 the Biotest Group employed 2,252 staff (2008: 2,108), of which 1,983 (2008: 1,842) are in Continuing Operations.

D4 Research and development expenses

Research and development expenses totalling €48,457 thousand (2008: €42,300 thousand) are reported in full in the statement of income.

D5 Other operating income

€ thousand	2009	2008 *)
Release of deferred liabilities	4,045	1,549
Release of other provisions	1,444	752
Insurance reimbursement and other refunds	1,250	197
Sale of distribution rights	1,170	–
Tax refunds	151	118
Reversal of write-downs	131	44
Bonuses from suppliers	112	29
Refunds from the German Federal Employment Office for replacement of positions due to partial retirement	45	99
Gains from the disposal of fixed assets	19	16
Other earnings with associated companies	–	71
Other	1,186	1,412
	9,553	**4,287**

*) Adjustment of previous year's figures for the Discontinued Operation

Since financial year 2009, the Biotest Group has no longer distinguished between operating and financial income when recognising currency translation gains and losses. All foreign exchange gains are recognised as financial income. The figures for the previous year have been adjusted accordingly. As a result, €1,886 thousand (2008: €1,861 thousand) in other operating income was transferred to the financial result.

In financial year 2009, the Biotest Group recognised with effect on net income €91 thousand (2008: €140 thousand) in government grants, of which €45 thousand (2008: €99 thousand) consisted of refunds from the German Federal Employment Office for the replacement of positions due to partial retirement and €46 thousand (2008: €41 thousand) was received in wage cost grants and subsidies.

D6 Other operating expenses

€ thousand	2009	2008 *)
Additions to provisions	2,861	302
Write-downs of receivables	1,476	268
Donations	434	256
Losses from the disposal of fixed assets	296	12
Impairment	281	327
Indemnification	19	140
VAT expenses resulting from Company audits	–	166
Other	458	1,705
	5,825	**3,176**

*) Adjustment of previous year's figures for the Discontinued Operation

Since financial year 2009, the Biotest Group has no longer distinguished between operating and financial expenses when recognising currency translation gains and losses. All foreign exchange losses are recognised as financial expenses. The figures for the previous year have been adjusted accordingly. As a result, €2,439 thousand (2008: €1,311 thousand) in other operating expenses was transferred to the financial result.

Additions to provisions mainly comprise provisions for pending and imminent legal proceedings.

The write-downs of receivables totalling €1,476 thousand (2008: €268 thousand) relate to receivables that are considered unrecoverable.

D7 Financial income

€ thousand	2009	2008 *)
Gains arising from currency translation	5,952	4,748
Write-ups of investments in associates	471	–
Interest income	78	787
Interest on tax refunds	29	16
Other	370	9
	6,900	**5,560**
thereof from financial instruments in the valuation categories according to IAS 39:		
Loans and receivables (LaR)	141	972
Held-to-maturity investments (HtM)	8	5
Financial assets at fair value through profit fand loss (FAFVtPL)	5	25

*) Adjustment of previous year's figures for the Discontinued Operation

Since financial year 2009, the Biotest Group has no longer distinguished between operating and financial income when recognising currency translation gains and losses. All foreign exchange gains are recognised as financial income. The figures for the previous year have been adjusted accordingly. As a result, €1,886 thousand (2008: €1,861 thousand) in operating profit was transferred to financial income.

D8 Financial expenses

€ thousand	2009	2008 *)
Interest expenses	9,151	10,656
Losses arising from currency translation	7,705	4,482
Interest expenses on pensions	2,473	2,149
Interest on tax payments for previous years	175	308
Other	197	1,467
	19,701	**19,062**
thereof from financial instruments in the valuation categories according to IAS 39:		
Financial liabilities measured at amortised cost (FLAC)	9,202	12,497

*) Adjustment of previous year's figures for the Discontinued Operation

Since financial year 2009, the Biotest Group has no longer distinguished between operating and financial expenses when recognising currency translation gains and losses. All foreign exchange losses are recognised as financial expenses. The figures for the previous year have been adjusted accordingly. As a result, €2,439 thousand (2008: €1,311 thousand) of the operating profit was transferred to financial expenses.

D9 Income from associated companies

In financial year 2009, €297 thousand (2008: €0 thousand) was earned in income from associated companies.

D10 Income tax

€ thousand	2009	2008 *)
Taxes in the financial year	12,772	10,355
Current tax expense for previous years	885	96
Current taxes	**13,657**	**10,451**
Deferred taxes	**3,413**	**2,333**
Income tax expense	**17,070**	**12,784**

*) Adjustment of previous year's figures for the Discontinued Operation

Deferred tax assets from items with direct negative or positive impact on equity totalled €1,307 thousand (2008: liability of €500 thousand).

Applying the nominal income tax rate of 28.8% (2008: 28.8%), the expected tax expense for financial year 2009 differed from the actual amount as follows:

€ thousand	2009	2008 *)
Profit before tax	**48,969**	**45,461**
Expected tax expense	**14,103**	**13,093**
Unvalued losses in the financial year	267	–
Utilisation of unvalued loss carryforwards from previous years	–31	–983
Write-downs on deferred taxes	544	–
Tax payments for previous years	885	96
Tax effect from adjustment of deferred taxes from previous years	–154	–
Tax effect from capitalising tax credits	–1,281	–
Tax effect from non-deductible expenses	1,351	512
Tax effect from future changes in domestic tax rates	3	224
Tax effect from application of foreign tax rates and use of foreign tax losses carried forward	1,353	318
Tax effect from tax-free income	–59	–105
Other effects	89	–371
Income tax as per statement of income	**17,070**	**12,784**

*) Adjustment of previous year's figures for the Discontinued Operation

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

D11 Discontinued Operation

In July 2009 the Biotest Group decided to intensify the disinvestment process for its Medical Diagnostic segment. In the third quarter, exclusive sales negotiations were commenced with the purchaser. They led to an agreement with Bio-Rad on 23 October 2009. As of 31 December 2009, the purchase contract signed under this agreement was still subject to approval by the competition authorities. The transaction was not concluded until the beginning of the following financial year.

Due to the decision to sell the division, all relevant assets and liabilities of the Medical Diagnostic segment were treated as a Discontinued Operation pursuant to IFRS 5. Both in the statement of income and in the segment reporting and cash flow statement, the figures for the Discontinued Operation are stated separately from those of the Continuing Operations. In the statement of financial position, the assets and liabilities held for sale are reported under assets of the Discontinued Operation and liabilities of the Discontinued Operation.

As a consequence of the presentation pursuant to IFRS 5, the current result of the Medical Diagnostic division was transferred to the current result of the Discontinued Operation.

The result of the Discontinued Operation is as follows:

€ thousand	2009	2008
Income from the Discontinued Operation	42,862	38,094
Expenses from the Discontinued Operation	−46,696	−43,023
Profit before tax from the Discontinued Operation	**−3,834**	**−4,929**
Income tax paid for the Discontinued Operation	−45	371
Profit after tax from the Discontinued Operation	**−3,879**	**−4,558**
Valuation / disposal result of the Discontinued Operation before tax	–	–
Taxes on valuation / disposal result	–	–
Valuation / disposal result of the Discontinued Operation after tax	**–**	**–**
Result from the Discontinued Operation	**−3,879**	**−4,558**

D12 Auditor's expenses

KPMG LLP (UK), KPMG Switzerland, KPMG Spain (excluding the Audit division), KPMG Belgium (excluding the Audit division), and KPMG Netherlands have become affiliated companies of KPMG AG Wirtschaftsprüfungsgesellschaft as defined in Section 271 (2) of the German Commercial Code (HGB) with the merger of KPMG Europe LLP.

In all, the auditor KPMG Europe LLP charged the Biotest Group €767 thousand (2008: €633 thousand) in fees for auditing the accounts for the financial year 2009. They break down into €498 thousand (2008: €214 thousand) for tax consultancy services, €259 thousand (2008: €333 thousand) for the audit and €5 thousand (2008: €83 thousand) for other audit-related services. An additional fee of €5 thousand (2008: €3 thousand) was charged for other services.

E EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

E1 Intangible assets

All intangible assets are allocated to non-current assets.

€ thousand	Goodwill	Patents, licences and similar rights	Leased assets	Facilities under construction	Total
Cost of purchase					
As of 31 December 2007	**27,165**	**58,573**	**1,608**	**–**	**87,346**
Additions	151	4,470	–	–	4,621
Disposals	–	–5	–	–	–5
Book transfers	–	45	–	–	45
Currency translation differences	1,126	2,155	–	–	3,281
As of 31 December 2008	**28,442**	**65,238**	**1,608**	**–**	**95,288**
Transferred to the Discontinued Operation	–	–4,401	–	–	–4,401
Additions	–	1,399	123	15	1,537
Disposals	–	–473	–	–	–473
Book transfers	–	–7,225	7,895	–	670
Currency translation differences	–789	–1,339	–	–	–2,128
As of 31 December 2009	**27,653**	**53,199**	**9,626**	**15**	**90,493**
Accumulated amortisation					
As of 31 December 2007	**–**	**12,386**	**1,604**	**–**	**13,990**
Depreciation in the financial year	–	3,198	4	–	3,202
Depreciation and amortisation from PPA effect	–	3,710	–	–	3,710
Impairment	–	327	–	–	327
Book transfers	–	3	–	–	3
Currency translation differences	–	248	–	–	248
As of 31 December 2008	**–**	**19,872**	**1,608**	**–**	**21,480**
Transferred to the Discontinued Operation	–	–3,404	–	–	–3,404
Depreciation in the financial year	–	4,923	1,542	–	6,465
Disposals	–	–427	–	–	–427
Book transfers	–	–305	305	–	–
Currency translation differences	–	–301	–	–	–301
As of 31 December 2009	**–**	**20,358**	**3,455**	**–**	**23,813**
Book value as of					
31 December 2008	28,442	45,366	–	–	73,808
31 December 2009	**27,653**	**32,841**	**6,171**	**15**	**66,680**

In connection with the purchase price allocation (PPA) for the plasma proteins activities acquired from Nabi Biopharmaceuticals, additional scheduled amortisation occurred as a consequence of revaluation in financial year 2008; it is stated separately in the schedule of fixed assets under the heading depreciation and amortisation from PPA effect. For 2009, these effects are included in the depreciation and amortisation for the financial year.

There are contractual obligations amounting to €65 thousand (2008: €196 thousand) for the purchase of intangible assets.

Of the additions to patents, licences and similar rights in the financial year totalling €1,399 thousand (2008: €4,470 thousand), costs of €377 thousand (2008: €3,929 thousand) relate to SAP software.

In financial year 2009 the Biotest Group sold the ERP software acquired in 2008 to a leasing company and bought it back by means of a hire purchase agreement.

With regard to the anti-D project, the market launch in the indication of the autoimmune disease ITP (idiopathic thrombocytopenic purpura) was planned at the time of the purchase price allocation. In the course of financial year 2008, the decision was made to abandon the market launch of the product in this indication, since the immunoglobulin already included in the portfolio can also be used for treatment in this indication. As a result of this decision, the intangible asset of $455 thousand (2008: €327 thousand) was written down in full in financial year 2008.

An impairment test was carried out in the Plasma Proteins cash generating unit in relation to two further development projects with an unlimited useful life and a book value of €9,626 thousand (2008: €9,964 thousand). As in the previous year, the impairment test did not lead to any write-downs.

In sensitivity analyses, the impacts of changes in the market risk premium with an effect on the discount factor used and a change in the assumed growth rate for development projects were established. If the market risk premium were to rise by five percentage points there would be no need for value adjustment with regard to development projects. If the assumed growth rate were to switch from +2% to –2%, there would likewise be no need for value adjustment.

The following items in the statement of income include scheduled amortisation and write-downs on intangible assets in the financial year:

€ thousand	2009	2008 *)
Cost of sales	4,046	3,817
Distribution expenses	246	212
Administrative expenses	2,031	2,313
Research and development expenses	142	173
Other operating expenses	–	327
	6,465	**6,842**

*) Adjustment of previous year's figures for the Discontinued Operation

As in the previous year, no intangible assets are being used to collateralise liabilities to banks under the syndicated loan agreement.

The goodwill acquired in the course of mergers was allocated to groups of cash generating units, corresponding to the segments, for the purpose of testing recoverability.

The book values of the goodwill are allocated to the individual cash generating units as follows:

Biotest Group companies	Cash generating unit	Intangible asset	Book value as of 31 December 2009 € thousand
Biotest Pharmaceuticals Corporation	Plasma Proteins segment	Goodwill	27,435
heipha Dr. Müller GmbH	Microbiological Monitoring segment	Goodwill	155
Biotest AG	Microbiological Monitoring segment	Goodwill	63
			27,653

The recoverable amount of the cash generating unit in question is determined by calculating the value in use on the basis of cash flow forecasts, which in turn are based on multi-year financial planning drawn up by the Company's management. The after-tax discount rates used of between 6% and 8% are based on the relevant weighted average cost of capital (WACC). The assumed growth rate depends on the business in question and is between 0% and 2%. Necessary write-downs are determined by comparing the book value of the cash generating unit with the recoverable amount.

In the course of the annual impairment test, there was no requirement for any write-downs on the individual cash generating units.

