Biotest

From Nature for Life

Figures 2011

Biotest AG | Annual Report

2011 at a glance

Biotest Group*		2011	2010	Change %
Revenue	€ million	422.0	412.5	2.3
of which: Germany	€ million	96.9	101.8	–4.8
Rest of World	€ million	325.1	310.7	4.6
of which: Plasma Proteins	€ million	404.6	412.5	–1.9
Biotherapeuthics	€ million	17.4	0.0	–
EBITDA	€ million	72.4	69.8	3.7
EBIT	€ million	41.6	42.9	–3.0
EBIT in % of sales	%	9.9	10.4	
Profit before tax	€ million	28.6	28.4	0.7
Retained earnings attributable to equity holders of Biotest AG	€ million	18.7	19.6	
Structure of expenses by nature:				
– Cost of materials	€ million	165.1	136.7	20.8
– Personnel expenditure	€ million	106.7	98.7	8.1
– Research and development expense	€ million	49.4	49.0	0.8
thereof: Biotherapeutics	€ million	24.0	21.1	13.7
– Research and development expense in % of sales	%	11.7	11.9	
Capital expenditure in property, plant and equipment and intangible assets	€ million	26.7	31.1	–14.1
Financing:				
– Cash flow**	€ million	72.5	41.7	73.9
– Depreciation and amortisation	€ million	30.8	26.9	14.5
Equity	€ million	346.7	307.6	12.7
Equity in % of total assets and liabilities	%	50.8	48.6	
Total assets and liabilities	€ million	682.8	632.3	8.0
Number of employees (full-time equivalents) as of year-end		1,661.5	1,611.1	3.1
Earnings per share	€	1.57	1.64	–4.3
Earnings per preference share	€	1.63	1.70	–4.1

* Continuing Operations (Plasma Proteins segment, Biotherapeutic segment, Corporate)

** From operating activities

Contents

Foreword

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

Dear readers,

2011 was a special year for Biotest. We laid important groundwork for the strategic direction of the company and reached important milestones in developing our business model.

In August 2011 we completed the sale of all global activities of the Microbiological Monitoring segment to Merck KGaA Group. The transaction marked the successful refocusing of Biotest on its core business of pharmaceuticals. Our business model now consists of the development, production and marketing of biological and biotechnological pharmaceuticals.

Our products – plasma proteins and the monoclonal antibodies that are under clinical development – are used in the areas of clinical immunology, haematology and intensive care medicine. This clear focus and our concentration on indications with a high medical need and great sales potential will guide Biotest's strategic and operational development in coming years.

There are important successes to report from our core business. The main one is the agreement with Abbott regarding the worldwide development and marketing of Tregalizumab (BT-061). Abbott is one of the world's market leaders in the development and marketing of biotechnological preparations for the treatment of

immunological disorders. Their high level of expertise in this area and their global marketing presence are a strong foundation from which to maximise the therapeutic and commercial potential of Tregalizumab. We are confident that development will go forward successfully with this strong partner.

The upfront payment of USD 85 million received on the conclusion of the contract as well as future milestone and other sales-dependent payments will make a positive contribution to the sales and earnings of Biotest in the coming years.

Business performance in plasma proteins was strongly impacted by the continued difficult market environment. In markets outside of Europe and the United States, prices were under heavy pressure. Even in some European countries, unfavourable price trends were noted. Therefore, the higher sales volumes in 2011 made possible by our capacity expansion efforts in recent years were offset by negative price effects in many market segments.

2011 earnings were also impacted by one-time charges from problems in restarting the expanded production facility at our US subsidiary Biotest Pharmaceuticals Corporation (BPC). We were able to resolve these problems, and production in Boca Raton (USA) is now underway. The expansion will be completed in the second half of 2012.

This will help us create the basis for the successful launch of our immunoglobulin Bivigam™ in the attractive US market. We expect to receive marketing authorisation in mid-2012 and will then be able to begin marketing the product.

Overall, Biotest increased sales in Continuing Operations in financial year 2011 to EUR 422.0 million, slightly above the previous year level, and generated EBIT of EUR 41.6 million (2010: EUR 42.9 million). These are satisfactory results –especially given the difficult market environment – even if we did not achieve our original earnings targets for 2011.

The substance and perspective of Biotest are also reflected in the performance of its stock. Prices for ordinary and preference shares of Biotest at the end of 2011 were about the same as the 2010 closing prices. Given some of the dramatic collapses in the stock market as a result of the financial market and debt crisis, we see this as evidence of the high regard in which the Biotest business model is held by investors.

For this we would like to express our sincere appreciation. Our thanks also go to the employees of the Biotest Group, who through their expertise and commitment have contributed significantly to the success of the company. We would also like thank our business partners and financing banks for their cooperation.

In the coming years we will continue our development projects and thus expand the revenue base of the Biotest Group. In the coming years we expect to obtain additional product authorisations in various countries. In terms of sales and EBIT, we aim to maintain 2011 levels in the current year.

We thank you for your trust and we hope to continue to build on it in the future.

Sincerely yours,

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

Dr. Michael Ramroth
Chief Financial Officer

Group management report

THE FINANCIAL YEAR IN REVIEW

In financial year 2011, Biotest increased its sales revenue slightly over the previous year. Expanded sales volumes of plasma proteins were offset by opposite price effects resulting from continued difficulties in individual European markets as well as markets outside Europe and the US. In the United States, the price situation remains stable. Due to difficult market conditions and increased one-time charges in the Plasma Proteins segment, EBIT from Continuing Operations fell short of last year's figure. However, including the contribution of Discontinued Operation, a significant increase in earnings was seen.

Production of the Immunoglobulin Bivigam™, developed for the US market, began at Biotest Pharmaceuticals Corporation (BPC) in Boca Raton, USA. Our development projects in the Plasma Proteins segment progressed as planned. Biotest also added new projects to the pipeline.

With sale of all Microbiological Monitoring segment and remaining Medical Diagnostic activities, negotiated and finalised in financial year 2011, Biotest successfully shifted its strategic focus to the pharmaceutical business.

The agreement concluded with Abbott in June 2011 on the development and marketing of BT-061 (Tregalizumab) is an important milestone in the development of monoclonal antibodies at Biotest. In 2011, the Biotherapeutics segment is thus contributing to sales in the Biotest group for the first time.

BUSINESS ACTIVITY AND CORPORATE STRUCTURE

Biotest supplies and develops biological medications obtained directly from human plasma or manufactured by biotechnology. The products are used in the areas of haematology, clinical immunology and intensive care medicine. Biotest covers all the essential elements in the value chain, from preclinical and clinical development to global marketing.

SEGMENTATION

The company is divided into two operating segments: Plasma Proteins and Biotherapeutics. Overall Group management costs and costs not attributable to operating segments are shown under the Corporate segment. In the consolidated financial statements, these three segments make up "Continuing Operations".

The activities of the former Medical Diagnostic and Microbiological Monitoring segments are classified as "Discontinued Operation". The sale of Viro-Immun Labor-Diagnostika GmbH, Oberursel, Germany, was completed in April 2011. Following the sale of the activities of the transfusion and transplantation diagnostics business in 2010, the company was the only remaining component of the former Medical Diagnostic segment.

In the third quarter of 2011, the sale of the worldwide activities of the Microbiological Monitoring segment entered into legal effect.

Unless otherwise noted, the statements and explanations in this Annual Report refer to Continuing Operations.

CORPORATE STRUCTURE

The consolidated financial statements include the parent company, Biotest AG, along with 15 fully consolidated companies. All shareholdings of the Biotest Group are included in the list of participating interests in the notes to the consolidated financial statements. Biotest AG has issued ordinary and preference shares,

Section F10 in the Notes to the Consolidated Financial Statements

both of which are listed on Deutsche Börse's Prime Standard market. They are traded via the electronic trading platform XETRA and over-the-counter as well as on regional German stock exchanges. Biotest AG preference shares are included in Deutsche Börse's SDAX selection index.

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

CURRENCIES

As an international group, 38,0% of Biotest sales were denominated in currencies other than the euro. The most important foreign currency is the US dollar, which accounted for 24,5% of Group sales billed in 2011. Exchange rate fluctuations impact the margin on products produced in the euro area but invoiced in foreign currencies, expenses for purchases in foreign currencies recorded in euros and the contribution to revenue and earnings from subsidiaries based outside the eurozone.

PRODUCT PORTFOLIO AND MARKETS

Biotest's medications are of biological origin. They are either obtained directly from human plasma (products and projects in the Plasma Proteins segment) or manufactured by biotechnology (projects in the Biotherapeutics segment). The product range includes the areas of haematology, clinical immunology and intensive care medicine. While the Plasma Proteins segment comprises both already approved medications and development projects, the Biotherapeutics preparations are all at the clinical development stage.

Products and development projects from the Biotest Group

Product	Indication
Haematology	
BT-062*	Multiple myeloma
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)
Haemonine®	Haemophilia B (acute therapy and prophylaxis)
Clinical immunology	
Bivigam™*	Primary immune deficiency (PID)
BT-061 (Tregalizumab)*	Rheumatoid arthritis, Psoriasis
BT-063*	Systemic lupus erythematosus (SLE)
Cytotect 70 (BT-094)*	Congenital Cytomegalovirus (CMV) infection
Civacir®*, **	Hepatitis C prophylaxis
Cytotect®	Cytomegalovirus infection (prophylaxis)
Fovepta®*, **	Hepatitis B prophylaxis for neonates
Hepatect®, Nabi-HB®	Hepatitis B (re-)infection prophylaxis
Intratect®	Primary immune deficiency or secondary antibody deficiency syndromes as well as autoimmune diseases
Varitect®	Zoster virus infection (prophylaxis and treatment)
Zutectra®	Hepatitis B reinfection prophylaxis after liver transplantation
Intensive care medicine	
Biseko®	Deficiency of volume and serum proteins
Cofact	Deficiency of clotting factors
Fibrinogen*	Deficiency of Fibrinogen
Humanalbumin	Deficiency of volume
IgM-Concentrate*	Severe bacterial infections
Pentaglobin®	Severe bacterial infections

* Preparations in development (as of 31 December 2011)
** Brand names used in Germany

Plasma Proteins segment

Plasma proteins fall within the main groups of immunoglobulins, clotting factors and albumins, and are used in the prophylaxis and treatment of congenital and acquired diseases. In addition to the medications marketed under the company's brand names, Biotest manufactures plasma proteins on behalf of other companies and state institutions under toll manufacturing agreements.

Biotest markets plasma proteins globally. The core markets are Europe and, in the future, the US, which according to our estimates accounted for about 67% of global sales in 2011. The global market for immunoglobulins has a volume of approximately 104 tonnes, representing sales of about €4 billion.

Biotherapeutics segment

The products in the Biotherapeutics segment are monoclonal antibodies produced by biotechnology. Biotest's monoclonal antibodies BT-061 (Tregalizumab), BT-062 and BT-063 are each characterised by a specific mechanism of action that distinguishes them from other treatment approaches under development or already approved.

The global market volume for rheumatoid arthritis treatments was estimated at USD 14.0 billion in 2011. In the treatment of psoriasis, the global market volume for biologicals was estimated to be USD 3.7 billion. The introduction of the biologicals has considerably improved the treatment options and prognosis for patients. However, causal therapy is still not available currently.

The global market volume in the treatment of multiple myeloma was approximately USD 5 billion in 2011. Global sales of treatments for systemic lupus erythematosus (SLE) in 2011 were estimated at USD 460 million. Biotest anticipates that the world market for biotherapeutics for the treatment of SLE will greatly increase as a result of the authorisation of new products in the coming years and will surpass USD 2 billion by 2015.

ADDED VALUE

Plasma Proteins segment

In the Plasma Proteins segment Biotest covers the entire value chain. It has production facilities in Europe and the United States. Most of the plasma used by Biotest comes from plasmapheresis. Biotest has 22 plasma collection centres of its own in Europe and the United States and uses only plasma from qualified donors who donate regularly and are subject to strict health controls.

Group companies or partners handle distribution of the plasma proteins, and Biotest initiates and supervises all distribution activities. Price trends in the world market for blood plasma exert a substantial influence on manufacturing costs. Target prices for finished products will be significantly affected by the quantity of plasma proteins available in relation to the demand.

Biotherapeutics segment

Biotest has its own resources for the major elements of the current value chain in the Biotherapeutic segment. We complement these resources by collaborations with partners.

REGULATORY ENVIRONMENT

Biotest's plasma protein 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 the member states of the European Union, plasma proteins are approved by the centralised marketing authorisation procedure or by mutual recognition of national marketing authorisations. 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 is subject to its strict safety standards for obtaining and processing blood plasma, which exceed the legally stipulated minimum.

The competent inspection and authorisation authorities for monoclonal antibodies and plasma proteins are essentially identical in the European Union and the United States.

GROUP STRATEGY

Biotest's group strategy is directed towards expanding its position as a supplier and developer of biologic and biotechnologic medications in the areas of haematology, clinical immunology and intensive care medicine. Its core goals are further internationalisation of its business and strengthening of its position as a quality supplier.

An important element of the Biotest business model is to cover key elements of the value chain through its own resources as a complete provider. These include research and development, plasma collection, production, quality assurance and distribution.

In its continuous development of the product range for the above-mentioned treatment areas, Biotest focuses on special areas such as highly specific hyperimmunoglobulins.

The clinical development of monoclonal antibodies for use in lead indications with a high unmet medical need and large patient populations will complement the product range through the addition of biotechnologically manufactured drugs.

BUSINESS PERFORMANCE MANAGEMENT

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

These reports include an analysis of actual figures and their deviation from planning and previous year figures by segment and company. Additional specific analyses are performed on an event-driven basis.

FINANCIAL PERFORMANCE INDICATORS

The indicators used to manage the business performance of the Group are listed in the table below:

Key performance indicators at the Group level*

Key performance indicators	Calculation	2011 value
Group earnings indicators		**%**
Return on Capital Employed (RoCE)	EBIT/capital employed	7.6
EBIT margin	EBIT/sales	9.9
EBT margin	EBT/sales	6.8
Contribution margin	(Sales – cost of sales)/sales	39.8
Cash flow from operating activities	See section cash flow statement figures	72.5
Cost of sales ratio	Cost of sales/sales	60.2
Distribution expense ratio	Distribution expenses/sales	11.5

* based on Continuing Operations

At the segment level, earnings before interest and taxes (EBIT) is the primary performance indicator; other indicators include sales and contribution margin by product as well as by sales representative.

In addition, we continually analyse the structure of our receivables and the associated risks as well as inventories on a monthly basis.

NON-FINANCIAL INDICATORS

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

In sales, key indicators include Biotest's share of the overall market or the targeted market segment, sales and contribution margin per sales employee and benchmarks (previous year, forecasts). Research and development projects are managed by means of milestone plans.

THE YEAR 2011

OVERALL ECONOMIC PERFORMANCE

The year 2011 was marked by the escalating crisis over government finances in Europe and the US. The situation intensified further, especially in Greece. In July and in October, the eurozone countries and the International Monetary Fund (IMF) approved rescue packages for that country totalling more than €200 billion. Plans were also taking shape to have private bond investors take part in a possible debt cut. In the second half of the year, Italy also suffered a downgrade in its credit rating. At the end of the year, rating agency Standard & Poor's issued a negative outlook for previously top-rated euro nations.

The quest for sustainable stabilisation of public finances in some countries was accompanied by drastic spending cuts, which in part led to internal political tension.

In the US as well, financial policymaking was impacted by the tense budget situation. The battle over raising the government debt ceiling pushed the country to the edge of financial default. In August, Standard & Poor's downgraded the long-term credit rating for the US, the first time in its history that the country has not held the top rating.

In response to the debt crisis and possible negative consequences for the banking system, the European Banking Authority (EBA) imposed stricter capital requirements on banks. Affected institutions introduced measures to fill capital gaps uncovered by the EBA's stress tests. These were often associated with a reduction in the lending business, which caused concerns over the adequate supply of loans to the economy.

Section B3 in the Notes to the Consolidated Financial Statements

The euro gained during the first half of 2011 against the US dollar. However, those gains were nearly completely lost during the second half of the year. Exchange rates of importance to Biotest are listed in the notes to the consolidated financial statements.

PERFORMANCE BY INDUSTRY ENVIRONMENT

Plasma Proteins

Based on an independent analysis of available market data, Biotest calculated about 5 to 6% growth in the global market for immunoglobulins in 2011. This growth was in line with the long-term trend. The key growth drivers – new indications, higher doses per patient and expansion into new sales markets – remained intact.

Per our analysis, the demand for plasma-based clotting factors remained stable.

The worldwide immunoglobulin sales volume of approximately 104 tons in 2011 can be broken down by region as follows:

Global market for immunoglobulins*

	Market volume 2011 (t)	Share of global market (%)
USA	43.7	42
Europe	29.1	28
Rest of world	31.2	30

* Estimates based on data from Marketing Research Bureau (MRB), Australia's Plasma Fractionation Arrangements (APFA) and Biotest AG

Pressure on prices of standard immunoglobulins, already observed in previous years, continued in 2011. This was especially true for markets outside Europe and the US, but also for individual submarkets within the European Union. Target prices for clinics in Germany, for example, were under pressure.

In contrast, prices of hyperimmunoglobulins were largely stable. Biotest has a particularly high market share in this product area.

Prices for plasmatic clotting factors in Europe remained stable, with the exception of Russia.

In the US, prices for immunoglobulins were stable over the entire course of 2011 and on average between 25 and 50% higher than in Europe.

The volume of blood plasma collected in the US (US source plasma) in the first eight months of 2011 (more recent data was not available when the financial statements were prepared) were 15% higher than during the same period in 2010. The volume of US source plasma is a key indicator of the plasma supply on the global market.

In June 2011 the immunoglobulin products of a competitor – marketing authorisation for which had been suspended since September 2010 – were reauthorised for distribution in the European Union. In the US market, some of the products were once again in distribution by the end of 2011. Immunoglobulins that were temporarily taken off the market accounted for about 10% of annual global sales. The re-entry of these products had an adverse effect on sales potential in markets outside the US.

BIOTEST IN 2011

2011 GOALS: TARGET-PERFORMANCE COMPARISON

Biotest reached most of its strategic and operational goals as described in the Outlook section of the previous year's Annual Report. This first-time sales contribution from the Biotherapeutics segment resulted from an agreement on the global development and marketing of BT-061 (Tregalizumab).

The authorisation of Bivigam™ in the U.S. market was delayed due to now corrected problems with the restart of the expanded production facility at BPC.

The 1 to 2% target increase in sales from Continuing Operations over the previous year was achieved or slightly surpassed, but only when sales from the Biotherapeutic segment are included. Target EBIT growth in the same range was not achieved due to the price situation. Including the contribution from Discontinued Operation as well as sales from the Biotherapeutics agreement recognised in 2011, EBIT increased significantly.

BUSINESS STRATEGY AND GROUP-WIDE IMPLEMENTATION IN FINANCIAL YEAR 2011

Biotest's strategy is aimed at expanding its position as a specialist in pharmaceutical products for the haematology, clinical immunology and intensive care treatment areas. Key points of the segment strategy and their implementation are described in the segment performance report. At the Group level, the focus on the core business and its further internationalisation were the cornerstones of our strategy.

FOCUS

Biotest focuses entirely on the development, production and marketing of biologic and biotechnologic medications. In March 2011 we concluded a contract with Merck KGaA Group, Darmstadt, Germany, on the sale of the global activities of the Microbiologic Monitoring segment, consisting of the HYCON (hygiene monitoring) and Heipha (microbiologic nutrient media, microbiologic test systems) product areas.

After being approved by all relevant anti-trust authorities, the sale was completed with effect from 1 August 2011. The transaction resulted in an after-tax capital gain for Biotest of €26.4 million.

In April 2011, Biotest sold its shares in Viro-Immun Labor-Diagnostika GmbH, with headquarters in Oberursel, Germany.

INTERNATIONALISATION

During the financial year Biotest continued its efforts to expand its presence in important international markets. In January 2011, the acquisition of all shares in Marcos Pedrilson Hospitalares Produtos Ltda., based in Rio de Janeiro, Brazil, was completed. The company is a former Biotest sales partner and previously held all marketing authorisations for Biotest preparations in the Brazilian market. In addition, we obtained authorisation for plasma proteins in other markets in Europe, including the European launch of Zutectra® and the reintroduction of Pentaglobin® in Russia.

GROUP BUSINESS AND EARNINGS PERFORMANCE

SALES PERFORMANCE

Sales for the year 2011 increased by 2.3% over the previous year to €422.0 million.

Plasma protein sales decreased from 2010 due to negative price effects and other adverse factors, despite significantly higher sales volume.

A key factor behind the growth achieved in 2011 was the first-time contribution of the Biotherapeutic segment to consolidated revenue.

Sales performance of the Biotest Group

€ million	2011	2010	Change in %
Plasma Proteins	404.6	412.5	–1.9
Biotherapeutics	17.4	0.0	–
Biotest Group	**422.0**	**412.5**	**2.3**
Discontinued Operation	30.5	51.0	–40.2
Biotest Group including the Discontinued Operation	**452.5**	**463.5**	**–2.4**

An upfront payment in the amount of USD 85 million was due to Biotest from Abbott upon the signing of the contract. As the payment primarily relates to development work yet to be completed, the majority of it was recognised as deferred revenue.

For work completed in the first half of 2011, Biotest recognised €17.4 million through profit or loss. The remaining €41.7 million will be amortised through profit or loss on a straight-line basis through 30 June 2014.

Products of the Biotest Group accounted for €368.5 million or 87.3% of total Group sales (2010: €379.9 million, 92.1%). Of this €53.5 million, corresponding to 12.7% of sales (2010: €32.6 million, 7.9%) consisted of revenue from toll manufacturing, merchandise sales and other sales.

Regionally, sales were distributed as follows:

Biotest Group: Sales by region

€ million	2011	2010	Change in %
Germany	96.9	101.8	–4.8
Europe (excluding Germany)	161.5	138.5	16.6
USA	69.5	53.7	29.4
Americas (excluding the USA)	5.4	3.9	38.5
Asia	77.6	101.1	–23.2
Rest of world	11.1	13.5	–17.8
Biotest Group	**422.0**	**412.5**	**2.3**

Biotest recorded sales from Discontinued Operation of €30.5 million (2010: €51.0 million).

GROUP NET INCOME

Earnings before interest and taxes (EBIT) from Continuing Operations in 2011 was slightly below 2010 EBIT.

Key earnings figures and return ratios for the Biotest Group*

	2011	2010	Change in %
Key earnings figures (€ million)			
EBIT	41.6	42.9	–3.0
Earnings before tax (EBT)	28.6	28.4	0.7
Earnings after tax (EAT)	18.7	19.6	–4.6
Key return figures (in %)			
EBIT margin	9.9	10.4	–
EBT margin	6.8	6.9	–
RoCE	7.6	7.8	–

* related to Continuing Operations

EBIT in Continuing Operation was impacted by the ongoing difficult situation in the market for plasma proteins. In addition, one-time expenses were incurred in connection with the delayed restart of the production facility at BPC. For more information, see the section entitled “Segment Performance”. Payments recognised through profit or loss under the agreement with Abbott regarding BT-061 (Tregalizumab) for services provided in 2011 had a positive effect on EBIT.

Based on an improved financial result compared to 2010, Biotest generated a slightly higher profit before tax in 2011 than in the previous year. Earnings after taxes remained below 2010 levels due to higher income tax expense. For more information, see the following section.

EBIT from Discontinued Operation of €35.7 million (2010: €24.8 million) mainly comprises profits from the sale of the activities of the former Microbiological Monitoring segment. EBIT in the previous year included profits from the sale of the primary activities of the former Medical Diagnostic segment, completed in 2010. Including Discontinued Operation, EBIT for the Biotest Group in 2011 was €77.3 million, representing a 14.2% increase over the previous year (€67.7 million).

EXPENSES

Production costs, at €254.2 million, increased 2.5% over the previous year, coupled with lower sales of plasma proteins. This was primarily due to the ongoing difficult situation with regard to prices for plasma proteins as well as an unfavourable product mix as in the previous year. Also included in this item are one-time expenses relating to the delayed restart of plasma protein production at BPC. These consist of both higher unabsorbed costs as well as costs for remedying the problems that occurred. For more information, see the section entitled “Segment Performance”.

Distribution expenses decreased again in 2011 due to lower sales-based commissions paid by Biotest.

The slight increase in administrative expenses was due to additional legal and consultant fees incurred in connection with the signing of the agreement with Abbott.

Research and development expenses in 2011 were approximately on par with those of the previous year. The cost-to-sales ratio in Continuing Operations was 11.7% (2010: 11.9%).

Other operating income for 2011 totalled €13.4 million compared to €12.2 million in 2010. Major items in other operating income for the reporting year included income from services provided to third parties and reversal of liabilities and provisions. Other operating expenses increased significantly from the previous year (€1.6 million) to €9.7 million and consisted largely of expenses for services provided to third parties and impairment losses.

The financial result improved since the previous year by €1.2 million.

Personnel expenses and cost of materials are included under the different cost pools in the consolidated financial statements. Personnel expenses for 2011 totalled €106.7 million after €98.7 million in 2010. The cost of materials, at €165.1 million, was higher than in 2010 (€136.7 million) due to higher production volumes.

RECOMMENDED APPROPRIATION OF EARNINGS

The 2012 Annual Shareholders' Meeting will take place on 10 May 2012. The Board of Management will recommend the following appropriation of net profit for 2011 in the amount of €42.8 (2010: €22.7 million):

- Dividend payments in the amount of €5.5 million (2010: €4.8 million) equal to €0.44 (2010: €0.38) per ordinary share and €0.50 (2010: €0.44) per preference share.
- Allocation to reserves of €26.0 million.
- Retained earnings carried forward in the amount of €11.3 million (2010: €17.9 million).

SEGMENT PERFORMANCE

PLASMA PROTEINS

Cornerstones of strategy

Biotest aims to expand international sales of plasma proteins. To this end, we will seek marketing authorisation for our pharmaceutical products in all major European and international markets and expand our presence in the attractive US market via our subsidiary BPC. The expected launch of Bivigam™ in the US market in 2012 will represent a major milestone.

For the French market, our local partner has authorised the immunoglobulin Tectasim® (equivalent to Intratect®), with sales scheduled to begin as soon as price registration is complete.

In addition, we have begun preparations to renew a previously existing authorisation for an albumin preparation in China.

With the development of other active agents within the three treatment areas and the continuous optimisation of authorised products, such as through more careful manufacturing methods and optimised consumer dosage forms, Biotest is expanding its business and earnings base.

We are adjusting our production capacities based on market developments. By expanding our in-house production facility at BPC in Boca Raton, we are creating a basis for strengthening our position in the US market. The expansion will be completed in the second half of 2012.

Our goal is to provide about half of our blood plasma needs and 100% of our hyperimmune plasma needs from internal sources. The number of our own plasma collection centres will accordingly be expanded as needed.

Business performance

Sales of plasma proteins in 2011, at €404.6 million, were approximately 1.9% lower than in 2010 (€ 412.5 million). While sales volume increased over 2010 due to expanded capacity, negative price effects, among other factors, led to the decline in revenue. These effects are the result of continuing price pressure in many sales markets. The decline of the US dollar against the euro (€5.1 million) and the additional burden caused by mandatory discounts in Germany (€3.3 million) also had a negative impact on sales. Revenue from plasma sales was also lower than in the previous year. This was due to lower demand as well as an increased need for manufacturing products in-house.

