Biotest

From Nature for Life

New dimension.
New opportunities.

Biotest AG

2007 | Annual Report

Contents

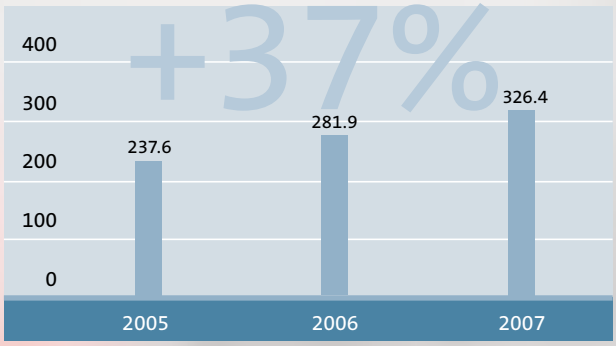
2007 at a glance

Biotest Group		2007	2006	Change %
Revenue	€ million	326.4	281.9	15.8
thereof: Germany	€ million	105.3	92.4	14.0
Rest of World	€ million	221.1	189.5	16.7
thereof: Pharmaceuticals	€ million	247.0	205.1	20.4
Diagnostics	€ million	79.4	76.8	3.4
EBITDA	€ million	54.9	46.9	17.1
EBIT	€ million	38.5	31.4	22.6
Profit before tax	€ million	30.2	21.6	39.8
Profit before tax as % of sales	€ million	9.3	7.7	
Retained earnings attributable to equity holders of Biotest AG	€ million	15.5	16.0	–3.1
Structure of expenses by nature:				
– Cost of materials	€ million	92.6	83.4	11.0
– Staff cost	€ million	83.7	73.3	14.2
– Research and development	€ million	34.5	26.1	32.2
thereof: Biotherapeutics	€ million	14.2	9.8	44.9
– Research and development in % of sales		10.6	9.2	
Capital expenditure:				
– Property. plant and equipment and intangible assets	€ million	32,0*	16.8	90.5
Financing:				
– Cash flow from operating activities	€ million	55.4	47.0	17.9
– Depreciation and amortisation	€ million	16.4	15.5	5.8
Equity	€ million	225.8	179.3	25.9
Equity in % of balance sheet total		42.1	49.5	
Balance sheet total	€ million	536.7	362.1	48.2
Number of employees (full-time equivalents) as of year-end		1,726.5	1,149.3	50.2
Earnings per share	€	1.39	1.48	–6.1
Earnings per preference share	€	1.45	1.54	–5.8

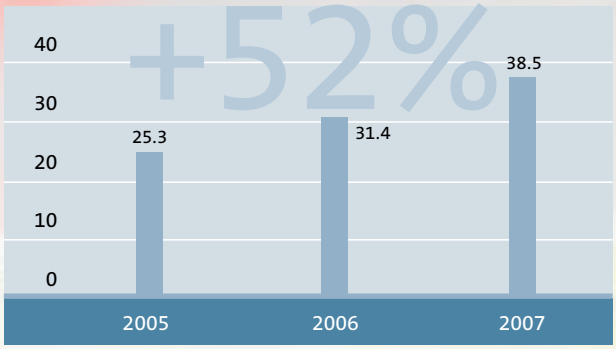
* a further €119.9 million was received from the acquisition of the US plasmaprotein business from Nabi Pharmaceuticals

Growth (2005–2007)

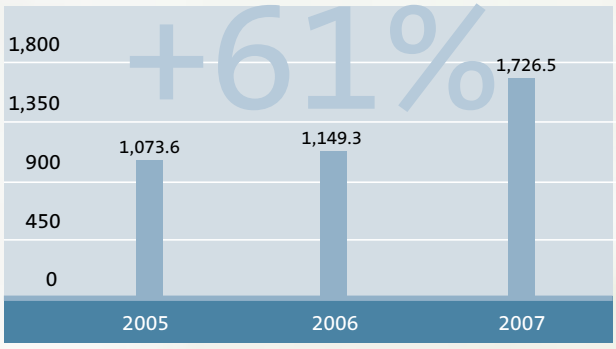
Revenue of the Biotest Group in € million



EBIT of the Biotest Group in € million



Employees of the Biotest Group full-time equivalents



New dimension.
New opportunities.

A strong presence in the US market from the start. A marked expansion of plasmapheresis and pharmaceutical production capacities. A highly attractive portfolio of plasma protein-based clinical developments: The acquisition of Nabi Biologics at the end of the financial year 2007 has launched Biotest into a new dimension and at the same time increased the potential for accelerated and profitable growth in the coming years.

The growth strategy is based on broad foundations: in 2007, Biotest achieved new record results in sales and earnings.

We have set ourselves demanding targets. For 2008, we aim to achieve sales totalling around €400 million, with a further increase in earnings. From 2010 on, the anticipated drug approvals are set to deliver dynamic sales growth ranging in excess of €500 million.

Highlights of the financial year

2007

January

Clinical development of the BT-061 monoclonal antibody begins. The agent is being developed for the key indications of psoriasis and rheumatoid arthritis.

March

Construction work begins on a new production and administration site for immunological diagnostics in Dreieich. The complex, which was completed in February 2008, is located outside the Biotest pharmaceutical factory site.

May

Biotest introduces further measures associated with the strategic refocusing and increasing the income generated by immunological diagnostics. These include trimming the product range and outsourcing smaller production units. In addition, preparations begin to transfer the business to a separate legal entity.

June

heipha Dr. Müller GmbH is granted comprehensive licences to import culture media into the USA, thereby creating the necessary conditions for penetrating the US hygiene monitoring product market. Marketing activities start immediately.

The initial results from the clinical development of BT-061 are made available. As anticipated, tolerability levels prove to be very good without any discernible associated side effects.

Biotest and a partner company launch production of the test material required for the clinical development of the second antibody, BT-062.

July

At the invitation of Biotest, eminent transplant doctors discuss possibilities raised by an article published in the "The Lancet Oncology" journal. The article concludes that Cytotect® significantly reduces the risk of post-transplant lymphomas. The findings could considerably increase the fields of application in which this immunoglobulin is used.

August

Biotest concludes a cooperation agreement with diagnostics company Abbott regarding the planned clinical Phase III trial for the approval of Cytotect® in the indication of congenital cytomegalovirus infection.

The second facility for chromatographic isolation of immunoglobulins is completed. However, extensive validation work still needs to be carried out and consistency batches remain to be produced before the facility can be approved by the authorities. Once approval has been granted, which is anticipated towards the end of 2008, the immunoglobulin production capacity at Dreieich will double from two to four tonnes per year.

September

Biotest signs an agreement with Nabi Biopharmaceuticals, regarding the acquisition of the US company's Biologics Business Unit, in which its plasma protein activities are pooled. This transaction will make Biotest one of the six major plasma protein-based drug manufacturers in the world. The share capital is increased by 10% in September as part of the financing package. The share issue, which is significantly over-subscribed, generates a gross revenue of €33.1 million. In addition, Biotest takes out a new loan for €175 million to pay off the previous syndicated loan agreement and help finance the acquisition.

October

Biotest submits an application for approval for Haemonine to the relevant authorities. The plasma protein product range is completed by Factor IX, developed by the company itself.

November

The opening of a new plasmapheresis centre in Dortmund gives Biotest seven such centres in Germany.

December

The acquisition of the plasma protein business of Nabi finally becomes effective with the approval of Nabi shareholders and the agreement of the FTC, the US cartel office. The assets are subsequently transferred to the Biotest Pharmaceuticals Corp.

Biotest restructures the areas of responsibility within the pharmaceutical business. The Medical/Regulatory Affairs service department assumes overall responsibility for clinical development and drug approval for plasma protein business and the Biotherapeutic segment.

Biotest AG preference shares are listed in the SDAX selection index on the Frankfurt stock exchange.

The company and employee representatives conclude a working agreement on the introduction of three shift operation for plasma protein production. This will enable the Dreieich facility to operate 24 hours, seven days a week from 2008 onwards.

Dr. Michael Ramroth, CFO, and Professor Dr. Gregor Schulz, Chairman of the Management Board

Statement

Dear Shareholders,

2007 has moved the Biotest Group into a new dimension in many different respects. First, our operating business generated record sales totalling €326.4 million to break through the €300 million barrier for the first time in the company's history. EBIT was also up by 22.6% to a new high of €38.5 million. The second aspect of our strategic refocusing and the acquisition of the plasma protein operations of Nabi Biologics raises our plasma protein products business to a new level and takes us a big step closer to a successful entry on the highly attractive US market. Biotest has become a global player in the league of the six biggest producers in the world in this pharmaceutical segment. Third, our position in the capital market and the listing of our preference shares on the SDAX selection index has placed Biotest firmly within the sights of analysts and investors. In the past year, our shares recorded a marked increase in price above the average for the market as a whole.

A new dimension in plasma protein business

The Nabi acquisition, completed in late summer last year, propelled Biotest to another dimension as a major supplier in the US plasma protein market, so that we are now among the six major suppliers in the world.