E2 Property, plant and equipment

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

€ thousand	Land and buildings	Machinery	Other plants, fixtures, fittings and other equipment	Leased assets	Facilities under construction	Total
Cost of purchase / cost of sales						
As of 31 December 2007	**143,405**	**81,595**	**75,645**	**36,947**	**13,010**	**350,602**
Additions	2,493	9,047	10,356	179	9,843	31,918
Book transfers	4,509	9,055	263	517	−14,389	−45
Disposals	−12	−91	−327	−77	−34	−541
Currency translation differences	1,905	1,182	1	4	1	3,093
As of 31 December 2008	**152,300**	**100,788**	**85,938**	**37,570**	**8,431**	**385,027**
Transferred to the Discontinued Operation	−13,654	−4,365	−11,290	−68	−36	−29,413
Additions	5,820	4,703	5,724	76	22,307	38,630
Book transfers	8,584	12,834	−48	998	−23,038	−670
Disposals	−286	−463	−1,084	−41	−52	−1,926
Currency translation differences	−1,241	−753	−56	–	−233	−2,283
As of 31 December 2009	**151,523**	**112,744**	**79,184**	**38,535**	**7,379**	**389,365**
Accumulated depreciation						
As of 31 December 2007	**40,002**	**33,318**	**48,571**	**14,516**	**–**	**136,407**
Depreciation in the financial year	3,240	6,498	5,877	3,018	–	18,633
Depreciation from PPA effect	6	354	–	–	–	360
Book transfers	–	−15	12	–	–	−3
Disposals	–	−83	−210	−77	–	−370
Currency translation differences	–	154	−53	4	–	105
As of 31 December 2008	**43,248**	**40,226**	**54,197**	**17,461**	**–**	**155,132**
Transferred to the Discontinued Operation	−4,852	−2,898	−7,677	−68	–	−15,495
Depreciation in the financial year	3,200	7,471	5,122	3,173	–	18,966
Impairment	215	303	–	–	–	518
Book transfers	−90	90	−215	215	–	–
Disposals	−286	−235	−925	−41	–	−1,487
Currency translation differences	−27	−189	−8	–	–	−224
As of 31 December 2009	**41,408**	**44,768**	**50,494**	**20,740**	**–**	**157,410**
Book value as of						
31 December 2008	109,052	60,562	31,741	20,109	8,431	229,895
31 December 2009	**110,115**	**67,976**	**28,690**	**17,795**	**7,379**	**231,955**

In connection with the purchase price allocation (PPA) for the plasma proteins activities acquired from Nabi Biopharmaceuticals, additional scheduled depreciation occurred as a consequence of revaluation in financial year 2008; it is stated separately in the schedule of fixed assets under the heading depreciation and amortisation from PPA effect. For 2009, these effects are included in the depreciation and amortisation for the financial year.

The write-downs were due mainly to the relocation of a plasma donation centre where it was not possible to remove fixtures and fittings installed in rented property upon moving out.

Government grants for the acquisition or production of assets reduce the cost of purchase and cost of sales. In financial year 2009, the accumulated reduction amounted to €595 thousand (2008: €766 thousand).

Assets capitalised as finance leases primarily relate to manufacturing facilities of Biotest AG for plasma fractionation and sterile final fill. The sterile final fill was completed in financial year 2002 and depreciation and amortisation began the same year. The plasma fractionation facility started operations in 2004. The term of the lease contracts for these two facilities amounts to eight years in each case. Biotest may terminate the contracts with three months' notice. The earliest possible date, however, is one on which at least 40% of the contractual term has elapsed. Biotest only has the right of termination prior to expiry of 90% of the contractual term if it provides evidence of exceptional circumstances with regard to the possibility or ability to utilise the facilities. After expiry of the contracts, Biotest may purchase the facilities at market value.

Collateral for the syndicated loan agreement, which has existed since 2007 and was extended in the reporting year, was provided by a €95 million charge on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor. The creation of a global charge on real estate belonging to the Company and its subsidiaries of €100 million was notarised on 18 March 2003 as part of an earlier collateral trustee agreement. Moreover, shares in the Biotest Pharmaceuticals Corporation were pledged as collateral.

In financial year 2009, facilities under construction primarily consisted – as in the previous year – of the manufacturing plant for the IVIG development project at Biotest Pharmaceuticals Corporation.

E3 Investments in affiliates

Investments in affiliates amounting to €100 thousand break down as follows:

€ thousand	2009	2008
Biotest Hycon GmbH	50	50
Biotest Immobilien Verwaltungs GmbH	25	25
Biotest Immobilien GmbH & Co. KG	25	25
	100	**100**

Biotest Hycon GmbH is a wholly owned subsidiary of Biotest AG. Biotest Immobilien Verwaltungs GmbH and Biotest Immobilien GmbH & Co. KG are wholly owned subsidiaries of Biotest Pharma GmbH. These companies are not operationally active and are therefore not consolidated on grounds of negligibility.

E4 Investments in associates

Investments in associates refers to the 49% stake held by Biotest Pharma GmbH in BioDarou P.J.S. Co. with its registered office in Teheran, Iran, which is valued using the equity method.

The object of the company is the collection of plasma and its processing into immunoglobulins, factors and human albumin at Biotest and the sale of finished products in Iran.

In a first stage, the partners in the joint venture intend the company to be equipped gradually with equity capital of up to €4,000 thousand. The required shareholder resolutions are adopted separately in accordance with financial requirements. To date, Biotest Pharma GmbH has contributed €1,328 in capital. The capital of BioDarou P.J.S. Co. amounts to 30 billion rials (2008: 30 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 being prepared, the previous year's figures are reported for BioDarou P.J.S. Co. as of 31 December 2008.

The earnings forecast of BioDarou P.J.S. Co. for financial year 2009 shows a clearly positive result due to the company now being in a position to regularly collect enough plasma as to be able to process it regularly on an industrial scale at Biotest AG and then to sell it in Iran.

The joint venture had the following assets and liabilities as of the 2008 reporting date:

As of 31 December 2008, non-current assets were worth €3,402 thousand (2008: €3,998 thousand) and current assets were worth €4,192 thousand (2008: €1,290 thousand).

As of 31 December 2008, non-current liabilities were valued at €2,324 thousand (2008: €2,694 thousand) and current liabilities were worth €3,402 thousand (2008: €1,290 thousand).

In financial year 2008, the company's net result for the year was €605 thousand (2008: losses of €376 thousand).

The company intends to increase blood plasma collection further by means of special measures in financial year 2010 and thereby to further raise its profitability. In addition, the company has commenced planning work on additional plasma donation centres in Iran.

In financial year 2007, shares in the company amounting to €1,015 thousand were written off in full in view of continued losses and the political situation.

Due to the political situation in Iran, which remains tense, the company's future options continue to be limited. Increasing international restrictions, especially on payments, are leading to an in part critical assessment of the company's future development. The company has stabilised and achieved a clearly positive result, whereas in the international setting the country's political situation has further deteriorated with markedly negative consequences. In addition, Iran's financial basis, and with it Iranian government support for healthcare, is dependent on the volatile price of crude oil and on crude oil sales.

In view of this assessment and bearing both aspects in mind, the Biotest Group recognised a value adjustment of €768 thousand (2008: €1,239 thousand) on the pro rata equity.

E5 Other financial investments

€ thousand	2009	2008
Pension funds (financial assets at fair value through profit and loss)	136	136
Fixed-interest securities (held to maturity)	68	87
Loans to employees (loans and receivables)	11	14
	215	**237**

In financial year 2009, as in the previous year, no reclassification of financial instruments was undertaken.

The fair value of the financial assets at fair value through profit and loss category comprises fund units; their market value as of the reporting date is advised by the custodial bank in writing.

The fair value of the held to maturity category, which includes fixed-term deposits, corresponds to the nominal value.

The loans and receivables category includes loans to employees; the fair value is set at the nominal value.

E6 Deferred tax assets and liabilities

The deferred tax assets and liabilities refer to the following items on the statement of financial position:

	Assets		Equity and liabilities		Net	
€ thousand	2009	2008	2009	2008	2009	2008
Intangible assets	73	269	186	444	−113	−175
Property, plant and equipment	10	10	17,598	15,881	−17,588	−15,871
Other financial investments	540	495	–	20	540	475
Inventories	7,876	8,138	81	370	7,795	7,768
Receivables	63	46	4,612	3,161	−4,549	−3,115
Provisions	1,346	781	42	33	1,304	748
Financial liabilities	976	2,678	407	384	569	2,294
Other liabilities	5,308	3,356	9	13	5,299	3,343
Other statement of financial position items	716	503	5	112	711	391
Tax value of the loss carried forward	3,518	3,716	–	–	3,518	3,716
Sub-total	**20,426**	**19,992**	**22,940**	**20,418**	**−2,514**	**−426**
Less netted deferred tax assets and liabilities	−14,166	−14,002	−14,166	−14,002	–	–
Deferred tax assets and liabilities	**6,260**	**5,990**	**8,774**	**6,416**	**−2,514**	**−426**

Deferred taxes have not been recognised for tax loss carryovers of €1,396 thousand (2008: €1,131 thousand) as we currently do not anticipate with sufficient certainty being able to make use of them. Of the deferred taxes not recognised for loss carryovers, €992 thousand (2008: €1,131 thousand) is attributable to German and €404 thousand (2008: €0 thousand) to foreign companies. At present, loss carryovers can be carried forward for an unlimited time in Germany.

E7 Inventories

€ thousand	2009	2008
Raw materials and supplies	35,372	29,438
Work in progress	89,581	74,940
Finished goods and merchandise	45,373	52,176
	170,326	**156,554**

Write-downs on inventories totalled €12,935 thousand (2008: €9,155 thousand) as of the reporting date. After write-down to their net realisable value, the inventories had a residual book value of €46,141 thousand (2008: €23,024 thousand).

As in the previous year, no inventories are being used to collateralise liabilities to banks under the syndicated loan agreement.

Inventories with a term to maturity of more than a year have a book value of €880 thousand (2008: €2,906 thousand).

The breakdown of impairment losses on inventories is as follows:

€ thousand	2009	2008
As of 1 January	**9,155**	**5,806**
Transferred to the Discontinued Operation	−3,079	–
Consumption	−2,182	−1,203
Releases	−57	−1,395
Additions	9,232	5,739
Foreign exchange differences	−134	208
As of 31 December	**12,935**	**9,155**

E8 Trade receivables

Trade receivables are normally due within one year. In the current financial year, of a total of €95,992 thousand (2008: €94,481 thousand), none (2008: €451 thousand) were classified as non-current. Trade receivables are allocated to the loans and receivables (LaR) category. They break down as follows:

€ thousand	2009	2008
Trade receivables (gross)	140,481	123,698
Sale of trade receivables	−40,568	−26,154
Allowance for bad debt	−3,921	−3,063
Trade receivables (net)	**95,992**	**94,481**

The allowance for bad debts is stated as the difference between the nominal value of the accounts receivable and the estimated net recoverable amount. For this estimate the Biotest Group uses historical values relating the payment behaviour of specific customers and knowledge about country-specific circumstances. When determining the value 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 risks and to specific customer risks. For write-downs on trade receivables the Biotest Group exclusively uses specific bad debt charges. General bad debt charges are not applied.

Under factoring contracts Biotest AG disposed of accounts receivable totalling €24,385 thousand (2008: €13,964 thousand) as of the reporting date. The factoring programme provides for the sale of domestic and foreign accounts receivable of Biotest AG, whereby each customer has an individual credit limit. Provided that the accounts receivable are legally valid, the factor carries the risk of the customer's inability to pay the accounts receivable purchased (risk of default).

Furthermore, as last year, these contracts provide for the sale of accounts receivable from public hospitals in Greece by Biotest Hellas MEPE. In this connection, accounts receivable totalling €9,771 thousand (2008: €12,189 thousand) have been sold as of the reporting date and are stated under other assets as accounts receivable from factoring companies.

Biotest Italia S.r.l. has been selling some of its accounts receivable from Italian customers since 2009. Provided that the accounts receivable are legally valid, the factor carries the risk of the customer's inability to pay the accounts receivable purchased (risk of default). As of the reporting date, accounts receivable totalling €6,412 thousand had been sold.

As in the previous year, no accounts receivable served as collateralised liabilities to banks as of the reporting date.

Trade receivables include accounts receivable according to the percentage of completion method amounting to €10,444 thousand (2008: €5,756 thousand). These relate to customer-specific construction contracts which are valued at the corresponding cost of sales incurred including pro rata profit.

The allowance for doubtful trade receivables and accounts receivable according to the percentage of completion method has developed as follows:

€ thousand	2009	2008
As of 1 January	**3,063**	**2,969**
Transferred to the Discontinued Operation	–53	–
Additions	1,379	558
Consumption	–355	–92
Releases	–126	–368
Foreign exchange differences	13	–4
As of 31 December	**3,921**	**3,063**

Analysis of the age of trade receivables provides the following information:

€ thousand	2009	2008
Book value	**95,992**	**94,481**
thereof not impaired and not overdue as of the reporting date	68,691	61,801
thereof not impaired and overdue by the following periods		
< 90 days overdue	10,744	13,855
91–180 days overdue	3,074	6,808
181–365 days overdue	1,118	4,653
> 1 year overdue	569	562

Of the overdue accounts receivable by the Biotest Group in financial year 2009, €7,046 thousand (2008: €16,252 thousand) relate to accounts receivable by Biotest Italia S.r.l., Italy. Due to the country-specific payment procedures, overdue accounts are common practice there. The creditworthiness of the debtors is essentially ensured, since these accounts receivable are to be paid by state-run hospitals, and it can therefore be assumed that the outstanding amounts will be paid.