Sales of immunoglobulins, used primarily in the field of clinical immunology, increased significantly over the previous year period. This was largely due to a strong increase in sales of Intratect®. Here, Biotest also benefited from the temporary exit of a competitor's product from the market.

Sales of hyperimmune globulins were also slightly above last year's figures. In the hepatitis B hyperimmune globulins area, Zutectra®, which was licensed in various markets the previous year, contributed to sales over a full twelve-month period for the first time in 2011.

The sales volume achieved with the hepatitis B immunoglobulin Nabi-HB® marketed in the United States was lower than in 2010. The number of liver transplants due to hepatitis B – Nabi-HB®'s main indication – is declining in the United States, with a continuing trend towards lower dosages in altered treatment schedules.

Sales of albumin also fell behind the previous year's figures, while sales of Pentaglobin® increased slightly. With the clotting preparations Haemoctin® and Haemonine®, Biotest achieved the previous year's sales level in 2011.

Sales in Plasma Proteins core product groups

€ million	2011	2010	Change in %
Immunoglobulins	165.9	158.6	4.6
Clotting factors	88.7	89.6	–1.0
Albumin	32.5	33.3	–2.4

Earnings

The ongoing difficult price situation in many sales markets, additional charges incurred in connection with problems with the restart of production at BPC and mandatory discounts all contributed to lower segment earnings than in the previous year. In financial year 2011, EBIT was €61.5 million, representing a 16.3% drop from segment EBIT in 2010 (€73.5 million). For the above reasons, the cost of sales ratio in the segment increased to 62.8% compared to the previous year (60.1%).

Research and development

Development projects in the Plasma Proteins segment progressed as follows:

New developments

Bivigam™: The marketing authorisation application submitted at the end of 2010 was processed successfully. Biotest was able to answer all queries from the FDA quickly and comprehensively. However, delays in starting up the expanded production facility affected the product approval timetable. The FDA marketing

authorisation procedure was continued immediately after the resumption of production of consistency batches.

Cytotect 70 (BT-094): In the development of this hyperimmune globulin in the indication congenital cytomegalovirus (CMV) infection, the preparation was investigated in roughly 10 000 pregnant women by the end of 2011 in the phase III trial. Initial studies provided evidence of the efficacy of Cytotect® in this indication.

Civacir®: The clinical development plan for the hepatitis C immunoglobulin was produced in agreement with international experts. Moreover, the necessary test systems for anti-HCV immunoglobulin screening were identified.

Fibrinogen: Biotest is developing a fibrinogen concentrate in the indication of inherited and acquired fibrinogen deficiency.

Fovepta®: Biotest submitted the marketing authorisation dossier for the subcutaneous and intramuscular dosage forms of hepatitis B hyperimmune globulin for neonates to the competent Paul Ehrlich Institute (PEI) in April 2011.

IgM-Concentrate: In 2011, a phase II trial started in patients with severe acquired pneumonia. The first patients were recruited into the study.

Further development of already approved products
Haemoctin®: Biotest aims to bring this factor VIII preparation onto the market in a higher concentration. The necessary studies were initiated in 2011.

Hepatect®: Biotest obtained marketing authorisation in 2011 for an additional packaging size containing 100 ml (5000 IU) and will introduce this additional presentation into important European markets in the first half of 2012. This presentation facilitates the administration of high doses during the acute phase of transplantation.

Intratect®10%: The phase III trial to support marketing authorisation for a 10% concentration of the immunoglobulin was concluded in 2011.

Zutectra®: Biotest is seeking an extension of the international marketing authorisation for this subcutaneously administered hepatitis B immunoglobulin. In the year under review, preparations began for another clinical trial, to start in 2012. The aim is for patients to be treated with Zutectra® soon after liver transplantation.

Production

With the changes in the production of Cytotect® and Varitect® completed in 2011, all hyperimmunoglobulins are now produced at Biotest with the filter aid procedure. This leads to higher yields and contains an additional safety step for virus removal by 20 nm nanofiltration.

The start of expanded plasma protein production at Biotest Pharmaceuticals Corporation (BPC) in Boca Raton, USA, was delayed because of difficulties in the automation of critical steps in the process. Corrective measures were implemented and production of Bivigam™ has been running again since August, though not yet at full capacity. This latter will be achieved only when the final system for process control is installed. However, we will have the final production capacity only after a further changeover in the second half of the year. Due to the prolonged idleness of the facility and the necessary improvement work, idle costs and unscheduled write-offs were recorded in the plasma protein production operations of BPC in Boca Raton, USA.

Roughly half of the plasma processed by Biotest in Europe came from our own centres in 2011, and in the case of hyperimmune plasmas we achieved a self-supply level of 100%.

In August 2011, BPC opened another plasma collection centre in the US, in Athens, Georgia. Biotest therefore now operates twelve plasma collection centres in the United States and ten plasma collection centres in Europe.

BIOTHERAPEUTICS

Cornerstones of strategy

In the Biotherapeutics segment, Biotest is concentrating on the development of three monoclonal antibodies, and on indications with a particularly high therapeutic need and great market potential. The lead indications border on the therapeutic indications of our plasma proteins. Biotest already has extensive experience in these indications and is also very well connected with research institutions and clinics working in this field. Biotest also continually examines the antibodies for their potential suitability for other indications.

Biotest plans to push ahead with development on its own up to the conclusion of phase II. From then on, Biotest would like to continue development jointly with global pharmaceutical or biotechnology partners. We want to finance our share of the further development costs from the income expected upon conclusion of the contract and during continued development (advance and milestone payments). Our concept provides for granting our partners regional distribution rights. Biotest anticipates further licensing income depending on sales once the marketing phase is reached.

Operating performance

In June 2011, Biotest signed an agreement with Abbott for the worldwide development and marketing of the monoclonal antibody BT-061 (Tregalizumab). The agreement provides for Abbott and Biotest to co-market BT-061 upon receipt of marketing authorisation in the five core European markets (Germany, France, UK, Italy and Spain). For all other markets, Abbott will receive exclusive marketing rights.

An upfront payment of USD 85 million was due to Biotest upon the signing of the contract. Both partners have set milestones for the development, authorisation and marketing of the antibody, based on which additional amounts will be payable by Abbott to Biotest. These milestone and other sales-dependent payments may total up to USD 395 million. From Phase III Abbott will also bear the majority of the development costs.

Biotest is solely responsible for the manufacture of the necessary batches of BT-061 (Tregalizumab) for further clinical development in the lead indications of rheumatoid arthritis and psoriasis. Upon receipt of marketing authorisation, both parties will be jointly responsible for the manufacture of the antibody.

Collaboration with Abbott began immediately upon the signing of the contract as planned. So far, we have established the structures for the project and put together joint teams. We have also developed the concept for the further clinical development of Phases IIb and III as well as commercial production.

Earnings trends

EBIT in the Biotherapeutic segment showed a significant improvement compared to the previous year, coming in at –€7.6 million (2010: –€21.7 million). In 2011 Biotest recognised €17.4 million in payments from Abbott as part of the Tregalizumab agreement for services provided through profit or loss. This is reflected in EBIT at the segment level. Research and development expenses in the Biotherapeutic segment in 2011 were 13.7% higher than in 2010 at €24.0 million (€21.1 million). The increase was due to progress made in projects and the associated expansion of clinical studies.

Research and development

Trials of the monoclonal antibodies in their lead indications progressed in 2011. Biotest's previous statements regarding efficacy and tolerability were underpinned by these trials.

Clinical trials in the Biotherapeutics segment

Type of trial	Trial number	Dosage/trial design	Number of participants	Status as of 31 December 2011
BT-061 (Tregalizumab)				
Phase I Use in volunteers	961	intravenous up to 60 mg, subcutaneous up to 180 mg, single dose	57	Trial concluded
Phase IIa Rheumatoid arthritis	962	intravenous up to 25 mg, subcutaneous up to 100 mg, multi dose, treatment duration six weeks, placebo-controlled	96	Trial concluded
Phase II Rheumatoid arthritis (BT-061 + MTX*)	971	intravenous 0.5 mg and 2.0 mg, subcutaneous 50 mg, multi dose, treatment duration eight weeks, placebo-controlled	110	Trial concluded
Phase IIb Rheumatoid arthritis (BT-061 + MTX*)	979	subcutaneous up to 75 mg, multi-dose, treatment duration, twelve weeks, placebo-controlled	176	Patient recruitment in progress
Phase I/IIa Psoriasis	967	intravenous up to 20 mg, subcutaneous up to 25 mg, single dose, placebo-controlled	56	Trial concluded
Phase IIa Psoriasis	973	intravenous 0.5 mg and 2.0 mg, subcutaneous up to 100 mg, multi dose, treatment duration eight weeks, placebo-controlled	48	Trial concluded
Phase I Use in volunteers Pharmacodynamics/Pharmacokinetics	985	subcutaneous, up to 200 mg, single dose	36	Trial submitted for approval
Phase IIb Rheumatoid arthritis (BT-061 MTX*)	986	subcutaneous, multi dose	approx. 350	Trial preparation began
BT-062				
Phase I Multiple myeloma	969	Repeated single dose, intravenous every 21 days, 10–200 mg/m²	34	Patient recruitment concluded, one patient still on treatment
Phase I/IIa	975	Repeated multi dose, intravenous day 1,8 and 15; every 28 days, dose-escalation upwards from 40 mg/m²	60	Patient recruitment in progress
Phase I/IIa	983	combination with Lanalidomide and Dexamethasone based on 975 design (repeated multi dose)	50	Trial submitted for approval
BT-063				
Phase I Testing in healthy volunteers	977	Single dose, intravenous up to 100 mg/m²	24	Trial concluded

*) MTX = Methotrexate

For more information, visit the Biotherapeutics congresses/publications section of our website at: www.biotest.de

In 2011, Biotest obtained the final data from phase II trials with BT-061 (Tregalizumab) in the indications rheumatoid arthritis (clinical trial no. 971) and psoriasis (trial no. 973). In trial 971, the data demonstrated efficacy of the antibody in combination therapy with methotrexate with good tolerability. In the psoriasis trial, a significant proportion of patients were observed to have an improvement of over 90% in disease symptoms.

The World Health Organisation (WHO) published Tregalizumab in September 2011 as an individual and internationally accepted name for the drug BT-061 (international nonproprietary name, INN). Biotest and Abbott will now jointly drive development of the antibody in the indication rheumatoid arthritis.

In the phase I/II clinical trial of BT-062 in the indication multiple myeloma (trial no. 969), about 50% of these patients showed clinical benefit following treatment with BT-062. The trial of one patient lasted 18 months up to the end of 2011. The patients included in the trial had already received all currently available treatments. The design of the study provides for the treatment of patients included in the trial to continue with the immune conjugate as long as the disease status is stable.

In the current multi-dose trial (trial no. 975) BT-062 continued to be very well tolerated; in addition, a clinical benefit was already identified. Towards the end of the year, Biotest also submitted the documentation for another clinical trial (trial no. 983) to the FDA. The trial will investigate BT-062 in combination therapy with already approved agents (Revlimid® and dexamethason).

Information about presentations at professional scientific events can be found on the Biotest website.

The preclinical investigations of BT-061 (Tregalizumab) in the indication multiple sclerosis (MS) started in 2010 within the framework of the consortium “New Drugs for Neurological Diseases“ (New^2 Consortium) continued to run in 2011.

Production

Biotest has further extended the international patent protection of the antibodies by appropriate submissions and registrations.

In March 2011 representatives of the Paul Ehrlich Institute and Darmstadt Regional Council inspected the monoclonal antibody production facility at BPC. After the successful conclusion of these inspections, additional lots of BT-061 were manufactured there for the clinical trial.

PERFORMANCE OF DISCONTINUED OPERATION

The contribution to revenue from Discontinued Operation in 2011 was € 30.5 million. The bulk of this amount is attributable to the activities of the Microbiological Monitoring segment until their sale to Merck KGaA Group on 1 August 2011. The previous year’s sales amounted to €51.0 million. However, this included revenue from the Microbiological Monitoring segment over the full twelve-month period, so the two figures are not comparable.

EBIT of €26.4 million from the sale of the activities of the Microbiological Monitoring segment, which was completed on 1 August 2011, were recognised under Discontinued Operation. Including the contribution from operations in the first seven months of the year, EBIT for 2011 amounted to €35.7 million (2010: €24.8 million).

FINANCIAL AND ASSET POSITION

FINANCING STRATEGY

The financing strategy of the Biotest Group is designed to ensure sufficient liquidity at all times, to provide adequate options for financing the growth of operating business and the ability to make investments according to plan.

Biotest uses both equity and debt financing with the aim of maintaining a solid, conservative financing structure; its target equity ratio is 40.0%. Equity combined with the long-term component of debt financing should cover fixed assets. We obtain revolving working capital loans for terms of typically one or two years to finance our operations.

Section F3 in the Notes to the Consolidated Financial Statements

FINANCING IN FINANCIAL YEAR 2011

Against the backdrop of the financial market crisis, asset liquidity has continued to gain in importance. Biotest has therefore elected to hold the proceeds from the sale of the Microbiological Monitoring segment and the agreement with Abbott as liquid assets. The company is thus in a position to finance further planned growth independently, including in the medium term.

In the notes to the consolidated financial statements (Section E8), Biotest explains the importance of off-balance sheet financing instruments for the Group. Also included in the notes are explanations regarding the financial derivatives used.

CASH FLOW

Cash flow in 2011 was strongly impacted by completed transactions and the signing of the contract with Abbott. Cash flow from operating activities for Continuing Operations was €72.5 million compared to €41.7 million in 2010. This 73.9% growth was largely attributable to cash flow generated under the agreement with Abbot regarding Tregalizumab. Current assets grew significantly in the reporting year, following a large decrease in 2010. One reason for this was higher trade receivables due to the increase in longer-term sales revenue in the fourth quarter.

Cash flow from investing activities includes proceeds from the sale of the activities of the former Microbiological Monitoring segment as well as the remaining activities of the former Medical Diagnostic segment.

Outgoing cash flow for financing totalled €30.7 million (2010: €47.3 million). Biotest used a portion of the income from the Abbot agreement and profits from the completed disposals to pay down its financial liabilities.

Including Discontinued Operation, cash flow from operating activities for the Biotest Group in 2011 totalled €72.3 million (2010: €77.8 million); cash flow from capital expenditure for the Group as a whole was €22.0 million (2010: –€16.8 million).

The Biotest Group thus had available free cash flow in 2011 of €94.3 million (2010: €61.0 million). In addition to paying down loans, the funds were used to fully finance 2011 dividend payments as well as capital expenditures.

Key cash flow statement figures for the Biotest Group*

€ million	2011	2010
Operating cash flow before changes in working capital	72.9	66.7
Cash flow from changes in working capital	12.9	−11.7
Interest and tax payments	−13.3	−13.3
Cash flow from operating activities	**72.5**	**41.7**
Cash flow from investing activities	22.7	18.3
Cash flow from financing activities	−30.7	−47.3
Net change in cash and cash equivalents	**64.5**	**12.7**

* based on Continuing Operations

CAPITAL EXPENDITURES AND DEPRECIATION/AMORTISATION

Capital expenditures made in 2011 in Continuing Operations totalled €26.7 million (2010: €31.1 million). Of this amount, €25.0 million was invested in property, plant and equipment and €1.7 million in intangible assets.

Major property, plant and equipment items included the expansion of the plasma protein filling and packaging system in Dreieich as well as further investments in the production facility at BPC.

Depreciation and amortisation in 2011 totalled €30.8 million (2010: €26.9 million), of which €28.0 million (2010: €26.9 million) was scheduled depreciation and amortisation.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

The total assets of the Biotest Group as of 31 December 2011 increased to €682.8 million (2010: €632.3 million). Following the sale of the activities of the former Microbiological Monitoring and Medical Diagnostic segments, assets or equity and liabilities were no longer allocated to Discontinued Operation as of the 2011 reporting date.

Assets

Total non-current assets at the end of 2011, at €312.8 million, were lower by €10.6 million than those disclosed in the previous year's statement of financial position (2010: €323.4 million). This item includes the portfolio of Greek government bonds received by Biotest in 2010 in exchange for receivables due from Greek hospitals for the years 2007-2009.

The total Greece portfolio as of the 2011 reporting date was written down to 28% of its nominal value in line with market developments. The first tranche of these bonds (bonds covering receivables from 2007) was repaid in December 2011 by the Greek government as scheduled. We also sold bonds in the financial year with a nominal value of €4.8 million.

As of 31 December 2011, Biotest still held Greek bonds with a nominal value of €15.8 million that have been written down to a carrying amount of €4.5 million.

In current assets, the volume of trade receivables increased significantly compared to the previous year. This was due to an increase in longer-term sales revenue in the fourth quarter.

Of the €121.0 million in accounts receivable shown on the statement of financial position, €80.7 million (66.7%) was neither impaired nor due as of the reporting date. In the previous year, non-impaired or overdue receivables comprised 61.7% of all receivables.

The increase in cash and cash equivalents was attributable to the cash flow generated under the agreement with Abbott as well as the sale of the activities of the former Microbiological Monitoring segment.

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

€ million	2011	2010	Change in %
Net change in cash and cash equivalents	62.8	64.9	–3.2
Property, plant and equipment	234.9	230.8	1.8
Other financial investments	4.7	19.3	–75.6
Inventories	153.0	148.7	2.9
Trade receivables	121.0	98.3	23.1
Other assets	83.2	18.5	349.7

Equity and liabilities

On the equity and liabilities side, high earnings after taxes were reflected in equity. Biotest paid down a significant portion of its non-current financial liabilities, while current liabilities were slightly higher than at the end of 2010. Sales revenue deferrals required in connection with the Abbott agreement led to a corresponding financial position item of €25.0 million under non-current and €16.7 million current liabilities.

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

€ million	2011	2010	Change in %
Total Equity	346.7	307.6	12.7
Non-current liabilities	188.3	193.4	–2.6
Non-current financial liabilities	101.3	132.2	–23.4
Provisions	54.2	52.8	2.7
Current liabilities	147.8	131.3	12.6
Current financial liabilities	37.7	28.9	30.4
Provisions	19.3	16.5	17.0
Trades payables	34.7	42.8	–18.9

The equity ratio of the Biotest Group (including Discontinued Operation) on the reporting date was 50.8% (2010: 48.6%), thus clearly above the long-term target of 40%. Equity and non-current liabilities comprised 78.4% (2010: 79.2%) of the total financial position.

SUMMARY ASSESSMENT BY THE BOARD OF MANAGEMENT

In 2011 Biotest was able to significantly increase the volume of plasma proteins sold. However, due to the difficult price situation, negative currency effects and the additional burden caused by mandatory discounts in Germany, sales revenue remained slightly below that of the previous year.

These factors, along with one-time costs associated with the delayed restart of the production facility at BPC in Boca Raton, USA, had a negative impact on earnings in 2011.

This first-time sales contribution from the Biotherapeutics segment resulted from an agreement concluded with Abbott in June 2011 on the global development and marketing of BT-061 (Tregalizumab). This contract marks an important milestone in the development of monoclonal antibodies. The collaboration with this partner got underway successfully.

Further progress was made in all major development projects in both the Plasma Proteins segment and the Biotherapeutic segment in the financial year.

With the sale of the remaining activities of the Medical Diagnostic segment as well as all activities of the Microbiological Monitoring segment, Biotest has successfully refocused its strategy on biological drug products.

The cash flow generated has improved the already solid financial position of Biotest. The company has the necessary resources to strategically expand its operations and projects.

HUMAN RESOURCES

CHANGES IN PERSONNEL

On 31 December 2011, Biotest had 1,774 employees or 1,662 full-time equivalents in Continuing Operations. The number of full-time equivalents increased in comparison to the end of 2010 by 3.2% (2010: 1,611 positions).

This increase is mainly due to newly created positions in plasma protein production, the construction of additional plasma centres in the US as well as the acquisition of a distribution company in Brazil. With effect from 1 August 2011, the staff of the Microbiological Monitoring segment were absorbed into the acquiring companies of Merck KGaA Group.

On 31 December 2011, 730 full-time equivalents (43.9%) were assigned to Biotest AG and another 639 full-time equivalents (38.4%) to BPC. About half of all employees (963) work in Germany, 683 in the United States.

COMPENSATION

The next phase of the Long Term Incentive Programme (LTIP 2011) for success-based compensation of management staff began on 1 June 2011. The programme is described in detail in the consolidated financial statements.

Section F1 in the Notes to the Consolidated Financial statements

PERSONNEL DEVELOPMENT

Professional development at Biotest in 2011 focused not only on subject-matter related topics but also on improving its management culture and the intercultural skills of its staff.

A new event entitled “Leadership Compass: Orientation for New Managers at Biotest” on internal human resource and management processes was introduced. It is designed to give new managers at Biotest a quick orientation in carrying out their personnel management responsibilities.

The “Intercultural Management” workshop concept, launched in 2010, was continued in 2011 and extended to the Boca Raton location in the United States. The stronger intercultural sensitivity fostered by the workshop serves mainly to improve cooperation between the staff in Germany and their colleagues and business partners in the US.

A series of lectures organised by Biotest under the title of “Leadership is women’s work, too” led to a lively discussion about what characterises women in leadership positions and also what makes them different from men. The goal of the series was to enable a more thorough analysis of the professional advancement and development of female managers in the company.

Trainees

Biotest maintains high standards for its traineeship program. As of the end of 2011, we employed 25 trainees in six occupations as well as a BA student pursuing a degree in International Business Administration. With the aim of positioning Biotest as an attractive traineeship provider, in 2011 we intensified our traineeship marketing efforts. This included participation in four traineeship fairs in the Rhein-Main region.

For more information, visit the Careers section of our website at: www.biotest.de

CORPORATE SOCIAL RESPONSIBILITY

Biotest meets its corporate responsibility by supporting various medical/scientific initiatives, research projects and measures taken by patient organisations through donations and sponsorships.

We work closely with various medical and scientific research groups in Germany focussed on indications relevant to our products.

In addition, through our partnership with Johann Wolfgang Goethe University in Frankfurt am Main, Biotest provides students and doctoral candidates an opportunity to conduct scientific research.

SUBSEQUENT EVENTS

No reportable events occured after the reporting date.

RISK REPORT

Biotest's business operations, sales performance and results depend to some extent on factors, the occurrence of which 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, these conditions may result in better-than-projected earnings performance.

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

GENERAL STATEMENT ON THE GROUP'S RISK POSITION

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

RISK STRATEGY

As specified by the Board of Management and Supervisory Board in their joint risk strategy report, the company may take controlled risks in order to generate prospects for long-term profitable growth. The risk strategy is aimed at ensuring the company's continued existence and enhancing its value sustainably and systematically.

RISK MANAGEMENT AND CONTROLLING

Biotest systematically identifies and evaluates operational and strategic risks. All risks with fundamental implications and a reasonable likelihood of arising are closely monitored.

Our IT-based risk management system fulfils the requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG). Risk management processes are documented in detail, and the corresponding documents are stored in the risk management system.

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

Between meetings of the Risk Management Committee, segment managers brief the Board of Management during regular board meetings on the current risk situation in their respective areas of responsibility. In the case of a sudden change in the risk position, the Board of Management is notified directly and at short notice if necessary.

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

The Internal Audit department reviews risk management and controlling standards and processes regularly for suitability and effectiveness. The last audit took place in 2009.

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR ACCOUNTING PROCESSES

Biotest has implemented an accounting-related internal control system that covers all main business processes at Biotest AG and all of its subsidiaries. The aim of the accounting-related internal control system is to ensure with adequate certainty through a series of checks that, despite any risks identified, the consolidated financial statements are prepared in accordance with applicable policies. The relevant guidelines are summarised in an organisational manual to which all employees have access.

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

Biotest AG's accounting manual conforms to IAS/IFRS standards (International Accounting Standards/ International Financial Reporting Standards). This manual is binding on all Group companies and covers all IFRS standards of relevance to Biotest. It is continuously updated to reflect any changes to IFRS. All accounting managers are continuously informed of and trained in relevant accounting practices.

The accounts of Biotest AG and all subsidiaries included in the consolidated financial statements are maintained in accordance with strict schedules and procedures, in which all the necessary activities are set forth in detail.

Single-entity and consolidated financial statements are prepared with the help of approved systems. In each Group company, internal control processes have been established through organisational procedures and clear responsibilities, including separation of duties through a dual control system.

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

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

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

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

The 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 internal audit guidelines. Audits are undertaken in accordance with an annual internal audit plan established by the Board of Management and the Supervisory Board's Audit Committee. Individual audit findings are submitted to the Board of Management in a timely manner. In addition, once a year the Internal Audit department submits a detailed report to the Board of Management and the members of the Audit Committee.

RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

Section F4 in the Notes to the Consolidated Financial Statements

Biotest uses derivative financial instruments to hedge currency and interest rate positions. The corresponding contracts are established in observance of the set risk limits. The notes to the consolidated financial statements contain a detailed description of the risk management system with regard to financial instruments.

PRESENTATION OF SIGNIFICANT 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 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 and industry risks

Economic risks

Biotest would be unable to permanently escape the consequences of a far-reaching, long-lasting recession, even if its direct effects were limited. The risk of a downturn in sales may result from lower demand and/or rising pressure from customers to reduce prices.

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

If a country's overall economic position deteriorates to such an extent that serious consequences for its solvency and its health care system are feared, Biotest may be forced to discontinue deliveries to such countries in order to reduce risk.

We believe that economic risk remains high and are monitoring developments closely.

Sales market risks

Sales market risks consist of risks associated with price, quantity, substitution and payment default. The risk of further sharp declines in prices for plasma proteins has not increased on account of price developments in recent years, steadily growing demand and changes in the supply situation since the previous year. However, it continues to be classified as high.

We are reducing the risk of short-term fluctuations in sales quantities and prices by opening up additional international markets and establishing 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.

Based on our observations, the relation between globally available plasmatic and recombinant clotting factors is stable. Substitution risks are therefore low in our view.

Default risk is high due to the questionable solvency of companies and governments in some regions. Biotest is monitoring the receivables trend and will take measures to minimise risk if necessary.

Procurement market risks
The manufacture of our biological and biotechnical products requires special raw materials and excipients. If these materials were to become scarcer or increase substantially in price, Biotest's ability to manufacture or supply might be restricted. Biotest meets much of its raw material needs from domestic sources and has long-term contracts in place for additional supplies. Therefore, in our assessment, procurement market risks are very low.

Political risks

Some of Biotest's sales in the Plasma Proteins segment are attributable to tender contract business. In certain countries, business of this kind may be subject to a high level of political influence, which may in certain cases be to Biotest's disadvantage. Because Biotest acts with a high level of risk awareness in this market sector, the associated risk can be regarded as minor.

Biotest maintains relationships with companies all over the world. In unfavourable circumstances, a destabilisation of the political situation in individual countries could impair business relationships and prospects. In extreme cases, a worsening of the economy can destabilise a nation's political and economic system. Possible effects include currency export restrictions or import and export bans, which could threaten business relationships between Biotest and typically government-run institutions in such countries.

Compared to 2010, the situation in many Middle Eastern countries has become unstable. Given Biotest's long-time presence in the region, it is subject to increased risk for the future. Biotest monitors all political risks continuously. The economic consequences that may result from such risks are closely analysed.