Biotest Pharmaceuticals Corporation, into which the assets acquired from Nabi under the terms of an asset deal have been transferred, owns a state-of-the-art fractionation and purification plant in Boca Raton, Florida, as well as nine plasmapheresis centres located throughout the country. Our plasma protein fractionation capacity has consequently increased to over one million litres and the quantity of plasma harvested annually from our own collection centres has risen by 400,000 litres.

Biotest is already marketing the Nabi HB® immunoglobulin in the USA. Nabi HB® is the leading preparation in the USA for preventing infection with hepatitis B following liver transplants. It is comparable with Hepatect®, which we produce in Dreieich. With this, we have achieved the goal we set ourselves in 2005, that, following the launch of our diagnostics products onto the US market, we would then market our own plasma proteins there. Indeed, this aim has been achieved considerably earlier than would have been possible had a licence been obtained for preparations produced in Dreieich. The annual demand for immunoglobulins in the US market is in the region of 35 tonnes and with prices ranging up to 10% higher compared with Europe, the US market is the largest and most attractive market in the world.

> "Biotest will not only sustain its growth rates to date, but will proceed at an even faster pace."

> "Our business has risen to a new level and takes us a big step closer to a successful entry on the highly attractive US market."

In the coming year, we are anticipating sales of Nabi HB® and deliveries of plasma to third parties to generate revenue of around US$ 85 million. We are expecting the first year of our plasma protein business in the USA to make a positive contribution to the Group result. By gradually switching from existing delivery agreements with other companies as they expire to the plasma harvested in the US centres for our own production, we can achieve significant upside potential.

A platform for dynamic growth

We anticipate that the products we offer in the USA will be extended in 2010 to include an intravenous immunoglobulin (IVIG), which in terms of its effect and composition, will correspond to our premium product, Intratect®. The product is currently in Phase III of its clinical development and should enable us to serve the US market a great deal earlier than would have been possible by obtaining US approval for Intratect®, as originally planned. After 2012, we also intend to market Civacir®, a hyperimmunoglobulin for the prophylactic treatment of Hepatitis C, in the USA. Beyond this, we plan to offer individual plasma proteins produced in Dreieich from US plasma, for example Humanalbumin, on the US market.

Biotest Pharmaceuticals Corporation provides us with a platform from which we can develop the North American market and raise our plasma protein business to a new level. In this connection, maintaining the existing Nabi competencies was of particular importance to us and here we have succeeded in retaining the services of virtually every member of the former Nabi staff, nearly all of whom agreed to switch to Biotest Pharmaceuticals. With Dr. Rainer Pabst moving from Dreieich to Boca Raton as Chief Executive Officer and Jordan Siegel of Nabi joining us as Chief Financial Officer, the company is being managed by experts with many years of experience. By additional specialists in production and project management from the headquarters, we have further strengthened the management of our new subsidiary.

Research and development milestones achieved

Further progress has also been made on the other projects helping to take Biotest on its way to becoming a global pharmaceutical, biotech and diagnostic group. Let's take, for example, the development of monoclonal antibodies in the Biotherapeutic segment. A Phase I clinical trial has confirmed the high compatibility of BT-061 and we assume that the preliminary data on its efficacy resulting from clinical Phase II trials will be available by the middle of the year. In 2008, we shall be looking for development partners for Phase III which will follow, to enable us to achieve the fastest possible global market launch and to ensure that this innovative drug is efficiently marketed.

In microbiology, as stated in last year's annual report, we have intensified our research and development activities and our international sales effort. A number of new products were launched on the market last year both by heipha Dr. Müller GmbH and the Biotest HYCON division, which generated a major contribution to sales. Particularly outstanding in this respect were the contributions made by a particle counter, which is the fastest piece of equipment in the world to monitor particle concentration, and a new barcode-based system, which makes hygiene monitoring far more reliable and efficient. The licence granted in summer 2007, which authorises the marketing of heipha Dr. Müller GmbH culture media in the USA, will generate further growth for us there and in anticipation of this, we have consequently expanded our sales teams. In May, ready-to-use culture media for mycoplasma identification were launched in the market.

New structure for immunology

With effect from the beginning of 2008, our immunological diagnostics business has been transferred to a separate subsidiary, Biotest Medical Diagnostics GmbH. Apart from giving us greater flexibility, this move also represents a cost saving in terms of administrative expenses. We are convinced that cooperating with a strategic partner would enable immunological diagnostics to benefit from reduced overheads and economies of scale, which will allow it to become more competitive on a sustained basis. Biotest is consequently actively seeking potential partners with whom to exploit the potential offered by this segment. In 2007, there were 44 redundancies here and so we are delighted that we have been able to offer the majority of those employees affected new jobs within the Group.

Biotest story convinces the capital market

Dynamic and lucrative growth, with plasma protein business reaching a new dimension and important advances in strategic projects: the outlook for the Biotest Group also convinced the capital market in 2007, a fact to which the development of the Biotest share price testifies. The price of preference shares rose in excess of 50%, and that of ordinary shares climbed by more than 25%. The upward trend was particularly marked in the wake of the announcement of our acquisition in the United States, even though at the time, we had carried out a capital increase to raise funds to finance the transaction.

The demand for the new ordinary and preference shares significantly outstripped the supply, with international institutional investors, in particular, among the subscribers. In addition, we did not experience any difficulty in association with a loan totalling €175 million taken out to provide further finance and to pay off previous credit facilities. Several banks competed for a place in the consortium.

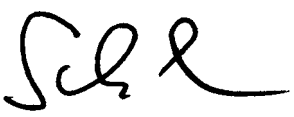
Medium-term sales target of €500 million

The success to date of the Biotest Group has been largely based on the commitment and performance of its employees and we should like to take this opportunity of expressing our sincere thanks to all concerned. We should also like to extend our thanks to all our shareholders and lenders for their confidence in us. We hope we can count on your continued support in the future.

The measures introduced in the past financial year have once again contributed greatly to expanding the basis for growth which is both sustainable and profitable for the Biotest Group. In the current year, we aim to achieve a sales figure in the region of €400 million. Our target is to achieve annual sales of €500 million from the year 2010 onward. This year, we also intend to increase earnings before interest and tax (EBIT) by 10% compared to financial year 2007.

We are convinced that in the coming years, Biotest will not only sustain its growth rates to date, but will proceed at an even faster pace. We would be delighted if you continued to accompany us along the way.

Sincerely yours,



Professor Gregor Schulz
Chairman of the
Management Board

Dr. Michael Ramroth
Chief Financial Officer

Developing our potential

International expansion, strengthening our core competencies and value-driven research. These are the cornerstones of the Biotest strategy used to develop additional potential and generate sustained and profitable growth.

The demand for plasma proteins is continuing to grow worldwide. In response to this, we are expanding our capacities, advancing the international approval of our products and complementing our offering with targeted new and upgraded products.

In the Diagnostic segment, the focus is on our core competences of immunology and microbiology. By developing innovative products, we are further underpinning our position as a supplier of high quality products and a powerful partner in the field of hygiene monitoring.

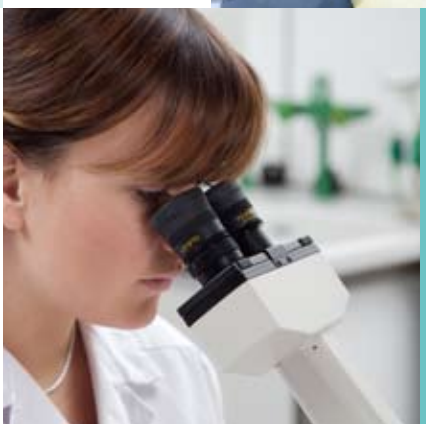
In the Biotherapeutic segment, Biotest researches agents based on monoclonal antibodies for the treatment of chronic or to date incurable diseases of the immune and haemopoietic systems. The three candidates in the pipeline present the Group with an opportunity to achieve significant growth in sales and earnings.