Net trade receivables are denominated in the following currencies:

€ thousand	2009	2008
EUR	76,261	77,125
USD	14,437	13,532
GBP	1,922	906
HUF	1,627	1,520
RUB	424	–
Other currencies	1,321	1,398
Trade receivables (net)	**95,992**	**94,481**

E9 Other assets

€ thousand	2009 Total	2009 thereof non-current	2008 Total	2008 thereof non-current
Accounts receivable from factoring companies	9,771	–	12,189	–
Accounts receivables from associated companies	2,593	–	1,107	1,107
Deferred items	2,469	128	2,072	141
Purchase price receivable under sales law	1,000	760	–	–
Derivatives	984	897	279	244
Value-added and other tax claims	730	35	2,988	79
Payments in advance	526	–	224	64
Loans to employees	311	176	313	135
Accounts receivable from insurance companies	249	153	236	150
Other assets	631	66	1,057	152
	19,264	**2,215**	**20,465**	**2,072**

Allowances for other assets developed as follows:

€ thousand	2009	2008
As of 1 January	**964**	**964**
Transferred to the Discontinued Operation	–	–
Additions	33	–
Consumption	–	–
Releases	–	–
Currency translation differences	–	–
As of 31 December	**997**	**964**

Analysis of the age of other assets provides the following information:

€ thousand	2009	2008
Book value	**19,264**	**20,465**
thereof not impaired and not overdue as of the reporting date	19,214	20,300
thereof not impaired and overdue by the following periods		
< 90 days overdue	–	–
91–180 days overdue	–	–
181–365 days overdue	50	–
> 1 year overdue	–	–

In financial year 2009, the Biotest Group earned €174 thousand in income from operating leases (2008: €0 thousand). According to operating lease agreements in force as of the reporting date with a term until 2010, lease income will amount to €353 thousand in 2010.

Other assets are denominated in the following currencies:

€ thousand	2009	2008
EUR	18,270	18,351
USD	207	1,574
GBP	105	146
HUF	465	233
Other currencies	217	161
	19,264	**20,465**

E10 Cash and cash equivalents

€ thousand	2009	2008
Bank balances	5,937	7,302
Cash in hand	793	770
	6,730	**8,072**

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

E11 Assets and liabilities of the Discontinued Operation

As required by IFRS 5, these items list the assets and liabilities of the former Medical Diagnostics division held for sale.

No impairment losses were recognised to adjust the value of the Discontinued Operation's assets.

€ thousand	2009	2008
Intangible assets	997	–
Property, plant and equipment	12,435	–
Finance lease assets	–	–
Investments in affiliates	–	–
Inventories	14,316	–
Trade receivables	3,499	–
Current income tax assets	96	–
Deferred tax assets	–	–
Other assets	121	–
Cash and cash equivalents	14	–
Assets of the Discontinued Operation	**31,478**	**–**
Subscribed capital	–	–
Share premium	–	–
Reserves	–	–
Retained earnings attributable to equity holders of the parent company	–	–
Pension provisions and similar obligations	3,464	–
Current income tax liabilities	–	–
Deferred tax liabilities	–	–
Other provisions	1,794	–
Financial liabilities	506	–
Trade payables	1,660	–
Other liabilities	1,526	–
Liabilities of the Discontinued Operation	**8,950**	**–**

E12 Equity

The subscribed capital is fully paid up and amounted to €30,025,152.00 (ordinary shares: €16,883,819.52; preference shares: €13,141,332.48) as of 31 December 2009, as in the previous year. As of that date, it was divided into 6,595,242 ordinary shares of no-par value and 5,133,333 preference shares of no-par value and without voting rights. Certification of shares is ruled out. The theoretical nominal value of these shares therefore amounted to €2.56. The distributable profit of Biotest AG, determined in accordance with the German Commercial Code, is the basis for the profit distribution in any financial year.

In her letter dated 8 February 2008, Dr. Cathrin Schleussner advised us that her share of the voting rights as of that day amounted to 50.03%. The voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner. On 3 December 2008, Massachusetts Mutual Life Insurance Company, Massachusetts, USA, advised us that its shareholding exceeded the 3% threshold as of 28 November 2008 and that the company now holds 3.18% of the voting rights. As of the reporting date, 31 December 2009, Kreissparkasse Biberach held 24.36% of the Company's ordinary shares according to its latest notification.

The proposed appropriation of profits provides for a dividend distribution of €4,296 thousand for the year 2009. The dividend on ordinary shares amounts to €0.34 per share and on preference shares €0.40 per share. Preference shares carry minimum dividend rights of €0.11 per share. Moreover, should 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, one must be paid in the following year. If a dividend is not paid in the second year, preference shares are furnished with voting rights (cf. Section 140 (2) of the German Stock Corporation Act (AktG)).

By resolution of the Annual Shareholders' Meeting held on 7 May 2009, Biotest AG was authorised to purchase own ordinary and/or preference shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 6 November 2010 up to 10% of the share capital at the time of the resolution amounting to €30,025 thousand. Furthermore, a resolution adopted by the Annual Shareholders' Meeting on 20 May 2005 authorised the Board of Management, with the consent of the Supervisory Board, to increase the Company's share capital by up to €10,240 thousand by 19 May 2010 through issuing new ordinary and/or preference shares (authorised capital) against cash contributions and/or contributions in kind. Following the capital increase on 28 September 2007, the authorised capital now totals €695 thousand. Issuance can take place once or on several occasions and shareholders' subscription rights may be excluded.

In addition, the Board of Management was authorised with the consent of the Supervisory Board to issue profit-sharing rights until 7 July 2009 up to a nominal amount of up to €50,000 thousand. In financial year 2005, use was made of this authorisation to a total of €10,000 thousand.

Earnings per share (from Continuing Operations) are calculated by dividing the consolidated profit attributable to all shareholders by the weighted average number of shares outstanding.

€ thousand	2009	2008
Profit for the period	29,551	30,300
Additional dividend on preference shares	–308	–308
Profit adjusted for additional dividend rights	**29,243**	**29,992**
Number of shares outstanding (corresponds to weighted average)	11,728,575	11,728,575
Earnings per share in €	**2.49**	**2.56**
Additional dividend rights per preference share in €	**0.06**	**0.06**
Earnings per preference share in €	**2.55**	**2.62**

E13 Pension provisions and similar obligations

Benefits are based on the employee's length of service and salary. Retirement benefit obligations mainly relate to employees with the Group's German and Greek companies. Similar obligations are foreign obligations that become due in the form of a one-time payment on retirement.

Pension provisions and similar obligations consist of the following:

€ thousand	2009	2008
Pension benefits	45,967	42,137
Similar obligations	2,320	1,251
	48,287	**43,388**

The net value of pension provisions and similar obligations is derived as follows:

€ thousand	2009	2008
Present value of retirement benefit obligations funded by provisions	**48,151**	**43,275**
Present value of retirement benefit obligations funded by pension liability insurance	856	852
Fair value of plan assets (employer's pension liability insurance)	–720	–739
Present value of retirement benefit obligation	**48,287**	**43,388**

During the period under review the value of pension provisions at Group level changed as follows:

€ thousand	2009	2008
Pension provisions as of 1 January	**43,388**	**43,103**
Transferred to the Discontinued Operation	–2,718	–
Pension payments in the reporting period	–2,366	–2,315
Liquidation of pension provisions for persons no longer eligible for benefit	–	–4
Pension costs	5,533	4,360
Actuarial losses (2008: gains) recognised in equity	4,450	–1,756
Pension provisions as of 31 December	**48,287**	**43,388**

The defined benefit system generated overall expenses totalling €5,922 thousand (2008: €4,360 thousand) in the reporting period. Pension expenses in the Discontinued Operation amounted to €389 thousand (2008: €295 thousand) in the financial year. The total cost for Continuing Operations consisted of the following components:

€ thousand	2009	2008 *)
Current service cost	2,648	1,438
Service costs to be charged retrospectively	412	478
Changes in the fair value of plan assets (employer's pension liability insurance)	–18	–61
Interest expense	2,491	2,210
	5,533	**4,065**

*) Adjustment of previous year's figures for the Discontinued Operation

In financial year 2009 actuarial losses totalling €4,450 thousand (2008: gains of €1,756 thousand) were recognised in equity.

Pension costs are included in the following items in the statement of income:

€ thousand	2009	2008 *)
Cost of sales	1,376	855
Distribution expenses	785	447
Administrative expenses	465	305
Research and development expenses	441	309
Financial expenses	2,466	2,149
	5,533	**4,065**

*) Adjustment of previous year's figures for the Discontinued Operation

Pension costs in the Discontinued Operation amounted to €389 thousand in financial year 2009. After reclassification pursuant to IFRS 5, the €295 thousand in pension costs incurred in 2008 are not included in the above table.

The calculations are based on the following actuarial assumptions:

In %	2009	2008
Discount rate as of 31 December	4.9–5.4 %	5.5–6.3 %
Expected return on plan assets	2.0–6.0 %	2.0–6.0 %
Salary progression	3.3 %	1.5–3.5 %
Pension progression	2.0 %	1.5–2.0 %
Staff turnover rate	3.0–4.5 %	3.0–4.5 %

With the exception of the discount rate, the actuarial assumptions are based on empirical values.

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

€ thousand	2009	2008
Defined benefit obligation as of 1 January	**44,127**	**43,780**
Current service cost	2,648	1,587
Interest expense	2,491	2,356
Actuarial gains and losses	4,450	–1,756
Service costs to be charged retrospectively	412	478
Pensions paid	–2,403	–2,318
Transferred to the Discontinued Operation	–2,718	–
Defined benefit obligation as of 31 December	**49,007**	**44,127**

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

€ thousand	2009	2008
Present fair value of plan assets as of 1 January	**739**	**677**
Transferred to the Discontinued Operation	–	–
Expected income on plan assets	18	60
Actuarial gains and losses	–8	–2
Employer's contributions	–29	4
Pensions paid	–	–
Present fair value of plan assets as of 31 December	**720**	**739**

Actual income from plan assets amounted to €17 thousand in financial year 2009 (2008: €30 thousand).

As in the previous year, plan assets consisted solely of insurance contracts.

IAS 19.120A p) requires the presentation of an overview of the current year and the previous four years:

€ thousand	2009	2008	2007	2006	2005
Present value of the defined benefit obligation (DBO)	49,007	44,127	43,780	43,799	42,992
Present fair value of plan assets	720	739	677	676	629
Expectation-related adjustments:					
a) plan liabilities	4,771	1,273	861	1,501	2,226
b) plan assets	–8	–2	–8	–32	–8

In the financial year under review, spending on contribution-based pension plans totalled €6,315 thousand (2008: €5,725 thousand).

Expenses for contribution-based pension plans break down as follows:

€ thousand	2009	2008 *)
Contribution-based Company pension plans	184	231
Employer's contributions to statutory pension insurance	6,131	5,494
	6,315	**5,725**

*) Adjustment of previous year's figures for the Discontinued Operation

E14 Other provisions

€ thousand	Partial retirement	Other staff-related costs	Miscella-neous	Total	thereof short-term
As of 31 December 2007	**2,947**	**10,082**	**6,403**	**19,432**	**16,787**
Additions	1,608	9,083	5,519	16,210	
Drawdowns	−2,377	−7,847	−1,622	−11,846	
Releases	–	−521	−285	−806	
Book transfers	–	119	−119	–	
Currency translation differences	–	3	36	39	
Addition of accrued interest	12	−52	−66	−106	
As of 31 December 2008	**2,190**	**10,867**	**9,866**	**22,923**	**19,270**
Transferred to the Discontinued Operation	−228	−1,378	−290	−1,896	
Additions	764	7,948	6,590	15,302	
Drawdowns	−1,047	−7,689	−2,837	−11,573	
Releases	–	−555	−889	−1,444	
Book transfers	–	322	−322	–	
Currency translation differences	–	−47	−42	−89	
Addition of accrued interest	−123	113	68	58	
As of 31 December 2009	**1,556**	**9,581**	**12,144**	**23,281**	**19,622**

Provisions were set aside in accordance with the chemical industry employers' association (Bundesarbeitgeberverband Chemie e.V.) pay-scale agreement to encourage partial retirement that ran until 31 December 2009. Provision is now only being made for current partial retirement arrangements (performance backlog, top-up amounts and severance payments if required) because, now that the pay-scale agreement has lapsed, there is no further statutory requirement to conclude new partial retirement contracts.

The other staff-related provisions basically consist of provisions for profit-sharing, anniversaries and contributions to the employer's liability insurance association.

Miscellaneous provisions include provisions for the Long Term Incentive Programme as well as the negative market value of derivative financial instruments, guarantees, litigation risks and similar issues.

The additions in financial year 2009 consist mainly of additions to profit sharing by employees (€6,085 thousand), the Long Term Incentive Programme (€1,344 thousand) and partial retirement benefits (€641 thousand).

In accordance with IFRS 5, provisions totalling €1,794 thousand were allocated to the Discontinued Operation. The reclassification of carryovers from financial year 2008 is stated separately as a book transfer to the Discontinued Operation.

The release of other provisions amounting to €533 thousand relates mainly to profit sharing by employees.

The impact of changes to the discount rate on the previous year's present value amounts to −€13 thousand.

E15 Financial liabilities

€ thousand	2009	2008
Non-current liabilities		
Collateralised liabilities to banks	130,165	145,144
Unsecured subordinated loans	17,358	17,310
Unsecured other loans	50	416
Liabilities from finance leases	6,147	3,778
	153,720	**166,648**
Current liabilities		
Collateralised liabilities to banks	30,519	16,973
Unsecured other loans	3,508	3,794
Short-term portion of liabilities from finance leases	4,410	5,688
Unsecured liabilities to banks	12,385	1,737
	50,822	**28,192**

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

The syndicated loan agreement includes a short-term tranche of €40 million, a long-term tranche of €85 million with full amortisation within seven years as well as a bullet tranche of €50 million that is due in 2015.

An additional loan agreement was signed that came into effect on 6 May 2009. It added to the financing framework of the existing syndicated loan agreement a two-year operating line of credit amounting to €40 million. In addition, an additional €15 million line of credit was agreed to cover EUR-USD exchange rate risks in connection with a loan taken out by the Biotest Pharmaceuticals Corporation. This ensures that exchange rate fluctuations will not restrict free lines of credit as long as their effect does not exceed €15 million.