Corporate strategy risks

Research and development risks
New drugs undergo several clinical trials prior to approval and market launch. There is a risk that a previously assumed therapeutic effect may not be confirmed or that unexpected medical risks will negatively impact the benefit/risk balance. In addition, it is impossible to put a precise figure on the amount of development investment that will be required. These may also arise as a result of new regulations in Germany, under which new drugs must prove their added benefits over existing products as part of the Early Benefit Assessment policy introduced in 2011. The reimbursement price is determined mainly by the extent of these benefits.

Using milestone planning, we constantly monitor the development progress of projects. In regular interim analyses, we evaluate the new data obtained from preclinical and clinical development to create a reliable basis for decisions on the further course of projects. With the conclusion of the collaboration agreement with Abbott, the corresponding risk situation in the Biotherapeutics segment has improved markedly.

Performance-related risks

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

We constantly monitor and analyse our production processes in order to take early action against any risks that may arise. All employees involved in production become familiar with production workflows by reviewing our operating procedures. To combat possible risks, we maintain extensive, precisely documented standards and operating procedures and regularly train our staff. One of our main focus areas is hygiene. We do not currently see increased risk in this area.

Supplier relationship risks
There is a risk that individual business or cooperation partners may not duly comply with their obligations or terminate existing agreements. We are also at risk of claims brought against us for possible breach of duty on the part of our partners. Given that our business relationships generally last many years and in view of the close dialogue we maintain with our suppliers, we believe that the probability that these risks will materialise is very low.

Risks relating to plasma as a raw material
There is a residual risk that plasma contaminated with currently known but undiscovered or previously unknown bacteria, viruses or prions will enter the production cycle. This could lead to contamination of end products. Possible consequences include a recall of individual batches from the market or restriction or suspension of approval by the authorities. In addition, contamination caused by previously unknown bacteria, viruses or prions could result in tighter legislative controls on plasma-based drugs.

The testing procedures used by Biotest comply with the latest scientific standards. The manufacturing process includes several steps for viral inactivation or viral depletion. Contamination of end products is thus highly unlikely.

Compliance
There is a fundamental risk of corruption in competing for supply contracts and in procurement. Biotest Group employees could improperly influence the awarding of contract by granting or accepting undue advantages. Biotest combats this risk through various anti-corruption measures.

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

Other personnel risks
Other risks include the possibility that Biotest will not be in a position to retain employees in key positions or be able to find suitable candidates for such positions. We combat this risk through the continuous and targeted education of our staff, interesting trainee programs and performance-based compensation of specialised and management staff.

IT risks

Many production and other business processes at Biotest rely on IT support. The security of the technology used is therefore a top priority for us. This applies both to the stability of the IT systems and backup solutions as well as to potential unauthorised third-party access and possible attacks from the internet. Production and administration operate on separate IT networks.

Biotest is continuously improving its security systems. The proper handling of systems and data is covered extensively in our operating procedures.

Financial and currency risks

Section F4 in the Notes to the Consolidated Financial Statements

Financial risks may arise from the unexpected cancellation of credit lines or a sudden increase in lending rates. Biotest has established long-term agreements for the majority of its debt financing. Sales in US dollars continue to be largely offset by purchases in the same currency.

The consequences of the financial and debt crisis are also affecting Biotest. Greece has paid back the first tranche of the bond used to settle debts from hospitals in the year 2007. New debts accrued in 2010 were also fully settled during the previous year. Nevertheless, there remains great uncertainty as to whether the remaining tranches of the bond or other outstanding debts will be repaid in full. There is also an increased risk of default on receivables in Hungary. Increased vigilance is required in the development of DSO in Italy and Spain.

Biotest counteracts currency risks through the use of derivative financial instruments wherever advisable. However, despite these measures, the massive devaluation of individual currencies could greatly impact consolidated results. We are therefore monitoring possible currency risks continuously and will put additional safeguards in place if necessary.

Other risks

Side effect or drug interaction risks
Unexpectedly severe or previously unknown side effects or drug interactions may occur in previously approved drugs. Inappropriate handling, storage or application of our preparations may also cause significant adverse effects on customers and patients. The measures to be adopted in such cases, in agreement with regulatory authorities, range from ordering a recall of individual batches to restriction or suspension of approval. In particularly, incorrect handling of suspected cases of side effects, interactions or quality defects can also damage Biotest's reputation with regulatory and approval authorities. By constantly developing transparent processes and also by training staff members who deal with these matters, Biotest ensures a very high degree of reliability in this area. This high reliability has been confirmed in repeated inspections by the competent authorities. In addition, intensive dialogue with clinics and specialist physicians' practices ensures that Biotest is informed promptly of possible, newly identified side effects and interactions.

Risks arising from ongoing legal proceedings and tax risks
Biotest AG's tax assessments for the years 2009 and 2010 remain subject to audit by the tax authorities. Additional tax liabilities resulting from the tax audit for the period from 2004 to 2008 but not yet assessed by the tax authorities are reflected in the consolidated financial statements.

OUTLOOK

The expectations and projections of the Board of Management regarding the future business performance of the Biotest Group are based on assumptions that appear to be the most probable scenario from today's perspective. However, like all statements regarding future performance, projections are inherently uncertain. Actual developments in the market environment or Biotest segments may differ significantly from our assumptions.

GENERAL STATEMENT BY THE BOARD OF MANAGEMENT REGARDING GROUP PERFORMANCE

The Board of Management expects stable performance for the Biotest Group for the current and coming year. The market for plasma proteins based on volume will continue to grow. However, pressure on prices is likely to continue at least through 2012.

Through successful focussing on the pharmaceuticals business and the further development of Tregalizumab in collaboration with Abbott, important foundations for the company's development have been laid. From this strong base, the Board of Management expects Biotest to return to a path of growth from 2013.

Cash flow from the agreement with Abbott as well as the sale of the former Microbiological Monitoring segment have also improved Biotest's financial situation. The company has enough unused credit lines and liquid assets to adequately fund strategic projects. This is also helpful in the event that banks become more restrictive in their lending practices.

GROUP STRATEGY IN FINANCIAL YEARS 2012 AND 2013

The general direction of the Biotest Group will not change from today's perspective. The focus will remain on strengthening its position in the clinical immunology, haematology and intensive care treatment areas. The requirements of consumers and patients on Biotest products form the guiding principle behind our strategy.

MARKET DEVELOPMENTS

General

The financial situation of governments and public health care systems will remain strained. Additional cost cutting measures in the health sector are possible. Depending on the further course of European sovereign debt crisis, the macroeconomic environment for Biotest products may worsen.

The plasma protein market

The demand for immunoglobulins in 2012 and the following year will increase by about 4 to 6% per annum. On the supply side, we expect no significant changes from the current situation, meaning that pressure on prices outside the US and some European markets should continue. However, we expect average achievable prices in 2012 to be slightly higher than in 2011.

In plasma-based clotting factors, we expect an increase in the global market volume of around 2% per year. With regard to albumin, our projections are based on our assumption of a largely stable market volume.

The biotherapeutics market

We assume as before that if all three monoclonal antibodies from Biotest obtain marketing authorisation, they will represent treatment options in their respective lead indications that differ markedly from other approved therapeutic approaches.

Expected business and earnings position of the Biotest Group

Biotest expects sales growth of 3 to 5% in 2012 and 8 to 10% in 2013 over the previous year.

We expect only a slight increase in EBIT for financial year 2012 compared to 2011 EBIT. In financial year 2013, we expect EBIT to increase more or less on par with sales at 8 to 10%.

The above sales and earnings expectations assume that the underlying conditions for our business with countries such as Greece, Russia and certain Middle Eastern nations will not deteriorate for financial or political reasons. The sales and earnings forecast is also dependent on the granting of marketing authorisation for Bivigam™ in the US market as expected mid of 2012.

Expected financial and asset position of the Biotest Group

In 2012 and the following year, Biotest seeks to maintain a balanced financing structure, both in terms of the ratio of debt to equity as well the ratio of short-term to long-term debt financing. A significant portion of our cash and cash equivalents will be used to finance the necessary increase in current assets as we begin to market Bivigam™, prior to which we must build up inventories of the end product.

EXPECTED SEGMENT PERFORMANCE

Plasma Proteins

For the years 2012 and 2013, in terms of sales and earnings we expect more or less the same level of performance as for the group as a whole.

In the second half of 2012, the implementation of the process control system at the BPC production facility will be completed. The new system will allow the plant to operate at full capacity.

We expect the expansion of our packaging capacities in Dreieich to be completed in 2013.

New developments

Bivigam™: The final documentation for the FDA approval process was submitted in October 2011, with a response expected by Q2 2012. Therefore authorisation for the immunoglobulin should be granted around mid-2012. Biotest will them immediately begin marketing the product.

Civacir®: Production at BPC of the product batches required for the clinical trial will probably be completed towards the middle of 2012. We anticipate that the clinical trial will start in the fourth quarter.

Fovepta®: We expect that this hepatitis B immunoglobulin for the treatment of neonates will obtain approval in the EU in the first quarter of 2012. Following this, Biotest will submit the dossiers for marketing authorisation in more than ten international markets outside the EU.

Fibrinogen: The start of the first clinical trial is planned for 2012.

IgM-Concentrate: The results of an interim analysis of the current clinical trial will be available by mid-2012. These results will provide clear conclusions about the medicinal product's safety profile, and initial evidence of trends with regard to its efficacy.

Further development of approved medications

Cytotect 70 (BT-094): In the trial of prophylaxis of congenital cytomegalovirus infection, we will recruit seven more study centres in 2012.

Intratect®10%: We anticipate marketing authorisation in Europe at the end of 2012.

Moreover, Biotest expects to obtain further international approvals and registrations for medications in 2012 and 2013.

Biotherapeutics

Continuing development

We will continue development projects in this segment in the current and subsequent business years. The focus will be on the lead indications. With BT-061 (Tregalizumab), we will initially press ahead with the clinical studies in rheumatoid arthritis. An interim analysis in the course of study no. 979 is planned for 2012. In addition, Abbott and Biotest will probably submit the documentation for a further phase IIb study (study number 986), which is to be conducted in Europe, Canada and the USA.

In 2012, we will prepare for the clinical trial of BT-062 in Europe. Trials to date have all been running in the United States.

OPPORTUNITIES

Biotest views risks and opportunities from an integrated management perspective. By continuously monitoring developments in sales markets and regulatory conditions, we are able to identify opportunities at an early stage. This is the responsibility of segment managers, who are assisted in this task by employees from their respective segments and from central departments.

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

Biotest thoroughly evaluates any identified opportunities and makes decisions regarding possible investments based on the results of the evaluation, which may include application of the discounted cash flow method or comparisons of different scenarios. In addition, we take all possible risks into consideration. The project must also fit in with the strategy of the segment and the Group.

Opportunities arising from the development of framework conditions

Findings regarding additional indications for immunoglobulins may result in additional marketing opportunities for Biotest products. Expanded indication fields may also result from improved or more widely used diagnostic procedures that will help better discover diseases that may be treated through immunoglobulin administration.

Opportunities arising from corporate strategy

The development of monoclonal antibodies will allow for better-than-expected sales and earnings. The use of monoclonal antibodies in additional indications, for example, may contribute to this development.

Performance-related opportunities

In recent years, Biotest has invested heavily in expanding its resources and expertise in the fields of drug development and approval. At the same time, we have retained the advantages of being a manageable entity with short communication channels and quick decision-making processes. If we succeed in realising the potential that results from this combination, we may, above all, be able to move forward with research and development projects more quickly and at less expense.

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

In accordance with the Articles of Association the subscribed capital of Biotest AG is €30,025,152. It is divided into 6,595,242 no-par ordinary shares as well as 5,133,333 no-par 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. Kreissparkasse Biberach notified us that it held 24.36% of the company's shares with voting rights as of 20 January 2007. Based on the new rules under Section 41 Paragraph 4d of the WpHG in effect from 1 February 2012, on 22 February 2012 Dr. Martin Schleussner, Renate Schleussner and Dr. Hans Schleussner announced that effective 1 February 2012 they each held a reportable share in Biotest AG with voting rights of 50.27%.

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 holders of shares with special rights granting powers of control.

Members of the Board of Management are appointed and dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 7 (2) of the Articles of Association. In accordance with Section 179 (1) of the AktG, all changes to the Articles of Association must be made by resolution of the Annual Shareholders' Meeting (Section 133 of the AktG). Authorisation to make changes to the Articles of Association affecting only the wording thereof was transferred to the Supervisory Board in accordance with Section 27 of the Articles of Association in conformity with Section 179 (1)(2) of the AktG.

Pursuant to the resolutions of the Annual Shareholders' Meeting of 6 May 2010, the company is authorised under Section 71 (1)(8) of the AktG to acquire ordinary bearer shares and/or preference bearer shares at up to 10% of the share capital outstanding at the time of the Annual Shareholders' Meeting of €30,025,152.00. At no time may the acquired shares, along with other treasury shares held by the company or ascribed to it under Sections 71d and 71e of the AktG, represent more than 10% of the company's share capital. This authorisation was valid until 5 May 2015; the company has not to date exercised its rights under this authorisation. The Board of Management's prior authorisation to acquire company shares pursuant to the resolution of the Annual Shareholders' Meeting of 7 May 2009 was rescinded.

By resolution of the same Annual Shareholders' meeting, the Board of Management is authorised to increase the company's share capital by 5 May 2015 with the approval of the Supervisory Board by up to €3,742,487.04 through a single or several issue(s) of new preference bearer shares with no voting rights in return for cash contributions (equivalent to 1,461,909 preference bearer shares with no voting rights). The shareholders shall be granted pre-emptive rights to these shares. This authorisation has not yet been exercised.

By resolution of the Annual Shareholders' Meeting of 8 July 2004, the Board of Management is authorised, subject to approval by the Supervisory Board, to issue profit participation rights with a nominal value of up to €50 million until 7 July 2009. This authorisation was exercised in financial year 2005 in the amount of €10 million. On 25 November 2005, the company established a profit participation agreement for a term of seven years for the amount of €10 million, which was paid out on 5 December 2005 minus a discount of 3.4%. The loan is a subordinated bullet loan with variable and fixed interest components. The variable component is dependent on the company's financial ratios.

Biotest AG has entered into major agreements with third parties regarding the Group's long-term financing contracts, which 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 Corporation, if, in their view, this change of control would make continuance of the agreement unacceptable.

The participation rights agreement relating to a bullet loan for a nominal value of €10 million provides for the possibility of extraordinary termination by the creditors. In the event of termination, the entire sum would be due immediately together with an early prepayment penalty.

The Board of Management agreement signed by both members of the Board of Management includes a supplementary agreement regarding severance pay in the event of the early termination of the Board of Management agreement due to circumstances clearly defined as a change of control. The severance payment shall consist of the member's fixed salary 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 compensation for the value in use of the company vehicle provided. In addition to these entitlements, the severance payment shall also include a sum equal to twice the annual fixed salary. In total, however, the severance payment may not exceed three times the annual fixed salary.

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

Consolidated statement of income

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

€ thousand	Note	2011	2010
Revenue	D1	422,027	412,482
Cost of sales		−254,266	−247,999
Gross profit		**167,761**	**164,483**
Other operating income	D5	13,430	12,142
Distribution costs		−48,517	−52,456
Administrative costs		−31,958	−30,729
Research and development costs	D4	−49,406	−48,968
Other operating expenses	D6	−9,750	−1,578
Operating profit		**41,560**	**42,894**
Financial income	D7	21,052	11,698
Financial expenses	D8	−34,571	−26,438
Financial result		**−13,519**	**−14,740**
Income from associated companies	D9	539	299
Earnings before taxes (EBT)		**28,580**	**28,453**
Income tax	D10	−9,850	−8,826
Earnings after taxes from Continuing Operations		**18,730**	**19,627**
Earnings after taxes from the Discontinued Operation	D11	29,419	19,858
Earnings after taxes (EAT)		**48,149**	**39,485**
Thereof:			
Shares of profit or loss attributable to equity holders of the parent company		**46,353**	**36,947**
from Continuing Operations		18,722	19,615
from the Discontinued Operation		27,631	17,332
Minority interest		1,796	2,538
from Continuing Operations		8	12
from the Discontinued Operation		1,788	2,526
Earnings per share in €	**E12**	**3.93**	**3.12**
from Continuing Operations		1.57	1.64
from the Discontinued Operation		2.36	1.48
Additional dividend rights per preference share in €	**E12**	**0.06**	**0.06**
from Continuing Operations		0.06	0.06
from the Discontinued Operation		–	–
Earnings per preference share in €	**E12**	**3.99**	**3.18**
from Continuing Operations		1.63	1.70
from the Discontinued Operation		2.36	1.48

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

Consolidated statement of comprehensive income

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

€ thousand	2011	2010
Profit for the period	**48,149**	**39,485**
Actuarial gains/losses from defined pension benefit plans	888	–2,766
Deferred taxes thereon	–263	801
Other income/expenses recognised directly in equity	–	–53
Actuarial gains from defined pension benefit plans from the Discontinued Operation	452	–
Deferred taxes thereon	–78	–
Currency translation of foreign subsidiaries	2,421	6,170
Total deferred taxes on income and expenses recognised in equity	**–341**	**801**
Income and expenses recognised directly in equity	**3,420**	**4,152**
Total comprehensive income	**51,569**	**43,637**
Income and expenses recognised directly in equity	**3,420**	**4,152**
from Continuing Operations	3,046	4,139
from the Discontinued Operation	374	13
Profit for the period	**48,149**	**39,485**
from Continuing Operations	18,730	19,627
from the Discontinued Operation	29,419	19,858
Total comprehensive income	**51,569**	**43,637**
from Continuing Operations	21,776	23,766
from the Discontinued Operation	29,763	19,871
Thereof:		
Shares of profit or loss attributable to equity holders of the parent company	49,773	41,099
from Continuing Operations	21,768	23,754
from the Discontinued Operation	28,005	17,345
Minority interest	1,796	2,538
from Continuing Operations	8	12
from the Discontinued Operation	1,788	2,526
Total comprehensive income	**51,569**	**43,637**
from Continuing Operations	21,776	23,766
from the Discontinued Operation	29,793	19,871

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

Consolidated statement of financial position

of the Biotest Group as of 31 December 2011

€ thousand	Note	31 December 2011	31 December 2010
ASSETS			
Intangible assets	E1	62,833	64,941
Property, plant and equipment	E2	234,857	230,749
Investments in affiliates	E3	81	100
Investments in associates	E4	2,042	1,050
Other financial investments	E5	4,652	19,341
Other assets	E9	618	1,735
Deferred tax assets	E6	7,729	5,479
Total non-current assets		**312,812**	**323,395**
Inventories	E7	152,983	148,711
Trade receivables	E8	120,961	98,300
Current income tax assets		3,493	2,436
Other assets	E9	9,314	9,814
Cash and cash equivalents	E10	83,199	18,541
		369,950	**277,802**
Assets from the Discontinued Operation	E11	–	31,142
Total current assets		**369,950**	**308,944**
TOTAL ASSETS		**682,762**	**632,339**
EQUITY AND LIABILITIES			
Subscribed capital		30,025	30,025
Share premium		153,332	153,332
Retained earnings		116,862	81,260
Shares of profit or loss attributable to equity holders of the parent company		46,353	36,947
Equity attributable to equity holders of the parent company	**E12**	**346,572**	**301,564**
Minority interests		96	6,044
Total equity	**E12**	**346,668**	**307,608**
Provisions for pensions and similar obligations	E13	51,049	49,672
Other provisions	E14	3,192	3,111
Financial liabilities	E15	101,343	132,176
Other liabilities	E16	194	255
Deferred tax liabilities	E6	7,598	8,169
Liabilities from deferred revenue	E17	24,983	–
Total non-current liabilities		**188,359**	**193,383**
Other provisions	E14	19,340	16,454
Current income tax liabilities		13,074	7,047
Financial liabilities	E15	37,690	28,889
Trade payables		34,678	42,779
Other liabilities	E16	26,298	22,431
Liabilities from deferred revenue	E17	16,655	–
		147,735	**117,600**
Liabilities from the Discontinued Operation	E11	–	13,748
Total current liabilities		**147,735**	**131,348**
Total liabilities		**336,094**	**324,731**
TOTAL EQUITY AND LIABILITIES		**682,762**	**632,339**

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

Consolidated cash flow statement

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

€ thousand	Note	2011	2010
Earnings before taxes		28,580	28,453
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	E1; E2	30,828	26,891
Income from associated companies		–539	–299
Impairment loss on securities classified as financial assets		–	17
Gains on disposal of fixed assets		47	–406
Changes in pension provisions	E13	429	–2,654
Financial result		13,519	14,740
Operating cash flow before changes in working capital		**72,864**	**66,742**
Changes in other provisions	E14	1,487	–3,550
Changes in inventories, receivables and other assets		–24,035	–8,899
Changes in liabilities from deferred revenue		41,638	–
Changes in accounts payable and other liabilities		–6,138	774
Cash flow from changes in working capital		**12,952**	**–11,675**
Interest paid		–4,930	–5,753
Taxes paid		–8,371	–7,569
Cash flow from operating activities in Continuing Operations		**72,515**	**41,745**
Cash flow from operating activities in Discontinued Operation		–237	36,083
Total cash flow from operating activities		**72,278**	**77,828**
Cash from the disposal of non-current assets		217	2,526
Payments for investment in non-current assets	E1; E2	–26,716	–29,373
Cash from the sale of Discountinued Operation		41,770	45,000
Changes in other financial assets		6,623	34
Interest received		737	114
Cash flow from investing activities in Continuing Operations		**22,631**	**18,301**
Cash flow from investing activities in Discontinued Operation		–635	–35,144
Total cash flow from investing activities		**21,996**	**–16,843**
Dividend payments for the previous year	E12	–4,765	–4,296
Dividend payments to minority interests	E12	–1,722	–1,595
Proceeds from the assumption of financial liabilities	E15	4,261	9,398
Payments for redemption of financial liabilities	E15	–28,424	–50,783
Cash flow from financing activities in Continuing Operations		**–30,650**	**–47,276**
Cash flow from financing activities in Discontinued Operation		–	–1,020
Total cash flow from financing activities		**–30,650**	**–48,296**
Net changes in cash and cash equivalents		63,624	12,689
Exchange rate-related changes		162	–20
Cash and cash equivalents at beginning of the period	E10	19,413	6,744
Total cash and cash equivalents total at end of period	**E10**	**83,199**	**19,413**
Less cash and cash equivalents at end of period in Discontinued Operation	E10	–	872
Cash and cash equivalents at end of period in Continuing Operations	**E10**	**83,199**	**18,541**

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

Consolidated statement of changes in equity

of the Biotest Group for the period from 1 January 2010 to 31 December 2011

€ thousand	Subscribed capital	Share premium	Accumulated differences from currency translation	Profit and retained earnings	Equity excluding minority interests	Minority interests	Total equity
As of 1 January 2010	**30,025**	**153,332**	**–449**	**81,853**	**264,761**	**5,101**	**269,862**
Gains/losses recognised directly in equity	–	–	6,170	–2,018	4,152	–	4,152
Profit for the period	–	–	–	36,947	36,947	2,538	39,485
Total comprehensive income	**–**	**–**	**6,170**	**34,929**	**41,099**	**2,538**	**43,637**
Dividend payments for 2009	–	–	–	–4,296	–4,296	–1,595	–5,891
As of 31 December 2010	**30,025**	**153,332**	**5,721**	**112,486**	**301,564**	**6,044**	**307,608**
Gains/losses recognised directly in equity	–	–	2,421	999	3,420	–	3,420
Profit for the period	–	–	–	46,353	46,353	1,796	48,149
Total comprehensive income	**–**	**–**	**2,421**	**47,352**	**49,773**	**1,796**	**51,569**
Disposal of minority interests	–	–	–	–	–	–6,022	–6,022
Dividend payments for 2010	–	–	–	–4,765	–4,765	–1,722	–6,487
As of 31 December 2011	**30,025**	**153,332**	**8,142**	**155,073**	**346,572**	**96**	**346,668**

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

A GENERAL INFORMATION

The Biotest Group consists of the parent company, Biotest Aktiengesellschaft (Biotest AG), with its registered office in Dreieich, Germany, and its domestic and foreign subsidiaries. The Group's headquarters are located at Landsteinerstrasse 5, 63303 Dreieich, Germany. Biotest AG is registered with the District Court of Offenbach am Main under HRB 42396. Biotest is a provider and developer of biological and biotechnological pharmaceutical products. With a value chain reaching from pre-clinical and clinical development to global distribution, Biotest specialises primarily in therapeutical applications in immunology and haematology.

As of 31 December 2011 the Biotest Group had two operating segments.

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

In addition, in its Biotherapeutic segment, Biotest promotes the clinical development of monoclonal antibodies, including for the indications rheumatism and leukaemia. On 21 June 2011 Biotest entered into a partnership agreement with Abbott, Abbott Park, Illinois, USA; this cooperation agreement governs the joint research and development of the monoclonal antibody BT-061 and its later worldwide marketing.

The Microbiological Monitoring division was sold to Merck KGaA Group, Darmstadt, Germany, in August 2011. This segment comprised the development and distribution of products for hygiene industrial control. Its product range consisted mainly of culture media and hygiene monitoring devices. The Biotest Group discloses the profit from the sale separately under Discontinued Operation, to which the Microbiological Monitoring segment was assigned last year upon the decision to sell the division. After discussions with potential buyers, a purchase agreement was signed with Merck KGaA Group on 22 March 2011 (signing date). The sale was completed on 1 August 2011 (closing date) after approval by the various anti-trust authorities. Biotest currently receives income from the divested division from service and lease agreements with Merck KGaA Group.

The former Medical Diagnostic segment is also classified as a Discontinued Operation. The division encompassed products for blood group and tissue typing. Its product range consisted mainly of reagents, test serums and test systems. Biotest currently receives income from the division, which was sold to the Bio-Rad Group, USA, on 6 January 2010, through service and lease agreements with Bio-Rad Medical Diagnostics GmbH, Dreieich, Germany.

Income and expenses from the above-mentioned service and lease agreements are disclosed under Discontinued Operation.

As of the reporting date, the Biotest Group has 1,774 employees worldwide.

The consolidated financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) which are mandatory in the European Union. The IFRS comprise both the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretations Committee (SIC). The accounts of the Biotest Group are prepared in accordance with the IFRS which are mandatory for financial years beginning on 1 January 2011.

In their present version, the consolidated financial statements comply with the provisions of Section 315a of the German Commercial Code (HGB). These provisions form the legal basis in Germany for consolidated accounting in accordance with international standards in conjunction with Regulation (EC) No. 1606/2002 on the application of International Accounting Standards issued by the European Parliament and Council on 19 July 2002.

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

The amounts disclosed in the consolidated financial statements, unless otherwise noted, relate exclusively to Continuing Operations.

On the statement of financial position,Discontinued Operation comprise the Microbiological Monitoring segment in 2011 and the Medical Diagnostic and Microbiological Monitoring segments in 2010. On the statement of income for both the current and previous year,Discontinued Operation include the sold Medical Diagnostic and Microbiological Monitoring segments.

Reconciliations for the period from 31 December 2010 to 31 December 2011 do not include Discontinued Operation. Reconciliations for the period from 31 December 2009 to 31 December 2010 show the reclassification of previous year amounts from the Microbiological Monitoring segment to Discontinued Operation. The exception is the statement of changes in equity, which refers generally to all business divisions.

On 9 March 2012, the Board of Management of Biotest AG will submitt the consolidated financial statements to the Supervisory Board. The Supervisory Board will decide on 20 March 2012 on the release of the consolidated financial statements for publication.