Biotherapeutics

Diagnostics

Plasma proteins

Diagnostics



Biotherapeutics

Plasma proteins

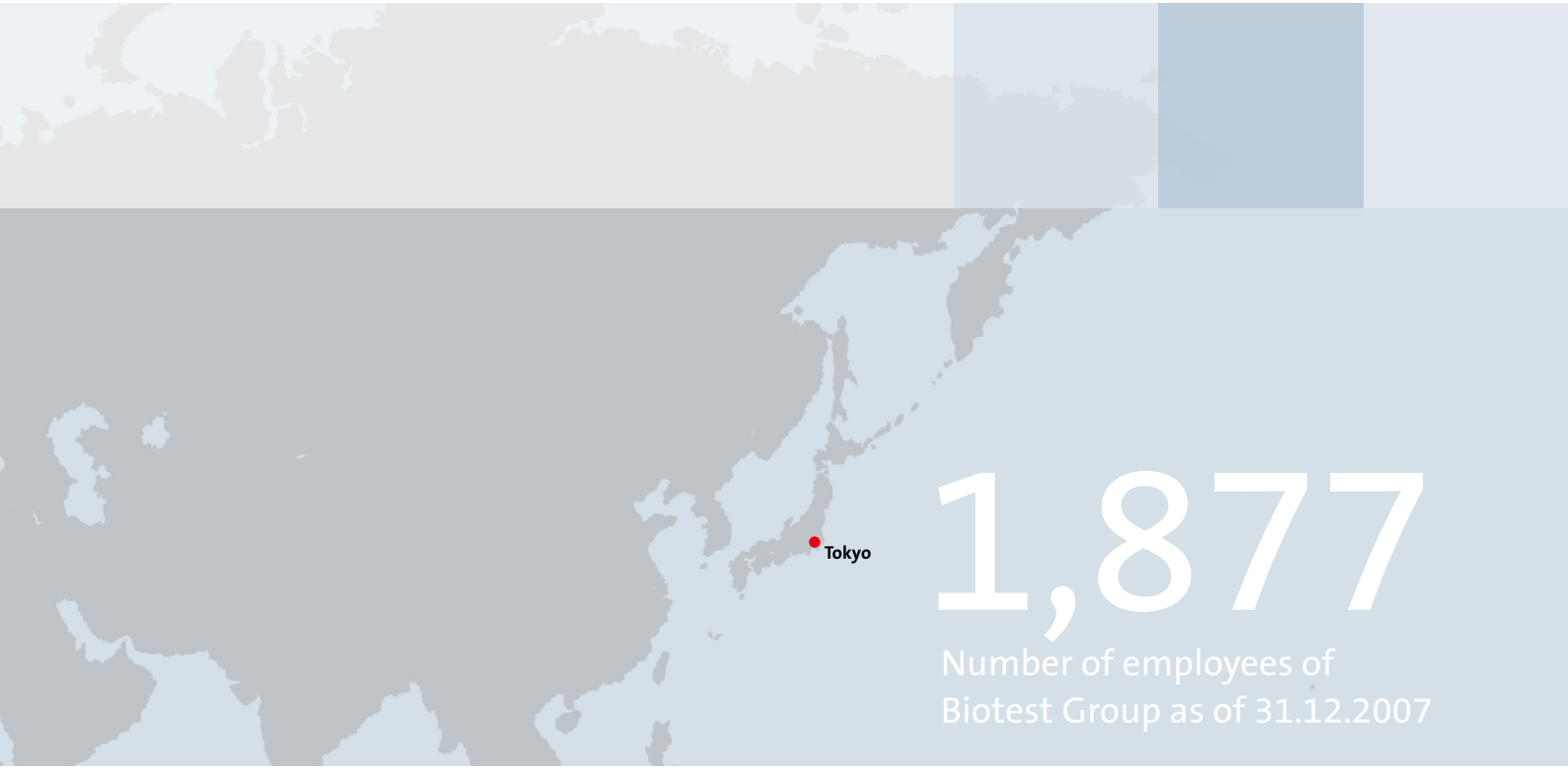
A global supplier of quality products

Internationalisation: Biotest has been marketing products in over 70 countries all over the world, in many cases for decades. Now, the company is evolving into a global player for R&D and production as well.

Biotest products are sold worldwide. We are a leading supplier in a number of Asian, African, American and European markets. Since our plasma protein and diagnostic products are subject to the supervision of national authorities in most markets and must be granted approval by these, a sound knowledge of the respective regulations is essential to our business. Operating our own sales organisations in ten countries not only keeps us in touch with national approval authorities, but also enables us to maintain close contact with our customers. In other countries, our sales are handled by cooperation partners committed to maintaining the high Biotest quality standards.

1,000,000

Biotest's annual plasma protein fractionation capacity in litres



1,877

Number of employees of
Biotest Group as of 31.12.2007

Since December 2007, Biotest Pharmaceuticals, headquartered in Boca Raton, Florida, USA, has provided Biotest with a second facility for plasma protein production and development. The facilities acquired from Nabi Biopharmaceuticals have increased our capacities and enabled us to penetrate the US market as well as to establish an intercontinental production network. Nabi products have FDA approval in the USA and there are other promising candidates in the development pipeline. We will in the future increase our market presence in the US by obtaining approval for our products currently manufactured in Dreieich.

Expansion of our position in the US market

In Europe, we are pursuing our strategy for profitable growth by expanding our position in the most lucrative core markets. Furthermore, we will gradually market our products in other countries. In line with this, we are anticipating approval to be granted under the terms of the MR procedure for four more plasma proteins in 2008.

In parallel with the expansion of plasma proteins, we are also extending our US presence in diagnostic products, for which the USA is once again the biggest and most attractive market in the world. The import licence obtained for culture media in the previous year paved the way for the marketing of heipha Dr. Müller GmbH hygiene monitoring products in North America. Beyond this, we are anticipating that business with immunological diagnostic products will be given a boost when Biotest starts operating in the US as a full service provider of automated and manual blood typing reagents, an aim we hope to achieve by mid 2008.

Biotest's work in research and development has always had an international dimension and this applies, in particular, to our Biotherapeutic segment. This is an area where we are cooperating with the Harvard Medical School in Boston (USA) and other notable scientific institutions on the clinical development of our monoclonal antibodies. Members of the Biotest R&D team are based in Dreieich and in future at our US site in Boca Raton.

Biotest: a global supplier of quality products

A new level

Plasma proteins: The acquisition of a development, production and sales unit in the USA has enabled Biotest to be present in the world's biggest and most lucrative market, propelling the opportunities for growth to a new level.

Plasma proteins have a variety of medical applications, including the treatment of blood coagulation disorders, diseases of the immune system, and serious injuries. In many cases, the proteins obtained from human blood plasma allow patients suffering from chronic disease conditions to live a relatively normal life, while in intensive care and emergency medicine they may save lives.

Demand for these preparations is growing globally. The research institute MRB estimates that sales will total around US$14 billion in 2009, 17% more than in 2007. The global market for immunoglobulins, one of the three main plasma protein groups along with blood coagulation factors and albumins, is anticipated to reach around 100 tonnes in 2010, which represents a significant increase compared to last year's figure of 85

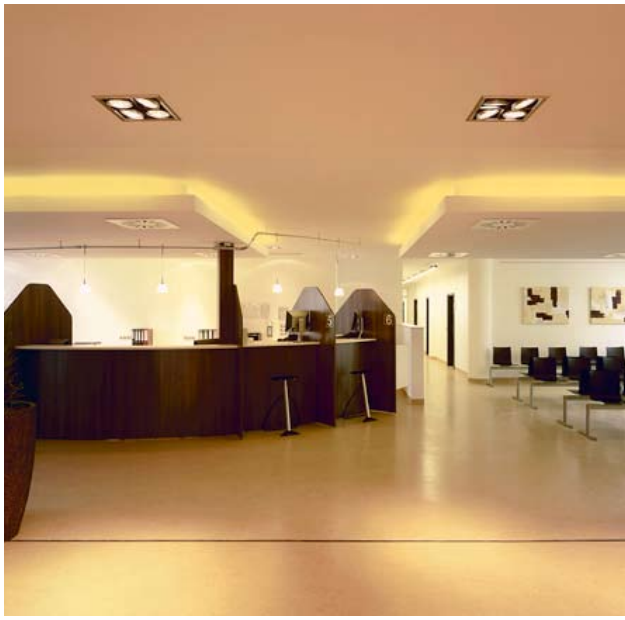
tonnes. The figures show that both the quantity traded and the average achievable price per unit are set to increase further.

This dynamic development is driven by a number of factors, such as advances in medicine, which have extended the areas of application for immunoglobulins. One example of this is the use of polyspecific immunoglobulins in the treatment of autoimmune diseases. Treatments for new indications, for example cytomegalovirus infections during pregnancy, are developed through clinical trials (see page 18). In the case of blood coagulation factors, used for example to treat haemophiliac patients ("bleeders"), the increasing level of affluence in the emerging markets is raising the demand and making it possible to administer the blood coagulation factor they lack to haemophiliacs in a growing number of countries.

Long-term strategic advantages

The acquisition of the plasma protein operations of Nabi Biopharmaceuticals has put Biotest among the six major plasma protein manufacturers in the world.

"For Biotest, the US acquisition represents a move to a completely new dimension in plasma protein business," says Dr. Rainer Pabst, who was appointed CEO of Biotest Pharmaceuticals Corp. on 4 December 2007. Indeed, the long-term strategic advantages offered by the transaction are considerable. Not only is Biotest present in the USA with its own plasma proteins a good deal earlier than would have been possible without the acquisition, but the number of promising new candidates in the development pipeline has greatly expanded (see diagram on page 15). And a third benefit is the increased operating power resulting from the production network of the Dreieich and Boca Raton facilities and the additional sources available for obtaining the raw material.



From plasma donation (above photo: foyer of the donor centre in Cologne) to processing and marketing of the end products: Biotest covers the entire value added chain in plasma protein business.

The acquisition gives Biotest global market leadership in important market segments, such as immunoglobulins used for prophylactic Hepatitis B treatment. Nabi HB®, which is produced in the USA, has a market share of around 80% in the USA and in Europe, Hepatect FH, which is a comparable product, is the treatment of choice in many cases.

Our polyvalent immunoglobulin, Intratect®, which is used to treat conditions such as immune deficiency, now covers more than 20% of the German market, while in the UK, its market share was above 15% in the first full year of sales following approval being granted in April 2006.

High volume of blood plasma obtained from own sources

Biotest is in continuous close contact with scientists, health care providers and patient representatives and is recognised as a company with a high level of medical competence. This enables us to pursue current developments from the outset and to identify any opportunities arising for the company at an early stage.