In financial year 2009 no use was made of €62,831 thousand (2008: €32,210 thousand) of the syndicated loan agreement. Further unused lines of credit totalled €27,196 thousand (2008: €36,936 thousand).

Information on hedging exchange-rate and interest risks is given in section F3 Financial instruments.

Unsecured subordinated loans consist mainly of a bullet loan taken out in connection with a profit participation agreement on 25 November 2005. The loan's nominal value was €10,000 thousand. It amounted to €9,858 thousand (2008: €9,809 thousand) and a letter of subordination had been issued for it. The interest rate payable on the loan is subject to key financial figures. It was disbursed less a discount.

In connection with the syndicated loan agreement, Biotest AG is required to maintain certain financial ratios. They apply to a certain ratio of net debt to EBITDA, to a certain ratio of net debt to liable equity and to a ratio of EBITDA to interest expense. These financial ratios are determined quarterly to the end of the quarter based on the annual or quarterly consolidated financial statements. In financial year 2009 all financial performance indicators were maintained, as in the previous year.

Terms, redemption terms of financial liabilities and the structure of times to maturity are as follows:

€ thousand 2009	Total	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
Euro – floating, between 1.5% and 2.7%	85,849	22,395	12,808	50,646
USD – floating, between 1.0% and 2.6%	62,377	3,373	59,004	–
Euro – fixed, between 3.8% and 6.4%	11,063	3,356	6,070	1,637
HUF – floating, 8.6%	1,109	1,109	–	–
GBP – floating, 2.9%	286	286	–	–
Other loans:				
Euro – floating, between 2.9% and 4.6%	3,120	3,070	50	–
USD – fixed, 2.3%	258	258	–	–
Euro – fixed, between 3.3% and 6.0%	180	180	–	–
Liabilities from finance leases:				
Euro – fixed, between 4.0% and 7.4%	10,557	4,410	6,144	3
Unsecured loans outstanding:				
Euro – fixed, between 1.3% and 3.6%	18,977	11,477	3,750	3,750
Euro – fixed, between 2.0% and 7.0%	10,285	427	9,858	–
HUF – floating, 8.6%	481	481	–	–
	204,542	**50,822**	**97,684**	**56,036**

Terms, redemption terms of the previous year's financial liabilities and the structure of times to maturity are as follows:

€ thousand 2008	Total	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
Euro – floating, between 1.3% and 5.7%	79,744	5,167	24,112	50,464
Euro – fixed, between 3.8% and 6.4%	20,555	7,471	8,350	4,734
USD – floating, between 1.3% and 3.8%	61,819	4,335	53,891	3,593
Other loans:				
Euro – floating, between 4.5% and 6.7%	3,394	3,344	–	50
Euro – fixed, between 3.3% and 6.0%	815	450	56	310
Liabilities from finance leases:				
Euro – fixed, between 3.0% and 7.4%	9,466	5,688	3,692	86
Unsecured loans outstanding:				
Euro – floating, between 3.2% and 7.0%	10,258	448	9,810	–
Euro – fixed, between 3.6% and 6.7%	8,250	750	1,250	6,250
HUF – floating, 1.9%	539	539	–	–
	194,840	**28,192**	**101,161**	**65,487**

Liabilities from finance leases are amortised as follows:

€ thousand	Payment	Interest	Amortisation
2009			
Due in < 1 year	5,165	755	4,410
Due in 1 to 5 years	6,824	680	6,144
Due in > 5 years	3	–	3
	11,992	**1,435**	**10,557**
2008			
Due in < 1 year	6,316	628	5,688
Due in 1 to 5 years	4,017	325	3,692
Due in > 5 years	88	2	86
	10,421	**955**	**9,466**

Collateral for the syndicated loan agreement was provided by a €95 million charge on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor. The creation of a global charge on real estate belonging to the Company and its subsidiaries of €100 million was notarised on 18 March 2003 as part of an earlier collateral trustee agreement. Moreover, shares in the Biotest Pharmaceuticals Corporation were pledged as collateral.

E16 Other liabilities

€ thousand	2009	2008
Commissions payable	10,236	6,202
Deferred liabilities	2,523	2,266
Value added tax liabilities	2,284	3,344
Social security liabilities	1,435	573
Wage tax liabilities	1,375	1,756
Downpayments received	569	539
Liabilities from other taxes	52	–
Other miscellaneous liabilities	2,215	2,799
Deferred items	703	215
	21,392	**17,694**

In this financial year, there are other liabilities with a time to maturity of over one year totalling €375 thousand (2008: €220 thousand).

F OTHER EXPLANATORY NOTES

F1 Long Term Incentive Programme

Biotest AG pursues a business policy focused on the interests of shareholders in terms of the shareholder value principle that promotes the long-term value enhancement of the Biotest Group. In 2006, the Company therefore resolved, with the consent of the Supervisory Board, to launch a Long Term Incentive Programme (LTIP) that can be continued annually.

The previous 2006 LTIP with its 2006, 2007 and 2008 tranches constituted a unit regarding the requirement of a personal investment by an eligible participant. The own investment did not need to be made additionally for each new tranche; the investment in the first tranche could count toward it.

In 2009 it was decided, with the Supervisory Board's approval, to continue the Long Term Incentive Programme with the first tranche of a 2009 LTIP. Eligible participants were, however, required to make a further investment of their own.

The figures for the 2007, 2008 and 2009 tranches relate to employees who are not leaving the Biotest Group with the sale of its Medical Diagnostic activities.

Long Term Incentive Programme 2009 / First tranche
The programme was launched on 1 June 2009 and runs until 31 December 2011. The design of the 2009 LTIP is modelled on that of the 2006 LTIP and its 2006, 2007 and 2008 tranches and is largely identical to them in structure.

Participation in the programme is subject to the participant making a personal investment by purchasing preference shares in Biotest AG. The personal investment consists of the addition of preference shares to be newly acquired as part of the LTIP (new investment) and additional preference shares to be contributed the number of which is determined by the investment in new shares (additional investment). To take part in the 2009 LTIP, each eligible participant is required to put up as an additional investment 50% of the number of preference shares acquired by way of new investment. To do so, the participant can either make use of preference shares acquired in one of the 2006 LTIP's three tranches or of additional preference shares he has bought in the meantime or buy the required number of preference shares in the market.

Preference shares that the participant has already acquired, either in 2006, 2007 or 2008 as part of the 2006 LTIP or otherwise, can be used as an additional investment but will not serve as the new investment. Only the new investment counts toward the calculation of the incentive payment as part of the 2009 LTIP.

The personal investment in preference shares is to be held in a custody account at least until the incentive payment is disbursed. For participants from Biotest subsidiary Biotest Pharmaceuticals Corp. no personal investment is required due to special legal reasons resulting from US law. On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2012; this cash payment will depend on the level of new investment, the fixed salary as of 1 October 2009 and the achievement of two performance targets. The performance targets are allocated to factors by which the new investment is multiplied.

The level of the incentive payment is calculated in accordance with the following formula:

$$\frac{\text{New investment x performance factor 1} + \text{New investment x performance factor 2}}{100} \times \text{annual fixed salary as of 1 October 2009} = \text{Payment}$$

The level of the performance factors derives from the extent to which the Company has achieved agreed performance targets.

Performance target 1 refers to the development of the share price compared to a relevant comparative parameter. Here the performance of Biotest preference shares is compared with the performance of shares listed on the SDAX index.

Position in relation to benchmark (SDAX shares)	Performance factor 1
Better than 3rd quartile and at least a 15% absolute price increase in relation to the benchmark	Max. 0.05
Equal to or better than 3rd quartile	0.04
Same as median	0.02
Same as 1st quartile	0.01
Worse than 1st quartile	0.00

The key criterion for performance factor 1 is, however, that in financial year 2011 the Company must achieve earnings before interest and taxes (EBIT) of at least €15,000 thousand before the LTIP is taken into account. If EBIT is less than €15,000 thousand in 2011, the factor is 0.

Performance target 2 relates to the average EBIT margin achieved in the years 2009, 2010 and 2011 based on the sum total of these annual EBIT margins divided by three.

The performance factor 2 is also linked to another key criterion. The factor only comes into effect when the price of Biotest preference shares has outperformed the 1st quartile of the SDAX index shares during the term. The calculation is carried out in the same way as for performance factor 1.

Average EBIT margin 2009–2011	Performance factor 2
Better than 16.3%	0.05
Equal to 16.3%	0.04
Equal to 14.0%	0.02
Equal to 13.0%	0.01
Below 11.9%	0.00

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

If both performance criteria are met, on expiry of the performance period a minimum of 1% and a maximum of 10% of the annual fixed salary as of 1 October 2009 is paid if there is a new investment of 100 shares.

In addition to the members of the Board of Management, a further 54 employees participate in the 2009 Long Term Incentive Programme with a total new investment of 17,100 preference shares. 6,050 preferences shares were allocated virtually to employees of Biotest Pharmaceuticals Corp.

The valuation was undertaken with the aid of the Monte Carlo simulation by external experts (Towers Perrin, Frankfurt/Main). In assessing market conditions as well as non-market conditions as per IFRS 2 "Share-based Remuneration", conditions that influence the incentive payment but cannot be observed in the market are separated from observable market conditions. The determination of market conditions is undertaken by assessing fair value. The fair value of making an incentive payment in relation to outperforming the SDAX is stated at €1.879 per 100 preference shares as of 31 December 2009 in equity capital and a fixed payment of €100. At the time when the incentive payment was made, on 1 June 2009, the fair value was stated at €2.010. Non-market conditions are taken into account by adding performance factor 2, which is calculated on the basis of budget forecasts. As of 31 December 2009, the sum total of factors amounted to 2.7468%.

All market parameters which are not directly observable are determined by means of statistical estimates. Empirical market data is used to estimate volatilities. The risk-free market interest rate to be applied is established on the basis of parameters published by the Deutsche Bundesbank using the Svensson method. To establish the number of persons who are likely to drop out of the programme during its term, the fluctuation rate of eligible employees was assumed to be 4%.

By 2011 the total cost of the programme is expected to amount to €851 thousand as of 31 December 2009.

In keeping with the distribution across the entire period ending on 31 December 2011, a pro rata provision amounting to €198 thousand was made as of 31 December 2009.

Long Term Incentive Programme / 2008 tranche
The programme was launched on 1 May 2008 and runs until 31 December 2010. The structure of this tranche is largely the same as that of the tranches issued in 2006 and 2007.

Participation in the programme was subject to the participant making a personal investment by purchasing preference shares in Biotest AG, with Biotest AG supporting 25% of the acquisition. Participants were able to either retain or use as their personal investment the preference shares already acquired in 2006. The personal investment in preference shares is to be held in a custody account at least until the incentive payment is disbursed. For participants from Biotest subsidiary Biotest Pharmaceuticals Corp. no personal investment is required due to special legal reasons resulting from US law. On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2011; this cash payment will depend on the level of own investment, the fixed salary as of 1 October 2008 as well as the achievement of two performance targets. The performance targets are allocated to factors by which the own investment is multiplied.

The level of the incentive payment is calculated in accordance with the following formula:

$$\frac{\text{own investment x performance factor 1} + \text{own investment x performance factor 2}}{100} \times \text{annual fixed salary as of 1 October 2008} = \text{payment}$$

The level of the performance factors derives from the extent to which the Company has achieved agreed performance targets.

Performance target 1 refers to the development of the share price compared to a relevant comparative parameter. Here the performance of Biotest preference shares is compared with the performance of shares listed on the SDAX index.

Position in relation to benchmark (SDAX shares)	Performance factor 1
Better than 3rd quartile	0.04
Same as median	0.02
Better than 1st quartile	0.01
Worse/same as 1st quartile	0.00

The key criterion for performance factor 1 is, however, that in financial year 2010 the Company must achieve earnings before interest and taxes (EBIT) of at least €10,000 thousand before the LTIP is taken into account. If EBIT is less than €10,000 thousand in 2010, the factor is 0.

Performance target 2 relates to the average EBIT margin achieved on Group level in the years 2008, 2009 and 2010 based on the sum total of these annual EBIT margins divided by three.

The performance factor 2 is also linked to another key criterion. The factor only comes into effect when the price of Biotest preference shares has outperformed the 1st quartile of the SDAX index shares during the term. The calculation is carried out in the same way as for performance factor 1.

Average EBIT margin 2008–2010	Performance factor 2
16.3% and above	0.04
Equal to 12.8%	0.02
At least 10.9%	0.01
Below 10.9%	0.00

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

If both performance criteria are met, on expiry of the performance period a minimum of 2% and a maximum of 8% of the annual fixed salary as of 1 October 2008 is paid if there is a personal investment of 100 shares.

In addition to the members of the Board of Management, a further 104 persons participate in the Long Term Incentive Programme with a total personal investment of 22,500 preference shares. 5,450 preferences shares were allocated virtually to employees of Biotest Pharmaceuticals Corp.

By 2010 the total cost of the programme is expected to amount to €1,631 thousand as of 31 December 2009.

The 2008 tranche was valued in the statement of financial position as of 31 December 2008 and stated as a provision totalling €485 thousand.

In 2009, the year-end value as of 31 December 2009 was increased to €1,058 thousand. The period expense for 2009 was €573 thousand.

The sum total of factors thereby changed as of 31 December 2009 from 5.483% to 5.450%. The number of eligible persons fell by one due to disinvestment and staff leaving the Company. As a result, total personal investment in preference shares was down by 800 shares in all.

Long Term Incentive Programme / 2007 tranche
The 2007 tranche of the Long Term Incentive Programme was described in detail in the annual financial statements as of 31 December 2007.