Changes in accounting and measurement methods

All valid and mandatory International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) of relevance for the Biotest Group have been applied in the preparation of these statements. The accounting and valuation methods applied are generally the same as those of the previous year, with the following exceptions:

IAS 24 Related Party Disclosures (amended)

The amended standard applies to financial years beginning on or after 1 January 2011. The amendment clarifies the definition of related parties in order to simplify the identification of such relationships and eliminate inconsistencies in application. The amended standard introduces a partial exemption from the disclosure requirements for related companies of a public entity. Early application of the exemption for related companies of a public entity as well as of the standard as a whole is permitted. This clarification has no effect on the financial position, cash flows, results of operations or explanatory notes of the Biotest Group in financial year 2011.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (amended)

The amended IAS 32 standard applies to financial years beginning on or after 1 February 2010. It changes the definition of a financial liability such that subscription rights (and certain options or warrants) must be classified as equity instruments if such rights entitle the holder to acquire a set number of equity instruments from the company at a set price in any currency, and the company offers the rights proportionally to all current same-class owners of its non-derivative equity instruments. This clarification has no effect on the financial position, cash flows and results of operations of the Biotest Group in financial year 2011.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 applies to financial years beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability. The issued equity instruments are measured at their fair value. If this cannot be reliably measured, fair value is assessed on the basis of the liability extinguished. Gains and losses are recognised immediately through profit or loss. This clarification has no effect on the financial position, cash flows and results of operations of the Biotest Group in financial year 2011.

IFRIC 14 Prepayments of a Minimum Funding Requirements (amended)

The amended IFRIC 14 standard applies retroactively to financial years beginning on or after 1 January 2011. The amendment provides guidance for determining the recoverable amount of a net pension asset. It allows companies to treat prepaid contributions made as part of minimum funding requirements as an asset. This clarification has no effect on the financial position, cash flows and results of operations of the Biotest Group in financial year 2011.

Improvements to IFRS 2010

The IASB issued Improvements to IFRSs, a collection of amendments to standards and interpretations including:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The amendments under the improvements to IFRS 2010 apply to financial years beginning on or after 1 January 2011. Their application had no effect on the financial position, cash flows and results of operations of the Biotest Group in financial year 2011.

Recently released accounting pronouncements – not yet implemented

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

IAS 19 Employee Benefits (amended)

The amended standard applies to financial years beginning on or after 1 January 2013. The amended IAS 19 does away with the corridor approach and requires actuarial gains and losses to be recognised in other comprehensive income. In addition, the expected return on plan assets and the interest cost on the pension liability are replaced with a single net interest component. In the future, past service costs will be recognised fully in the period of the corresponding plan change. The amendment to IAS 19 changes the requirements for benefits upon termination of employment and expands disclosure and explanation requirements. Currently, the company is examining the impact of the amended IAS 19 on the consolidated financial statements and will determine the date of adoption. A definite impact is expected in terms of partial retirement arrangements, as under the new regulations top-up amounts are no longer considered severance pay but rather compensation for ongoing employment. Therefore, in the future, a provision is only to be recognised on a pro rata basis and not at the time of contract signing as in the past.

IFRS 9 Financial Instruments Classification and Measurement

In November 2009 the IASB published IFRS 9 Financial Instruments. This standard covers the first of three phases of the IASB project to replace the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends recognition and measurement requirements for financial assets, including various hybrid contracts. It applies a uniform approach to recognising a financial asset at amortised cost or fair value to replace the various rules of IAS 39. The IFRS 9 approach is based on the way in which a company manages its financial instruments (its business model) and on the nature of the contractual cash flows of financial assets. The new standard also requires the use of a uniform impairment method that replaces the different methods within IAS 39.

The new standard is required to be applied to financial years beginning on or after 1 January 2015, with earlier application permitted. The Company is currently assessing the impact of its application on the consolidated financial statements.

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 10, 11, 12 and the consequential amendments to IAS 27 and IAS 28 apply to financial years beginning on or after 1 January 2013. New or modified standards may be applied earlier. In this case, all the new regulations above will be applied at the same time. The only exception is IFRS 12, for which disclosure requirements may be applied early independently of the other pronouncements. The pronouncements apply retroactively. IFRS 10, 11, 12 and the consequential amendments to IAS 27 and IAS 28 have not yet been transposed by the EU into European law. The Company is currently assessing the impact on the consolidated financial statements and will determine the date of adoption.

IFRS 13 Fair Value Measurement

In May 2011 the IASB published IFRS 13, Fair Value Measurement. The new pronouncement does not specify the extent to which certain assets and liabilities are to be measured at fair value but simply defines the term 'fair value' and standardises the disclosure requirements for measurements at fair value. The new pronouncement applies to financial years beginning on or after 1 January 2013. Early adoption is permitted. IFRS 13 has not yet been transposed by the EU into European law. Most of the changes resulting from IFRS 13 regarding financial instruments have already been introduced, particularly through changes to IFRS 7, Financial Instruments: Disclosures. The Company is currently assessing the impact on the consolidated financial statements in terms of non-financial assets and liabilities and will determine the date of adoption.

B MATERIAL ACCOUNTING AND MEASUREMENT PRINCIPLES

B1 Scope of consolidation

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

In financial year 2011, the scope of consolidation of the Biotest Group changed compared to the previous year. In financial year 2011, six companies were deconsolidated.

The Biotest Group sold its Microbiological Monitoring division to Merck KGaA Group in 2011. Therefore, the companies classified as held for sale in financial year 2010 the German company heipha Dr. Müller GmbH, the US company Biotest Microbiology Corporation, the Japanese company Biotest K.K. and the French company Biotest S.a.r.l. were deconsolidated in financial year 2011.

Furthermore, in February 2011 the Biotest Group sold its shares in Viro-Immun Labor-Diagnostika GmbH under a purchase agreement signed on 18 February 2011. The company was deconsolidated effective 1 April 2011.

With the sale of Medical Diagnostics, the remaining business of the Belgian company Biotest Seralc° N.V. was not sufficient in order to sustain the necessary structure. For this reason, the remaining business was transferred to external distributors. On 31 December 2010 the company existed only as a legal shell and was deconsolidated in 2011.

Through the agreement dated 18 January 2011, Biotest AG acquired 100% of the shares of Biotest Farmaceutica Ltda., São Paulo, Brazil (formerly Marcos Pedrilson Produtos Hospitalares Ltda.). The company was consolidated for the first time upon acquisition. For more information, see Section F2 Mergers.

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

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

B2 Consolidation methods

The closing date for Biotest AG and all companies included in the financial statements is 31 December 2011. The financial statements of the consolidated companies were prepared using uniform accounting and measurement methods as prescribed by Biotest AG.

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

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

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

Business acquisitions prior to 1 January 2010 were subject to different principles than the above as follows:

- Transaction costs directly attributable to the acquisition represented a portion of the cost of purchase.
- Non-controlling interest (formerly minority interest) was measured at the corresponding share of the identifiable net assets of the acquired company.
- Contingent consideration was recognised only if the Group had a present obligation, if the outflow of resources was economically more beneficial and a reliable estimate was possible. Subsequent adjustments to contingent consideration had an impact on goodwill.
- In the case of successive mergers, individual acquisitions were recorded separately. An additionally purchased share had no effect on goodwill from the previous acquisition.

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

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

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

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

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

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 expense are translated at the average annual rate. The resultant accumulated differences are recognised directly 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 currency translation within the Biotest Group:

	Average exchange rates		Closing rates	
1 euro equals	2011	2010	31.12.2011	31.12.2010
US dollar (USD)	1.3917	1.3268	1.2939	1.3362
UK pound (GBP)	0.8678	0.8582	0.8353	0.8608
Russian ruble (RUB)	–	–	41.765	40.820
Swiss franc (CHF)	1.2340	1.3823	1.2156	1.2504
Hungarian forint (HUF)	279.31	275.36	314.58	277.95
Brazilian real (BRL)	2.3259	–	2.4159	–

Monetary items (cash and cash equivalents, receivables and liabilities) denominated in foreign currency in the consolidated companies' individual statements of financial position are recognised in local currency at the exchange rate as of the reporting date. Income and expense resulting from currency translation are reported as financial expense or financial income.

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

B4 Intangible assets

a) Goodwill

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

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

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

b) Other intangible assets

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

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

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

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

B5 Property, plant and equipment

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

Buildings	up to 50 years
Technical equipment and machinery	5 – 12 years
Other facilities, office furniture and equipment	3 – 10 years

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

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

B6 Leasing

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

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

Assets recognised under finance leases relate mainly to manufacturing plant and software.

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

B7 Impairment

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

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

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

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

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

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

B8 Inventories

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

B9 Trade receivables and other assets

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

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

B10 Other financial assets

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

B11 Cash and cash equivalents

Cash and cash equivalents comprise cash and current account balances, cheques and financial investments realisable at short notice with maturities of less than three months and are recognised 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 contributions to be made in the period, so that in this case no actuarial assumptions are required.

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

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 arising 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, pension costs are recognised through profit or loss as pension 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. Provisions are measured at the most probable amount. Provisions with an expected time for settlement of more than twelve months after the reporting date are recognised at their present value.

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

The main companies of 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 upon approaching retirement age. The maximum limits for the employer's obligation indicated in the pay-scale agreement are taken into account in this connection. The probable obligations are measured at present value. Experience shows that the limits stated in the collective pay-scale agreement are typically reached.

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

B14 Financial liabilities

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

B15 Financial instruments

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

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

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

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

Derivative financial instruments are measured at fair value. The fair values of currency option contracts, interest rate caps and payer swaps are determined by banks based on market conditions prevailing as of the reporting date.

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

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

- Contractual rights to cash flows from a financial asset have expired.

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

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

B16 Discontinued Operation

In accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operation”, non-current assets are reclassified as current assets if the asset is classified as held for sale and the carrying amount is therefore to be realised through disposal and not through continued use. As a condition for this grouping, IFRS 5 states that the sale must be planned and executable within the next twelve months.

In financial year 2010 the Biotest Group began discussions regarding the sale of the Microbiological Monitoring segment with potential buyers. The sale of the Microbiological Monitoring segment to Merck KGaA Group was agreed on 22 March 2011 and completed on 1 August 2011 (closing date) after approval from all relevant anti-trust authorities.

In the previous year, after approval by the anti-trust authorities, the Biotest Group sold its Medical Diagnostic division to Bio-Rad, USA, effective 6 January 2010 (closing date).

Under IFRS 5, assets and liabilities held for sale were considered Discontinued Operation in the previous year. In the statement of financial position of 31 December 2010, these items were reported under assets of Discontinued Operation and liabilities of Discontinued Operation. All affected assets and liabilities were deemed to be current from the time of reclassification. In financial year 2010, these items included assets and liabilities of the Medical Diagnostic and Microbiological Monitoring divisions. These items no longer appear on the statement of financial position as of 31 December 2011.

With the sale of the Medical Diagnostic division, no strategic options remained for Viro-Immun Labor-Diagnostika GmbH within the Biotest Group. Viro-Immun Labor-Diagnostika GmbH was reclassified as a Discontinued Operation at the beginning of financial year 2010 due to the emergence of new sales opportunities in financial year 2010. Sales negotiations were completed with the signing of the contract on 18 February 2011.

Assets held for sale are measured at the lower of carrying amount or fair value less the costs of disposal. Depreciation and amortisation of these assets have been suspended. These assets and the results of the Discontinued Operation are disclosed as separate items in the statement of financial position and statement of income.

The Discontinued Operation is disclosed separately in the statement of financial position, the statement of income, the cash flow statement and segment reports and explained in the Notes.

The Medical Diagnostic division was deconsolidated in financial year 2010. The Microbiological Monitoring division and the companies Viro-Immun Labor-Diagnostika GmbH und Biotest Seralc° N.V. were deconsolidated in financial year 2011.

B17 Sales

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

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

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

Revenue from non-refundable fees for the provision of technology, fees for the use of technology and royalty payments is accrued over the corresponding contract period on a straight-line basis, provided no more appropriate method of revenue recognition is available. This contract period is typically equal to the contractually agreed duration of the research or, in the case of agreements with no contractually agreed research duration, the estimated duration of the collaboration. The useful life of the collaboration is estimated at the time of contract signing and is based on the current budget and forecasts. The estimated duration of the collaboration is reviewed annually.

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

B18 Research and development expenses

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

B19 Government grants for research and development

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

B20 Financial income and financial expense

Interest is recognised as expense or income at the time incurred. The interest component of lease payments under finance leases is determined using the effective interest rate method and recognised as interest expense. The effective interest rate method is based on a required interest rate at which estimated future cash flows are discounted over the expected life of the financial instrument to the net carrying amount of the financial asset. All income and expenses arising from currency translation are recognised in the financial result.

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

B21 Taxes

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

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

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

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

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

B22 Uncertain estimates and judgments

Preparation of the financial statements requires certain estimates to be made as part of the recognition and measurement of assets and liabilities under IFRS. These estimates affect the amount and disclosure of assets and liabilities and income and expenses recognised during the reporting period. Estimates and assumptions represent judgments by the management. These are reviewed on an ongoing basis. Changes are prospectively recognised in the reporting period or in future periods. Assumptions and estimates are made particularly in connection with the measurement of goodwill, provisions, allowances for bad debt and inventories, the measurement of share-based payments as well as in the determination of fair values. Significant judgments were made with regard to revenue realised from the Abbott agreement and the derecognition of the receivables sold. Such estimate- and assumption-sensitive accounting practices may change over time and significantly impact the financial position, cash flows and results of operations of the Company.

In making judgments, the management relies on past experience, assessments by experts (lawyers, rating agencies, trade associations) and the results of a careful weighing of different scenarios. Developments that deviate from these assumptions and are beyond the management's control may cause actual amounts to differ from original estimates. If actual developments deviate from anticipated developments, assumptions and, if necessary, the carrying amounts of the assets and liabilities in question are adjusted accordingly. The management has indicated that future events often vary from forecasts and that estimates require routine adjustment.

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

C SEGMENT REPORTING

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

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

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

The Biotest Group sold the Medical Diagnostic division with effect from 6 January 2010. The entire division was sold, with the exception of the company Viro-Immun Labor-Diagnostika GmbH. IFRS 5 requires the disposal to be disclosed separately in the Company's segment reports under Discontinued Operation. For this reason, the former Medical Diagnostic segment, Viro-Immun Labor-Diagnostika GmbH and expenses from the closing of Biotest Seralc° N.V. were disclosed under Discontinued Operation.

Upon the decision to sell the Microbiological Monitoring segment in financial year 2010, the division was disclosed in segment reporting under Discontinued Operation pursuant to IFRS 5. The sold Microbiological Monitoring segment comprised holdings in heipha Dr. Müller GmbH, Biotest Microbiology Corporation, Biotest K.K. and Biotest S.a.r.l, the Biotest HYCON product division of Biotest AG and corresponding distribution activities in five subsidiaries. The division was sold to Merck KGaA Group as per the agreement dated 22 March 2011 with effect from 1 August 2011 after final approval from all anti-trust authorities.

Viro-Immun Labor-Diagnostika GmbH, which has been disclosed since 2010 as a Discontinued Operation, was sold in February 2011.

The business segments of the Biotest Group 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.

- Biotherapeutics: The Biotherapeutic segment researches, develops and produces monoclonal antibodies, including for the treatment of rheumatoid arthritis and multiple myeloma. The Biotherapeutic segment generated sales revenue for the first time this year.

- Corporate: The Corporate segment includes expenses relating to the management of the Group as a whole as well as other expenses and income not attributable to other segments due to their uniqueness. This segment does not constitute an operating segment within the meaning of IFRS 8. For this reason, it is included in the reconciliation.

The former Medical Diagnostic and Microbiological Monitoring divisions, reclassified as held for sale, are disclosed under Discontinued Operation. The former Medical Diagnostic segment researched, developed, produced and marketed products for blood group and tissue typing in medical laboratories. The former Microbiological Monitoring segment researched, developed, produced and marketed products used to monitor hygiene in air and surfaces in industry.

Following the clarification of the IASB as part of the so-called Annual Improvement Project 2009 (AIP 2009), the Biotest Group has elected not to disclose segment assets and segment liabilities.

Segment information by business segment

€ thousand		Plasma Proteins	Biothera-peutics	Recon-ciliation	Total Continuing Operations	Discon-tinued Operation	Total
Revenue with third parties	2011	404,614	17,413	–	**422,027**	30,469	452,496
	2010	412,482	–	–	**412,482**	51,005	463,487
Operating profit (EBIT)	2011	61,489	−7,636	−12,293	**41,560**	35,774	77,334
	2010	73,448	−21,681	−8,873	**42,894**	24,772	67,666
Investments in associates	2011	2,042	–	–	**2,042**	–	2,042
	2010	1,050	–	–	**1,050**	–	1,050
Capital expenditure	2011	23,750	2,368	598	**26,716**	635	27,351
	2010	27,524	924	2,612	**31,060**	2,517	33,577
Depreciation and amortisation	2011	24,901	1,056	2,078	**28,035**	1,634	29,669
	2010	24,489	403	1,999	**26,891**	1,504	28,395
Impairment losses	2011	2,793	–	–	**2,793**	–	2,793
	2010	–	–	–	**–**	–	–

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 offices of the relevant company.

All the information in the reconciliation column refers to the Corporate segment without exception.

Segment information by region

	Revenue with third parties by the customer's geographcal location		Revenue with third parties by the company's registered office	
€ thousand	2011	2010	2011	2010
Europe	258,347	240,351	349,605	326,186
Americas	74,955	57,527	72,422	86,296
Asia	77,583	101,072	–	–
Rest of world	11,142	13,532	–	–
Biotest Group	**422,027**	**412,482**	**422,027**	**412,482**
Thereof:				
Germany	96,892	101,816	262,613	242,063
Rest of World	325,135	310,666	159,414	170,419
Thereof: USA	69,542	53,658	72,422	86,296

There is no significant trade between the individual segments.

D EXPLANATORY NOTES TO THE STATEMENT OF INCOME

D1 Revenue

€ thousand	2011	2010
Products of the Biotest Group	368,459	379,897
Merchandise	10,388	8,099
Toll manufacturing	25,730	24,469
Revenue from cooperation agreements	17,413	–
Other	37	17
	422,027	**412,482**

In financial year 2011, the Biotest Group generated revenue for the first time in the Biotherapeutic segment in addition to the Plasma Proteins segment revenue. This revenue results from an upfront payment received under the agreement for the worldwide development and marketing of the monoclonal antibody BT-061 with Abbott. As the upfront payment of USD 85 million relates primarily to research activities still to be carried out, most of the amount was recognised as deferred revenue. The revenue is recognised on a linear basis over the expected duration of the initial stage of the cooperation agreement in the period up to 30 June 2014. The Biotest Group has recognised €17,413 thousand through profit or loss for research already carried out in financial year 2011.

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

D2 Cost of materials

€ thousand	2011	2010
Raw materials and supplies	148,432	119,376
Services purchased	16,645	17,307
	165,077	**136,683**

D3 Personnel expenses

€ thousand	2011	2010
Wages and salaries	88,053	82,445
Social security contributions	15,649	13,990
Pension costs	2,962	2,270
	106,664	**98,705**

Personnel expenses include expenses resulting from the termination of employment of €3,103 thousand (previous year: €1,493 thousand).

In Continuing Operation, the average number of full-time equivalents in financial year 2011 was 1,652 (previous year: 1,580). At 31 December 2011, the Continuing Operations of the Biotest Group had 1,662 (previous year: 1,611) employees (converted to full-time equivalents).

Discontinued Operation had an average of 284 employees in the first seven months of financial year 2011 converted to full-time equivalents (in the entire previous year: 293). At 31 December 2011, Discontinued Operation had no employees (previous year: 293) converted to full-time equivalents.

Employees are distributed across functions as follows:

In full-time equivalents	2011	2010
Production	1,097	1,027
Distribution	202	197
Administration	206	226
Research and development	157	161
	1,662	**1,611**

At 31 December 2011, the Biotest Group had 1,774 employees (previous year: 2,050), of whom 1,774 (previous year: 1,721) were assigned to Continuing Operations.

D4 Research and development costs

Research and development costs amounting to €49,406 thousand (previous year: €48,968 thousand) are recognised in full through profit or loss.

D5 Other operating income

€ thousand	2011	2010
Income from service agreements	4,120	–
Derecognition of liabilities	3,388	4,534
Reversal of other provisions	2,227	3,075
Insurance reimbursements and other refunds	1,603	3,426
Tax refunds	219	–
Supplier bonuses	202	373
Reversal of impairment losses	79	13
Gains from the disposal of non-current assets	66	442
Reimbursements from the Employment Office for refilling positions left vacant by partial retirement	98	4
Other	1,428	275
	13,430	**12,142**

Income from service agreements relates primarily to agreements signed after the sale of the former Medical Diagnostic and Microbiological Monitoring division and assigned to Discontinued Operation in financial year 2010.

In 2011, the Biotest Group recognised €524 thousand (previous year: €30 thousand) in government subsidies through profit or loss; of this, €328 thousand (previous year: €14 thousand) was from grants for research and development projects, plus €98 thousand (previous year: €12 thousand) in wage subsidies and wage replacement benefits and €98 thousand (previous year: €4 thousand) in reimbursements from the Employment Office for re-filling positions left vacant by partial retirement.

In financial year 2011, the Biotest Group generated €719 thousand in income from operating leases (previous year: €511 thousand). Leases in effect on the reporting date through 2016 will result in future lease income in the amount of €830 thousand for 2012 and €752 thousand for the four subsequent financial years (2013 to 2016). No other lease income will accrue as from financial year 2017. Income from operating leases mainly result from the temporary leasing of currently non-operational land and buildings.

D6 Other operating expenses

€ thousand	2011	2010
Expenses in connection with service agreements	3,881	–
Impairment losses	2,793	78
Additions to provisions	985	326
Bad debt allowances	730	310
Donations	314	331
Losses from the disposal of non-current assets	113	36
Compensations	38	21
Other	896	476
	9,750	**1,578**

In the past financial year, expenses for the provision of services were assigned to Discontinued Operation, such that no previous year amount is disclosed here.

Impairment losses relate primarily to write-downs of assets under construction at Biotest Pharmaceuticals Corporation, USA. For further details, see the disclosures on property, plant and equipment and intangible assets.

Additions to provisions in the financial year relate primarily to provisions for charges resulting from a value added tax audit and decontamination of company property.

Bad debt allowances in the amount of €730 thousand (previous year: €310 thousand) relate to receivables no longer deemed collectible.

D7 Financial income

€ thousand	2011	2010
Income from currency translation	16,424	10,713
Gain on the disposal of financial instruments	1,146	–
Interest income	771	460
Write-ups of investments in associates	453	–
Other	2,258	525
	21,052	**11,698**
Thereof: financial instruments of the measurement categories according to IAS 39:		
Loans and receivables (LaR)	1,680	757
Financial investments held to maturity (HtM)	1	1
Financial assets measured at fair value through profit and loss (FAFVtPL)	985	4
Financial liabilities measured at amortised cost (FLAC)	141	54
Financial assets held for trading (FAHfT)	1,377	160
Financial liabilities held for trading (FLHfT)	1,785	258

The previous 50% impairment loss on the equity stake in BioDarou P.J.S. Co. was reversed in financial year 2011 as the reasons for the impairment ceased to exist. This results in financial income of €453 thousand, disclosed as an addition to investments in associates.

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

D8 Financial expenses

€ thousand	2011	2010
Currency translation expense	16,498	10,753
Fair value measurement expense	8,335	5,566
Interest expense	5,218	5,946
Interest expense for pensions	2,328	2,255
Loss from the disposal of financial instruments	785	–
Interest rate hedging costs	693	942
Interest on tax payments for previous years	238	202
Other	476	774
	34,571	**26,438**
Thereof: financial instruments of the measurement categories according to IAS 39:		
Financial assets measured at fair value through profit and loss (FAFVtPL)	7,987	5,566
Financial liabilities measured at amortised cost (FLAC)	4,967	5,726
Financial assets held for trading (FAHfT)	1,139	493
Financial liabilities held for trading (FLHfT)	2,734	203
Loans and receivables (LaR)	738	640

Expense from currency translation includes expenses from realised foreign exchange losses in connection with foreign currency receivables and payables, expenses from foreign currency hedging and expenses from the measurement of foreign currency positions on the reporting date.

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

Fair value measurement expense relates primarily to the measurement of Greek government bonds disclosed under financial assets and claims to receive Greek government bonds in exchange for receivables due from Greek hospitals.

In 2011, Greek government bonds with a nominal value of €4,846 thousand were sold. This results in financial expense of €329 thousand for the period. The bonds were recognised on the reporting date of 31 December 2010 at a market value of €3,951 thousand. The market valuation of the Greek government bonds in financial year 2011 resulted in financial expense in the amount of €7,987 thousand. This was offset by financial income in the amount of €980 thousand, which resulted primarily from the appreciation of bonds maturing in December 2011 through 100% payment at maturity.

D9 Income from associates

In financial year 2011, income of €539 thousand (previous year: €299 thousand) was earned from associates.

D10 Income tax

€ thousand	2011	2010
Current tax expense in respect of the financial year	14,161	6,595
Current tax income for previous years (previous year: tax expense)	–527	1,254
Current tax	**13,634**	**7,849**
Deferred taxes	**–3,784**	**977**
Income tax expense	**9,850**	**8,826**

Deferred tax expense from items charged or credited directly to equity totalled –€263 thousand (previous year: €801 thousand).

Applying the nominal income tax rate of 28.8% (2010: 28.8%), the expected tax expense for financial year 2011 differed from the actual amount as follows:

€ thousand	2011	2010
Earnings before taxes (EBIT)	**28,580**	**28,453**
Expected tax expense	**8,231**	**8,194**
Effect of losses not recognised in the financial year	283	35
Utilisation of unrecognised loss carryforwards from previous years	–	–858
Deferred tax on loss carryforwards from previous years	–	–237
Write-downs on deferred taxes	1,281	42
Tax refunds (prior year: subsequent payments)	–527	1,254
Tax effect of adjustments to deferred taxes from previous years	–480	–109
Tax effect of capitalisation of tax credits	–668	–546
Tax effect of non-deductible expenses	1,908	1,039
Tax effect of changes in domestic tax rates	71	18
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	417	289
Tax effect of tax-free income	–607	–189
Other effects	–59	–106
Income tax recognised in the statement of income	**9,850**	**8,826**

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

D11 Discontinued Operation

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

Based on the decision to sell, all affected assets and liabilities of the Microbiological Segment and the small remaining portion of the sold Medical Diagnostic division are treated as Discontinued Operation per IFRS 5. Amounts from Discontinued Operation were disclosed separately from those of Continuing Operation in the statement of income, the segment reports and the cash flow statement. In the statement of financial position, assets and liabilities held for sale in the previous year were disclosed under assets of Discontinued Operation and liabilities of Discontinued Operation. As of the 2011 reporting date, these items are no longer disclosed on the statement of financial position.

In 2010, pursuant to the IFRS 5 presentation guidelines, ordinary income from the Microbiological Monitoring segment was transferred to ordinary income from Discontinued Operation.