R&D: Plasma proteins in the development pipeline

Systematically building on our strengths

The Biotest growth strategy for plasma proteins is based on expanding our position in the most lucrative core markets in Europe and the USA. Research and development plays a key role here, since it permits us to broaden the sales base of established products while also developing new potential market segments.

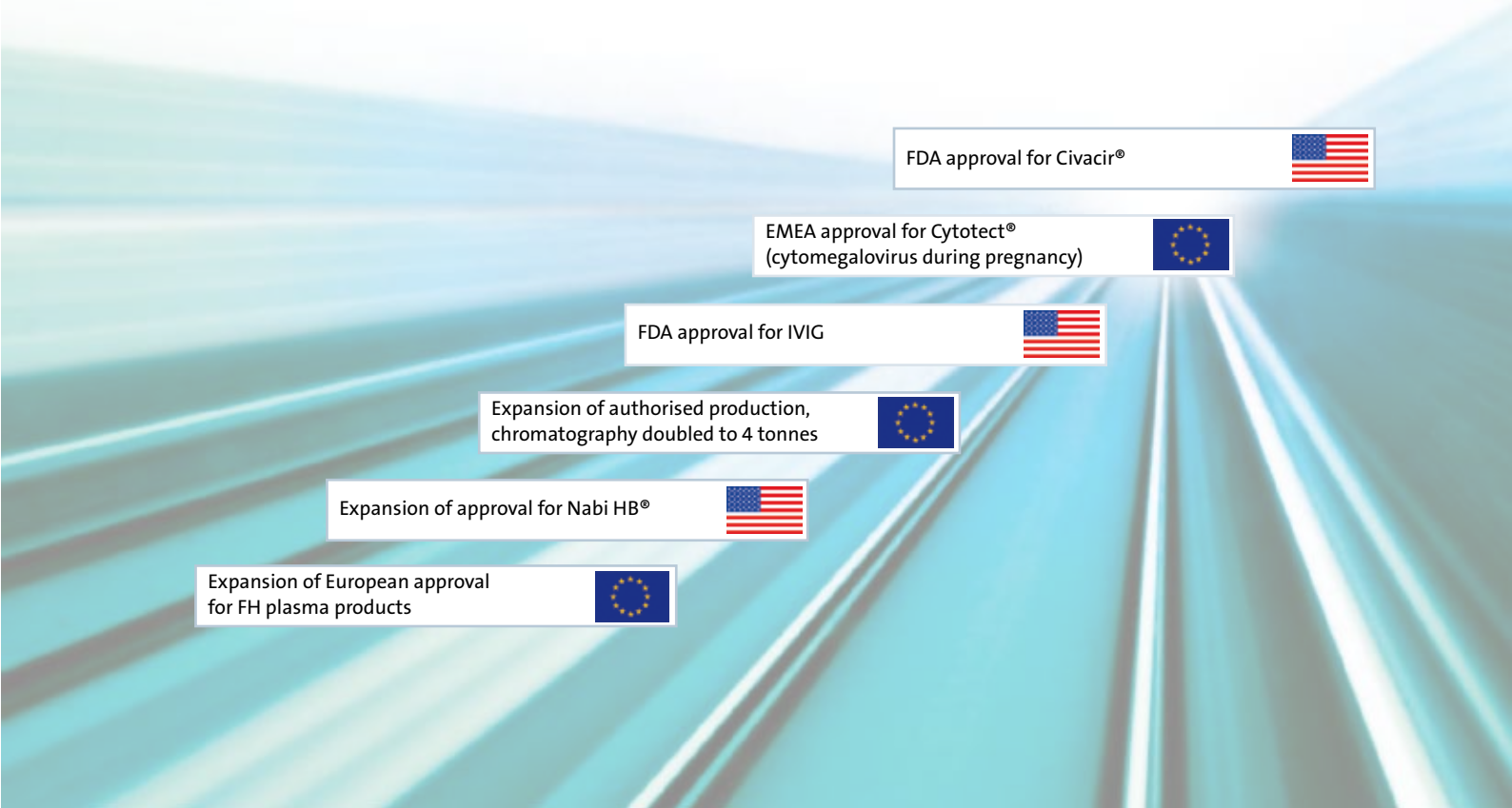
We are pursuing the first of these aims by continually upgrading our plasma protein products and making them easier to use and safer. A prime example of this is the introduction of a further step of virus elimination in the production of the immunoglobulin Intratect®. Nanometer filtration produces an even better safety profile. We have also developed a Hepatect® variant which can be administered subcutaneously (injection below the skin) and for which the application is being submitted in 2008, with approval scheduled for 2009.

The Biotest Pharmaceuticals candidates expand our development pipeline by promising new products. First, there is an intravenous immunoglobulin (IVIG) tailored to suit the requirements of the US market which is currently in Phase III of its clinical development. If this progresses as anticipated, FDA approval can be anticipated for 2010. The preparation has similar properties to Intratect®, which is the reason why we have abandoned earlier plans to apply for FDA approval for Intratect®.

The second candidate is Civacir®, which is used to as a preventive treatment for viral infections following liver transplants rendered necessary by Hepatitis C. Around a third of all the transplants in the world are carried out as the result of liver damage caused by Hepatitis C. The product is currently in Phase II of its clinical development and the earliest anticipated date for approval is in 2012. As the product has been granted orphan drug status by the authorities in the USA and the European Union, it would give Biotest market exclusivity for a period of up to ten years.

We intend to begin with the clinical development of an IgM concentrate representing the next generation of Pentaglobin®, a drug for which the demand is presently very high.

Expected approvals for selected plasma proteins in Europe and the USA



Plasma protein production

Integrated strategy

The plasma protein production process has three stages. Initially, the plasma has to be collected, a process usually carried out by plasmapheresis, whereby only the plasma is removed from the donor's blood and the remaining cellular components (e.g. red blood cells) are reinfused to the donor. Stage two is fractionation, where specific proteins (fractions) are separated from the plasma. The third stage is precision purification to render a sterile final product.

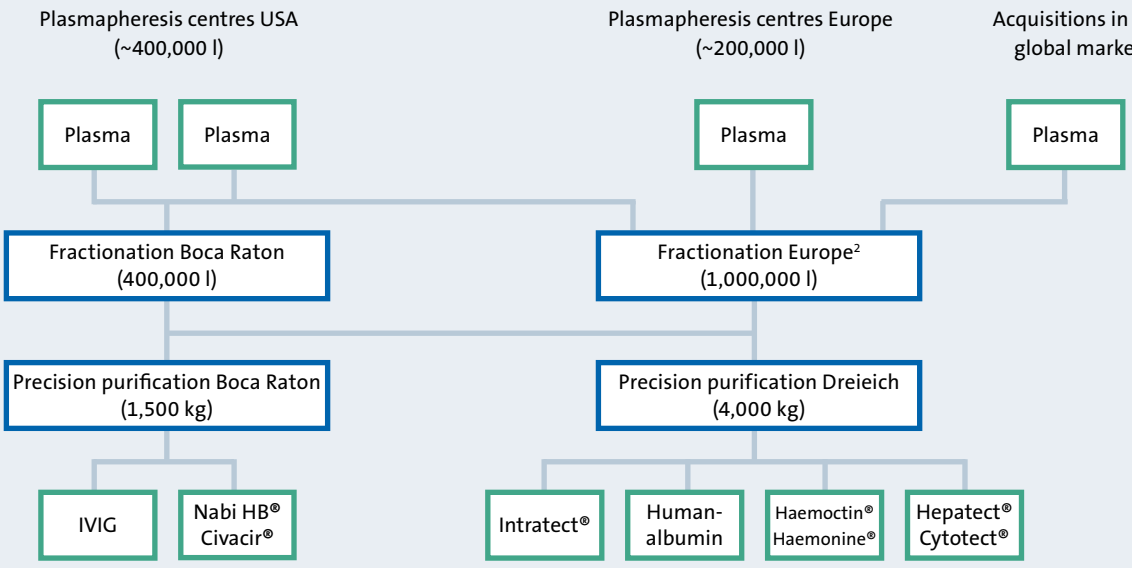
With Biotest Pharmaceuticals Corp., our capacity at all three production stages has markedly increased. In the USA, the company now operates nine donor centres harvesting 400,000 litres of plasma every year. These centres, together with the seven in Germany and one in Innsbruck in Austria, provide Biotest around 600,000 litres of plasma from its own sources. The US centres are certified by the European authorities, permitting Biotest to use plasma harvested there for production in Dreieich.

The fractionation unit in Boca Raton is planned to render an annual production capacity of 400,000 litres of plasma and the Dreieich facility can process up to 700,000 litres per year. We plan to license both these facilities in the USA and Europe, which will enable us to establish an intercontinental production network. This will make it possible to further process intermediate products generated in the USA to final products in Germany.

Biotest's capacity in immunoglobulin purification using chromatography columns, will have virtually tripled by 2009. With the second chromatography unit scheduled for approval in 2008, our annual production volume in Dreieich will rise from its present level of two tonnes to four tonnes, and after the corresponding technical modifications, the US capacity of 1.5 tonnes per year will be added to this total.