The 2007 tranche's performance factor 1 is identical to that of the 2006 and 2008 tranche and is as follows:

Position in relation to benchmark (SDAX shares)	Performance factor 1
Better than 3rd quartile	0.04
Same as median	0.02
Better than 1st quartile	0.01
Worse than/same as 1st quartile	0.00

The 2007 tranche's performance factor 2 has slightly different intervals to that of the 2006 and 2008 tranche and is as follows:

Average EBIT margin 2007–2009	Performance factor 2
16.5% and above	0.04
Equal to 13.0%	0.02
At least 10.0%	0.01
Below 10.0%	0.00

The level of the incentive payment is calculated in accordance with the following formula:

$$\frac{\text{own investment x performance factor 1} + \text{own investment x performance factor 2}}{100} \times \text{annual fixed salary as of 1 October 2007} = \text{payment}$$

The 2007 tranche was valued in the statement of financial position as of 31 December 2009 and stated as a provision totalling €1,352 thousand (2008: €807 thousand).

The period expense for 2009 was €545 thousand.

The sum total of factors thereby changed as of 31 December 2009 from 5.635% to 5.9792%.

Long Term Incentive Programme / 2006 tranche
The 2006 tranche of the Long Term Incentive Programme was described in detail in the annual financial statements as of 31 December 2006.

The 2006 tranche was disbursed in May 2009 with a total payout of €1,344 thousand. The share performance was 4.0% per 100 preference shares and the average EBIT margin achieved between 2006 and 2008 was 12.028%. The sum total of factors was 5.861%. The number of qualifying preference shares personally acquired (own investment) was 16,310.

Effects of the disposal of the Medical Diagnostic segment on the LTIP
Eligible participants who will no longer be Biotest Group employees following the disposal of the Medical Diagnostic segment because they are employed by the new owner, Bio-Rad, as of 6 January 2010 will leave the LTIP. They will receive a pro rata incentive payment that is geared to the date of the ad-hoc announcement of the disposal, 23 October 2009.

In all, €379 thousand will be paid out in January 2010. This sum was set aside in the consolidated financial statements as of 31 December 2009.

Further general information about the LTIP
Entitlement to an incentive payment ceases for both programmes and all tranches if employment within the Biotest Group ends, independent from the reason (other than retirement, early retirement, partial retirement, invalidity or occupational disability).

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 is transferred to a shareholder who did not previously hold these voting rights, of the company being delisted from the stock market, of a merger or change of legal status of the parent company or of the company by which the participant is employed leaving the Group.

From 2009 the EBIT of the Continuing Operations will count toward calculating the EBIT margin.

F2 Financial instruments

F2.1 Reconciliation of classification in valuation categories and the values stated and fair values

€ thousand			Valuation in the statement of financial position according to IAS 39					
Statement of financial position items (classification)	Valuation category according to IAS 39	Book value as of 31 Dec 2009	Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss	Valuation in the statement of financial position according to IAS 17	Fair value as of 31 Dec 2009
Assets								
Trade receivables	LaR	95,992	95,992	–	–	–	–	95,992
Other receivables	LaR	18,279	18,279	–	–	–	–	18,279
Other primary financial assets								
Pension funds	FAFVtPL	136	–	–	–	136	–	136
Fixed-interest securities	HtM	68	68	–	–	–	–	68
Loans to employees	LaR	11	11	–	–	–	–	11
Derivative financial assets								
Derivatives without hedging relationships	FAHfT	984	–	–	–	984	–	984
Assets of the Discontinued Operation	LaR	3,716	3,716	–	–	–	–	3,716
Equity and liabilities								
Trade payables	FLAC	40,583	40,583	–	–	–	–	40,583
Collateralised liabilities to banks	FLAC	160,684	160,684	–	–	–	–	160,972
Unsecured liabilities to banks	FLAC	29,743	29,743	–	–	–	–	30,617
Other non interest-bearing liabilities	FLAC	20,823	20,823	–	–	–	–	20,823
Liabilities from finance leases	n.a.	10,557	–	–	–	–	10,557	10,145
Other unsecured loans	FLAC	3,558	3,558	–	–	–	–	3,558
Derivatives without hedging relationships	FLHfT	433	–	–	–	433	–	433
Liabilities of the Discontinued Operation	FLAC	3,692	3,692	–	–	–	–	3,692

			Valuation in the statement of financial position according to IAS 39					
	Valuation catgory according to IAS 39	Book value as of 31 Dec 2008	Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss	Valuation in the statement of financial position according to IAS 17	Fair value as of 31 Dec 2008
	LaR	94,481	94,481	–	–	–	–	94,481
	LaR	20,186	20,186	–	–	–	–	20,186
	FAFVtPL	136	–	–	–	136	–	136
	HtM	87	87	–	–	–	–	87
	LaR	14	14	–	–	–	–	14
	FAHfT	279	–	–	–	279	–	279
	LaR	–	–	–	–	–	–	–
	FLAC	48,730	48,730	–	–	–	–	48,730
	FLAC	162,118	162,118	–	–	–	–	162,118
	FLAC	19,047	19,047	–	–	–	–	19,468
	FLAC	4,209	4,209	–	–	–	–	4,209
	n.a.	9,466	–	–	–	–	9,466	9,466
	FLAC	17,154	17,154	–	–	–	–	17,154
	FLHfT	135	–	–	–	135	–	135
	FLAC	–	–	–	–	–	–	–

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

Cash and cash equivalents with a book value of €6,730 thousand (2008: €8,072 thousand) are not included in the table above because these financial instruments are not allocated to any of the IAS 39 valuation categories.

F2.2 Aggregation of the valuation categories including values stated and fair values

€ thousand			Valuation in the statement of financial position according to IAS 39					
Categories	Valuation category according to IAS 39	Book value as of 31 Dec 2009	Amortised cost of purchase	Cost of purchase	Fair Value recognised in equity	Fair value recognised in profit or loss	Valuation in the statement of financial position according to IAS 17	Fair value as of 31 Dec 2009
Loans and accounts receivable	LaR	118,172	118,172	–	–	–	–	118,172
Held-to-maturity investments	HtM	68	68	–	–	–	–	68
Financial assets at fair value through profit and loss	FAFVtPL	136	–	–	–	136	–	136
Financial assets held for trading	FAHfT	984	–	–	–	984	–	984
Financial liabilities measured at amortised cost	FLAC	259,083	259,083	–	–	–	–	259,083
Financial liabilities held for trading	FLHfT	433	–	–	–	433	–	433

	Valuation category according to IAS 39	Book value as of 31 Dec 2008	Valuation in the statement of financial position according to IAS 39				Valuation in the statement of financial position according to IAS 17	Fair value as of 31 Dec 2008
			Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss		
	LaR	114,681	114,681	–	–	–	–	114,681
	HtM	87	87	–	–	–	–	87
	FAFVtPL	136	–	–	–	136	–	136
	FAHfT	279	–	–	–	279	–	279
	FLAC	251,258	251,258	–	–	–	–	251,619
	FLHfT	135	–	–	–	135	–	135

Trade receivables and other accounts receivable mainly have times to maturity of less than a year. Therefore, book values as of the reporting date roughly correspond to the fair values.

With regard to other non-current accounts receivable and investments held to maturity that have times to maturity of more than a year, the fair values correspond to the present values of the payments relating to the assets, taking into account current interest rate parameters that reflect market- and partner-specific changes in terms and expectations.

Trade payables as well as other liabilities regularly have times to maturity of less than a year. That is why, here too, the book values correspond roughly to the fair values.

The fair values of liabilities to banks and other financial liabilities are stated as the present values of payments relating to the debt based on the respective applicable yield curve as well as the credit spread curve analysed for each currency.

As of 31 December 2009 the Biotest Group had no major investments categorised as available for sale in its portfolio.

F2.3 Net results by valuation categories

The net result for the financial year 2009 is shown by valuation category as follows:

€ thousand		From subsequent valuation				
Categories	From interest	At fair value	Currency translation	Allowance	From disposal	Net result for 2009
Loans and accounts receivable	141	0	–61	–1,410	–	–1,330
Held-to-maturity investments	8	–	–	–	–	8
Financial assets at fair value through profit and loss	5	–	–	–	–	5
Financial assets held for trading	–	–27	–	–	–	–27
Financial liabilities held for trading	–	–358	–	–	–	–358
Financial liabilities measured at amortised cost	–9,202	–	–	–	–	–9,202
Total	**–9,048**	**–385**	**–61**	**–1,410**	**–**	**–10,904**

The net result for the previous financial year is shown by valuation category as follows:

€ thousand		From subsequent valuation				
Categories	From interest	At fair value	Currency translation	Allowance	From disposal	Net result for 2008
Loans and accounts receivable	972	–	144	–167	–	949
Held-to-maturity investments	5	–	–	–	–	5
Financial assets at fair value through profit and loss	25	2	–	–	–	27
Financial assets held for trading	–	–403	–	–	–	–403
Financial liabilities held for trading	–	–127	–	–	–	–127
Financial liabilities measured at amortised cost	–12,497	–	–	–	–	–12,497
Total	**–11,495**	**–528**	**144**	**–167**	**–**	**–12,046**

The other components of the net result are included in other financial expenses or other financial income, with the exception of allowances on trade receivables, which are reported under other operating expenses.

The result of the subsequent valuation of financial instruments allocated to the category financial assets and liabilities held for trading categories is a loss amounting to €385 thousand (2008: –€530 thousand) that takes both interest rate and currency effects into account.

F2.4 Cash flow in periods

The table below shows the contractually agreed, undiscounted interest and amortisation payments relating to the primary financial liabilities and derivative financial instruments with positive and negative fair values:

		Cash flow in 2010			Cash flow in 2011		
€ thousand	Book value as of 31 Dec 2009	Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation
Primary financial liabilities:							
Liabilities to banks	−190,427	−667	−3,285	−42,905	−538	−2,691	−22,137
Liabilities from finance leases	−10,557	−755	–	−4,410	−312	–	−2,015
Other interest-bearing liabilities	−3,558	−13	–	−3,507	–	–	–
Other non-interest-bearing liabilities	−20,823	–	–	−20,695	−1	–	−44
Liabilities of the Discontinued Operation	−3,692	−19	–	−3,331	−19	–	16
Derivative financial liabilities:							
Currency derivatives without hedging relationship	−149	–	–	149	–	–	–
Interest rate derivatives without hedging relationship	−284	–	−82	–	–	−178	–
Derivative financial assets:							
Currency derivatives without hedging relationship	87	–	–	87	–	–	–
Interest rate derivatives without hedging relationship	897	–	–	–	–	–	–

All instruments in the portfolio as of 31 December 2009 for which payments were already contractually agreed are included above. Forecast figures for future new liabilities are not included. Foreign currency amounts are translated at the exchange rate as of the reporting date. Floating interest rate payments for financial instruments are determined on the basis of the latest interest rates set prior to 31 December 2009. Financial liabilities repayable at any time are always allocated to the earliest date occurring.

	Cash flow in 2012			Cash flow in 2013			Cash flow in 2014			Cash flow after 2014		
	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation
	−467	−2,371	−31,618	−397	−1,322	−27,868	−265	−875	−10,008	−152	−638	−57,306
	−224	–	−1,989	−140	–	−2,007	−3	–	−133	–	–	−3
	–	–	–	–	–	–	–	–	−51	–	–	–
	−3	–	−43	−4	–	−41	–	–	–	–	–	–
	−18	–	−17	−17	–	−18	−16	–	−16	−111	–	−294
	–	–	–	–	–	–	–	–	–	–	–	–
	–	−294	–	–	−213	–	–	−111	–	–	−36	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	6	–	–	–	–

The following table contains the comparative values for the cash flow in specific periods based on the previous financial year:

		Cash flow in 2009			Cash flow in 2010		
€ thousand	Book value 31 Dec 2008	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation
Primary financial liabilities:							
Liabilities to banks	−181,165	−934	−7,416	−18,710	−762	−7,064	−13,379
Liabilities from finance leases	−9,466	−628	–	−5,688	−259	–	−2,946
Other interest-bearing liabilities	−4,209	−28	–	−3,793	−19	–	−13
Other non-interest-bearing liabilities	−17,154	–	–	−16,934	–	–	−75
Derivative financial liabilities:							
Currency derivatives without hedging relationship	–	–	–	–	–	–	–
Interest rate derivatives without hedging relationship	−135	–	−12	–	–	−10	–
Derivative financial assets:							
Currency derivatives without hedging relationship	–	–	–	–	–	–	–
Interest rate derivatives without hedging relationship	279	–	−6	–	–	−6	–

F3 Financial risk management

In the course of its ordinary operations and due to existing international delivery and service relations, Biotest is exposed to substantial currency and interest rate risks.

To hedge currency and interest rate positions, Biotest uses derivative financial instruments to minimise risks inherent in exchange rate and interest rate fluctuations. Derivative financial instruments are as a general rule subject to changes in market prices.

At present, Biotest does not comply in full with the formal requirements of IAS 39 for hedge accounting. Consequently, all gains and losses arising from market valuation of the derivative financial instruments used to hedge interest rate and currency risks are recognised with effect on net income.

	Cash flow in 2011			Cash flow in 2012			Cash flow in 2013			Cash flow after 2013		
	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation
	−632	−6,581	−22,939	−556	−5,675	−32,418	−481	−4,065	−28,869	−570	−5,308	−66,184
	−36	–	−333	−21	–	−234	−9	–	−179	−2	–	−86
	−19	–	−14	−18	–	−14	−17	–	−15	−127	–	−360
	–	–	−11	–	–	−11	–	–	−11	–	–	−114
	–	–	–	–	–	–	–	–	–	–	–	–
	–	−5	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	−6	–	–	−5	–	–	−5	–	–	−5	–

Financial instruments are recognised when the corresponding contracts are concluded. They are initially stated at cost of purchase and then valued at the respective market values as of the reporting date. Financial instruments are derecognised when the contractual obligations have been fulfilled by both parties or when the positions in such instruments are closed.