The results of the Discontinued Operation are as follows:

€ thousand	2011	2010
Income from Discontinued Operation	30,693	54,349
Expenses from Discontinued Operation	−26,761	−49,593
Earnings before taxes from Discontinued Operation	**3,932**	**4,756**
Income tax from the Discontinued Operation	−1,269	−2,395
Earnings after taxes from Discontinued Operation	**2,663**	**2,361**
Earnings of the measurement/disposal of Discontinued Operation before tax	30,340	19,576
Tax on the results of measurement/disposal	−3,584	−2,079
Earnings from the measurement/disposal of Discontinued Operation after tax	**26,756**	**17,497**
Earnings after taxes from Discontinued Operation	**29,419**	**19,858**

The earnings from the measurement/disposal of Discontinued Operation are as follows:

€ thousand	2011	2010
Sale proceeds net of selling costs	41,770	45,000
less tax on profits from the sale	–3,585	–2,079
less disposed of assets and liabilities	–17,451	–25,424
plus disposed of minority interests	6,022	–
Earnings from the measurement/disposal of Discontinued Operation	**26,756**	**17,497**

The agreement of 22 March 2011 regarding the sale of the activities of the Microbiological Monitoring segment provides for a contingent purchase price claim, the realisation of which depends on the occurrence of certain future events regulated in the agreement. As of the reporting date, no additional revenues from this event were recognised in the consolidated financial statements.

D12 Auditor fees

On 12 May 2011 the Annual Shareholders' Meeting of Biotest AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditor for the 2011 financial year. The previous year's financial statements were audited by the accounting firm KPMG AG Wirtschaftsprüfungsgesellschaft.

This year's auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, charged the Biotest Group fees totalling €273 thousand in 2011. This consists of €234 thousand in audit fees (not including any expenses for the previous year), €25 thousand for tax advisory services (not including any expenses for the previous year) and €14 thousand for other audit-related services. No additional fees for other services were charged.

KPMG LLP (UK), KPMG Switzerland, KPMG Spain (excluding the Audit division), KPMG Belgium (excluding the Audit division) and KPMG Netherlands became 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.

For the auditing of the previous year's financial statements, the auditor at that time, KPMG Europe LLP, charged the Biotest Group a total of €745 thousand in fees in 2010. This included €397 thousand for tax advisory services (of which €74 thousand were for the previous year), €304 thousand in financial statement auditing fees (of which €17 thousand were for the previous year) and €40 thousand for other audit-related services. An additional fee of €4 thousand was charged for other services. In 2011, the Biotest Group incurred no further expenses for fees charged by KPMG Europe LLP for the 2010 audit.

E EXPLANATION OF THE STATEMENT OF FINANCIAL POSITION

E1 Intangible assets

All intangible assets are allocated to non-current assets.

€ thousand	Goodwill	Patents, licenses and similar rights	Leased assets	Payment in advance	Total
Cost					
Balance as of 31 December 2009	**27,653**	**53,199**	**9,626**	**15**	**90,493**
Reclassification to the Discontinued Operation	–218	–449	–	–15	–682
Additions	–	1,636	–	–	1,636
Disposals	–	–148	–	–	–148
Book transfers	–	–	–	–	–
Effect of foreign currency translation differences	1,549	3,022	–	–	4,571
Balance as of 31 December 2010	**28,984**	**57,260**	**9,626**	**–**	**95,870**
Additions	–	1,668	–	–	1,668
Additions to the consolidation group	1,571	937	–	–	2,508
Disposals	–	–268	–15	–	–283
Effect of foreign currency translation differences	583	1,271	–	–	1,854
Balance as of 31 December 2011	**31,138**	**60,868**	**9,611**	**–**	**101,617**
Accumulated amortisation and impairment losses					
Balance as of 31 December 2009	**–**	**20,358**	**3,455**	**–**	**23,813**
Reclassification to the Discontinued Operation	–	– 351	–	–	–351
Amortisation for the financial year	–	5,424	1,543	–	6,967
Disposals	–	– 148	–	–	–148
Book transfers	–	–	–	–	–
Effect of foreign currency translation differences	–	648	–	–	648
Balance as of 31 December 2010	**–**	**25,931**	**4,998**	**–**	**30,929**
Amortisation for the financial year	–	5,453	1,542	–	6,995
Impairment losses	–	388	–	–	388
Disposals	–	–268	–15	–	– 283
Effect of foreign currency translation differences	–	755	–	–	755
Balance as of 31 December 2011	**–**	**32,259**	**6,525**	**–**	**38,784**
Carrying amount as of					
31 December 2010	28,984	31,329	4,628	–	64,941
31 December 2011	**31,138**	**28,609**	**3,086**	**–**	**62,833**

Additions to the consolidation group in the form of goodwill in the amount of €1,571 thousand as well as patents, licenses and similar rights in the amount of €937 thousand resulted from the acquisition of a 100% interest in Marcos Pedrilson Produtos Hospitalares Ltda., Brazil (today: Biotest Farmaceutica Ltda.), the former distributor for Biotest AG in Brazil. For further details, see the disclosures regarding mergers in Section F2.

There are contractual commitments amounting to €12 thousand (previous year: €196 thousand) for the acquisition of intangible assets.

Of the additions to patents, licences and similar rights in financial year 2011 totalling €1,668 thousand (previous year: €1,636 thousand), €495 thousand (previous year: €827 thousand) relates to SAP software costs.

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.

Impairment losses of €388 thousand include impairment of the value of customer lists of Biotest Hellas MEPE, Greece, due to negative economic developments in Greece.

Goodwill acquired as part of corporate mergers was allocated to a group of cash generating units, corresponding to the Plasma Proteins segment, for the purpose of testing impairment. The annual impairment test did not result in any impairment being required for the cash-generating unit.

With the acquisition of the plasma protein division of Nabi Biopharmaceuticals in financial year 2007, two development projects were acquired and recognised in the consolidated financial statements as intangible assets. These included a project regarding the intravenous immunoglobulin Bivigam™, which is currently in the authorisation phase, as well as Civacir®, a drug designed to prevent re-infection liver transplants due to hepatitis C. Neither IPR&D project was depreciated in financial year 2011 as both remain under development and marketing authorisation has been granted. Once marketing begins, the value of the projects will be depreciated over ten years on a straight-line basis. Marketing of Bivigam™ is expected to begin in financial year 2012 and in financial year 2015 for Civacir®. The start of marketing activities depends on authorisation from the relevant authorities.

An impairment test was also carried out for these development projects, resulting in no impairment as was the case in the previous year.

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

To test goodwill impairment for the Plasma Proteins segment, a pre-tax discount rate of 11.23% (previous year: 8.14%) based on the relevant WACC (Weighted Average Cost of Capital) was applied. Expected cash flows were calculated on the basis of five-year financial forecasts made by management. Cash flows from the year 2017 onward are extrapolated. Extrapolation is based on assumed long-term, sustainable and achievable results. No growth rate was used for extrapolation purposes.

The two development projects also underwent an impairment test. Here, the after-tax discount rate applied to the Bivigam™ project was 9.67% (previous year: 6.76%); the rate applied to the Civacir project was also 9.67% (previous year 6.76%). These are also based on the relevant WACC (Weighted Average Cost of Capital). Expected cash flows for the years 2012 to 2022 were calculated on the basis of detailed financial forecasts. For the years 2023 to 2028 a growth rate of 2% was assumed.

In sensitivity analyses, the impact of changes in the discount factor applied and a change in the assumed growth rate for the development projects was determined. An increase in the discount rate of 100 basis points results in no impairment of the development projects or goodwill in the Plasma Proteins segment. If the assumed growth rate were reversed from plus two percent to negative two percent, there would likewise be no need to recognise impairment losses.

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

Companies of the Biotest Group	Cash Generating Unit	Intangible asset	Carrying amount as of 31 December 2011 € thousand	Carrying amount as of 31 December 2010 € thousand
Biotest Pharmaceuticals Corporation	Plasma Proteins segment	Goodwill	29,682	28,984
Biotest Farmaceutica Ltda.	Plasma Proteins segment	Goodwill	1,456	–
Biotest Pharmaceuticals Corporation	Project	Patents, licenses and similar rights	10,717	10,378
			41,855	**39,362**

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

€ thousand	2011	2010
Cost of sales	4,136	4,353
Distribution costs	211	215
Administrative costs	2,571	2,268
Research and development costs	77	86
Other operating expenses	388	45
	7,383	**6,967**

E2 Property, plant and equipment

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

€ thousand	Land and buildings	Technical equipment and machinery	Other facilities, office furniture and equipment	Leased assets	Payments in advance	Total
Cost						
Balance as of 31 December 2009	**151,523**	**112,744**	**79,184**	**38,535**	**7,379**	**389,365**
Reclassification to Discontinued Operation	−10,095	−7,552	−5,251	−3,370	−746	−27,014
Additions	5,084	2,531	2,946	–	18,863	29,424
Book transfers	10,659	34,954	5,483	−33,002	−18,094	–
Disposals	−1,265	−308	−1,870	−538	−20	−4,001
Effect of foreign currency translation differences	3,313	2,584	268	–	330	6,495
Balance as of 31 December 2010	**159,219**	**144,953**	**80,760**	**1,625**	**7,712**	**394,269**
Additions	743	1,113	4,289	–	18,903	25,048
Additions to the consolidation group	446	–	28	–	–	474
Book transfers	599	798	1,160	−22	−2,535	–
Disposals	−192	−1,920	−740	−203	−60	−3,115
Effect of foreign currency translation differences	1,616	1,314	60	–	95	3,085
Balance as of 31 December 2011	**162,431**	**146,258**	**85,557**	**1,400**	**24,115**	**419,761**
Accumulated depreciation and impairment losses						
Balance as of 31 December 2009	**41,408**	**44,768**	**50,494**	**20,740**	**–**	**157,410**
Reclassification to Discontinued Operation	−1,231	−6,128	−3,132	−1,951	–	−12,442
Depreciation for the financial year	3,498	10,008	4,932	1,486	–	19,924
Book transfers	1,947	13,707	2,908	−18,562	–	–
Disposals	−1	−142	−1,256	−533	–	−1,932
Effect of foreign currency translation differences	62	427	71	–	–	560
Balance as of 31 December 2010	**45,683**	**62,640**	**54,017**	**1,180**	**–**	**163,520**
Depreciation for the financial year	3,913	11,570	5,358	199	–	21,040
Impairment losses	–	–	–	–	2,405	2,405
Book transfers	–	15	4	−19	–	–
Disposals	−192	−1,779	−676	−201	–	−2,848
Effect of foreign currency translation differences	116	640	31	–	–	787
Balance as of 31 December 2011	**49,520**	**73,086**	**58,734**	**1,159**	**2,405**	**184,904**
Carrying amount as of						
31 December 2010	113,536	82,313	26,743	445	7,712	230,749
31 December 2011	**112,911**	**73,172**	**26,823**	**241**	**21,710**	**234,857**

Additions to the consolidation group in financial year 2011 in the form of land and buildings amounting to €446 thousand relate to properties held by Biotest Farmaceutica Ltda. acquired under the merger. In the previous year, the additions related to the non-cash exchange of land in the amount of €1,687 thousand.

Payments in advance in financial year 2011, as in the previous year, primarily include the expansion of the filling and packaging system at Biotest Pharma GmbH and the expansion of the production facility in Boca Raton, Florida, USA.

Impairment losses of €2,405 thousand include write-downs on control software in connection with the expansion of production in Boca Raton, Florida, USA.

In the case of the BPC production facility in the US, due to delays in reaching full capacity, an impairment test was performed at the cash-generating unit level (US production facility). This test did not reveal any impairment.

Government grants for the acquisition or production of assets reduce the acquisition cost or production cost. An accumulated reduction in the amount of €595 thousand (previous year: €595 thousand) resulted in financial year 2011.

The production facilities of Biotest AG used for plasma fractionation and final sterile filling and reported as finance leases in 2009 were acquired at market value in financial year 2010 upon expiration of the base lease term. These assets were reallocated in 2010 to the corresponding categories under property, plant and equipment.

Collateral for the syndicated loan agreement, in place since 2007 and extended in the reporting year, was provided in the form of a €95 million lien on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor. The creation of a global lien 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. Shares in the Biotest Pharmaceuticals Corporation were also pledged as collateral.

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

€ thousand	2011	2010
Cost of sales	14,005	12,968
Distribution costs	427	427
Administrative costs	4,764	4,605
Research and development costs	1,844	1,891
Other operating expenses	2,405	33
	23,445	**19,924**

E3 Investments in affiliates

Investments in affiliates amounting to €81 thousand (previous year: €100 thousand) are broken down as follows:

€ thousand	2011	2010
Biotest Pharma OOO	31	–
Biotest Immobilien Verwaltungs-GmbH	25	25
Biotest Immobilien GmbH & Co. KG	25	25
Biotest Hycon GmbH	–	50
	81	**100**

Biotest Pharma OOO 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. Biotest Hycon GmbH was a wholly owned subsidiary of Biotest AG and was merged into Biotest Pharma GmbH in 2011. These companies are or were not operationally active and are therefore not consolidated on the grounds of immateriality. The fair value of interests in affiliates corresponds roughly to the carrying amounts disclosed in the statement of financial position.

E4 Investments in associates

Investments in associates refer to the 49% stake held by Biotest Pharma GmbH in BioDarou P.J.S. Co. with its registered office in Tehran, Iran, measured using the equity method.

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

In a first stage, the investors intend to gradually provide the company with up to €4,000 thousand in equity capital. The shareholder resolutions required for this are adopted separately based on financial requirements. To date, Biotest Pharma GmbH has contributed €1,593 in capital. The capital of BioDarou P.J.S. Co. at 31 December 2011 totals 37.5 billion rials (previous year: 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 prepared, previous year figures for BioDarou P.J.S. Co. are reported as of 31 December 2010.

The forecast for BioDarou P.J.S. Co. for financial year 2011 shows very positive performance, a result of the fact that the company has a high volume of collected plasma that can be efficiently processed into finished products on an industrial scale by Biotest AG and then sold in Iran.

The joint venture had the following assets and liabilities as of the 2010 reporting date:

As of 31 December 2010, non-current assets amounted to €2,706 thousand (previous year: €2,932 thousand) and current assets €8,593 thousand (previous year: €6,146 thousand).

As of 31 December 2010, non-current liabilities amounted to €401 thousand (previous year: €1,851 thousand) and current liabilities €6,811 thousand (previous year: €4,860 thousand).

In financial year 2010, sales revenue totalled €10,989 thousand (previous year: €4,327 thousand) and net profit for year was €1,100 thousand (previous year: €611 thousand).

In financial year 2011, the Company erected a second plasmapheresis centre, which was inspected and licensed by the German authorities. In addition, in financial year 2011 the Company began building a third plasmapheresis centre in Iran, which should begin operations in the first half of 2012 following inspection and licensing by the German authorities.

In financial year 2011, BioDarou P.J.S. Co. founded Plasma Gostar Pars (PJS), based in Tehran, Iran, along with other partners with the aim of pooling together toll manufacturing of blood plasma. BioDarou P.J.S. Co. holds a 60% interest in Plasma Gostar Pars (PJS).

The political situation in Iran in 2011 remained tense. The very positive performance of the company itself, as described above, as well as the stable settlement of payments from Iranian customers under EU sanctions led to the assessment that triggered the reversal of the 50% impairment previously recognised on the equity interest. This resulted in a gain of €453 thousand, which is reflected in the financial result.

The increasingly difficult situation with regard to payments caused by the additional sanctions imposed in the first quarter of 2012 is being closely monitored. However, the Biotest Group does not expect a permanent restriction on sales of pharmaceutical products in Iran.

E5 Other financial investments

€ thousand	2011	2010
Greek government bonds (previous year: claims to receive Greek government bonds) (Financial Assets at Fair Value through Profit or Loss)	4,453	19,160
Pension funds (Financial Assets at Fair Value through Profit or Loss)	151	136
Fixed-interest securities (Held to Maturity)	26	45
Loans to employees (Loans and Receivables)	22	–
	4,652	**19,341**

In September 2010, the Biotest Group exercised the option to exchange receivables from government hospitals dating from 2007 to 2009 for zero coupon government bonds with staggered maturities not yet issued at that time. Trade receivables from Greek government hospitals for the above years were recognised and claims to receive the Greek bonds were recorded in other financial investments. They were classified as Financial Assets at Fair Value through Profit and Loss, as these financial assets are assessed and controlled on the basis of fair value. The revaluation of Greek government bonds in financial year 2011 and the previous year led to significant charges being recognised in the financial result. In 2011, the Biotest Group sold Greek government bonds in a nominal amount of €4,846 thousand.

Zero coupon Greek government bonds, are categorised as Financial Assets at Fair Value through Profit or Loss, as were claims to receive these bonds in the previous year. They were classified as Financial Assets at Fair Value through Profit or Loss as they are assessed and controlled on the basis of fair value. The fair value of these bonds was determined by the Biotest Group based on quoted market prices for these zero coupon government bonds (Level 1 fair value assessment). Bonds with a maturity date of 22 December 2012 were measured using a discount rate of 70.2% (previous year: 22.2%). Bonds with a maturity date of 22 December 2013 were measured using a discount rate of 73.9% (previous year: 32.1%). The increase in the discount rate to around 70% takes into account the impact of efforts to rescue the Greek economy. Government bonds that matured in December 2011 were fully repaid. This category also contains fund shares, the market value of which was reported by the custodian bank in writing as of the reporting date.

The fair value of Held to Maturity investments, which include time deposits, is equivalent to the nominal amount.

The loans and receivables category includes loans to associates, the fair value of which was determined to be the nominal amount.

E6 Deferred tax assets and liabilities

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

	Assets		Equity and liabilities		Recognised through profit or loss	
€ thousand	2011	2010	2011	2010	2011	2010
Intangible assets	97	28	579	404	−184	263
Property, plant and equipment	12	21	16,181	17,369	−1,416	−240
Other financial investments	444	516	3	4,407	−4,329	4,431
Inventories	6,424	7,117	51	39	577	716
Trade receivables	103	5,724	2,568	5,574	2,615	−4,699
Other provisions	1,653	842	154	76	−651	539
Financial liabilities	–	8	258	344	−81	905
Pension provisions	4,232	4,363	–	–	−226	144
Other liabilities	1,356	2,019	17	105	565	−322
Other financial position items	381	914	1	53	256	−148
Tax credit claims	3,967	2,325	–	–	−1,456	−926
Tax value of the recognised loss carried forward	1,274	1,804	–	–	546	314
Total deferred taxes	**19,943**	**25,681**	**19,812**	**28,371**	**–3,784**	**977**
Less netting of deferred tax assets and liabilities	−12,214	−20,202	−12,214	−20,202		
Deferred tax assets and liabilities	**7,729**	**5,479**	**7,598**	**8,169**		

Within the Group, tax loss carryforwards in the amount of €9,800 thousand (previous year: €11,590 thousand) are available to various Group companies with and without time limitations. These may be offset against future taxable income of each company or other Group companies. Deferred taxes in the amount of €461 thousand (previous year: €255 thousand) are not established for tax loss carryforwards, as the utilisation of these carryforwards is not sufficiently certain at this time. Of these unrecognised tax loss carryforwards, €0 thousand (previous year: €0 thousand) relate to domestic companies and €461 thousand (previous year: €255 thousand) relate to foreign companies. At present, loss carryforwards may be carried forward indefinitely in Germany. €267 thousand of the foreign loss carryforwards may be carried forward indefinitely. In addition, €107 thousand may be carried forward for up to 10 years and €87 thousand for up five years.

In some countries, a final tax assessment has yet to be issued for several years. Adequate provisions for pending tax assessments have therefore been recognised.

Temporary differences relating to investments in subsidiaries and associates for which no deferred taxes are recognised amount to €47 thousand (previous year: €80 thousand).

E7 Inventories

€ thousand	2011	2010
Raw materials and supplies	45,689	45,725
Work in progress	73,034	66,579
Finished goods and merchandise	34,260	36,407
	152,983	**148,711**

Write-downs of inventories totalled €9,693 thousand (previous year: €9,370 thousand) as of the reporting date. After being written down to their net realisable value, the residual carrying amount of inventories was €46,409 thousand (previous year: €42,248 thousand).

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

The breakdown of impairment losses on inventories is as follows:

€ thousand	2011	2010
Balance as of 1 January	**9,370**	**12,935**
Reclassification to the Discontinued Operation	–	–634
Utilisation	–4,606	–7,291
Reversals	–1,715	–2,731
Additions	6,556	6,815
Effect of foreign currency translation differences	88	276
Balance as of 31 December	**9,693**	**9,370**

Reversals of write-downs of inventories in 2011 were based on (1) the proportion of inventories originally designated for clinical research but used for production and (2) tests that revealed that a portion of the written-down inventories did in fact meet specifications and can be used for production.

E8 Trade receivables

Trade receivables are typically due within one year. As in the previous year, none of the total trade receivables of €120,961 thousand (previous year: €98,300 thousand) were classified as long-term. Trade receivables are allocated to the loans and receivables (LaR) category. They are broken down as follows:

€ thousand	2011	2010
Trade receivables (gross)	144,701	124,172
Sale of trade receivables	–21,912	–21,749
Bad debt allowances	–1,828	–4,123
Trade receivables (net)	**120,961**	**98,300**

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

As already described in Section E5 Other financial investments, receivables from Greek government hospitals were exchanged for zero coupon government bonds in financial years 2011 and 2010.

As of the reporting date, Biotest AG has sold receivables totalling €9,665 thousand (previous year: €12,893 thousand) under factoring agreements. The factoring programme provides for the sale of domestic and foreign receivables of Biotest AG, whereby each customer has an individual credit limit. Provided that the receivables are legally valid, the factor carries the risk of the customer's inability to pay the receivables purchased.

As in the previous year, Biotest Hellas MEPE had the option to sell receivables from public hospitals in Greece until the third quarter of 2011. In this regard, receivables in the amount of €458 thousand (previous year: €1,072 thousand) were sold on the reporting date and disclosed as accounts receivable from factoring companies under other assets. Due to the exercising of the legal option to exchange receivables from Greek government hospitals for Greek government bonds, the remaining, already sold factored receivables from the years 2008 and 2009 are also disclosed under other financial investments.

Biotest Italia S.r.l. sells some of its receivables from Italian customers. Provided that the receivables are legally valid, the factor carries the risk of the customer's inability to pay the receivables purchased (del credere). As of the reporting date, the Italian company had sold receivables totalling €11,789 thousand (previous year: 7,784 thousand). As in the previous year, these receivables were fully derecognised in accordance with IAS 39.

Trade receivables include receivables based on the percentage of completion method amounting to €5,059 thousand (previous year: €13,353 thousand). These relate to customer-specific production contracts valued at the corresponding production costs incurred plus a pro rata profit if it can be reliably estimated. The decline compared to the previous year is primarily the result of mid-year sell-offs and the fact that, pursuant to IAS 18.26, revenues realised were only recognised on contracts with Iranian customers in the amount of reimbursable costs incurred, as profits from the services business can no longer be reliably calculated. The reasons for this are an increase in the complexity of service delivery, changes in the product mix and the worsening political situation in Iran.

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

€ thousand	2011	2010
Balance as of 1 January	**4,123**	**3,921**
Reclassification to the Discontinued Operation	–	–57
Additions	263	348
Utilisation	–2,433	–2
Reversals	–79	–63
Effect of foreign currency translation differences	–46	–24
Balance as of 31 December	**1,828**	**4,123**

An analysis of the aging structure of trade receivables yields the following information:

€ thousand	2011	2010
Carrying amount	**120,961**	**98,300**
Of which: unimpaired and current as of the reporting date	80,741	60,687
Of which: unimpaired as of the reporting date but past due in the following time bands:		
< 90 days past due	16,239	12,759
91 – 180 days past due	7,305	4,935
181 – 365 days past due	5,387	4,790
> 1 year past due	5,516	859

In the previous year, unimpaired and current receivables of the Biotest Group included €5,687 thousand in Greek receivables, the terms of which had been renegotiated by the Greek government as of the reporting date. Currently, the average collection period for Greek receivables is eleven months.

Of the overdue receivables of the Biotest Group in 2011, receivables totalling €14,207 thousand (previous year: €12,782) were due to Biotest Italia S.r.l., Italy; receivables totalling €3,730 thousand (previous year: €0 thousand due to term renegotiation) were due to Biotest Hellas MEPE, Greece; and receivables totalling €1,889 thousand (previous year: €997 thousand) were due to Biotest Medical S.L.U., Spain. Based on country-specific payment practices, past due receivables in these countries are common. However, the creditworthiness of the debtors is essentially assured based on the fact that they are state-run hospitals, and it is therefore safe to assume that any outstanding amounts will be paid. In addition, several measures were introduced to reduce overdue receivables, especially those of Biotest Italia S.r.l.

Net trade receivables are denominated in the following currencies:

€ thousand	2011	2010
EUR	84,472	76,495
USD	24,239	16,753
RUB	8,700	65
GBP	1,412	2,041
HUF	1,426	1,894
Other currencies	712	1,052
Trade receivables (net)	**120,961**	**98,300**

E9 Other assets

	2011		2010	
€ thousand	Total	Of which: non-current	Total	Of which: non-current
Value-added and other tax claims	2,379	–	2,054	–
Receivables from associated companies	2,347	–	2,856	–
Prepayments	2,199	80	2,728	–
Derivatives	567	79	651	491
Receivables from factoring company	458	–	1,073	–
Payments in advance	249	17	186	–
Purchase price claims for distribution rights	243	–	781	526
Other assets	1,490	442	1,220	718
	9,932	**618**	**11,549**	**1,735**

Impairment losses on other assets were as follows:

€ thousand	2011	2010
Balance as of 1 January	**964**	**997**
Reclassification to Discontinued Operation	–	–4
Additions	–	–
Utilisation	–	–22
Reversals	–	–
Effect of foreign currency translation differences	–	–7
Balance as of 31 December	**964**	**964**

An analysis of the aging structure of other assets yields the following information:

€ thousand	2011	2010
Carrying amount	**9,932**	**11,549**
Of which: unimpaired and current as of the reporting date	9,867	11,499
Of which: unimpaired as of the reporting date but past due in the following time bands:		
< 90 days past due	34	–
91 – 180 days past due	–	–
181 – 365 days past due	–	–
> 1 year past due	31	50

Other assets are denominated in the following currencies:

€ thousand	2011	2010
EUR	6,389	7,528
USD	2,117	2,195
GBP	43	155
HUF	1,171	1,648
Other currencies	212	23
	9,932	**11,549**

E10 Cash and cash equivalents

€ thousand	2011	2010
Short-term deposits	67,986	–
Bank balances	14,960	17,495
Cash on hand	253	1,046
	83,199	**18,541**

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

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

E11 Assets and liabilities of Discontinued Operation

In accordance with IFRS 5, these items include the assets and liabilities held for sale of the former Medical Diagnostics and Microbiological Monitoring segments.

No impairment losses were recognised on the assets of the Discontinued Operation.

€ thousand	2011	2010
Intangible assets	–	466
Property, plant and equipment	–	15,184
Inventories	–	9,543
Trade receivables	–	4,401
Current income tax assets	–	25
Deferred tax assets	–	195
Other assets	–	456
Cash and cash equivalents	–	872
Assets from the Discontinued Operation	**–**	**31,142**
Provisions for pensions and similar obligations	–	3,021
Current income tax liabilities	–	84
Deferred tax liabilities	–	428
Other provisions	–	1,874
Financial liabilities	–	6,201
Trade payables	–	1,095
Other liabilities	–	1,045
Liabilities of the Discontinued Operation	**–**	**13,748**

E12 Total equity

Subscribed capital is fully paid in and amounts to €30,025,152.00 as of 31 December 2011 (ordinary shares: €16,883,819.52; preference shares: €13,141,332.48 as of 31 December 2011). As of 31 December 2011, it was divided into 6,595,242 ordinary no-par-value shares and 5,133,333 no-par-value preference shares without voting rights. Certification of shares is excluded. The theoretical par value of each share is therefore €2.56 per share class. Profit distributions in any financial year are based on the net retained of Biotest AG as defined under the German Commercial Code.