These measures will give us the opportunity to improve our position in the plasma protein market, which is currently growing at a fast pace and at the same time, enables us to respond more flexibly to any future fluctuations in demand.

Production network for plasma proteins[1]



[1] at final development stage
[2] Biotest incl. partners

Production facilities of the plasma protein segment: the Biotest Pharmaceuticals plant in Boca Raton (Florida) and the main plant in Dreieich.

More than in any other sector, safety and quality are the top priorities in drug development and production. Biotest's production facilities and processes comply with the requirements of the FDA in the USA and those of its European counterpart, the EMEA, which represent the most stringent safety standards in the world for this sector.

Our emphasis on quality also applies to our most essential raw material: much of the plasma we need is currently obtained by 17 plasmapheresis donor centres located throughout Europe and the USA. The suppliers we use to cover the remaining demand are bound by precise specifications extending far beyond the statutory requirements in matters relating to safety and documentation.

Additional products, new markets, extended resources, an expanded R&D pipeline all combine to make Biotest a global player and take the plasma protein business to a new level.

Protecting the unborn from serious harm

Cytomegalovirus infections during pregnancy can have serious consequences for the unborn child. The hyperimmunoglobulin, Cytotect®, can significantly reduce this risk. Biotest is investing in making the treatment available to all those affected.

Cytomegalovirus (CMV), a member of the herpes family, is present all over the world and is usually quite harmless. Infections present in the form of feverish colds or flu-like symptoms. If a woman has recovered from a CMV infection and developed her own antibodies, her unborn child is also protected from infection should she subsequently become infected again during pregnancy. However, the potential danger arises if the woman is infected for the first time during her pregnancy, in which case the virus may be transferred to the child and trigger a congenital cytomegalovirus infection.

The CMV virus is the most frequent cause of neonatal infection during pregnancy. It carries a high risk to the health and development of the unborn child. This applies, in particular, if the primary infection occurs in the first or second trimester of pregnancy. Around one in three children infected with cytomegalovirus infections in the womb. Approximately ten percent of symptomatically infected newborns die after they are born. Many children suffer permanent damage as a result (see box), most frequently with their hearing.

No available immunisation

The risk is of significant proportions. In Germany and Austria, around 40% of all pregnant women have not yet had a CMV infection and consequently lack the corresponding antibodies. Between 1% and 2% of these women will develop a primary infection during their pregnancy and just under half of them will pass the virus to their unborn child. According to estimates, in Germany alone, around 500 babies are born each year with CMV symptoms. Of these, around one in ten will die while 185 not presenting at the time of birth will subsequently develop some form of damage at a later date.[1]

There is no effective prophylactic treatment for CMV, such as immunisation. Pregnant women without the

Organ manifestations indicating congenital cytomegalovirus infection

Eyes	Inflammations including retinitis, choroidea, optic nerve involution
Central nervous system	Meningitis, stunted growth of head and brain, cerebral hardening, deafness, epilepsy, paralysis caused by excessive muscle tension, impairment of mental performance and motor functions
Liver/spleen	Organ enlargement, inflammation of the liver, jaundice
Blood	Anaemia, blood platelet insufficiency
Respiratory system	Pneumonia, pharyngitis, bronchitis
Defects	Heart, kidneys, genitals, skeleton

Source: www.icon-cmv.de

antibodies (CMV immune status, technically known as negative CMV serostatus, can be tested for when a pregnancy is being planned or early on in the pregnancy) can reduce the potential risk of infection by following certain rules. These include avoiding direct contact with the saliva and tears of infants and toddlers.

However, if a woman does become infected for the first time during pregnancy, the treatment can be problematic. All the usual CMV-specific treatments are contraindicated in pregnancy and cannot therefore be applied. In the light of the potential harm which may be caused to the child, those affected often opt for a termination.

But there is hope: the results of a non-randomised investigative trial carried out in 2005 show that passive immunisation of pregnant women with primary CMV infections using the CMV-specific hyperimmunoglobulin Cytotect® significantly reduces the risk of congential CMV conditions. While one in two women with a primary CMV infection gave birth to a sick child, only three percent of women treated with Cytotect® had children who were affected[2]. The study confirmed that the preparation was well tolerated.

Up to now, Cytotect® has approval for prophylactic application in clinical manifestations of CMV infections in immunosuppressed patients, in particular in transplant medicine. The first indications of the positive effects of the drug on congenital cytomegalovirus infections were already apparent towards the end of the 1980s. By administering the preparation in weeks 28, 31, 34 and 37 of the pregnancy, it was possible to achieve a complete reversal of the symptoms manifested in one of CMV-infected twin foetuses (oedema, cardiac enlargement). The child was born healthy and did not develop any symptoms at a later date[3]. Three other similar cases have also been documented[4].

Trial with more than 20,000 pregnant women

In 2000, an Italian study of 77 pregnant women with primary CMV infections proved that the number of children born healthy and without any CMV symptoms could be significantly increased by administering Cytotect®.

Despite this encouraging data, hyperimmunoglobulins can at present only be administered in the context of an off-label decree governing the treatment of congenital CMV infections. The large-scale controlled trial required for regular approval for this indication has not yet been carried out.

However, Biotest is planning to change this situation. The company aims to conduct a large-scale multicentre trial at pan-European level in order to investigate the efficacy of Cytotect® as a treatment for congenital CMV infections. More than 20,000 women must undergo CMV immuno-screening at the beginning of the trial in order to achieve the number of cases required from the statistical point of view. This means an organisational and financial tour de force for the company, and all for a drug predicted to yield a comparatively modest revenue. In view of its high ethical value, Biotest believes that it is under a moral obligation to make the investment.

[1] Hallwachs-Baumann; 2003
[2] Nigro et al.: N Engl J Med, 353: 1350-1362; 2005
[3] Breinl; 1989
[4] Cosmi et al.: Supplemento di Acta Bio-Medica de "Ateno Parmese" 71: 547; 2000

The third pillar is growing

Biotherapeutics: Biotest develops monoclonal antibody-based agents for application in immunology and oncology. Medical demand is very high, and so are potential sales and earnings.

As a rule, drug development is governed by milestone plans, with defined interim objectives along the path of a process which may take several years. This year, the most advanced of three monoclonal antibodies (mAb) in the Biotest pipeline, BT-061, will come within sight of an important milestone in its development: initial efficacy data from clinical Phase II trials are expected. BT-061 is in development in the key indications of rheumatoid arthritis and psoriasis.

BT-061 is presently in Phase II (see box) of its clinical development. If the results are positive, further Phase II trials will be carried out and these will be immediately followed by Phase III of the clinical development. We have already drafted marketing concepts for selecting the partners with whom Biotest will carry out global development and marketing. Biotest's other two monoclonal antibodies are still in the early development stages. According to Dr. Frank Osterroth, head of the Biotherapeutic segment: "The data obtained to date indicate very good efficacy levels."

The Biotest R&D strategy is aimed at carrying out the cost-intensive research Phase III together with one of the major pharmaceuticals. Under this system, the partner would provide upfront and milestone payments and make a further contribution to the development costs, in return for receiving exclusive distribution rights for individual markets or co-marketing rights together with Biotest when preparations are granted approval. Biotest intends to finance its own contribution to development costs from the payments made upfront by its partner. In addition, the partner would have to pay additional royalties from the proceeds of product sales.

Extensive market volume

In order to make the involvement of strategic partners easier, Biotest has optimised its R&D activities in the Biotherapeutic segment, which is now managed as an independent business unit as the third pillar alongside plasma protein business and the Diagnostic segment. Clinical development, drug safety and drug approval (regulatory affairs) have now been merged into one autonomous service department, which will also handle these issues for plasma protein business.

At around €27.6 million, more than one third of Biotest's investment in research and development in the past three financial years has gone to mAb research. There is a great deal of potential to be realised from these investments and alone the market volume of biotechnology preparations for the treatment of rheumatoid arthritis is estimated to be in the double-digit billion dollar range. Osterroth: "We are assuming that BT-061 will achieve a major share of this market when it is granted approval."

Clinical development

Four phases

The research and development process for pharmaceutical products is conducted in three phases up to the granting of approval: pre-clinical research, clinical research and drug approval. At pre-clinical research stage, the composition and stability of the agent are initially tested in the laboratory, and this is followed by animal trials to check whether the preparation is effective and if it could potentially be toxic.

Clinical trials are split into four phases. In **Phase I** , the agent is generally tested in healthy volunteers to determine how it behaves in the body and various dosages are investigated. In the case of cancer drugs, the tests may already be carried out on cancer patients.

In **Phase II**, a small group of patients is given the preparation to ascertain whether it is effective and tolerable. Possible side effects should be identified and the right dosages established. Two, three or more trials may be needed to complete this stage.

Phase III comprises randomised, controlled and investigative trials which are carried out blind as far as doctors and patients are concerned. Some patients are given the new drug, others are treated with a currently available treatment or are given placebos or similar preparations. At the end of the process, the results are compared.

When Phase III has been successfully completed, approval is generally granted. This is followed by **Phase IV** trials, which are aimed at obtaining supplementary information on safety and efficacy.