The market values of derivative financial instruments are shown in the statement of financial position under other assets or other provisions. As of 31 December 2009, €984 thousand (2008: €279 thousand) was reported under other assets and €433 thousand (2008: €135 thousand) under other provisions.

Credit risks
A credit risk is the financial risk of a contractual partner not fulfilling his payment obligations. Biotest deals with credit risk by means of continuous management of accounts receivable. Credit terms and other conditions are based on the customer's creditworthiness rating. In addition, parts of the German accounts receivable and selected international accounts receivable are sold to factoring companies or banks.

As of the reporting date, no significant customer groups posed a particular credit risk.

For certain customers in selected countries, credit insurance has been taken out with various companies.

Specific bad debt charges are in place for potential default risks in respect of primary financial instruments. Due to its widely diversified business structure, the Biotest Group does not face any special concentration of credit risks with regard to individual customers or countries.

Overview of the maximum default risk in respect of financial assets:

	Trade receivables		Financial investments	
€ thousand	2009	2008	2009	2008
Book value as equivalent of the maximum default risk	95,992	94,481	215	237

Market risks
Market price risks result from changes in market prices. These lead to fluctuations in fair values or future cash flows relating to the 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 mainly arise from an imbalance in the global cash flow. This imbalance is mainly due to higher sales in USD and lower purchases in USD. The Biotest Group protects itself as a matter of principle against identifiable future currency risks when 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 as well as using currency futures for the management of foreign currency risks.

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

	USD		GBP		HUF		RUB	
€ thousand	2009	2008	2009	2008	2009	2008	2009	2008
Cash reserve	742	2,792	69	113	235	14	–	–
Trade receivables	14,437	13,532	1,922	906	1,627	1,520	424	–
Other primary financial assets	207	–	105	–	465	–	–	–
Other derivative financial assets	–	–	46	–	10	–	6	–
Assets of the Discontinued Operation	2,065	–	–	–	–	–	–	–
Trade payables	–8,018	–11,476	–78	–276	–13	–51	–	–
Liabilities to banks	–63,634	–62,358	–286	–	–1,590	–	–	–
Other primary financial liabilities	–1,826	–3,843	–84	–71	–515	–346	–	–
Other derivative financial liabilities	–	–	–29	–	–13	–	–105	–
Liabilities of the Discontinued Operation	–621	–	–	–	–	–	–	–
Net exposure	**–56,648**	**–61,353**	**1,665**	**672**	**206**	**1,137**	**325**	**–**

As of the reporting date, the following currency option contracts and futures were in place:

	Nominal amount		Market values	
€ thousand	2009	2008	2009	2008
Currency option contracts	2,890	–	37	–
Currency futures	7,835	–	–99	–

As of the reporting date, the remaining times to maturity of currency option contracts and currency futures (nominal amounts: GBP 1,500 thousand, HUF 240,000 thousand, JPY 50,000 thousand, RUB 219,300 thousand) were as follows:

€ thousand	Total	Time to maturity < 1 year
31 December 2009	10,725	10,725
31 December 2008	–	–

See section B3 for information about material exchange rates during the reporting period.

Interest rate risks

Due to changes in the yield curve, the present values of payments flows change when discount rates change. The change in present value may arise for individual financial instruments on the basis of a shift in the risk-free interest rate curve (swap curve) or a change in the credit-based premiums (spread risks) that are included in the prices of the financial instruments.

The Biotest Group is exposed to interest rate risks resulting from existing loans (see also section E15 Financial liabilities). Interest rate hedging instruments are entered into to minimise such risks.

The following interest rate hedging transactions are in place as of the reporting date:

	Nominal amount		Market values	
€ thousand	2009	2008	2009	2008
Interest rate caps	80,000	65,000	859	137
Interest rate swaps	23,457	4,203	–246	8
	103,457	**69,203**	**613**	**145**

The nominal amount is the sum total of all purchase and sale prices of derivative financial transactions. The market values of interest rate hedging instruments are determined by the banks entrusted with this task. They result from the valuation of outstanding positions at market prices without taking into account contrary performance by underlying transactions. They correspond to expenses or income for liquidation of the derivative contracts on the reporting date.

The following times to maturity were in place for hedging transactions (nominal amount) as of the reporting date:

€ thousand	Total	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
2009				
Interest rate caps	80,000	–	55,000	25,000
Interest rate swaps	23,457	–	20,937	2,520
	103,457	**–**	**75,937**	**27,520**
2008				
Interest rate caps	65,000	30,000	10,000	25,000
Interest rate swaps	4,203	–	1,563	2,640
	69,203	**30,000**	**11,563**	**27,640**

To hedge against interest rate risks, floating rate financial liabilities totalling €3.5 million (2008: €4.2 million) were swapped for fixed-interest positions. Interest in a range of 3.17% to 3.67% was paid on fixed-interest financial liabilities.

In addition, under interest rate caps, financial liabilities with a volume of €75 million (2008: €45 million) are secured against an increase in variable interest rates via agreed threshold values of between 3.5% and 5.0%.

Liquidity risks

The liquidity risk is the risk of a company being unable to fulfil its financial commitments to a sufficient extent. A shortage of financial capital may result in an increase in financing costs.

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

As of 31 December 2009 the Biotest Group had access to the following contractually agreed credit lines:

€ thousand	2009	thereof drawn on	2008	thereof drawn on
Credit lines extended (with unrestricted access)	275,511	190,915	239,720	182,029
Firm credit commitments (subject to certain conditions)	20,527	3,070	14,800	3,344
	296,038	**193,985**	**254,520**	**185,373**

The individual corporate segments supply central Treasury with information to enable a liquidity profile to be prepared. All financial assets, financial liabilities and anticipated payment flows from planned transactions are included.

A maturity overview is provided in section F2.4 that illustrates how cash flows of liabilities as of 31 December 2009 impact on the Group's liquidity position.

The available liquidity, short- and long-term credit lines and the option of generating cash inflows by securitising accounts receivable provide the Biotest Group with sufficient flexibility to cover its funding requirement. Given the diversification of the funding sources and liquid funds, the Biotest Group is not exposed to a concentration of risk in terms of liquidity.

F4 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 change 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 undertaken for specific currencies that pose a significant risk to the Biotest Group. The following important currencies are analysed: USD, GBP, HUF and RUB.

If the euro had been revalued by 10% against all currencies as of 31 December 2009, the operating profit would have been €830 thousand higher (2008: €272 thousand higher).

If the euro had been devalued by 10% against all currencies as of 31 December 2009, the operating profit would have been €645 thousand lower (2008: €339 thousand lower).

In both cases the financial result and equity would have remained unchanged.

In detail, the hypothetical impact on profit or loss of €830 thousand or –€645 thousand results from the following currency sensitivities:

€ thousand	Revaluation of the euro by 10%	Devaluation of the euro by 10%
EUR/USD	–157	192
EUR/GBP	191	–140
EUR/HUF	131	–97
EUR/RUB	458	–473
EUR/other currencies	207	–127
	830	**–645**

As inter-company relationships are not included in the calculation of currency sensitivities by the provisions of IFRS 7 yet represent a material payment flow for the Biotest Group, the currency effects presented here do not correspond to the relationship between hedging transactions and underlying transactions.

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 expenses, other income components and, where applicable, equity.

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

Changes in the market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps) that are not included in a hedging relationship under IAS 39 impact on other financial income (valuation result of financial assets adjusted to fair value) and are therefore taken into account in income-related sensitivity calculations.

Currency derivatives are not subject to interest rate risks and do not therefore impact on interest rate sensitivities.

If the market interest rate level as of 31 December 2009 had been 100 basis points higher, the fair values of the financial instruments would have been €2,399 thousand (2008: €1,003 thousand) higher. The hypothetical effect on income of €1,321 thousand (2008: €466 thousand) results from potential effects of interest rate derivatives amounting to €1,321 thousand (2008: €466 thousand) and of primary financial liabilities amounting to €0 thousand (2008: €0 thousand).

Against the backdrop of the extraordinarily low reference interest rates as of the reporting date, the disclosures here are made on the basis of 70 basis points. If the market interest rate level as of 31 December 2009 had been 70 basis points lower, the fair values of the financial instruments would have been €1,320 thousand (2008: €789 thousand) lower. The hypothetical effect on income of –€535 thousand (2008: –€225 thousand) results from potential effects of interest rate derivatives amounting to –€535 thousand (2008: –€225 thousand) and of primary financial liabilities amounting to €0 thousand (2008: €0 thousand).

If the market interest rate level as of 31 December 2009 had been 100 basis points higher (or 70 basis points lower), equity would have remained unchanged.

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.

F5 Contingencies

€ thousand	2009	2008
Guarantees	17,508	5,634
Other contingent liabilities	–	–
	17,508	**5,634**

Contingent liabilities are potential commitments that result from past events. Their existence has to be confirmed by the occurrence or non-occurrence or one or more uncertain future events that are not within the full control of the Company. Contingent liabilities can also stem from current commitments resulting from past events that, however, are not recorded because either the outflow of resources plus losses of financial benefit is not probable or the amount of the commitment cannot be estimated with sufficient reliability.

F6 Other financial commitments

€ thousand	In 2010	2011–2014	From 2015	Total
Commitments to purchase property, plant and equipment	2,076	–	–	2,076
Commitments to purchase intangible assets	65	–	–	65
Commitments resulting from long-term service contracts	9,802	39,063	33,330	82,195
Other purchase commitments	3,005	–	–	3,005
Future payments from rent and lease contracts and operating leases	4,818	9,708	932	15,458
Other financial commitments	–	–	–	–
	19,766	**48,771**	**34,262**	**102,799**

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

The commitments under long-term service agreements relate to purchase commitments under two toll manufacturing agreements for the period 2010 to 2018 totalling €82,195 thousand (2008: €77,500 thousand).

Biotest rents and leases operating equipment. Operating leases include vehicle and office equipment with a base rental term of two to five years. In financial year 2009 expenditure on rental and operating lease contracts amounted to €6,613 thousand (2008: €5,836 thousand).

F7 Related party disclosures

Disclosure is required for the Biotest Group's relations with the associated company BioDarou P.J.S. Co., Teheran, Iran, and with members of the Board of Management and the Supervisory Board and persons related to them.

a) Associated companies
In financial year 2009, purchases by the Biotest Group from its associated company BioDarou P.J.S. Co., Teheran, Iran, were €0 thousand (2008: €0 thousand). The Group's liabilities to BioDarou P.J.S. Co. as of the reporting date were €0 thousand (2008: €0 thousand).

The company purchased goods and services from Biotest Group companies totalling €2,593 thousand (2008: €1,216 thousand). The resulting liabilities amounted to €2,593 thousand (2008: €1,107 thousand) as of 31 December 2009

b) Other related parties
Dr. Cathrin Schleussner informed the Biotest Group that her voting rights had totalled 50.03% since 19 December 2007. The voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner.

The members of Dr. Hans Schleussner's family are also deemed related persons as defined by IAS 24. Expenses for other related persons in the Schleussner family amount to €18 thousand (2008: €18 thousand). Shareholder loans did not give rise to any interest expenses in financial years 2008 and 2009.

As a related part of the Biotest Group, Kreissparkasse Biberach maintains the employees' custody accounts as part of the Long Term Incentive Programme.

c) Supervisory Board and Board of Management

Board members
As of 31 December 2009, the members of the Supervisory Board and the Board of Management additionally served on statutory Supervisory Boards and comparable supervisory bodies of commercial enterprises as follows:

Supervisory Board

Dr. Thorlef Spickschen, businessman, Seeheim, Germany
Chairman
Stiftung Orthopädische Universitätsklinik, Heidelberg, Germany
Cytos AG, Zurich, Switzerland

Dr. Cathrin Schleussner, biologist, Neu-Isenburg, Germany
Deputy Chairperson

Prof. Dr. Marbod Muff, economist, Ingelheim, Germany

Thomas Jakob, businessman, Ulm, Germany
Deputy Chairman of the Management Board, Kreissparkasse Biberach, Germany

Barbara Arnold-Schlosser, commercial employee, Leimen, Germany

Astrid Paluch, technical employee, Rödermark, Germany

€ thousand 2009	Fixed remuneration	Variable remuneration	Total remuneration
Dr. Thorlef Spickschen (Chairman)	51	25	76
Dr. Cathrin Schleussner (Deputy Chairperson)	29	15	44
Prof. Dr. Marbod Muff	23	10	33
Thomas Jakob	18	10	28
Barbara Arnold-Schlosser	18	10	28
Astrid Paluch	15	10	25
	154	**80**	**234**

€ thousand 2008	Fixed remuneration	Variable remuneration	Total remuneration
Dr. Thorlef Spickschen (Chairman)	43	5	48
Dr. Cathrin Schleussner (Deputy Chairperson)	29	5	34
Prof. Dr. Marbod Muff (since September 2008)	6	2	8
Dr. Jochen Hückmann (until May 2008)	9	2	11
Thomas Jakob	18	5	23
Barbara Arnold-Schlosser	18	5	23
Astrid Paluch	15	5	20
	138	**29**	**167**

Board of Management

Prof. Dr. Gregor Schulz, physician, Umkirch, Germany
Chairman

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

Total remuneration of members of the Board of Management who actively served in financial year 2009 amount to €911 thousand (2008: €908 thousand).