In her letter dated 8 February 2008, Dr. Cathrin Schleussner advised us that her voting interest as of that date was 50.03%. These voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner. Based on the new rules under Section 41 Paragraph 4d of the WpHG in effect from 1 February 2012, Dr. Martin Schleussner, Renate Schleussner and Dr. Hans Schleussner notified the Biotest Group on 22 February 2012 that, effective 1 February 2012, they each held a 50.27% share in Biotest AG with voting rights reportable under Section 41 Paragraph 4d of the WpHG. As of the reporting date of 31 December 2011, Kreissparkasse Biberach held 24.36% of the company's ordinary shares per its last notification.

Capital reserves in the amount of €153,332 are unchanged from the previous year and include premiums on the par value of shares issued.

The proposed appropriation of net profit for the year 2011 provides for dividend payments in the amount of €5,469 thousand (previous year: €4,765 thousand). Ordinary shares receive a dividend of €0.44/share (previous year: €0.38/share) and preference shares a dividend of €0.50/share (previous year: €0.44/share). In accordance with a resolution passed by the Annual Shareholders' Meeting regarding dividend payments,

preference shares are entitled to a preference dividend of €0.11 per share. Additionally, if holders of ordinary shares receive a dividend of more than €0.11 per share, holders of preference shares receive an additional dividend of €0.06 per share. If no dividend is paid on preference shares in one year, it shall be paid in the following year. If a dividend is not paid in the second year, preference shares shall receive voting rights (cf. Section 140 (2) of the German Stock Corporation Act (AktG)).

By resolution of the Annual Shareholders' Meeting of 6 May 2010, the Board of Management of Biotest AG was authorised to purchase ordinary and/or preference treasury shares under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 5 May 2015 at up to 10% of the share capital of €30,025 thousand at that time.

Furthermore, the Board of Management was authorised by resolution of the Annual Shareholders' Meeting of 6 May 2010 to increase the Company's share capital with approval from the Supervisory Board by 5 May 2015 through the issue of new preference bearer shares with no voting rights in return for cash contributions one or more times up to a total of €3,742 thousand. The shareholders shall also be granted pre-emptive rights to these shares; legal pre-emptive rights may also be granted through the takeover of the new preference shares with no voting rights by one or more financial institutions with an obligation to offer them for sale to the shareholders of Biotest AG. The authorisation shall include permission to issue additional preference shares equal to previously issued preference shares with no voting rights upon the distribution of profits or company assets. Section 139 (2) of the AktG remains hereby unaffected. The Board of Management shall be further authorised, with approval from the Supervisory Board, to define additional share rights and share issue terms.

Diluted and basic earnings per share (from Continuing Operations) are calculated by dividing the profit attributable to shareholders of the parent company by the weighted average number of shares outstanding. Because no changes in ordinary or preference shares took place during the last two financial years at Biotest AG, diluted earnings equal basic earnings in each case.

€ thousand	2011	2010
Earnings after taxes (EAT)	18,722	19,615
Additional dividend on preference shares	–308	–308
Profit adjusted for additional dividend rights	**18,414**	**19,307**
Number of shares outstanding (weighted average)	11,728,575	11,728,575
Basic and diluted earnings per share in €	**1.57**	**1.64**
Additional dividend rights per preference share in €	**0.06**	**0.06**
Basic and diluted earnings per preference share in €	**1.63**	**1.70**

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

E13 Provisions for pensions and similar obligations

Benefits are based on the employee's length of service and salary. Retirement benefit obligations relate mainly to employees of the Group's German companies. Similar obligations are foreign obligations payable in a lump sum on retirement.

Pension provisions and similar obligations consist of the following:

€ thousand	2011	2010
Pension benefits	48,902	47,877
Similar obligations	2,147	1,795
	51,049	**49,672**

The net value of pension provisions and similar obligations is calculated as follows:

€ thousand	2011	2010
Present value of retirement benefit obligations funded by provisions	**51,009**	**49,635**
Present value of retirement benefit obligations funded by pension liability insurance	93	179
Fair value of plan assets (employer's pension liability insurance)	–53	–142
Present value of retirement benefit obligations	**51,049**	**49,672**

During the period under review the value of pension provisions at Group level changed as follows:

€ thousand	2011	2010
Pension provisions as of 1 January	**49,672**	**48,287**
Reclassification to Discontinued Operation	–	–2,992
Pension payments in the reporting period	–2,784	–2,772
Pension expense	5,069	4,513
Reversal of pension provisions for persons no longer eligible for benefits	–20	–
Actuarial gains (previous year: losses) recognised directly in equity	–888	2,636
Pension provisions as of 31 December	**51,049**	**49,672**

The defined benefit plans generated a total expense of €5,069 thousand (previous year: €4,746 thousand) in the reporting period. The total expense attributable to Discontinued Operation in the financial year amounted to €0 thousand (previous year: €233 thousand). Total expense for Continuing Operations consisted of the following components:

€ thousand	2011	2010
Current service cost	2,355	2,258
Retrospective service costs	386	–
Changes in the fair value of plan assets (employer's pension liability insurance)	–2	–12
Interest expense	2,330	2,267
	5,069	**4,513**

In financial year 2011, actuarial gains (previous year: losses) of €888 thousand (previous year: –€2,636 thousand) were recognised directly in equity.

Pension costs are included in the following items of the statement of income:

€ thousand	2011	2010
Cost of sales	1,371	1,106
Distribution costs	362	366
Administrative costs	496	405
Research and development costs	512	381
Financial expenses	2,328	2,255
	5,069	**4,513**

The calculation is based on the following actuarial assumptions:

In percent	2011	2010
Discount rate as of 31 December	4.6 %	4.6 – 4.8 %
Expected returns on plan assets	2.0 – 4.2 %	2.0 – 6.0 %
Rate of increase for wages and salaries	3.4 %	3.3 %
Rate of increase for pensions	2.0 %	2.0 %
Employee turnover rate	3.0 – 6.9 %	3.0 – 6.9 %

With the exception of the discount rate, actuarial assumptions are based on empirical values.

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

€ thousand	2011	2010
Defined benefit obligation as of 1 January	**49,814**	**49,007**
Current service cost	2,355	2,258
Interest expense	2,330	2,267
Actuarial gains (previous year: losses)	–887	2,636
Retrospective service costs	386	–
Pension benefits paid	–2,876	–2,864
Plan settlements	–20	–
Reclassification to the Discontinued Operation	–	–3,490
Defined benefit obligation as of 31 December	**51,102**	**49,814**

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

€ thousand	2011	2010
Fair value of plan assets as of 1 January	**142**	**720**
Reclassification to the Discontinued Operation	–	–497
Expected income from plan assets	2	12
Actuarial gains (previous year: losses)	1	–5
Employer contributions	–	–
Pension contributions paid	–92	–88
Fair value of plan assets as of 31 December	**53**	**142**

Actual returns on plan assets amounted to €3 thousand in this financial year (previous year: €7 thousand).

For financial year 2012, the Biotest Group expects to make payments to defined-benefit pension plans totalling €2,703 thousand.

As in the previous year, plan assets consisted solely of insurance contracts.

IAS 19.120A (p) requires the disclosure of amounts for the current year period and the previous four years:

€ thousand	2011	2010	2009	2008	2007
Present value of defined benefit obligations (DBO)	51,102	49,814	49,007	44,127	43,780
Fair value of plan assets	53	142	720	739	677
Shortfall	51,049	49,672	48,287	43,388	43,103
Expectation-related adjustments:					
a) plan liabilities	−979	2,632	4,771	1,273	861
b) plan assets	−3	−2	−8	−2	−8

Expenses for defined contribution plans totalled €6,533 thousand (previous year: €6,391 thousand) in the financial year.

Expenses for defined contribution plans break down as follows:

€ thousand	2011	2010
Defined contribution plans of the Company	721	874
Employer's contributions to statutory pension insurance	5,812	5,517
	6,533	**6,391**

E14 Other provisions

€ thousand	Partial retirement	Other staff-related provisions	Miscel-laneous provisions	Total	Of which: current
Balance as of 31 December 2009	**1,556**	**9,581**	**12,144**	**23,281**	**19,622**
Reclassification to the Discontinued Operation	–	−805	−24	−829	
Additions	603	6,261	4,552	11,416	
Use of provisions	−1,114	−5,742	−4,540	−11,396	
Reversals	–	−905	−2,170	−3,075	
Book transfers	–	−843	843	–	
Effect of foreign currency exchange differences	–	162	124	286	
Unwinding of the discount	−37	26	−107	−118	
Balance as of 31 December 2010	**1,008**	**7,735**	**10,822**	**19,565**	**16,454**
Additions to the consolidation group	–	–	1,375	1,375	
Additions	777	9,351	6,975	17,103	
Use of provisions	−1,046	−6,287	−6,291	−13,624	
Reversals	–	−255	−1,972	−2,227	
Effect of foreign currency exchange differences	–	62	−3	59	
Unwinding of the discount	**−55**	**31**	**305**	**281**	
Balance as of 31 December 2011	**684**	**10,637**	**11,211**	**22,532**	**19,340**

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

Other staff-related provisions consist primarily of provisions for profit-sharing, anniversaries, severance pay and contributions to the employer's liability insurance association.

Miscellaneous provisions include provisions for the Long Term Incentive Programme as well as guarantees, litigation risks and similar issues.

Additions in financial year 2011 consist mainly of additions to employee profit sharing of €6,266 thousand (previous year: €5,380 thousand), severance pay in the amount of €2,583 thousand (previous year: €433 thousand), litigation risks in the amount of €1,429 thousand (previous year: €15 thousand) and obligations under the Contribution Rate Security Act in the amount of €995 thousand (previous year: €708 thousand).

In the previous year, other provisions totalling €1,874 thousand were allocated to Discontinued Operation in accordance with IFRS 5. The provisions reflect the reclassification of amounts from the former Microbiological Monitoring division carried forward from financial year 2009 and totalling €829 thousand.

Reversals of other provisions relate primarily to litigation risks in the amount of €1,556 thousand (previous year: €18 thousand).

The total impact of changes in the discount rate on the previous year's present value was –€24 thousand (previous year: –€16 thousand).

E15 Financial liabilities

€ thousand	2011	2010
Non-current liabilities		
Collateralised liabilities to banks	90,283	109,667
Unsecured subordinated loans	7,500	17,406
Unsecured other loans	1,779	1,612
Liabilities from finance leases	1,781	3,491
	101,343	**132,176**
Current liabilities		
Collateralised liabilities to banks	23,449	21,927
Unsecured subordinated loans	9,955	345
Unsecured other loans	2,576	4,950
Short-term portion of liabilities from finance leases	1,710	1,667
	37,690	**28,889**

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

The syndicated loan agreement includes a short-term tranche of €33 million, a remaining long-term tranche of €49 million with full amortisation by 2014 as well as a bullet tranche of €50 million due in 2015.

With effect from 4 November 2011, the short-term tranche of €33 million was extended by a year. The additional €5 million line of credit was extended 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 do not restrict available lines of credit, as long as their effect does not exceed €5 million.

€28,345 thousand (previous year: €76,685 thousand) of the credit lines available under the syndicated loan agreement remained unused as of 31 December 2011. Further unused bilateral lines of credit totalled €58,745 thousand (previous year: €42,466 thousand).

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

Unsecured subordinated loans consist mainly of a bullet loan taken out in connection with a profit participation agreement dated 25 November 2005 (nominal amount of €10,000 thousand) in the amount of €9,955 thousand (previous year: €9,906 thousand), for which a letter of subordination was agreed. By resolution of the Annual Shareholders' Meeting of 8 July 2004, the Board of Management is authorised, subject to approval by the Supervisory Board, to issue profit participation rights with a nominal amount of up to €50 million until 7 July 2009. This authorisation was exercised in financial year 2005 in the amount of €10 million. On 25 November 2005, the Company set up a profit participation agreement for a term of seven years for the amount of €10 million, which was paid out on 5 December 2005 minus a discount of 3.4%. The loan is a subordinated bullet loan with a variable and a fixed interest component. The variable component is dependent on the company's financial indicators.

In connection with the syndicated loan agreement, Biotest AG ist required to maintain certain financial ratios. Including net debt to EBITDA, net debt to liable equity and EBITDA to interest expense. These ratios are calculated quarterly at the end of the quarter based on the annual or quarterly consolidated financial statements. In financial year 2011 as in the previous year, all required financial ratios were met.

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

€ thousand 2011	Total	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
USD – variable at 1.1 to 2.3%	59,660	22,126	37,534	–
Euro – variable at 2.2 to 3.2%	49,741	273	49,468	–
Euro – fixed at 3.8%	4,331	1,050	3,281	–
Other loans:				
USD – fixed at 2.4 bis 3.5%	2,717	1,084	1,633	–
Euro – variable at 4.3 bis 4.6%	1,076	1,025	51	–
Euro – fixed at 6.0%	545	450	95	–
BRL – fixed at 0.0%	17	17	–	–
Liabilities from finance leases:				
Euro – fixed at 4.6%	3,491	1,710	1,781	–
Unsecured loans:				
Euro – variable at 1.4 to 6.9%	9,955	9,955	–	–
Euro – fixed at 3.6%	7,500	–	7,500	–
	139,033	**37,690**	**101,343**	**–**

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

€ thousand 2010	Total	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
USD – variable at 0.9 bis 2.4 %	64,070	7,766	56,304	–
Euro – variable at 1.1 bis 2.9 %	61,646	12,502	49,144	–
Euro – fixed at 3.8 bis 6.4 %	5,672	1,453	3,750	469
USD – variable at 2.8 %	206	206	–	–
Other loans:				
Euro – variable at 4.0 bis 4.6 %	3,999	3,948	51	–
USD – fixed at 2.1 bis 3.5 %	2,178	617	1,561	–
Euro – fixed at 6.0 %	385	385	–	–
Liabilities from finance leases:				
Euro – fixed at 4.0 bis 5.4 %	5,158	1,667	3,491	–
Unsecured loans:				
Euro – variable at 1.3 bis 3.6 %	10,069	163	9,906	–
Euro – fixed at 3.1 bis 3.6 %	7,682	182	6,250	1,250
	161,065	**28,889**	**130,457**	**1,719**

Liabilities from finance leases are repaid as follows:

€ thousand	Payment	Interest	Principal repayments
2011			
Due in < 1 year	1,825	115	1,710
Due in 1 to 5 years	1,821	40	1,781
Due in > 5 years	–	–	–
	3,646	**155**	**3,491**
2010			
Due in < 1 year	1,935	268	1,667
Due in 1 to 5 years	3,814	323	3,491
Due in > 5 years	–	–	–
	5,749	**591**	**5,158**

Total future minimum lease payments on the reporting date of €3,646 thousand (previous year: €5,749 thousand) have a present value of €3,491 thousand (previous year: €5,158 thousand).

In financial year 2011, the Biotest Group did not recognise as an expense any contingent rent payments.

Collateral for the syndicated loan agreement was provided in the form of a €95 million lien on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as the third party assignor. Shares in the Biotest Pharmaceuticals Corporation were also pledged as collateral.

E16 Other liabilities

€ thousand	2011	2010
Commissions payable	9,323	11,289
Prepayment received	8,033	874
Deferred liabilities	3,547	1,395
Social security liabilities	1,465	1,097
Wage tax liabilities	1,238	1,001
Value added tax	1,020	4,070
Liabilities from derivative financial instruments	897	–
Liabilities to non-consolidated affiliates	359	–
Deferred income	169	1,011
Liabilities from other taxes	92	73
Miscellaneous other liabilities	349	1,876
	26,492	**22,686**

In this financial year, other liabilities with a residual maturity of over one year totalled €194 thousand (previous year: €255 thousand).

E17 Liabilities from deferred revenue

As of the balance sheet date, the Biotest Group recognised liabilities from deferred revenue in the amount of €41,638 thousand (previous year: none) in connection with the worldwide development and marketing of the monoclonal antibody BT-061 with Abbott. As the upfront payment of USD 85 million relates primarily to research activities still to be carried out, most of the amount was recognised as deferred revenue. The revenue is recognised on a linear basis over the expected duration of the initial stage of the cooperation agreement in the period up to 30 June 2014.

F MISCELLANEOUS NOTES

F1 Long Term Incentive Programme

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

The previous 2006 LTIP with its 2006, 2007 and 2008 tranches constituted a single unit in terms of the required personal investment by eligible participants. This meant that an additional personal investment was not required at each new tranche but rather the investment from the first tranche could be applied to future tranches. The tranches for the 2006 LTIP have already been disbursed; the 2008 tranche was disbursed in May 2011.

In 2009 a decision was made with the consent of the Supervisory Board to renew the Long Term Incentive Programme in 2009. The 2009 LTIP was increased in 2010 and 2011 through the addition of a second tranche. However, an additional personal investment by eligible participants is required for the 2009 LTIP. As in the case of the 2006 LTIP, the personal investment from the first tranche of 2009 may be applied to all later tranches.

The amounts reported for the 2009, 2010 and 2011 tranches relate to all employees eligible to participate in the programme.

2009 Long Term Incentive Programme/2011 Tranche (LTIP 2011)

The programme began on 1 June 2011 and will run until 31 December 2013. The 2011 tranche is designed in a similar fashion to the 2009 and 2010 tranches and is identically structured.

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

To take part in the 2011 LTIP, each eligible participant is required to make an additional investment of 50% of the number of newly acquired preference shares. Eligible participants may contribute preference shares acquired or contributed under the 2009 and/or 2010 LTIP as part of their new and/or additional investment in the 2011 LTIP. Only the new investment is used to calculate the incentive payment under the 2011 LTIP.

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

On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2013; this cash payment will depend on the level of new investment, the fixed salary as of 1 October 2011 and the achievement of two performance targets. Performance targets are assigned factors by which the new investment is multiplied.

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

$$\frac{\text{New Investment} \times \text{Performance Factor 1} + \text{New Investment} \times \text{Performance Factor 2}}{100} \times \text{Annual Fixed Salary as of 1 October 2011} = \text{Payment}$$

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

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

Position in relation to the benchmark (SDAX stocks)	Performance Factor 1
Equal to or better than the third quartile and a minimum 15% absolute price increase over the benchmark	Maximum 0,05
Equal to or better than the third quartile	0.04
Equal to the median	0.02
Equal to the first quartile	0.01
Worse than the first quartile	0.00

The key criterion for Performance Factor 1 is that in financial year 2013 the Group must achieve earnings before interest and tax (EBIT) of at least €15,000 thousand. If EBIT is less than €15,000 thousand in 2013, the factor is 0.

Performance Factor 2 refers to the average EBIT margin achieved at the Group level in 2011, 2012 and 2013. This is calculated by adding the annual EBIT margin for all three years and then dividing by three.

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

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

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

If both performance criteria are met, on expiry of the performance period a minimum of 1% and a maximum of 10% of the annual fixed salary as of 1 October 2011 is paid if there is a new investment of 100 shares.

In addition to the members of the Board of Management, another 89 employees participated in the 2011 Long Term Incentive Programme with a total new investment of 25,015 preference shares. 3,100 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

The valuation was performed by external experts (Towers Watson, Frankfurt/Main) using Monte Carlo simulation. In assessing both market and non-market conditions in accordance with IFRS 2 “Share-based Remuneration”, conditions affecting the incentive payment but not observable in the market are viewed separately from observable market conditions. Market conditions are determined through a fair value assessment. The fair value of the incentive payment based on outperformance of the SDAX as of 31 December 2011 amounts to €2.664 per 100 preference shares and €100 of fixed salary. The fair value was €1.939 on 1 June 2011, the date on which the incentive payment was made. 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 2011, the sum of the two factors equalled 3.2156%.

All market parameters that are not directly observable are determined by means of statistical estimates. Empirical market data is used to estimate volatilities. The applicable risk-free market interest rate is determined based on the parameters published by the Deutsche Bundesbank using the Svensson method. To calculate the number of persons who are likely to drop out of the programme during its term, a 4% turnover rate for eligible employees was assumed.

A pro rata provision amounting to €260 thousand was made on 31 December 2011 based on the entire period ending 31 December 2013. This amount is also equal to the expense for the period in 2011.

2009 Long Term Incentive Programme/2010 Tranche (LTIP 2010)

The programme began on 1 June 2010 and will run until 31 December 2012. The 2010 tranche is designed in a similar fashion to the previous 2009 LTIP and is largely identical in structure to the 2011 and 2009 LTIP. Its described content is identical to that of the 2011 LTIP. The different parameters applied are listed below.

Performance Factor 1 of the 2010 LTIP is identical to Performance Factor 1 of the 2011 LTIP and is as follows:

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

The key criterion for Performance Factor 1 is that in financial year 2012 the Group must achieve earnings before interest and tax (EBIT) of at least €15,000 thousand. If EBIT is less than €15,000 thousand in 2012, the factor is 0.

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

Performance Factor 2 of the 2010 LTIP has slightly different intervals than Performance Factor 2 of the 2011 LTIP and is as follows:

Average EBIT margin 2010 – 2012	Performance Factor 2
Better than 16,4 %	Maximum 0.05
Equal to 16,4 %	0.04
Equal to 14,2 %	0.02
Equal to 13,2 %	0.01
Up to less than 12,2 %	0.00

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

$$\frac{\text{New Investment} \times \text{Performance Factor 1} + \text{New Investment} \times \text{Performance Factor 2}}{100} \times \text{Annual Fixed Salary as of 1 October 2010} = \text{Payment}$$

In addition to the members of the Board of Management, another 91 employees participated in the 2010 Long Term Incentive Programme with a total new investment of 24,360 preference shares. 5,800 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

A pro rata provision amounting to €519 thousand was made on 31 December 2011 based on the entire period ending 31 December 2012.

The period expense for 2011 was €301 thousand.

The sum of the factors thus changed as of 31 December 2011 from 3.0090% (as of 31 December 2010) to 2.7530%.

2009 Long Term Incentive Programme / 2009 Tranche (LTIP 2009)

The programme began on 1 June 2009 and will run until 31 December 2011. The 2009 tranche is largely identical in structure to the 2011 and 2010 LTIP. Its described content is identical to that of the 2011 and 2010 LTIP. The different parameters applied are listed below.

Performance Factor 1 for the 2009 LTIP is identical to Performance Factor 1 for the 2010 and 2011 LTIP and is defined as follows:

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

However, the key criterion for Performance Factor 1 is that in financial year 2011 the Company must achieve earnings before interest and tax (EBIT) of at least €15,000 thousand before taking the LTIP into account. If EBIT is less than €15,000 thousand in 2011, the factor is 0.

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

Performance Factor 2 of the 2009 LTIP has slightly different intervals than Performance Factor 2 of the 2010 and 2011 LTIP and is as follows:

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
Less than 11,9 %	0.00

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

$$\frac{\text{New Investment} \times \text{Performance Factor 1} + \text{New Investment} \times \text{Performance Factor 2}}{100} \times \text{Annual Fixed Salary as of 1 October 2009} = \text{Payment}$$

In addition to the members of the Board of Management, another 79 employees participated in the 2009 Long Term Incentive Programme with a total investment of 21,030 preference shares. 5,850 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

No provision was recognised for the 2009 LTIP on the statement of financial position as of 31 December 2011.

Profit for the period from the reversal of provisions recognised in previous years totalled €261 thousand in financial year 2011.

The sum of the factors thus changed as of 31 December 2011 from 1.0220% (as of 31 December 2010) to 0.0%.

2006 Long Term Incentive Programme/2008 Tranche (LTIP 2008)

The 2008 tranche of the Long Term Incentive Programme was described in detail in the annual financial statements as of 31 December 2008.

The 2008 tranche was disbursed in May 2011 in the amount of €1,646 thousand. Share performance was 4.0% per 100 preference shares and the average EBIT margin achieved between 2008 and 2010 was 1.889%. The sum of the factors was 5.889%. The number of qualifying preference shares acquired as part of the personal investment was 18,000.

Effects of the disposal of the discontinued Medical Diagnostics segment on the LTIP

Eligible participants who are no longer Biotest Group employees due to the disposal of the Medical Diagnostic segment but are now employed by the Bio-Rad Group, USA, under the terms of the sale as of 6 January 2010 left the LTIP. They received a pro rata incentive payment based on the date of the ad-hoc announcement of the disposal, 23 October 2009.

A total of €379 thousand was paid out in January 2010. A provision for this amount had been recognised in the consolidated financial statements dated 31 December 2009.

Effects of the discontinued Microbiological Monitoring segment on the LTIP

Eligible participants who are no longer Biotest Group employees due to the disposal of the Microbiological Monitoring segment but who are now employed by Merck KGaA Group, Germany, under the terms of the sale as of 1 August 2011 left the LTIP. They received a pro rata incentive payment based on the date of the ad-hoc announcement of the disposal, 22 March 2011.

A total of €22 thousand was paid out for this in September 2011. A provision for this amount had been recognised in the consolidated financial statements as of 31 December 2010.

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 for any reason (other than retirement, early retirement, partial retirement, occupational disability or invalidity).

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

F2 Mergers

On 18 January 2011, Biotest AG acquired a 100% interest in Marcos Pedrilson Produtos Hospitalares Ltda., Brazil (today: Biotest Farmaceutica Ltda.), the former distributor for Biotest AG in Brazil. The Biotest Group thus now serves the largest country in Latin America from within the Group. Plans call for a gradual expansion of the product range marketed in Brazil.

At the acquisition date, the fair value of the identified assets and liabilities of the Biotest Farmaceutica Ltda. was as follows:

€ thousand	2011
Intangible assets	937
Property, plant and equipment	474
Inventories	–
Trade receivables	–
Other current assets	30
Cash and cash equivalents	–
Assets	**1,441**
Deferred tax liabilities	352
Interest-bearing loans and borrowings – current	391
Other provisions – current	1,375
Trade payables	197
Other liabilities – current	697
Liabilities	**3,012**
Total identified net assets at fair value	**–1,571**
Goodwill arising on acquisition	1,571
Total consideration	**–**

Goodwill of €1,571 thousand includes the value of the faster entry into the Brazilian market. Goodwill is fully allocated to the Plasma Proteins cash-generating unit. Recorded goodwill is assumed to be non-deductible for tax purposes.

Since the acquisition date, Biotest Farmaceutica Ltda. has contributed no sales revenue and a –€744 thousand loss for the period before tax from Continuing Operations. Had the merger taken place at the beginning of the year, profit for the period from Continuing Operations would not have changed substantially.

Cash outflow due to the acquisition is as follows:

€ thousand	2011
Analysis of cash outflow due to the acquisition	
Total consideration	–
Purchase price reduction pursuant to the share transfer agreement	–
Cash consideration	**–**
Net cash of the acquired company	–
Transaction costs of the acquisition	–186
Net cash outflow due to acquisition	**–186**

Liabilities from income taxes include tax provisions that have been recognised for risks based on the due diligence performed and an assessment made by a tax law firm.

F3 Financial instruments

F3.1 Classification of financial instruments

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

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

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

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

In financial year 2011, as in the previous year, no reclassification of financial instruments took place.