Biotest mAb

Three candidates with great potential

BT-061

Key indications:
rheumatoid arthritis and psoriasis

Upside*:
other autoimmune diseases

Development status:
in clinical development (Phase II)

Competitive position:
specific active mechanism (modulates the immune system instead of suppressing it): more effective with fewer side effects.

BT-062

Key indication:
multiple myeloma (cancer of the blood)

Upside*:
solid tumours

Development status:
in pre-clinical development, positive data have been recorded in in-vitro trials and tests on laboratory animals. Clinical trials are preliminarily scheduled to begin in the first half of 2008.

Competitive position:
mAb locks onto cancer cells very precisely and destroys these with toxins while healthy tissue remains unaffected. This should facilitate more effective treatment for malignant cells. Very high medical demand, with as yet no permanent cure for the disease.

BT-063

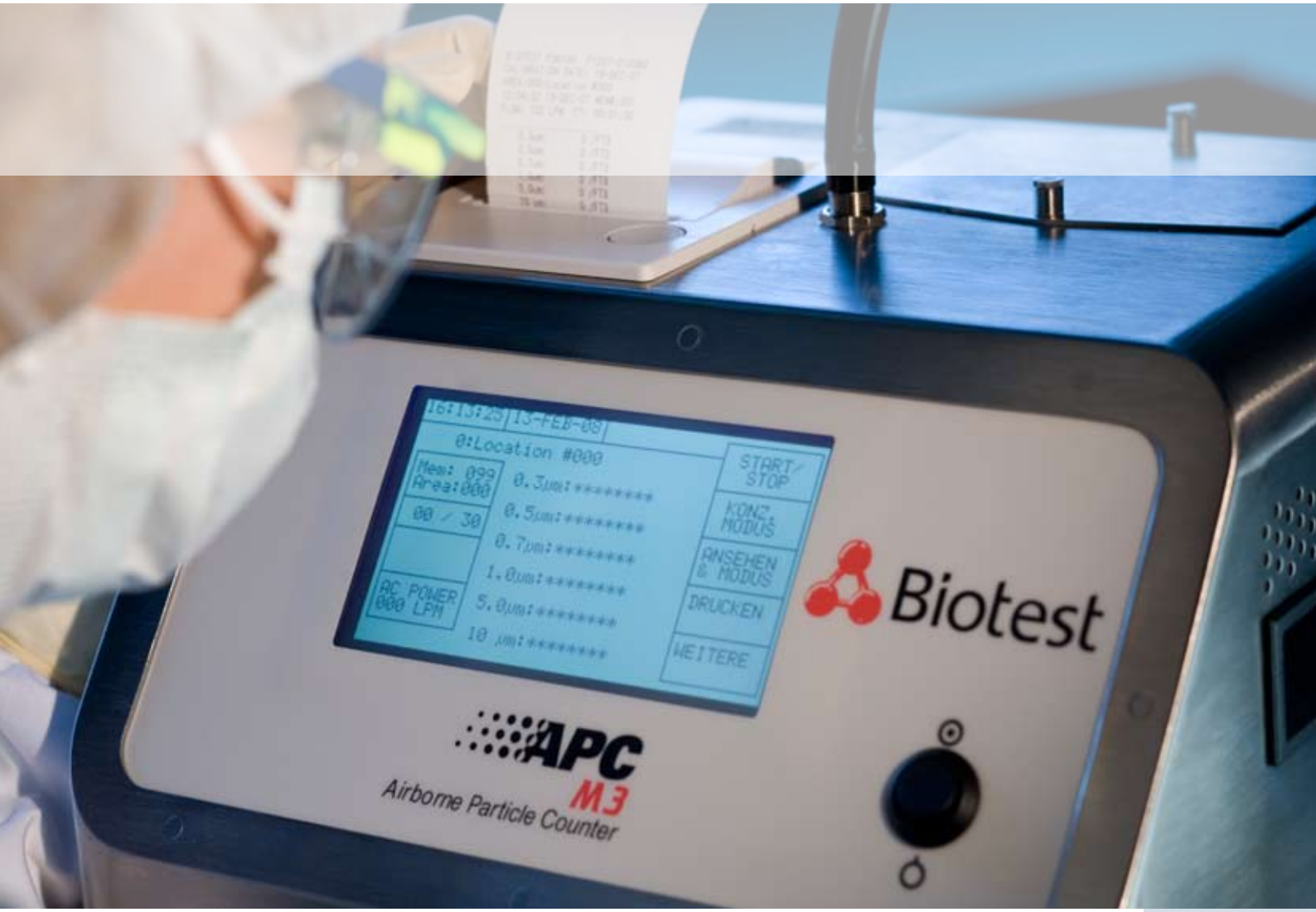
Key indication:
systemic lupus erythematosus

Upside*:
other autoimmune diseases

Development status:
in pre-clinical development

Competitive position:
active mechanism – neutralisation of key inflammatory mediator (cytokine)

* Upside = further potential indications



Always one idea ahead

Diagnostics: Biotest has become the market leader in microbiological hygiene control products in the pharmaceutical industry by supplying solutions which have been carefully thought through in detail. This is a position we aim to expand still further.

"Always being one idea ahead and one step quicker," is the answer given by Dr. Frank Schulze, head of Biotest's microbiology business, when asked about the Biotest Group's recipe for success. To illustrate this, he is holding an HYCON ID system agar strip, which is used to detect microbial air pollution. The strip has a data matrix code, which can be read by a special scanner.

Hygiene monitoring is considerably more reliable and efficient with HYCON ID. Like the agar strips, the air samplers (RCS) and sampling locations are marked with a barcode containing a personal code by which the monitors carrying out the work can be identified at the outset of the process. All data from the RCS samples is transmitted directly to the computer system.

Without HYCON ID, many of these steps have to be carried out manually. Lists have to be drawn up recording which agar strips were used, where they were used and what equipment was used. At each stage there is a danger of confusing the data, incorrectly noting the figures and other mistakes.

"Fast, efficient, safe"

Barcodes on the contact media introduced at heipha Dr. Müller GmbH have also ensured better documentation. The breakthrough finally came in 2007 after several years of trials, in the form of a barcode which could be laser-printed on the new ICR-plus plate.

A new filling plant was commissioned to launch the new ICR-plus plate, which in addition to printing the barcodes, can fill an additional media variant. This improved variant makes analysis of the results of hygiene monitoring easier, since it can be set more easily to test for aerobic as well as anaerobic incubation conditions. Beyond this, a special seal ensures that the lid of the contact media can no longer accidentally work loose. Initial trials conducted with customers generated very positive feedback.

The increasingly demanding requirements for hygiene monitoring and its documentation mean that delivery must be "fast, efficient and safe". In terms of business with microbiological diagnostic products, Biotest focuses on products which respond to these demands. Another example in addition to HYCON ID is the fastest air particle counter in the world, which was launched in the market at the beginning of 2007. The counter measures the dust particles in a room at approximately twice the speed of most of its competitors.

Production in cleanrooms

Its position as a supplier of high quality products also means that Biotest's own production must comply strictly with the standards to which its customers must adhere. This is why culture media (e.g. agar plates) are produced by Biotest/heipha in cleanrooms which comply extensively with the requirements of the pharmaceutical industry. This is how we set standards.

Focusing on the markets with the most demanding requirements for quality and safety is the strategy with which Biotest also intends to reap sustained profits in immunological diagnostics, even in the face of the fierce competition in the sector. The blood and tissue typing business was transferred to Biotest Medical Diagnostics GmbH, a subsidiary of Biotest AG, at the beginning of 2008. The intention is to find a strategic partner for the new company in the medium term.

The latest technological advances in 2007: ICR-plus plates with HYCON ID data matrix codes and the APC M3 air particle counter, which is the fastest system of its kind in the world.

Committed and involved

Personnel: More numerous, versatile and international – Biotest's arrival in the ranks of global players is reflected in its staff complement. The combination of horizontal structures and global perspectives makes the company an attractive employer for promising young people.

Biotest is growing and becoming increasingly international. At the end of 2007, the pharmaceutical, diagnostic and biotherapeutic group employed more than 1,850 staff in 11 countries. The US acquisition has considerably boosted the process of internationalisation, to the extent that today almost 40% of the staff are based at locations outside Germany.

Whereas the number of international employees used to be restricted mainly to the areas of sales and marketing, other sectors such as production and research and development are now also international operations. This situation enables Biotest to offer potential management and future employees an attractive combination of the comparatively compact structure of a medi-

um-sized pharmaceutical company and short decision-making paths, coupled with the future perspectives of a global group of companies.

International trainee programme

Heinz Pötter, head of Personnel and Legal Affairs at Biotest explains: "We shall be offering our employees greater opportunities to work abroad for shorter or longer periods." He considers this an important factor when competing for the best of the new candidates and so consequently, Biotest has launched an international graduate trainee programme. The participants, preferably scientists and business studies graduates, will complete their training at affiliated companies outside Germany.

Biotest places a high value on involving its employees in the development of the company, and this means both materially and in terms of their opinions. We regularly consult the staff on how they regard the corporate management culture and the perceptions gained from this may form the basis for a series of different organisational development projects.