Of this total, Prof. Dr. Schulz received €300 thousand in fixed remuneration, plus allowances for, for example, insurance policies as well as benefits in kind (a company car) totalling €38 thousand. His performance-related remuneration amounted to €151 thousand.

Of this total, Dr. Michael Ramroth received €260 thousand in fixed remuneration, plus allowances for, for example, insurance policies as well as benefits in kind (a company car) totalling €30 thousand. His performance-related remuneration amounted to €132 thousand.

The contracts of employment with both members of the Board of Management include a severance provision in the event that the contracts are terminated prematurely, as defined below, due to a change of control. The settlement consists of the fixed remuneration until the end of the contractual term

plus pro rata bonuses calculated on the basis of the average amount for the previous two financial years plus a consideration that takes into account the value of the use of a company car. If the remaining term is less than three years, the severance payment amounts to three times the annual fixed remuneration plus bonuses and a consideration for the use of a company car. There is no such entitlement if the Board of Management contract is terminated for good cause, illness or incapacity to work, or if the member of the Board of Management concerned has reached the age of 60 or 62, accordingly, at the time of termination or received benefits from a third party in connection with the change of control.

There are no other one-off or recurring commitments in the event of a termination of employment on the Board of Management.

Participation by members of the Board of Management in the Long Term Incentive Programme is not included in total remuneration and is as follows:

€ thousand	Own investment in preference shares (number of shares)	Total cost of stock option programme	Cost of stock option programme in financial year
2009 (2007, 2008 and 2009 tranches)			
Prof. Dr. Gregor Schulz	2,000	425	160
Dr. Michael Ramroth	2,000	369	137
	4,000	**794**	**297**
2008 (2006, 2007 and 2008 tranches)			
Prof. Dr. Gregor Schulz	1,000	494	163
Dr. Michael Ramroth	1,000	442	145
	2,000	**936**	**308**

The 2006 tranche of the Long Term Incentive Programme was disbursed in financial year 2009; Prof. Dr. Gregor Schulz received €164 thousand and Dr. Michael Ramroth received €152 thousand.

Pension provisions totalling €2,040 thousand (2008: €1,543 thousand) were made for active members of the Board of Management. Of this total, €1,472 thousand (2008: €1,137 thousand) are attributable to Prof. Dr. Gregor Schulz and €568 thousand (2008: €406 thousand) to Dr. Michael Ramroth.

Reserves provisions €3,650 thousand (2008: €3,781 thousand) were made for pension commitments to former members of the Board of Management. As of the reporting date there were no loan claims against members of the Company's management bodies.

Pension payments to former members of the Board of Management amounted to €400 thousand (2008: €385 thousand).

F8 Material subsidiaries

The following subsidiaries were fully consolidated in the Biotest Group's financial statements:

Name of company	Registered office	Interest held in %	Shareholders' equity € million	Profit after tax € million
Biotest Pharma GmbH	Dreieich, Germany	100.00	95.1	2.4
Biotest Grundstücksverwaltungs GmbH	Dreieich, Germany	98.00	3.8	0.5
Biotest Seralc° N.V.	Mechelen, Belgium	100.00	0.0	−0.5
Biotest S.a.r.l.	Paris, France	100.00	1.6	0.2
Biotest (UK) Ltd.	Birmingham, UK	100.00	1.3	0.2
Biotest Italia S.r.l.	Milan, Italy	100.00	9.2	−0.1
Biotest K.K.	Yokohama, Japan	100.00	0.0	0.0
Biotest Austria GmbH	Vienna, Austria	100.00	2.1	0.5
Biotest (Schweiz) AG	Rupperswil, Switzerland	100.00	1.6	0.6
Biotest Hungaria Kft.	Budapest, Hungary	100.00	3.1	0.4
Biotest Diagnostics Corporation	Rockaway, NJ, USA	100.00	−0.4	−1.2
Biotest Hellas MEPE	Athens, Greece	100.00	3.5	0.2
Biotest Medical S.L.U.	Barcelona, Spain	100.00	0.1	0.0
Biotest Microbiology Corporation	Rockaway, NJ, USA	100.00	0.8	0.0
heipha Dr. Müller GmbH	Eppelheim, Germany	51.00	10.2	4.8
Viro-Immun Labor-Diagnostika GmbH	Oberursel, Germany	88.975	0.2	−0.1
Biotest Medical Diagnostics GmbH	Dreieich, Germany	100.00	9.3	−2.3
Plasmadienst Tirol GmbH	IInnsbruck, Austria	100.00	0.4	0.1
Plasma Service Europe GmbH *	Dreieich, Germany	100.00	0.5	0.0
Biotest Pharmaceutical Corporation	Boca Raton, FL, USA	100.00	75.2	5.1
Biotest US Corporation	Boca Raton, FL, USA	100.00	70.2	0.0
Plazmaszolgálat Kft.	Budapest, Hungary	100.00	0.2	−0.7

* There is a profit transfer agreement between Plasma Service Europe GmbH and Biotest Pharma GmbH.

F9 Pending and imminent litigation

As of the reporting date, provisions totalling €2,147 thousand (2008: €400 thousand) were in place for pending and imminent litigation.

F10 Events after the reporting date

On 6 January 2010 the European anti-trust authorities approved the sale of our transfusion and transplantation diagnostic activities to Bio-Rad Laboratories, Inc. The Biotest Group and various Bio-Rad group companies closed on this day the contract they had signed on 23 October 2009 subject to this approval.

F11 Exercise of discretion and uncertainty of estimates

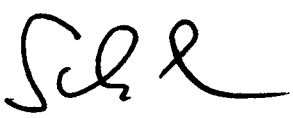
In preparing financial statements, assumptions and estimates must to a certain extent be made that have an effect on the recognised amount and disclosure of reported assets and liabilities as well as income and expenses during the reporting period. These assumptions and estimates relate for the most part to the recoverability of accounts receivable and inventories and to the assessment of the likelihood of occurrence with regard to the potential requirement to recognise provisions. In evaluating these assumptions and estimates, the management relies on past experience, on assessments by experts (lawyers, rating agencies, trade associations) and on the result of carefully weighing up different scenarios. Due to developments that deviate from these assumptions and are beyond the management's control, actual amounts may differ from the original estimates. If actual development deviates from the anticipated development, the premises and, if necessary, the book values of the assets and liabilities in question are adjusted accordingly.

The price pressure on markets, political risks as well as impacts of the financial market crisis on the financing of healthcare systems all lead to a degree of uncertainty as regards future risks. From today's vantage point, however, and compared with the situation at the beginning of 2009, the Biotest Group sees for the financial year ahead a stabilising development in which any adjustment of the book values of assets and liabilities as recognised in the statement of financial position seems unlikely.

F12 Corporate governance

The Board of Management and the Supervisory Board of Biotest AG have issued the Declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the Company's website.

Dreieich, Germany, 9 March 2010



Prof. Dr. Gregor Schulz
Chairman of the Management Board

Dr. Michael Ramroth
Chief Financial Officer

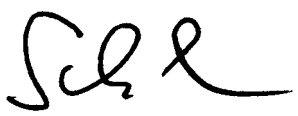
DECLARATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH SECTION 37Y NO. 1 OF THE GERMAN SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH SECTION 297 (2) NO. 4 AND SECTION 315 (1) NO. 6 OF THE GERMAN COMMERCIAL CODE (HGB)

"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, 9 March 2009

Biotest Aktiengesellschaft

Management Board



Prof. Dr. Gregor Schulz
Chairman of the Management Board

Dr. Michael Ramroth
Chief Financial Officer

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Biotest Aktiengesellschaft, Dreieich, comprising the statement of income, the statement of comprehensive income, the statement of financial position, 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 business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 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 the applicable financial reporting framework 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 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 IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 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 these requirements. 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 of future development.

Frankfurt am Main, 9 March 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Böttcher
Auditor

Gottron
Auditor

REPORT OF THE SUPERVISORY BOARD FOR 2009

During the past financial year, the Supervisory Board fulfilled its duties in accordance with the law, the Articles of Association and rules of procedure. It carefully and regularly monitored and advised the Board of Management's activities. The Board of Management regularly, promptly and comprehensively informed the Supervisory Board in written and oral reports on all issues of fundamental importance to the Company, in particular those relating to planning, business development, corporate development, the risk position and risk management. Where the course of business deviated from plan, the Board of Management explained these deviations in detail. The Board of Management involved the Supervisory Board in the coordination of strategy and the status of its implementation in the Company at all times.

In financial year 2009 the Supervisory Board met at six regularly convened meetings. All members attended all meetings. One Supervisory Board resolution was adopted by written circular in lieu of a meeting. In addition to the Supervisory Board meetings, the Chairman of the Board of Management informed the Chairman of the Supervisory Board regularly about current business developments and major business transactions. Business transactions of major importance to the Company were discussed in detail on the basis of reports by the Board of Management, and the Supervisory Board was involved in decisions at an early stage. As required, the Board of Management submitted for approval detailed documentation of business transactions for which the consent of the Supervisory Board is obligatory. In addition to discussing the topics indicated below at Supervisory Board and committee meetings and the written and oral explanations from the Board of Management, the Supervisory Board receives monthly reports in writing on the business position and business developments. These reports also include explanations of any deviations from current or planned developments. Furthermore, the Chairman of the Supervisory Board receives automatically all internal audit reports and, on request, copies of the minutes of Board of Management meetings. No conflicts of interest involving members of the Board of Management and Supervisory Board of which the Supervisory Board must be notified without delay and about which the Annual Shareholders' Meeting must be informed arose during the reporting year.

MAIN FOCUS OF SUPERVISORY BOARD DELIBERATIONS

Topics regularly discussed by the Supervisory Board included planning and the Company's current business development as well as its strategic orientation and financial position. An additional focal point was the further development and expansion of the Plasma Proteins segment.

At the meeting held on 5 March 2009, the Supervisory Board reviewed current business developments, discussed Biotest AG's individual annual financial statements and the consolidated financial statements for financial year 2008 with the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and considered individual items of the financial statements in detail. The individual annual financial statements of Biotest AG and the consolidated financial statements for financial year 2008 were subsequently approved. The annual financial statements were thereby adopted. The Supervisory Board also reviewed the report on interdependence drawn up by the Board of Management. Other agenda items included approving the Report of the Supervisory Board, the Corporate

governance report and an extension of the Long Term Incentive Programme via a new round of issuing. The Supervisory Board also made recommendations on the implementation of an employee share programme. In addition, the Supervisory Board approved the agenda for the 2009 Annual Shareholders' Meeting, including a recommendation to the Shareholders' Meeting on the choice of an auditor for financial year 2009.

On 6 May 2009, the Supervisory Board approved by circular resolution the purchase of a plot of land in Dreieich, Germany.

The Supervisory Board meeting held immediately before the Annual Shareholders' Meeting on 7 May 2009 served to prepare the Supervisory Board for the Annual Shareholders' Meeting and to discuss the current business position. At its meeting held immediately after the Annual Shareholders' Meeting on 7 May 2009 the Supervisory Board elected Prof. Dr. Muff, who had been voted onto the Supervisory Board by the Annual Shareholders' Meeting, to the Presiding Committee and the Audit Committee, of which he was elected chairman.

At its meeting held on 2 July 2009, in addition to discussion of the current business position, the Supervisory Board discussed a five-year plan updated by the Board of Management, recent changes in statutory requirements of relevance for the Board of Management and Supervisory Board, and the interim results of a trial with the monoclonal antibody BT-061 in the indication of rheumatism. The Board of Management also provided information on the status of the sale of the Medical Diagnostic segment. After detailed discussion of the advantages and disadvantages of the sale, with special reference to employees' concerns, the Supervisory Board agreed in principle to a disposal of the Medical Diagnostic segment, subject to various conditions.

At the Supervisory Board meeting held on 7 October 2009, the Board of Management briefed the Supervisory Board on the course of business and, in particular, on the market situation for plasma and plasma protein products, along with the status of R&D projects relating to plasma protein products. The Board of Management also reported on further progress on the sale of the Medical Diagnostic segment. The Supervisory Board resolved to undertake an examination of efficiency as provided for by the German Corporate Governance Code.

At the Supervisory Board meeting held on 4 December 2009 the current business position was again discussed, along with reports on meetings of the Personnel Committee and the Audit Committee. The Supervisory Board approved the budget for financial year 2009 after it had been explained by the Board of Management and also approved the proposed investment plan. The Board of Management outlined to the Supervisory Board the basic aspects of risk management and the major risks to the Company. The Supervisory Board approved the establishment of two subsidiaries, one in Spain and the other in the United States. Lastly, the findings of the Supervisory Board's examination of efficiency were discussed.

COMMITTEES

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

The Presiding Committee met with the Board of Management for two meetings and with the Personnel Committee and the Board of Management for one meeting. Subjects discussed at these meetings were the expansion of the financing framework for the Biotest Group, recent changes in statutory requirements affecting the Supervisory Board and the Board of Management, the details of an employee share programme and the continuation of the Long Term Incentive Programme, the status of the sale of the Medical Diagnostic segment and the development of executive personnel. At its meeting on 5 March 2009, the Personnel Committee discussed the achievement of targets by members of the Board of Management in financial year 2008 as well as the new targets for financial year 2009.

The Audit Committee held two meetings in 2009. At the first meeting, held on 2 March 2009, it discussed the individual and consolidated annual financial statements and the auditor's report on the main focal points of its activity. The second meeting, held on 30 November 2009, dealt with issues that included events of relevance to the annual financial statements for 2009, setting the focal points for the audit of the annual financial statements for 2009, the internal audit report and the resolution on the audit plan for 2010.