F3.2 Reconciliation of items of the statement of financial position to measurement categories as well as their measurement basis and fair values

€ thousand			Valuation basis in the statement of financial position under IAS 39					
Statement of financial position items	Measurement category under IAS 39	Carrying amount as of 31 December 2011	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Valuation basis in the statement of financial position under IAS 17	Fair value as of 31 December 2011
Assets								
Trade receivables	LaR	120,961	120,961	–	–	–	–	120,961
Other assets								
Other receivables	LaR	9,365	9,365	–	–	–	–	9,365
Derivatives not designated as a hedging instrument	FAHfT	567	–	–	–	567	–	567
Other financial investments								
Greek government bonds (previous year: claims to receive Greek government bonds/ pension fund)	FAFVtPL	4,604	–	–	–	4,604	–	4,604
Fixed income investments	HtM	26	26	–	–	–	–	26
Advances to associates	LaR	22	22	–	–	–	–	22
Equity and liabilities								
Trade payables	FLAC	34,678	34,678	–	–	–	–	34,678
Financial liabilities								
Collateralised liabilities to banks	FLAC	113,731	113,731	–	–	–	–	113,935
Unsecured liabilities to banks	FLAC	17,456	17,456	–	–	–	–	18,238
Liabilities from finance leases	n.a.	3,491	–	–	–	–	3,491	3,743
Other unsecured loans	FLAC	4,355	4,355	–	–	–	–	4,355
Liabilities from deferred revenue	FLAC	41,638	41,638	–	–	–	–	41,638
Other liabilities								
Primary financial liabilities	FLAC	25,595	25,595	–	–	–	–	25,595
Derivatives not designated as a hedging instrument	FLHfT	897	–	–	–	897	–	897

Cash and cash equivalents with a carrying amount of €83,199 thousand (previous year: €18,541 thousand) are not included in the above table, as these financial instruments are not assigned to a measurement category per IAS 39.

			Valuation basis in the statement of financial position under IAS 39					
	Measurement category under IAS 39	Carrying amount as of 31 December 2010	Amortised cost	Cost	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2010
	LaR	98,300	98,300	–	–	–	–	98,300
	LaR	10,898	10,898	–	–	–	–	10,898
	FAHfT	651	–	–	–	651	–	651
	FAFVtPL	19,296	–	–	–	19,296	–	19,296
	HtM	45	45	–	–	–	–	45
	LaR	–	–	–	–	–	–	–
	FLAC	42,779	42,779	–	–	–	–	42,779
	FLAC	67,524	67,524	–	–	–	–	67,728
	FLAC	81,822	81,822	–	–	–	–	82,859
	n.a.	5,158	–	–	–	–	5,158	5,110
	FLAC	6,561	6,561	–	–	–	–	6,561
	FLAC	–	–	–	–	–	–	–
	FLAC	22,686	22,686	–	–	–	–	22,686
	FLHfT	334	–	–	–	334	–	334

F3.3 Aggregation of the measurement categories including their measurement bases and fair values

€ thousand			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2011	Amortised cost	Cost	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2011
Loans and receivables	LaR	130,348	130,348	–	–	–	–	130,348
Financial investments held to maturity	HtM	26	26	–	–	–	–	26
Financial assets recognised at fair value	FAFVtPL	4,604	–	–	–	4,604	–	4,604
Financial assets held for trading	FAHfT	567	–	–	–	567	–	567
Financial liabilities measured at amortised cost	FLAC	237,453	237,453	–	–	–	–	238,439
Financial liabilities held for trading	FLHfT	897	–	–	–	897	–	897

€ thousand			Measurement basis in the statement of financial position under IAS 39					
Categories	Measurement category under IAS 39	Carrying amount as of 31 December 2010	Amortised cost	Cost	Fair value recognised directly in equity	Fair value recognised through profit or loss	Measurement basis in the statement of financial position under IAS 17	Fair value as of 31 December 2010
Loans and receivables	LaR	109,198	109,198	–	–	–	–	109,849
Financial investments held to maturity	HtM	45	45	–	–	–	–	45
Financial assets recognised at fair value	FAFVtPL	19,296	–	–	–	19,296	–	19,296
Financial assets held for trading	FAHfT	651	–	–	–	651	–	651
Financial liabilities measured at amortised cost	FLAC	221,372	221,372	–	–	–	–	221,613
Financial liabilities held for trading	FLHfT	334	–	–	–	334	–	334

Most trade receivables and other accounts receivable have times to maturity of less than a year. Therefore, carrying amounts as of the reporting date roughly correspond to fair values.

In the case of other non-current receivables and investments held to maturity with times to maturity of more than one year, fair values correspond to present values of payments relating to the assets taking into account current interest rate parameters reflecting market- and counterparty-specific changes in terms and expectations.

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

The fair values of liabilities to banks and other financial liabilities are measured as the present values of payments relating to the debt based on the respective applicable yield curve as well as the analysed credit spread curve for each currency.

As of 31 December 2011, the Biotest Group held no major investments categorised as available for sale in its portfolio.

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

Level 1: quoted prices for identical assets or liabilities in active markets,
Level 2: information other than quoted prices that is directly (such as prices) or indirectly (such as derived from prices) observable, and
Level 3: information on assets and liabilities that is not based on observable market data.

The measurment of primary financial assets (Greek government loans as well as pension fund shares) is described in further detail in Section E5 Other financial investments. This fair value measurement procedure corresponds to a level 1 classification. In the previous year, the fair value of claims to receive Greek government bonds was determined in accordance with Level 2.

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

F3.4 Net gain or loss by measurement categories

The net gain or loss for financial year 2011 by measurement category is as follows:

€ thousand		From subsequent valuation				
Categories	From interest	At fair value	Currency exchange	Bad debt allowance	From disposal	Net gain or loss 2011
Loans and receivables	770	–	587	–184	–415	758
Financial investments held to maturity	1	–	–	–	–	1
Financial assets recognised at fair value	5	–7,987	–	–	980	–7,002
Financial assets held for trading	–	238	–	–	–	238
Financial liabilities held for trading	–	–949	–	–	–	–949
Financial liabilities measured at amortised cost	–4,709	–	–117	–	–	–4,826
Total	**–3,933**	**–8,698**	**470**	**–184**	**565**	**–11,780**

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

€ thousand		From subsequent valuation				
Categories	From interest	At fair value	Currency exchange	Bad debt allowance	From disposal	Net gain or loss 2010
Loans and receivables	494	–	12	–389	–	117
Financial investments held to maturity	1	–	–	–	–	1
Financial assets recognised at fair value	4	–5,566	–	–	–	–5,562
Financial assets held for trading	–	–333	–	–	–	–333
Financial liabilities held for trading	–	55	–	–	–	55
Financial liabilities measured at amortised cost	–5,108	–	–564	–	–	–5,672
Total	**–4,609**	**–5,844**	**–552**	**–389**	**–**	**–11,394**

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

The subsequent measurement of financial instruments assigned to the financial assets and liabilities held for trading category resulted in a loss of €711 thousand (previous year: €278 thousand) including interest rate as well as currency effects.

F3.5 Cash flows by time band

The tables below shows the contractually agreed, undiscounted interest payments and principal repayments relating to primary financial liabilities and derivative financial instruments with positive and negative fair values. The second table presents comparative values for cash flows by time band based on the previous financial year.

All instruments held in the portfolio as of the reporting date for which payments were already contractually agreed are included. Forecast figures for future new liabilities are not included. Foreign currency amounts are translated at the exchange rate as of the reporting date. Variable interest payments on financial instruments are calculated using the last fixed interest rate prior to 31 December 2011. Financial liabilities repayable at any time are always assigned to the earliest time period.

		Cash flows in 2012			Cash flows in 2013		
€ thousand	Carrying amount as of 31 December 2011	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−131,187	−411	−2,307	−33,449	−364	−1,653	−27,188
Liabilities from finance leases	−3,491	−115	–	−1,710	−40	–	−1,781
Other interest-bearing liabilities	−4,355	−41	−44	−2,576	−66	–	−1,127
Trade payables	−34,678	–	–	−34,678	–	–	–
Liabilities from deferred revenue	−41,638	–	–	–	–	–	–
Other non-interest-bearing liabilities	−25,595	–	–	−25,401	–	–	−171
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−874	–	–	−874	–	–	–
Interest rate derivatives not designated as a hedging instrument	−23	–	–	–	–	–	–
Financial asset derivatives:							
Currency derivatives not designated as a hedging instrument	488	–	–	488	–	–	–
Interest rate derivatives not designated as a hedging instrument	79	–	–	–	–	–	–

Liabilities from deferred revenue did not include any contractual repayment obligations as of 31 December 2011.

		Cash flows in 2011			Cash flows in 2012		
€ thousand	Carrying amount as of 31 December 2010	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−149,346	−460	−2,328	−22,272	−411	−2,056	−30,937
Liabilities from finance leases	−5,158	−269	–	−1,667	−197	–	−1,710
Other interest-bearing liabilities	−6,561	−30	−158	−4,949	−28	–	−533
Trade payables	−42,779	–	–	−42,779	–	–	–
Other non-interest-bearing liabilities	−22,686	–	–	−22,431	−2	–	−126
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−199	–	–	−199	–	–	–
Interest rate derivatives not designated as a hedging instrument	−135	–	–	–	–	–	–
Financial asset derivatives:							
Currency derivatives not designated as a hedging instrument	160	–	–	160	–	–	–
Interest rate derivatives not designated as a hedging instrument	491	–	–	–	–	–	–

	Cash flows in 2014			Cash flows in 2015			Cash flows in 2016			Cash flows after 2016		
	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments
	−250	−1,230	−15,971	−124	−1,120	−53,438	−16	–	−1,719	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	−46	–	−617	−1	–	−35	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	−17	–	–	−6	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–

	Cash flows in 2013			Cash flows in 2014			Cash flows in 2015			Cash flows after 2015		
	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments
	−364	−1,171	−27,187	−250	−958	−14,742	−125	−722	−53,438	−16	–	−770
	−126	–	−1,781	–	–	–	–	–	–	–	–	–
	−45	–	−517	−50	–	−562	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	−3	–	−129	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	−160	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–

F4 Financial risk management

In the course of its ordinary operations and due to existing international trade relationships, 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 generally subject to changes in market prices.

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

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

The market values of derivative financial instruments are disclosed in the statement of financial position under other assets or other financial liabilities. At 31 December 2011, €567 thousand (previous year: €651 thousand) are disclosed under other assets and €897 thousand (previous year: €334 thousand) under other liabilities.

Credit risks

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

As of the reporting date, no significant customer groups posed a particular credit risk.

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

Specific bad debt charges are made for potential default risks in connection with primary financial instruments. Due to its widely diversified business structure, the Biotest Group does not face any special concentration of credit risks from individual customers or countries.

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

€ thousand	2011	2010
Trade receivables	120,961	98,300
Other assets	9,932	11,549
Other financial assets	4,652	19,341

Other financial assets include Greek government bonds as well as prior year claims to receive Greek government bonds amounting to €4,453 thousand (previous year: €19,160 thousand).

Market risks

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

Foreign currency risks

The Biotest Group is exposed to currency risks that arise mainly from an imbalance in global cash flows. This imbalance is due primarily to higher sales in USD offset by lower purchases in USD. The Biotest Group protects itself as a matter of principle against identifiable future currency risks whenever it anticipates such exposure. In addition, the Group selectively hedges risks in the statement of financial position. The Biotest Group makes use of opportunities to offset currency risks naturally and to use currency futures to manage currency risks.

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

Foreign currency risk	USD		GBP		HUF		RUB	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Cash reserves	1,586	2,357	465	730	520	398	1,225	–
Trade receivables	24,239	16,753	1,412	2,041	1,426	1,894	8,700	65
Other primary financial assets	2,117	2,195	40	155	827	1,648	–	–
Other derivative financial assets	–	–	3	112	344	18	66	–
Trade payables	−6,532	−8,158	−199	−737	−84	−66	–	–
Liabilities to financial institutions	−62,377	−66,454	–	–	–	–	–	–
Other primary financial liabilities	−4,760	−2,351	−28	−68	−235	−344	−25	–
Other derivative financial liabilities	−451	− 47	−366	−25	–	–	−56	−119
Net exposure	**−46,178**	**−55,705**	**1,327**	**2,208**	**2,798**	**3,548**	**9,910**	**−54**

As of the reporting date, the following currency option contracts and currency futures were in place:

	Nominal amount		Market values	
€ thousand	2011	2010	2011	2010
Currency option contracts	2,500	–	74	–
Currency futures	51,309	20,181	−460	−43

As of the reporting date, the times to maturity of currency option contracts and currency futures (nominal amounts: USD 35,700 thousand, GPB 11,200 thousand, HUF 700,000 thousand, JPY 257,500 thousand, RUB 360,000 thousand) were:

€ thousand	Total	Time to maturity < 1 year
31 December 2011	53,809	53,809
31 December 2010	20,181	20,181

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

Interest rate risks

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

The Biotest Group is exposed to interest rate risk on existing loans (see also section E.15 Financial Liabilities). Interest rate hedging instruments are used to minimise such risks.

The following interest rate hedging transactions are in place as of the reporting date:

	Nominal amount		Market values	
€ thousand	2011	2010	2011	2010
Interest rate caps	70,000	75,000	79	478
Interest rate swaps	20,000	20,313	–23	–122
	90,000	**95,313**	**56**	**356**

The nominal amount is the sum of all purchase and sale amounts for derivative financial transactions. The market values of interest rate hedging instruments are determined by the corresponding banks. They result from the measurement of outstanding positions at market prices without consideration of contrary performance from underlying transactions. They correspond to expenses or income for the realization of derivative contracts on the reporting date.

The following times to maturity were applicable to hedging transactions (nominal amount) as of the reporting date:

€ thousand	Total	Residual maturity < 1 year	Residual maturity 1–5 years	Residual maturity > 5 years
2011				
Interest rate caps	70,000	–	70,000	–
Interest rate swaps	20,000	–	20,000	–
	90,000	**–**	**90,000**	**–**
2010				
Interest rate caps	75,000	5,000	70,000	–
Interest rate swaps	20,313	313	20,000	–
	95,313	**5,313**	**90,000**	**–**

Floating rate financial liabilities totalling €0.0 million (previous year: €0.3 million) were swapped for fixed-interest positions to hedge against interest rate risks.

In addition, €90 million (previous year: €95 million) in financial liabilities is secured against an increase in variable interest rates over the established threshold of between 3.5% and 5.0% by interest rate caps and swaps.

Liquidity risks

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

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

As of 31 December 2011 the Biotest Group had access to the following contractually established credit lines:

€ thousand	2011	Of which: drawn down	2010	Of which: drawn down
Credit lines granted (freely available)	218,533	134,518	270,958	151,959
Fixed loan commitments received (subject to specific terms and conditions)	5,268	1,025	14,894	3,948
	223,801	**135,543**	**285,852**	**155,907**

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

A maturity overview illustrating how cash flows from liabilities as of 31 December 2011 impact the Group's liquidity position is provided in Section F3.5.

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

F5 Sensitivity analysis pursuant to IFRS 7.40

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

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

Foreign currency risks

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

If the euro had appreciated by 10% against all currencies as of 31 December 2011, the financial result would have been €2,995 thousand higher (previous year: €1,020 thousand higher).

If the euro had depreciated by 10% against all currencies as of 31 December 2011, the financial result would have been €2,854 thousand lower (previous year: €800 thousand lower).

Specifically, the hypothetical impact on profit or loss of €2,995 thousand or –€2,854 thousand results from the following currency sensitivities:

€ thousand	Appreciation of the EUR by 10%	Depreciation of the EUR by 10%
EUR to USD	1,718	–1,694
EUR to GBP	1,017	–1,366
EUR to HUF	218	–218
EUR to RUB	–48	249
EUR to other currencies	90	175
	2,995	**–2,854**

It should be noted that the sensitivity analysis pursuant to IFRS 7 takes only exchange rate risk on financial assets and liabilities into account and not translation risk. If translation risk were taken into account, the resulting effects would differ accordingly.

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 income if recognised at fair value. Financial instruments with fixed interest rates measured 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 and interest rate caps) that do not form part of a hedging relationship under IAS 39 impact other financial income (measurement result from the adjustment of financial assets to fair value) and are therefore incorporated in income-related sensitivity calculations.

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

If the market interest rate level as of 31 December 2011 had been 100 basis points higher, the fair values of the financial instruments would have been €1,392 thousand (previous year: €1,421 thousand) higher. The hypothetical effect on earnings of €669 thousand (previous year: €824 thousand) arises from the potential effects of interest rate derivatives of €945 thousand (previous year: €669 thousand) and non-derivative financial liabilities of €276 thousand (previous year: €1,493 thousand).

Given the low reference interest rates as of the reporting date, disclosures here are made on the basis of 70 basis points. If the market interest rate level as of 31 December 2011 had been 70 basis points lower, the fair values of the financial instruments would have been €791 thousand (previous year: €806 thousand) lower. The hypothetical effect on earnings of –€273 thousand (previous year: €784 thousand) arises from the potential effects of interest rate derivatives of –€469 thousand (previous year: –€260 thousand) and non-derivative financial liabilities of €193 thousand (previous year: €1,044 thousand).

If the market interest rate level as of 31 December 2011 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.

F6 Capital management

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

The equity of the Biotest Group that is the focus of capital structure optimisation efforts is the amount stated in the statement of financial position which is attributable to the equity holders of Biotest AG as the parent company. Share capital consists of 6.6 million ordinary voting shares and 5.1 million non-voting preference shares. Since the sale of the Microbiological Monitoring division, minority interests play only a minor role in capital management.

The subordinated bullet loans received strengthen the Company's long-term financial strength in terms of liability, but are managed as part of the Company's borrowed capital.

Strategic capital management analyses are based on long-term forecast calculations, which are used to determine the corresponding future values and indicators. In the short term, budget forecasts for the following year serve as the basis for financial indicators.

As part of its strategy, the Biotest Group seeks to maintain an equity ratio of at least 40%. The equity ratio of the Biotest Group at 31 December 2011 was 50.8% (previous year: 48.6%). In addition, both long-term and special quarterly financial data, as defined by the underwriting banks, are used for analysis and control purposes. One of the key indicators here is the leverage factor, calculated as the ratio of net debt to EBITDA.

In financial year 2011, no changes were made to the objectives or processes for managing capital.

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

F7 Contingent assets and contingent liabilities

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

In connection with the sale of the Microbiological Monitoring division, the Biotest Group is entitled to a contingent purchase price payment from Merck KGaA Group. This claim is dependent on the outcome of currently pending litigation and is in the high single-digit millions. Resolution of the dispute is expected by the end of 2012.

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

The Biotest Group has contingent liabilities from guarantees in the amount of €13,464 thousand (previous year: €19,942 thousand). These relate mainly to guarantees for goods and services, where the probability of a claim against Biotest Group is considered low. As in the previous year, there are no other contingent liabilities.

F8 Other financial commitments

€ thousand	2012	2013–2016	as at 2017	Total
Obligations under long-term service agreements	10,938	40,222	16,691	67,851
Purchase commitments for property, plant and equipment	13,624	–	–	13,624
Future payments from rent and lease contracts and operating lease contracts	3,455	5,864	1,393	10,712
Purchase commitments for intangible assets	12	–	–	12
	28,029	**46,086**	**18,084**	**92,199**

Payments for approved investments in non-current assets will be made within one year.

Obligations under long-term service agreements relate to purchase commitments under two toll manufacturing agreements for the period from 2010 to 2018 totalling €67,851 thousand (previous year: €72,162 thousand).

The Biotest Group rents or leases operating equipment as a lessee. Operating leases include vehicle and office equipment with a base rental term of two to five years. In financial year 2011 expenditure on rental and operating lease contracts amounted to €5,051 thousand (previous year: €4,619 thousand).

The Biotest Group expects no material future minimum lease payments from non-cancellable subleasing relationships in force on the reporting date.

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

F9 Related party relationships

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

a) Associates

In financial 2011 as in the previous year, the Biotest Group made no purchases from BioDarou P.J.S. Co. The Group's liabilities to BioDarou P.J.S. Co. as of the reporting date (as in the previous year) were €0 thousand.

In the reporting year, BioDarou P.J.S. Co. acquired goods and services from Biotest Group companies totalling €4,677 thousand (previous year: €4,526 thousand). The resulting receivables from associates totalled €2,527 thousand on the reporting date (previous year: €2,856 thousand).

b) Other related parties

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

The family members of Dr. Hans Schleussner are also considered related parties within the meaning of IAS 24. Expenses for other related parties belonging to the Schleussner family total €18 thousand (previous year: €18 thousand). Shareholder loans did not give rise to any interest expense in financial years 2011 or 2010.

As a related party of the Biotest Group, Kreissparkasse Biberach maintains employee custody accounts for the Long Term Incentive Programme. In addition, the Biotest Group has a time deposit in the amount of €20,000 thousand (previous year: €0 thousand) which generated interest income of €504 thousand (previous year: €0 thousand).

In financial year 2011, the Biotest Group made purchases from Plasma Gostar Pars P.J.S., a subsidiary of associate BioDarou P.J.S. Co., totalling €0 thousand (previous year: €0 thousand). The Group's liabilities to Plasma Gostar Pars P.J.S. were €0 thousand as of the reporting date (previous year: €0 thousand).

In the reporting year, Plasma Gostar Pars P.J.S. acquired goods and services from Biotest Group companies totalling €3,644 thousand (previous year: €0 thousand). Resulting receivables from the subsidiary of the associate on the reporting date totalled €3,644 thousand (previous year: none).

c) Supervisory Board and Board of Management

Board members

As of 31 December 2011, the members of the Supervisory Board and the Board of Management also served on statutory supervisory boards and comparable controlling bodies of commercial enterprises as follows:

Supervisory Board

Dr. Thorlef Spickschen, businessman, Seeheim, Germany
Chairman of the Supervisory Board
Clovis Oncology, Inc., Boulder, USA
Cytos AG, Zürich, Switzerland

Dr. Cathrin Schleussner, CEO of OGEL GmbH, Neu-Isenburg, Germany
Deputy Chairperson

Barbara Arnold-Schlosser, commercial employee, Leimen, Germany
(Supervisory Board member until 1 August 2011)

Kerstin Birkhahn, engineer, Langen, Germany

Thomas Jakob, businessman, Ulm, Germany
Deputy Chairman of the Management Board of Kreissparkasse Biberach

Jürgen Heilmann, administrative staff member, Dreieich, Germany
(Supervisory Board member since 22 September 2011)

Prof. Dr. Marbod Muff, former member of the management of Boehringer Ingelheim, Ingelheim, Germany

The Supervisory Board members received the following compensation for their activities in financial year 2011:

€ thousand 2011	Fixed remuneration	Variable remuneration	Total remuneration
Dr. Thorlef Spickschen (Chairman)	51	25	76
Dr. Cathrin Schleussner (deputy chair)	28	15	43
Barbara Arnold-Schlosser (until 1 August 2011)	10	6	16
Kerstin Birkhahn	15	10	25
Thomas Jakob	18	10	28
Jürgen Heilmann (since 22 September 2011)	5	3	8
Prof. Dr. Marbod Muff	23	10	33
	150	**79**	**229**

The members of the Supervisory Board were paid the following compensation for financial year 2010:

€ thousand 2010	Fixed remuneration	Variable remuneration	Total remuneration
Dr. Thorlef Spickschen Chairman)	51	25	76
Dr. Cathrin Schleussner (deputy chair)	29	15	44
Barbara Arnold-Schlosser	18	10	28
Kerstin Birkhahn (as of 28 April 2010)	10	7	17
Thomas Jakob	18	10	28
Prof. Dr. Marbod Muff	23	10	33
Astrid Paluch (until 6 January 2010)	–	–	–
	149	**77**	**226**

In addition to the listed Supervisory Board compensation, additional amounts paid in financial years 2011 and 2010 to employee representatives on the Supervisory Board under their employment agreements were also expensed. These amounts were based on collective bargaining agreements and/or company pay rates for non-pay-scale employees.

Board of Management

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

Dr. rer. pol. Michael Ramroth, Mörfelden-Walldorf, Germany
Chief Financial Officer

Total remuneration of active members of the Board of Management in financial year 2011 amounted to €1,141 thousand (previous year: €964 thousand).

Of this total, Prof. Dr. Gregor Schulz received a fixed salary of €340 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company car) totalling €42 thousand. His performance-related remuneration amounted to €223 thousand.

Dr. Michael Ramroth received a fixed salary €300 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling €33 thousand. His performance-related remuneration amounted to €203 thousand.

The Board of Management agreement signed by both members of the Board of Management includes a supplementary agreement regarding severance pay in the event of the early termination of the Board of Management agreement due to circumstances clearly defined as a change of control. Severance pay includes fixed compensation through the end of the term of the contract and is limited to a maximum of three times the annual fixed salary. Pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the company vehicle provided are also paid. In addition to these entitlements, severance pay also includes two times the annual fixed salary. However, the total severance package may not exceed three times the annual fixed salary.

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

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

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	Personal investment in preference shares (in number of share)	Fair value of options at 31 December	Total cost of the stock option plan in the financial year
2011 (2009, 2010 and 2011 tranches)			
Prof. Dr. Gregor Schulz	1,800	280	55
Dr. Michael Ramroth	1,800	246	49
	3,600	**526**	**104**
2010 (2008, 2009 and 2010 tranches)			
Prof. Dr. Gregor Schulz	2,000	298	95
Dr. Michael Ramroth	2,000	258	82
	4,000	**556**	**177**

The 2008 tranche of the Long Term Incentive Programme was disbursed in financial year 2011; Prof. Dr. Gregor Schulz received €169 thousand and Dr. Michael Ramroth €146 thousand.

Pension provisions totalling €3,005 thousand (previous year: €2,487 thousand) were formed for active members of the Board of Management. Of this amount, €1,908 thousand (previous year: €1,649) was attributable to Prof. Dr. Gregor Schulz and €1,097 thousand (previous year: €838 thousand) to Dr. Michael Ramroth.

Provisions of €3,975 thousand (previous year: €4,155 thousand) were recognised for pension commitments to former members of the Board of Management. As of the reporting date, there were no loans outstanding to members of the Company's management bodies.

In financial year 2011 pension payments of €415 thousand (previous year: €417 thousand) were made to former members of the Board of Management.

F10 List of participating interests

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

Company name	Registered office	Equity Mio. €	Share of equity in %	Sales Mio. €	Earnings after tax (EAT) Mio. €
Biotest Pharma GmbH	Dreieich/Germany	102.4	100.00	19.5	3.6
Biotest Grundstücksverwaltungs GmbH *	Dreieich/Germany	4.8	98.00	1.4	0.4
Biotest (UK) Ltd.	Birmingham/UK	1.6	100.00	17.2	0.5
Biotest Italia S.r.l.	Milan/Italy	9.0	100.00	30.3	−0.2
Biotest Austria GmbH	Vienna/Austria	2.2	100.00	16.8	0.6
Biotest (Schweiz) AG	Rupperswil/Switzerland	3.8	100.00	7.7	2.3
Biotest Hungaria Kft.	Budapest/Hungary	3.1	100.00	20.9	0.7
Biotest Farmaceutica Ltda.	São Paulo/Brazil	−0.4	100.00	0.0	−0.7
Biotest Hellas MEPE	Athens/Greece	−8.1	100.00	7.4	−8.0
Biotest Medical S.L.U.	Barcelona/Spain	0.1	100.00	1.7	0.0
Plasmadienst Tirol GmbH *	Innsbruck/Austria	0.4	100.00	1.8	0.0
Plasma Service Europe GmbH * / **	Dreieich/Germany	0.4	100.00	17.0	0.0
Biotest Pharmaceutical Corporation *	Boca Raton / USA	84.7	100.00	74.6	−1.8
Biotest US Corporation	Boca Raton / USA	78.0	100.00	0.0	−0.1
Plazmaszolgálat Kft. *	Budapest/Hungary	0.2	100.00	1.5	−0.2
BioDarou P.J.S. Co. *	Teheran / Iran	4.1	49.00	11.0	1.1
Biotest Immobilien Verwaltungs-GmbH * / ***	Dreieich/Germany	0.0	100.00	0.0	0.0
Biotest Immobilien GmbH & Co. KG * / ***	Dreieich/Germany	0.0	100.00	0.0	0.0
Biotest Pharma OOO	Moscow/Russia	0.0	100.00	0.0	0.0
Biotest Seralc° N.V. ***	Mechelen/Belgium	0.0	100.00	0.0	0.0

* Indirect interest
** After transfer of the profit or loss under the German Commercial Code ["HGB"] to Biotest Pharma GmbH
*** Non-consolidated company

F11 Pending and imminent legal proceedings

Provisions of €1,429 thousand (previous year: €2,119 thousand) were recognised for pending and imminent legal proceedings as of the reporting date.