Loyalty of employees

The Long Term Incentive Programme (LTIP) introduced in 2006 represents another system for the performance-related remuneration of non-pay-scale employees in addition to the annual profit share scheme. The programme has been well received, and more than 60% of the top management have joined. Acquiring Biotest preference shares, which is a specified requirement for joining the programme, also means that the staff are making an investment in the success of their employer.

Beyond the high level of participation in employee surveys or the many applications received from prospective candidates, Biotest's attractiveness as an employer is also evident in the loyalty of its employees. Every year, a number of our staff celebrate 25 or 40 years of employment at Biotest.

Training, further qualifications and participation in the company's success: Biotest invests in the qualifications and commitment of its employees.

The Share

Outstanding performance

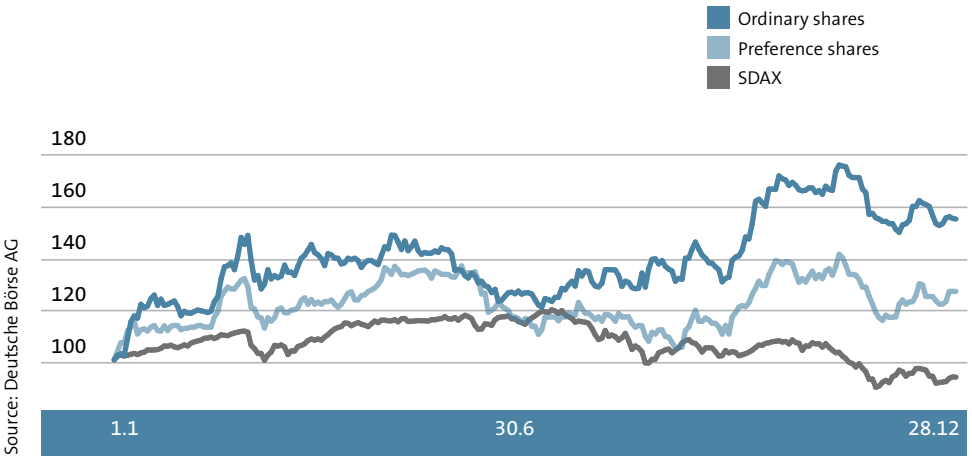
The inclusion of preference shares in the SDAX selection index of Deutsche Börse has moved Biotest more firmly into the sights of national and international investors. The value of ordinary and preference shares rose considerably in 2007, with the shares performing significantly better than all the relevant reference indices. The capital increase implemented in September met with an extremely positive response.

Stock markets present a mixed picture

The performance of shares included in the key indices of the Frankfurt stock exchange was varied in 2007. Although the DAX (8,151.57 points), MDAX (11,377.94 points) and SDAX (6,693.98 points) climbed to new record levels in the summer, share prices were broadly subject to marked losses in the subsequent period. With the 30 major shares listed on the DAX recovering some of their value in the autumn and the key index closing the year up 22.3% at 8,067.32 points (previous year: 6,596.92 points), the SDAX failed to reverse its trend. The small caps index closed at 5,191.56 on the last trading day of the year, which represents a decrease of 6.8% compared with the previous year (5,567.36 points).

The Prime Pharma & Healthcare Performance Index, which reflects the share performance of companies in the healthcare sector, closed the year with a 9.8% increase.

Biotest share: performance 2007 Closing price 2006 = 100

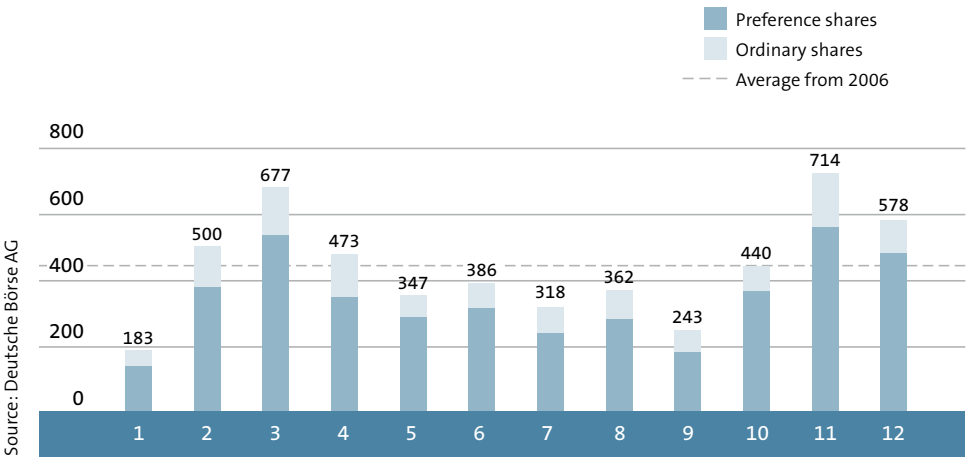


Source: Deutsche Börse AG

Biotest shares achieve strong growth

The performance of Biotest shares exceeded that of all of the comparable shares mentioned. On 28 December 2007, the last day of trading, ordinary shares closed at €38.00 compared with a closing price of €29.96 in the previous year. This represents an increase of 26.8%. Preference shares achieved an even greater increase in value and the year-end closing price of €34.40 marks a rise of 55.2% on year-end 2006 (€22.17).

Volume of securities traded Monthly values from the order book statistic (in thousand securities)



Highly successful capital increase

Biotest increased its share capital by 10% in September 2007. A total of 599,567 new ordinary shares and 466,666 new preference shares were issued and placed with institutional investors by means of accelerated bookbuilding. The transaction was considerably oversubscribed and with an issue price of €32.70 per ordinary share and €29.00 per preference share, Biotest achieved gross issue proceeds of €33.1 million. The proceeds helped to finance the acquisition of the plasma protein business from Nabi Biopharmaceuticals Corp. The majority shareholder in Biotest AG, the Dr. Schleussner family, participated in the component of the capital increase attributable to ordinary shares pro rata of its existing shareholding. The remaining ordinary shares and new preference shares were placed with German and international investors.

Following the share capital increase, Biotest AG's capital stock amounted to around €30 million, divided into 6,595,242 ordinary shares and 5,133,333 preference shares without voting rights. In a letter dated 8 February 2008, Dr. Cathrin Schleussner informed us that she held 50.03% of the voting rights as of this date. These voting rights have been assigned to OGEL GmbH, Frankfurt/Main. OGEL GmbH is a company under the control of Dr. Cathrin Schleussner. As of the reporting date of 31 December 2007, the information available at the time pursuant to Section 21 WpHG (German Securities Trading Act) indicated that Kreissparkasse Biberach had registered a holding of 24.36% of the ordinary shares. Substantial parcels of shares were held by

Baden-Württembergische Investmentgesellschaft mbH (7.43%), Deka Investmentgesellschaft (8.25%) and BayernInvest Kapitelanlagegesellschaft (6.37%), which account for the voting rights associated with the shares in accordance with Section 22 Subsection 1, No. 6 WpHG (German Securities Trading Act) and held the shares in part in their name and in part in the names of third parties.

Substantial increase in market capitalisation

On the basis of the XETRA closing prices on 28 December 2007, Biotest AG was valued at €427.2 million by the stock exchange. This represents a 50.9% increase on the Group's market capitalisation at the end of 2006 (€283.1 million). The market capitalisation of the preference shares amounted to €176.6 million at year-end, compared with €103.5 million at the end of 2006 .

In 2007, the transaction volume of 5.2 million traded shares for both share classes was at the previous year's level (5.2 million). Approximately 85% of all transactions took place over XETRA, Deutsche Börse's electronic trading platform, with a further 11.5% settled on the trading floor of the Frankfurt stock exchange.

SDAX inclusion raises share profile

With effect from 27 December 2007, the Arbeitskreis Aktienindizes (working committee for equity indices) of Deutsche Börse adjusted the composition of the selection indices. Since then, Biotest preference shares have been listed on the SDAX, which reflects the performance of 50 small and mid caps. Companies whose shares are listed in one of the selection indices on the Frankfurt stock exchange attract greater attention from investors and analysts as well as the media.

Close dialogue with investors and lenders

A key event for Investor Relations in financial year 2007 comprised the corporate communications activities which supported the acquisition process of the plasma protein business from Nabi Pharmaceuticals Corp. and the capital increase which followed this. Ahead of the transaction, the Board of Management presented the concept for the takeover of the Nabi operations and the associated benefits to the future development of the company at a press and analysts' conference as well as in meetings with national and international investors.

Biotest also maintained constant and close dialogue with investors, analysts and media representatives on matters unrelated to the Nabi transaction. We presented the 2006 financial statements at a press and analysts' conference in Frankfurt/Main. Explanations on the nine-month figures were provided as part of the German Equity Forum of Deutsche Börse in November 2007. In numerous individual discussions with investors, including as part of roadshows, the Board of Management explained the corporate strategy and current developments regarding operations.

The interim reports on business development following the first three, six and nine months were published within the 45-day deadline after the relevant reporting dates stipulated by the German Corporate Governance Code (DCGK). The 2006 Annual Report including the consolidated annual financial statements was made available to the public on 13 March 2007, which fulfilled the DCGK requirement (publication no later than 90 days after the reporting date). We published preliminary sales and income figures for the financial year and relating to the performance of the individual segments as early as on 14 February 2007.

We advised the investor community of events significant to the company's development and valuation in the course of the financial year without delay in the form of ad hoc notifications and press releases.