CORPORATE GOVERNANCE

The Supervisory Board monitored the development of corporate governance standards within the Company in 2009 on a continual basis. In accordance with Section 3.10 of the German Corporate Governance Code, the report by the Supervisory Board and Board of Management on corporate governance at Biotest AG appears on pages 87 to 90. In March 2010 the Board of Management and Supervisory Board of Biotest AG submitted a declaration of compliance to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

CHANGES IN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the membership of the Board of Management.

Prof. Dr. Muff, who was appointed as a member of Biotest AG's Supervisory Board by the district court on 22 September 2008, was elected as a member of the Supervisory Board of Biotest AG at the Annual Shareholders' Meeting on 7 May 2009. The Supervisory Board then elected him as a member of the Presiding Committee and the Audit Committee and as chairman of the Audit Committee.

Ms. Paluch retired from the Supervisory Board when the sale of the Medical Diagnostic segment came into effect on 6 January 2010. The Supervisory Board Chairman thanks her for many years of good and intensive collaboration in the work of the Supervisory Board and wishes her all the best. After Ms. Paluch's departure, the works council initiated proceedings for the election of a new employee representative on the Biotest AG Supervisory Board.

INDIVIDUAL AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The individual annual financial statements of Biotest AG and the consolidated annual financial statements as of 31 December 2009, along with the management report and Group management report, have been examined by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and issued with an unqualified audit certificate.

The above-mentioned documents, the auditor's report and the Board of Management's proposal on appropriation of the distributable profit were supplied to all members of the Supervisory Board in good time. They were dealt with in detail at the Audit Committee meeting on 15 March 2010 and the Supervisory Board meeting on 18 March 2010. The auditor reported to both meetings on the audit's principal findings and was available to answer any questions and provide additional information.

After reviewing and discussing the individual and consolidated annual financial statements, the management report and Group management report, and the Board of Management's proposal on appropriation of the distributable profit, the Supervisory Board found that no objections were to be raised and therefore approved the audit report. The Supervisory Board thereby approved the individual and consolidated annual financial statements drawn up by the Board of Management. The annual financial statements are thus adopted. The Supervisory Board approved the Board of Management's proposal on appropriation of the distributable profit.

REPORT ON INTERDEPENDENCE

The Board of Management has informed the Supervisory Board that no report on interdependence needed to be drawn up for financial year 2009 because the Board of Management was not required to do so by the provisions of Section 312 of the German Stock Corporation Act (AktG).

The Supervisory Board would like to express its thanks to the Board of Management and all employees for their commitment and for their successful work in financial year 2009.

Dreieich, 18 March 2010

The Supervisory Board
Dr. Thorlef Spickschen
Chairman

Glossary Technical terms

Agar
A gelling agent obtained from the mucilage in the cell walls of various types of Asian seaweed. Used, among other things, for culture media in microbiology.

Albumin (or human albumin)
A protein produced in the liver that regulates and maintains colloid osmotic blood pressure and serves as a transport vehicle for many physiological and pharmacological substances.

Antibody
Antibodies are substances that are produced by the body against attack by a foreign invading substance.

Antigen
Molecule that is recognised by the immune system. The immune system can differentiate between "foreign" and "self" and trigger defence mechanisms, where appropriate.

Autoimmune disease
Activity of the immune system directed against the patient's own body.

Biotherapeutic(s)
Biotechnologically manufactured drugs.

Chromatography
Chemical process for separating mixtures into their components.

Coagulation factors
Proteins responsible for the blood coagulation. The 13 different factors are labelled with the Roman numerals I to XIII.

Confirmatory study
A study aimed at providing convincing proof of the efficacy or safety of a treatment. In pharmacological research all phase III trials are, as a rule, confirmatory studies.

Cytomegaly / Cytomegalovirus (CMV)
Viral infection which is generally harmless. However, if occurring in pregnancy it can cause severe foetal damage. One of the most frequent viral infections in organ transplantations that can lead to the loss of the transplant.

EMA (European Medicines Agency)
The European supervisory authority responsible for drugs used to treat humans and in veterinary medicine.

Ethanol precipitation
Precipitation by means of ethanol. A method used to separate a solute substance from a solution by adding suitable substances.

Fibromyalgia
Chronic non-inflammatory disease presenting with extensive pain affecting the muscles and tendons.

Fractionation
Physical separation of substance mixes (for example, blood plasma).

Genotypic diagnostic procedure
A diagnostic procedure that is based on biomolecular methods and is used in particular to identify germs. A genotype is all the genetic information coded in the DNA.

Good manufacturing practice (GMP) / Current good manufacturing practice (CGMP)
Regulations on the safety and quality in manufacturing pharmaceutical preparations and diagnostic products. GMP applies in the European Union, CGMP in the United States.

Haematology
Branch of medicine concerned with blood and blood disorders.

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

Hyperimmunoglobulins
Highly-enriched antibodies against special antigens.

Immune screening
A process that uses antibodies to help identify the protein that is coded by the gene that is sought.

Immune system
The sum total of factors responsible for recognising and warding off infectious agents in the body and for exercising control over self-destructive processes.

Immunoconjugate
Also known as an antibody conjugate, the formation of an antibody or an antibody fragment with a second functional molecule, thereby establishing a selective bond with a certain target structure of a cell, such as a tumour cell.

Immunoglobulin M (IgM)
An antibody molecule consisting of five Y-shaped sub-components. It occurs in the early stages of an immune system response and, in combination with the complement system, is highly active against corpuscular antigens and toxins that are released by bacteria.

Immunoglobulins
Protein molecules (antibodies) that are part of the body's immune defence. Polyvalent immunoglobulins are effective against a wide range of infections. Hyperimmunoglobulins each contain an enriched antibody aimed at a specific pathogen.

Immunology
The science of the defence mechanisms of the body against alien substances and pathogens, as well as of the deficiencies of these defence mechanisms.

Immunomodulation
Activity of the immune system aimed at keeping its attack or defence reactions against external or own structures under control without impairing the defence functions as a whole.

Immunosuppression
Medical suppression of the body's resistance to disease, for example, after transplantations.

Indication
Condition for which an active ingredient/drug can be developed and approved.

Intravenous infusion / application (IV)
Administration of a drug by injection / infusion into a vein. Other forms of application are intramuscular (IM) and subcutaneous (SC).

In vitro
Procedure that takes place in a laboratory setting, for example, in a test tube.

Monoclonal antibodies (mAb)
Antibodies for which production can be traced back to a single originator cell that specifically recognise and attach themselves to particular antigens.

Multiple myeloma
Malignant plasma cell growth in the bone marrow.

Mutual Recognition Procedure (MR Procedure)
European mutual recognition procedure by which, once national approval has been granted, product registration can be sought in other EU countries.

Nanofiltration
Pressurised membrane filtration procedure which separates out particles in the nanometer range. Used in plasma protein production as an additional safety level to eliminate viral particles.

Off-label use
Use of an approved drug beyond the scope of indications, dosage or length of treatment approved by the regulatory authorities.

Orphan Drug Status
Orphan drug status is given to drugs for which there is a high medical need, but which cannot be developed without subsidies, due to the prohibitive cost or low market potential.

Paul Ehrlich Institut (PEI)
The German federal authority for serums and vaccines. The PEI is responsible, among other things, for the authorisation of clinical trials, the approval of vaccines and human plasma preparations, and the release for sale of production batches.

Peptones
An umbrella term for all proteins digested by acids or enzymes.

Pharmacokinetics
The totality of processes to which a medication is subjected in the body – from absorption and dispersal in the body to biochemical conversion and decomposition, and finally excretion of the substance.

Pharmacopeia
A collection of recognised pharmaceutical rules governing the quality, testing, storage and naming of medicinal drugs and the substances, materials and methods used in their manufacture and testing. It is based on legislation and is legally binding.

Plasma Protein Therapeutics Association (PPTA)
Association of the world's leading manufacturers of plasma proteins.

Placebo
A dummy medication. A medically ineffective substance that is used to fulfil a subjective need for medicinal treatment. In many clinical trials a control group is treated with a placebo. These findings are then compared with those from the group who were given the verum, or true preparation, that was to be tested.

Plasmapheresis
Generation of plasma from blood donations. The cellular elements are immediately reinfused to the donor. What remains is blood plasma, a clear, yellowish liquid which contains the soluble proteins of the blood and minerals.

Polymerase chain reaction (PCR)
A method by which DNA is replicated in-vitro and thereby made detectable.

Polyspecific
Polyspecific means that the effect of, for example, an immune serum can be aimed at several different antigens.

Primary humoral immunodeficiency
Congenital defect of the immune system.

Prions
Proteins that are present in the human and animal body, both in normal and pathogenic structures.

Psoriasis
Scaly patches. Chronic skin disease.

Reagents
Substances used to detect and identify another substance.

Recombinant
Recombinant proteins are produced with the aid of genetically modified micro-organisms or cell lines.

Rheumatoid arthritis
Inflammation of the joints.

Secondary antibody deficiency syndrome
An acquired disorder of the immune system.

Seroconversion
A medical term for the development of specific antibodies against the antigens of a foreign body in the course of an infection or a vaccination.

Subcutaneous application (SC)
Administering a drug by injecting it beneath the skin.

Substitution therapy
Medicinal use of a substance that is not being produced sufficiently by the body itself.

Systemic lupus erythematosus (SLE)
Autoimmune disease which often starts with a fever; patients frequently experience joint pain similar to rheumatism. Erythema (redness of the skin due to dilation of the capillaries) occurs.

TNF inhibitor
An inhibitor for the inflammatory cytokine TNF (tumour necrosis factor). A protein that exercises regulatory functions for the growth and differentiation of body cells and plays a decisive role in inflammatory processes.

T-regs (regulatory T cells)
Cells that regulate the activity of T lymphocytes.

Glossary Financial terms

Associated company
A Group company that is not fully consolidated (equity investment <50%) that is influenced significantly by the parent company.

At equity valuation
Accounting method for the consolidation of associated companies.

Cash flow
Actual flows of cash in a period (inflows and outflows). It is an indicator of the internal financing ability of a company.

Collateral trust agreement
A contract by the terms of which a trustee is entrusted with securities that he/she holds and administers on behalf of several creditors.

Contribution margin
A category used in cost accounting. The difference between revenue and variable costs.

Coverage
The coverage of a company's progress by analysts.

Currency forward
Binding agreement to exchange one currency for another on a specific date at a specified rate.

Currency option transactions
Transactions which are used to hedge against risks from exchange rate fluctuations. The buyer of a currency option contract acquires the right, however not the obligation, to buy or sell a currency at a specific exchange rate on a specified date.

D&O insurance
Directors' and officers' insurance (also known as management liability insurance). Professional liability insurance cover that is taken out by a company for its directors (Management and Supervisory Board members, for example) and authorised officers.

Deferred taxes
Income taxes payable or receivable in the future, which do not yet constitute actual receivables or liabilities at the time relating to the balance sheet concerned.

Derivative financial instrument
A financial instrument for which the price development is generally based on market-related factors. Used among other things to hedge against fluctuations in value.

Directors' dealings
Transactions in securities issued by listed companies that are undertaken by the company's management or by related companies or parties.

Disagio
A deduction from the nominal amount; the opposite of a premium (surcharge).

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

Factoring
A financial service. The factor acquires a company's accounts receivable due from the company's debtors.

Financial assets at fair value through profit or loss (FAFVtPL)
A financial instrument category in accordance with IFRS 7.

Financial assets held for trading (FAHfT)
A financial instrument category in accordance with IFRS 7.

Financial liabilities at amortised cost (FLAC)
A financial instrument category in accordance with IFRS 7.

Financial liabilities held for trading (FLHfT)
A financial instrument category in accordance with IFRS 7.

"First in first out"
Valuation method. Principle: assets that were produced or bought first are being sold first.

Forward rate (Forward interest rate)
Interest rate for a future period, which can be hedged risk-free with bonds available in the market at present.

Functional currency
Currency of the market, in which a company is mainly active.

Hedge accounting
Accounting technique. The establishment of hedging relationships between underlying transactions and derivative financial instruments used for hedging purposes.

Held to maturity (HtM)
A financial instrument category in accordance with IFRS 7.

Impairment test
A test used to check the value of an item.

Interest rate cap
Definition of an upper and lower interest rate limit for a floating rate.

Loans and receivables (LaR)
A financial instrument category in accordance with IFRS 7.

Profit participation rights
Upon conclusion of the profit-sharing agreement, the beneficiary undertakes to make the profit-sharing capital available to the issuer of the profit participation rights. In turn, rights to assets are made available to the beneficiary, to which as a rule shareholders of the issuer are also entitled, such as performance-related pay, a share in the liquidation proceeds or option rights.

Purchase price allocation (PPA)
Allocation of the cost of purchase of a company share to the assets and debts thereby acquired.

Sensitivity analysis
Used to determine the impact of specific factors on certain performance indicators.

Swap
With regard to swaps, both contractual parties undertake to pay either a fixed or floating rate on a specific nominal value to the respective other party.

Working capital (current assets)
Short-term tied-up capital.

Acknowledgements

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The annual report contains forward-looking statements on overall economic development as well as on the business, earnings, financial and asset situation of Biotest AG and its subsidiaries. These statements are based on current plans, estimates, forecasts and expectations of the company and thus are subject to risks and elements of uncertainty that could result in deviation of actual developments from expected developments. The forward-looking statements are only valid at the time of publication of this annual report. Biotest does not intend to update the forward-looking statements and assumes no obligation to do so. The English translation of the Biotest Group annual report is provided for convenience only. The German original is definitive.

Financial calendar

6 May 2010	Annual General Meeting
12 May 2010	Quarterly report for Q1 2010
11 August 2010	Quarterly report for Q2 2010
8 November 2010	Quarterly report for Q3 2010
8 November 2010	Press and analysts' Conference

Biotest

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