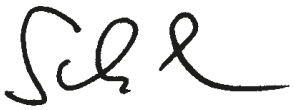
F12 Events after the reporting date

No major events have occurred since the reporting date.

F13 Corporate Governance

The Board of Management and the Supervisory Board of Biotest AG have issued the Declaration of Compliance required under Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the Company's website.

Dreieich, Germany, 7 March 2012



Prof. Dr. Gregor Schulz

Dr. Michael Ramroth

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, 7 March 2012

Biotest Aktiengesellschaft

Management Board

Prof. Dr. Gregor Schulz
Chairman of the Management Board

Dr. Michael Ramroth
Chief Financial Officer

AUDIT OPINION

We have audited the consolidated financial statements prepared by Biotest Aktiengesellschaft, Dreieich, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January 2011 to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Eschborn / Frankfurt am Main, 7 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frey
Wirtschaftsprüfer
[German Public Auditor]

Kretschmer
Wirtschaftsprüfer
[German Public Auditor]

REPORT OF THE SUPERVISORY BOARD FOR 2011

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 supervised the Board of Management regularly and carefully and provided advice. The Board of Management regularly, promptly and comprehensively informed the Supervisory Board, both orally and in writing, of all issues of fundamental importance to the Company. These included issues relating to planning, business performance, development, the risk situation and risk management. Whenever the business did not perform as projected, the Board of Management explained these discrepancies in detail and worked closely with the Supervisory Board to coordinate and implement the strategy within the Company.

In financial year 2011 the Supervisory Board held five regular 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 regularly informed the Chairman of the Supervisory Board 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 prepared 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 on business transactions for which the consent of the Supervisory Board was required. In addition to discussing the topics indicated below at Supervisory Board and committee meetings and the written and oral explanations given by the Board of Management, the Supervisory Board received monthly reports in writing on the business situation and business developments. These reports also included explanations of any deviations from current or planned developments. Furthermore, the Chairman of the Supervisory Board receives, and on request, copies of the minutes of Board of Management meetings. All internal audit reports are automatically forwarded to the Chairman of the Supervisory Board and the Chariman of the Audit Committee. No conflicts of interest involving members of the Board of Management and Supervisory Board, which must be immediately disclosed to the Supervisory Board and reported to the Annual Shareholders' Meeting, arose during the reporting year.

MAIN FOCUS OF SUPERVISORY BOARD DELIBERATIONS

Topics regularly discussed by the Supervisory Board included planning and the Company's current business performance, as well as its strategic direction, various transactions and financial position.

At the meeting held on 17 March 2011, the Supervisory Board reviewed current business performance, discussed Biotest AG's single-entity financial statements and the consolidated financial statements for financial year 2010 with the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main("KPMG"), and addressed individual financial statement items in detail. The single-entity financial statements of Biotest AG and the consolidated financial statements for financial year 2010 were subsequently approved. The annual financial statements were thereby adopted. Other agenda items included a resolution regarding appropriation of net profit, the adoption of the Supervisory Board report and the Corporate Governance report as well as a unanimous recommendation to the Annual Shareholders' Meeting to select Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main ("Ernst & Young") as the auditors for financial year 2011. The auditors should only be changed for corporate governance reasons. In addition, a new instalment of the 2011 Long Term Incentive Programme was approved and the proposed resolutions were added to the agenda for the 2011 Annual Shareholders' Meeting. In addition, the Supervisory Board approved the sale of the worldwide activities of the Microbiological Monitoring segment to Merck KGaA Group. It made a final determination regarding the achievement of targets by the Board of Management members in financial year 2010 and presented the objectives agreed for the Board of Management for 2011. Due to the passage of time, the Supervisory Board also adjusted the Articles of Association with regard to the authorisation to utilise authorised capital.

The Supervisory Board, by circular resolution on 21 March 2011, approved an amendment to the contract for the sale of the activities of the Microbiological Monitoring segment.

In the Supervisory Board meeting held prior to the Annual Shareholders' Meeting on 12 May 2011, the Supervisory Board made preparations for the Annual Shareholders' Meeting and discussed the current business situation and technical problems during commissioning of the plant in Boca Raton, USA.

In the meeting of the Supervisory Board of 08 June 2011, the Supervisory Board once again discussed the current business situation and the improved situation at the Boca Raton facility. In addition, the Board of Management reported on the progress of negotiations for the further development of the monoclonal antibody BT-061 with Abbott. The Supervisory Board voted unanimously to enter into a contract with Abbott for the worldwide development and marketing of the monoclonal antibody BT-061. The Supervisory Board also approved the establishment of a subsidiary in the United Arab Emirates for the purpose of facilitating payments with countries in the Arab world. The head of plasma procurement at the Biotest Group went on to discuss the strategy for ensuring a cheap yet safe and reliable plasma supply. The Board of Management also reported on the progress of its strategy development efforts. The Supervisory Board and Board of Management agreed that the adopted growth strategy should be further developed.

In the meeting of the Supervisory Board of 23 September 2011, the Board of Management informed the Supervisory Board of the current business situation, particularly with regard to the performance of the Plasma Proteins segment. The CEO of Biotest Pharmaceuticals Corporation, Boca Raton, USA ("BPC"), then reported on the current status of the expansion work at the Boca Raton plant. This was followed by a description of the US market by the Director of Marketing and Sales at BPC. The Board of Management presented the strategy of the Biotest Group through 2020. Biotest will focus on the development, manufacture and sale of biological drugs in three therapeutic areas of haematology, clinical immunology and emergency medicine. The Supervisory Board agreed, with one abstention. The Board of Management explained that the development pipeline was quite full and that a functional organisational structure would be implemented for the Biotest Group. Thus, in the future, the previously separate activities of plasma proteins and biotherapeutics will be functionally merged in order to take advantage of potential synergies. The Chairman of the Supervisory Board announced that the Company would pay each member of the Board of Management a discretionary bonus of €50,000 for the successful sale of the activities of the Microbiological Monitoring segment and the signing of the agreement with Abbott, as contractually agreed.

In the Supervisory Board meeting held on 6 December 2011, the Board of Management reported on the current business situation, including sales performance by plasma protein product as well as the current status of marketing authorisation at BPC. Finally, the budget for financial year 2012 was discussed. The Supervisory Board approved the 2012 budget as presented by the Board of Management. The Board of Management also went into greater detail on the 2020 strategy and introduced the "Centers of Excellence" for the three therapeutic areas. These expert teams will be tasked with determining future requirements for these therapeutic areas, licensing new products and initiating suitable business acquisitions. The Board of Management also presented its sales projections for both existing and pipeline products for the period from 2012 to 2020, as well as projected changes in inventory and receivables through 2020.

The main focus areas for the audit of the 2011 financial statements were also established in coordination with Ernst & Young. The Board of Management also discussed risk management and the ten largest risks.

COMMITTEES

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

The Personnel and Presiding Committee held four meetings with the Board of Management. At the first meeting on 17 March 2011, the sale of the activities of the Microbiological Monitoring segment, the situation at BPC, the search for a Director of R&D, the achievements of the Board of Management in 2010 and the new objectives for the Board of Management for 2011 were discussed. In the second meeting on 12 May 2011, the group discussed the progress of the negotiations with Abbott, as well as possible alternatives. In the third meeting on 8 June 2011, the Board of Management reported on the search for a Director of R&D, the status of the search for candidates for the Supervisory Board, the status of agreement with Abbott for the licensing of the monoclonal antibody BT-061 and the status of the strategic discussion on the further development of the Biotest Group. In the fourth meeting on 6 December 2011, interviews with potential Supervisory Board candidates and a pay increase for the members of the Supervisory Board were discussed. The Board reported on the 2012 budget and the strategic realignment of the Biotest Group with a focus on three therapeutic areas as part of the new "Centers of Excellence".

The Audit Committee met on two occasions in 2011. In the first meeting held on 16 March 2011, it discussed the single-entity and consolidated financial statements for financial year 2010 as well as the findings of the financial statement auditors. In the second meeting on 23 November 2011, the Committee defined the focus areas for the 2011 annual financial statement audit, reviewed the Internal Audit report, adopted the 2012 audit plan and examined the ten largest risks. Furthermore, the Audit Committee has prepared the changing of the auditing firm to a large extent.

CORPORATE GOVERNANCE

The Supervisory Board monitored the development of corporate governance standards within the Company in 2011 on a continual basis. The Board of Management and Supervisory Board report on Corporate Governance in accordance with Section 3.10 of the German Corporate Governance Codex on pages 118 to 122. In March 2012, the Board of Management and Supervisory Board of Biotest AG issued a declaration of compliance with regard to the recommendations of the German Corporate Governance Codex Government Commission in accordance with Section 161 of the German Stock Corporation Act (AktG).

CHANGES IN THE BOARD OF MANAGEMENT AND SUPER VISOR Y BOARD

There were no changes in the membership of the Board of Management.

Ms Barbara Arnold-Schlosser stepped down from the Supervisory Board on 1 August 2011 following the sale of the Microbiological Monitoring segment. The Company has applied to the District Court of Offenbach for judicial appointment of a new Supervisory Board member. On 22 September 2011, Jürgen Heilmann was appointed to the Supervisory Board as the new employee council representative.

The Chairman of the Supervisory Board would like to thank Ms Arnold-Schlosser for her many years of hard work and dedication.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young has examined the single-entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2011, along with the management report and Group management report, and issued an unqualified opinion thereon. The abovementioned documents, the auditor's report and the Board of Management's proposal on the appropriation of net profit were submitted to all members of the Supervisory Board in a timely manner. They were discussed in detail at the meeting of the Audit Committee on 15 March 2012 as well as at the meeting of the Supervisory Board on 20 March 2012. In both meetings, the auditors reported on the main results of the audit and were on hand to answer questions and provide additional information.

After reviewing and discussing the single-entity and consolidated financial statements, the management report and Group management report and the Board of Management's proposal on the appropriation of the net profit, the Supervisory Board raised no objections and approved the auditor's report. The Supervisory Board approved the single-entity and consolidated financial statements for financial year 2011 as prepared by the Board of Management. The annual financial statements are thereby adopted. The Supervisory Board approved the Board of Management's proposal on the appropriation of net profit.

The Supervisory Board would like to thank the Board of Management and all employees for their commitment and successful work in financial year 2011.

Dreieich, Germany, March 2012

The Supervisory Board
Dr. Thorlef Spickschen, Chairman

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

Notes regarding the GCGC

The government commission on the German Corporate Governance Code reported in May 2011 that no changes or additions to the GCGC are required for the time being. Thus, the Code remains applicable as last amended on 26 May 2010.

Declaration of Compliance

On 17 March 2011, the Board of Management and Supervisory Board issued its most recent 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 (Aktiengesetz, AktG).

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 17 March 2011, which referred to the German Corporate Governance Code of 26 May 2010, Biotest AG has complied with all of the recommendations of the German Corporate Governance Code in said version with the following exceptions:

- Biotest AG has not followed the recommendation in Section 5.3.3 of the German Corporate Governance Code to form a Supervisory Board nomination committee. Biotest AG's Supervisory Board comprises only four shareholder representatives. 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.

- Biotest AG does not currently follow the recommendation in Section 3.8 (3) of the German Corporate Governance Code to set a deductible in D&O liability insurance coverage for members of the Supervisory Board in the amount prescribed under Section 93, Paragraph 2, Sentence 3 of the German Stock Corporation Act (AktG). Biotest AG has established in its view an appropriate deductible for members of its Supervisory Board. However, this does not meet the deductible amount for Supervisory Board members required by law. In Biotest's view, an increase in the deductible set would be out of proportion with current remuneration for Supervisory Board duties.

The Board of Management and Supervisory Board further declare their compliance with all other recommendations of the German Corporate Governance Code as amended on 26 May 2010, with the following exceptions:

- The revisions to the German Corporate Governance Code of 26 May 2010 include new recommendations under Section 5.4.1 of the German Corporate Governance Code, which state that the Supervisory Board is to establish specific targets with regard to its composition, taking into account the international activities of the Company, potential conflicts of interest, an age limit for Supervisory Board members (to be defined) and diversity in light of the Company's specific situation. These specific targets should include adequate female representation. The Supervisory Board must take these targets into account when making recommendations to the selection committees. The targets and the status of their implementation are to be published in the Corporate Governance Report. The Supervisory Board of Biotest AG has already set a specific target with regard to the maximum age of its members. In addition, female members already make up one-third of the Supervisory Board. An internal analysis found that, in the case of Biotest AG, due to past and also future above-average participation by women on the Supervisory Board, no express targets are required. To this extent, an exemption from Section 5.4.1 (2) of the German Corporate Governance Code is declared. Accordingly, corresponding statements in the Corporate Governance Report cannot be made. Therefore, an exemption from Section 5.4.1 (3) of the German Corporate Governance Code is also declared.

Dreieich, Germany, 20 March 2011

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 viewed on and downloaded from the Biotest website.

CORPORATE GOVERNANCE IN THE FINANCIAL YEAR

The Annual Shareholders' Meeting of Biotest AG took place on 12 May 2011 in Frankfurt/Main. 84.06 % of the voting capital (ordinary share capital) was represented. All motions put forth (appropriation of net profit, approval of the actions of the members of the Board of Management and Supervisory Board, selection of the external auditors) were approved by a clear majority.

DIRECTORS' DEALINGS

In financial year 2011 the following reportable share purchase and sale transactions were undertaken by members of executive bodies and other senior executives of Biotest AG:

Name	Function	WKN / ISIN	Share class	Purchase/ sale	Trade date	Number of share	€ price	€ value
OGEL GmbH	Closely associated company	DE0005227201	Biotest ordinary share	Purchase	16 May 2011	2,000	44,9411	89,882.20
OGEL GmbH	Closely associated company	DE0005227201	Biotest preference share	Purchase	11 August 2011	7,500	42,5000	318,750.00
Dr, Martin Reinecke	Head of Plasma Alliances and Protein Supply	DE0005227235	Biotest Vorzugsaktie	Purchase	25 August 2011	150	37,5000	5,625.00
OGEL GmbH	Closely associated company	DE0005227201	Biotest ordinary share	Purchase	17 November 2011	3,500	41,2829	144,490.15

REMUNERATION OF THE BOARD OF MANAGEMENT

An explanation of the structure of the remuneration system and of the remuneration paid to members of executive bodies forms 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.

The criteria for determining appropriate remuneration include the duties of the individual Board of Management member, his/her personal performance, the economic situation, the success and future prospects of the Company and typical remuneration taking into account peer companies and the remuneration structure that otherwise applies at the Company. In accordance with Section 4.2.3 of the GCGC, the following is an outline of the Company's remuneration structure for Board of Management members, 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 plus benefits in kind. 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 twelve monthly instalments.

Benefits in kind

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

In accordance with the statutory regulations, Biotest AG has obtained directors and officers (D&O) liability insurance coverage for the members of the Board of Management with an appropriate deductible. The deductible equals 10% of the insured event and is limited to 150% of the fixed annual remuneration of each member of the Board of Management and meets the requirements of Section 93 (2)(3) of the AktG. Both members of the Board of Management are provided with a top-of-the-range company vehicle free of charge; personal use of the vehicle is permitted.

Bonuses

The performance-related remuneration component (bonuses) is based on the achievement of corporate and personal targets. In calculating bonuses, EBIT and return on capital employed (ROCE) are each weighted at 30% and achievement of personal targets set 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 the Long-Term Incentive Programme (LTIP) of Biotest AG. In addition to the members of the Board of Management, select managers with a significant impact on the success of the Company through their position within the group, their decisions, leadership and actions also participate in the programme.

The programme is designed in accordance with established capital market criteria for systems of this kind and complies with the requirements of the GCGC. Participation in the programme requires a personal investment by the participant in the form of a purchase of preference shares of Biotest AG. The programme is described in detail in Section F1 of the Notes to the consolidated financial statements, including the process for calculating incentive payments. It is anticipated that 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 2011 the current members of the Board of Management were paid a total compensation of €1,141 thousand (2010: €964 thousand). Of this total, Prof. Dr. Gregor Schulz received €606 thousand and Dr. Michael Ramroth received €535 thousand.

The fixed salary of Prof. Schulz in 2011 totalled €340 thousand plus benefits in kind valued at €42 thousand and a bonus of €223 thousand. Dr Ramroth received a fixed salary in financial year 2011 of €300 thousand plus benefits in kind valued at €33 thousand. His bonus amounted to €203 thousand.

In addition, as of the 31 December 2011 reporting date, LTIP amounts not yet paid out over the entire period totalled €158 thousand for Prof. Schulz and €140 thousand for Dr. Ramroth. No loans or advances were granted to the members of the Board of Management in financial year 2011. In the previous financial year, no member of the Board of Management received payments or services or any such commitments 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 under Biotest AG's company pension scheme. Members have been given individual commitments in accordance with the terms of the Biotest AG pension plan. Provisions for these commitments created in accordance with IFRS totalled €2,901 thousand as of the reporting date. Individual amounts depend on length of service, eligible salary and the applicable benefits scale above and below the contribution limits of Germany's statutory pension scheme.

In the scope of the salary compensation program at Biotest a provision of €104 thousand is recognised.

Measurement is based on actuarial reports prepared by an independent actuary and calculated in accordance with the projected unit credit method. For a more detailed explanation see Section B12 of the notes to the consolidated financial statements.

Change of control

In the event of the premature termination of the contracts of the members of the Board of Management due to a clearly defined change of control, both contracts include a severance payment provision. This provision is described in the Notes to the financial statements in accordance with Section 315 (4) of the German Commercial Code (HGB), (see page 32 f).

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

Former Board of Management members and their surviving dependants receive pension benefits as established in their contracts. Provisions of €3,974 thousand have been created for this purpose. Pension provisions are measured in accordance with IAS 26.

Supervisory Board remuneration

The remuneration of the Supervisory Board is laid down in the Articles of Association. 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. An additional €3 thousand is paid for work performed on a Supervisory Board committee, 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 (D&O liability insurance).

Biotest AG pays the insurance premiums for all members of the Supervisory Board. The members of the Supervisory Board are covered for personal liability under the existing business liability insurance policy. No other non-cash benefits were granted. Supervisory Board remuneration, including reimbursement of value added tax payable in some cases, is listed by individual in the table below.

The remuneration of Supervisory Board members in connection with Supervisory Board duties in 2011 amounts to €229 thousand and is broken down by individual in the following table:

€ thousand	Fixe remuneration 2011	Variable remuneration 2011	Total 2011
Barbara Arnold-Schlosser (up to 1 August 2011)	10	6	16
Kerstin Birkhahn	15	10	25
Jürgen Heilmann (since 22 September 2011)	5	3	8
Thomas Jakob	18	10	28
Prof. Dr. Marbod Muff	23	10	33
Dr. Cathrin Schleussner (Deputy Chairman)	28	15	43
Dr. Thorlef Spickschen (Chairman)	51	25	76
Total	**150**	**79**	**229**

Glossary Technical terms

Albumin (or human albumin)
Protein produced in the liver that serves to maintain the blood's colloid osmotic pressure, and as a transport vehicle for many physiological and pharmacological substances.

Antibody
Proteins in the blood plasma that are produced by special cells of the immune system as a defence reaction against various disease pathogens.

Antibody deficiency syndrome
The body's inability to react to an antigen stimulus with sufficient antibody production. A distinction is made between primary (congenital) and secondary (acquired) antibody deficiency syndromes.

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

B-cells
A subclass of the white blood cells that play a key role in combating foreign pathogens as part of the immune system.

Biotherapeutic(s)
Biotechnologically manufactured drugs.

Cytomegaly/Cytomegalovirus (CMV)
Infection caused by cytomegalovirus (CMV), which is generally harmless. If it occurs during pregnancy, it can cause serious damage to the unborn child. One of the most common virus infections in organ transplantation, which can lead to loss of the transplant.

Fibromyalgia
Chronic non-inflammatory condition characterised by pains in the muscles and tendon attachments.

Fibrinogen
Protein produced in the liver that plays a central part in blood clotting. During blood coagulation, it is converted to fibrin, which has a key role in sealing wounds by acting as what is referred to as "blood glue". A fibrinogen deficiency is one possible cause of blood clotting disorders.

Clotting factors
Proteins responsible for blood coagulation. The 13 different clotting factors are designated with the Roman numerals I to XIII.

Haematology
Branch of medicine concerned with blood and blood disorders.

Haemophilia
Blood clotting disorder (bleeding disease) resulting from deficiency or absence of factor VIII or IX (haemophilia A and B, respectively).

Hyperimmunoglobulins
Immunoglobulin (antibody) preparations that contain defined antibody specificity in a higher and standardised concentration.

Immunoglobulins
Synonymous with antibodies. These recognise and bind disease pathogens and mediate their elimination by cells of the immune system.

Immunoglobulin M (IgM)
Largest antibody molecule in the plasma. In combination with the complement system, it destroys bacteria and neutralises bacterial toxins.

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

Immune system
Totality of all factors responsible for recognising and defending against infectious agents, and which exercise control over self-destructive processes.

Immunoconjugate
The result of the binding of an antibody to a second functional molecule. In the case of BT-062, the immunoconjugate consists of the monoclonal antibody and a highly active toxin.

Indication
The therapeutic use for which an active substance or medication can be developed and approved.

Intramuscular administration
Administration of a medication by injection into a muscle.

Intravenous
Administration of a medication by injection into a vein.

Monoclonal antibodies (mAb)
Antibodies the production of which can be traced back to a single original cell and which can specifically recognise and bind only a certain antigen.

Multiple myeloma
Malignant plasma cell growth in the bone marrow.

Multiple sclerosis
Chronic inflammatory disease of the central nervous system, which can lead to neurological deficits such as gait disorders or visual disturbances.

Paul Ehrlich Institute (PEI)
The German federal authority for serums and vaccines. The PEI is responsible, among other things, for the approval of clinical trials, the authorisation of vaccines and preparations derived from human plasma, and for the release for sale of production batches.

Pharmacokinetics
The sum of all processes that a medication undergoes in the body, from absorption of the medication to its distribution in the body, biochemical conversion and breakdown, and elimination of the substance. (Release, absorption into the blood stream, distribution in the body, metabolism, elimination).

Plasma Protein Therapeutics Association (PPTA)
Association of the world's leading manufacturers of plasma proteins.

Plasmapheresis
Obtaining of plasma from donated blood. The cellular components are returned to the donor. This leaves blood plasma, a clear yellowish fluid, which contains the blood's soluble protein components.

Placebo
A dummy medication. Medically inactive substance that is used to meet a subjective need for drug therapy. In many clinical trials, a control group is treated with placebo. The results are compared with those of the participants who have received the trial drug.

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

Primary immune deficiency
PID for short. Congenital defect of the immune system that leads to a deficiency of antibodies.

Psoriasis
Scaly patches. Chronic skin disease.

Pyrogens
Pyrogens are substances that cause fever when given parenterally.

Recombinant
Recombinant proteins are produced with the aid of genetically modified micro-organisms or cell lines.

Remission
In medicine, this means the temporary or permanent abatement of disease symptoms of a physical or psychological nature but without achieving cure.

Rheumatoid arthritis
Chronic inflammatory disease of the joints.

Sepsis
Generalised inflammatory reaction of the body to an infection due to disease pathogens.

Serum proteins
Name given to proteins contained in blood serum.

Subcutaneous administration (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 rheumatoid-like joint pain.
Erythema (redness of the skin due to dilation of the capillaries) occurs. Other organs can also be affected by this disease.

Zoster virus (varicella r virus)

Virus belonging to the herpes virus family. Initial infection usually leads to chickenpox. Reactivation, for instance when the immune system is weakened, can lead to shingles.

Glossary Financial terms

Associated company
A Group company that is not fully consolidated (participating interest <50%) and that is significantly influenced by the parent company.

Cash flow
Actual movement of cash into or out of the company in a period (inflows and outflows). An indicator of a company's internal financing ability.

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 (Board of Management and Supervisory Board members, for example) and executives.

Contribution margin
A category used in cost accounting. The difference between revenue and variable costs.

Derivative
A financial instrument, the price of which is generally based on market-related factors. Used among other things to hedge against fluctuations in value.

Currency options
Derivative financial instruments used to hedge against risks from exchange rate fluctuations. The buyer of a currency option acquires the right, but not the obligation, to buy or sell a currency at a specific exchange rate on a specified date.

Currency forward
Binding agreement to exchange one currency for another on a specific date at a specified rate.

Directors' dealings
Transactions in securities issued by a listed company undertaken by the company's management or by related companies or parties.

Disagio
A discount from the par value of a security; the opposite of agio (premium).

EBT
Earnings before tax.

EBIT
Earnings before interest and tax.

Factoring
A financial service. The factor acquires a company's accounts receivable due from the company's debtors.

Fair value
A rational and unbiased estimate of the potential market price of an asset.

Financial assets at fair value through profit and loss (FAFVtPL)
A financial instrument category as defined under IFRS 7.

Profit participation rights
Arrangement that describes the obligations between the holder and issuer of the profit participation right. The holder undertakes to make the profit-sharing capital available to the issuer of the profit participation rights. In return, the holder is granted asset rights to which shareholders of the issuer are also typically entitled (such as performance-related pay, a share of the liquidation proceeds or option rights).

Hedge accounting
Accounting technique. Creates hedging relationships between underlying transactions and derivative financial instruments used for hedging purposes.

Held to maturity (HtM)
A financial instrument category as defined under IFRS 7.

Syndicated loan
Loan provided to a single borrower by a group of banks.

Deferred taxes
Income taxes payable or receivable in the future, which do not yet constitute actual receivables or liabilities as of the reporting date.

Loans and receivables (LaR)
A financial instrument category as defined under IFRS 7.

Long Term Incentive Programme
A variable, success-based compensation system.

Return on Capital Employed (RoCE)
A measure of the return that a company realises on its capital.

Sensitivity analysis
Used to determine the impact of specific factors on certain performance indicators.

Swap
Exchange transaction. Both contractual parties undertake to pay either a fixed or floating rate on a specific nominal value to the other party.

Working capital
Short-term tied-up capital.

Interest rate cap
A financial instrument used to set an upper and lower limit for a floating interest rate.

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

10 May 2012	Annual General Meeting
10 May 2012	Quarterly report for Q1 2011
13 August 2012	Quarterly report for Q2 2011
13 November 2012	Quarterly report for Q3 2011
13 November 2012	Press and analysts' conference

Biotest

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