The "Investor Relations" section of the Biotest Group website (www.biotest.de) contains reports and publications released by the company as well as comprehensive supplementary information. The various documents can be printed or downloaded from the website.

Biotest published the consolidated annual financial statements for 2007 together with the Group Annual Report on 28 March 2007, thereby adhering to the DCGK deadline.

Data and key figures for Biotest shares

€	2007	2006	2005
Dividend per ordinary share[1)]	0.30	0.24	0.12
Dividend per preference share[1)]	0.36	0.30	0.18
Earnings per share	1.39	1.48	1.13
Additional dividend rights preference shares	0.06	0.06	0.06
Earnings per preference share	1.45	1.54	1.19
Cash flow[2)] per share	4.72	4.40	3.78
Ordinary shares			
Opening price XETRA	29.74	24.65	12.21
High XETRA	42.25	39.40	30.40
Low XETRA	31.38	24.00	11.78
Closing price XETRA	38.00	29.96	24.45
Preference shares			
Opening price XETRA	22.30	22.45	9.46
High XETRA	39.09	30.10	26.00
Low XETRA	22.50	19.61	9.17
Closing Price XETRA	34.40	22.17	22.30
Market capitalisation at year-end (€ million)			
as of 29.12. (€ million)	427.21	283.09	250.66
of which: ordinary shares	250.62	179.63	146.59
of which: preference shares	176.59	103.46	104.07

[1)] Value for 2007: proposal
[2)] Operative cash flow before changes in working capital

Group management report

The financial year in review

In financial year 2007, Biotest continued the profitable growth trend of the preceding years. Sales rose by 15.8% to €326.4 million and earnings before interest and tax (EBIT) increased above average by 22.6% to €38.5 million. Plasma protein business and microbiological hygiene monitoring products were the key growth drivers, while the difficult situation regarding immunological diagnostics remains unchanged.

The takeover of the plasma protein business from US-based Nabi Biopharmaceuticals in December propelled Biotest into the league of the six largest plasma protein producers worldwide. This acquisition will significantly accelerate the planned entry in the US plasma protein market and open up new opportunities in production as well as in research and development.

Biotest has been propelled into the league of the six largest plasma protein producers worldwide

We interpret the 20% rise in the Biotest share price recorded within a few weeks of the announcement of the transaction as confirmation that our growth course and the associated potential have convinced investors in the capital market.

The R&D projects in the Pharmaceutical and Biotherapeutic segments have progressed and BT-061 is now the first of our monoclonal antibodies in clinical development.

In the past financial year, Biotest launched numerous innovative developments in the market, in particular, in the microbiology segment, and expanded its position as a quality supplier.

About Biotest

Biotest is a pharmaceutical, biotherapeutical and diagnostic group active in research and production, specialising in haematological, immunological and microbiological applications.

The company develops, produces and markets immunoglobulins, coagulation factors and albumins and is one of the six largest global companies which process blood plasma.

Another area of activity is the development, production and marketing of diagnostic products, such as reagents and systems which find their application in blood transfusions, as well as microbiological tests relating to hygiene monitoring in the pharmaceutical and food industries.

A third area of Biotest operations is the clinical development of monoclonal antibodies, used in the treatment of rheumatoid arthritis, psoriasis, mutiple myeloma and systemic lupus erythematosus.

Shareholder structure

Biotest AG is a joint stock company constituted under German law, with its registered office in Dreieich, Germany. Its shares (ordinary and preference shares) are listed on the official market (Prime Standard) of the Frankfurt stock exchange, with the preference shares listed in the SDAX selection index. The shares are also traded on other regional stock exchanges. With a 50.03% stake of the capital attributable to ordinary shares, OGEL GmbH, with its registered office in Frankfurt/Main, is the majority shareholder in Biotest AG. The members of the Dr. Schleussner family have pooled their Biotest shares in this company.

Segments

Biotest's activities are divided into three operating segments. These comprise the Pharmaceutical and Diagnostic segments as well as the Biotherapeutic segment, the latter currently being active only in research and development. The activities in the Diagnostic segment are structured as immunological diagnostics (referred to as "immunology" from here onwards) and microbiology (microbiological products for hygiene monitoring of air, surfaces, raw materials and end products).

The overall Group management costs as well as non-attributable costs are included in the fourth segment, Corporate.

Corporate structure and locations

Biotest AG is the Group's parent company. Vital parts of the business are processed within this company. In addition, it has investments in subsidiaries based in eleven countries. The most important subsidiaries are listed below.

Biotest Pharma GmbH: This company owns the facilities for manufacturing plasma proteins in Dreieich and the product licences for the goods manufactured there. Biotest Pharma GmbH is a wholly-owned subsidiary of Biotest AG and grants its parent company all product licences under the terms of a licence agreement and Biotest AG uses all the production facilities under the terms of a lease agreement model. Biotest AG produces and markets the plasma proteins, while research and development is carried out by Biotest AG as a service provided to Biotest Pharma GmbH.

Biotest US Corp., Boca Raton: This wholly-owned subsidiary will pool all the Group's activities in the USA. It holds 100% of the shares in Biotest Pharmaceuticals Corp.

Biotest Pharmaceuticals Corp., Boca Raton: The company encompasses the plasma protein activities of Nabi Biopharmaceuticals, acquired by Biotest, including operations relating to the nine current plasma collection centres in the USA. The acquisition became effective as of December 2007.

Biotest Diagnostics Corp., Denville: Marketing of products in immunology and microbiological diagnostics in the United States of America as well as parts of the production for the US market.

Plasmaservice Europe GmbH, Dreieich**, Plasmadienst Tirol GmbH,** Innsbruck: Subsidiaries, which pool the eight current donation centres in Germany and Austria.

heipha Dr. Müller GmbH, Eppelheim: Development, production and marketing of systems to monitor cleanroom and surface conditions, as well as raw materials and end products. Biotest AG has a 51% stake in this company, which is fully consolidated in the Diagnostic segment.

The other companies are essentially marketing units.

Of the international staff complement of 1,877 employees of the Biotest Group (as of 31.12.2007) 767 are based at the Dreieich headquarters near Frankfurt/Main. Biotest Pharmaceuticals Corp. employed 514 staff as of the reporting date.

Key products

Pharmaceutical segment

Biotest obtains proteins from human blood plasma, which can be broken down into three groups: immunoglobulins, coagulation factors and albumins. They are used in the treatment of congenital and other diseases as well as immune system disorders. Another area of application is accident and emergency medicine.

Immunoglobulins
Immunoglobulins are generated by the immune system as specific antibodies to combat antigens. Biotest produces and markets the following immunoglobulins:

- Intraglobin®/Intratect®: these polyvalent immunoglobulins are used in substitution therapy to treat antibody deficiency, primary immunodeficiencies or secondary antibody deficiency syndromes or secondary antibody deficiency syndromes caused by chronic lymphatic leukaemia. Further indications are the treatment of children with HIV infections and autoimmune diseases.
- Pentaglobin®: an IgM-enriched immunoglobulin used to treat severe bacterial infections.
- Varitect®: a specific immunoglobulin used in the prophylactic treatment of herpes zoster virus infections (shingles), to treat immune system deficiencies (e.g. leukaemia) and neonatal and premature babies.
- Cytotect®/Biotest/Megalotect®: used in the prevention of cytomegaloviral infections (a herpes virus).
- Hepatect® and Nabi HB®: used to prevent hepatitis B, for example, following liver transplants.

Coagulation factors
Coagulation factors used to treat haemophilia are employed both prophylactically and to stop acute bleeding.

Biotest produces and markets Haemoctin® (coagulation factor VIII) for the treatment of type A haemophilia. The procedure for approval across Europe of the company's own coagulation factor IX (Haemonine®) to treat type B haemophilia is ongoing. Until approval is received (scheduled for 2008), a preparation is being sold under licence under the name Faktor IX SDN Biotest®.

Albumins
Albumin is used to restore the volume balance in the event of a loss of plasma proteins, for example as a result of surgery or burns. Biotest produces and markets Human Albumin Biotest® and Biseko®, a plasma protein solution.

Biotherapeutic segment

The primary focus of the Biotherapeutic segment is the development of BT-061, BT-062 and BT-063 monoclonal antibodies (mAb). These are currently being developed in the lead indications of rheumatoid arthritis and psoriasis (BT-061), multiple myeloma (BT-062) and systemic lupus erythematosus (BT-063).

Research and pre-clinical and clinical development (divided into Phases I to III) in the lead indications is exclusively pursued by Biotest AG up to and throughout Phase II. From Phase III onwards, Biotest seeks partnerships with other research companies.

To accelerate project completion, at various stages, Biotest works with partners in a variety of sectors, whose activities are controlled and monitored by Biotest AG.

Cooperative agreements exist, in particular for the investigation of new therapeutic principles and indications, the establishment of biotechnological production systems and manufacturing processes, the production of the required test material and in preclinical development.

Diagnostic segment

The Diagnostic segment concentrates on immunology and microbiology. In microbiology, Biotest develops, produces and markets reagents, devices and systems used in hygiene monitoring for air, surface and manufacturing processes, as well as procedures to test end products for potential microorganism contamination. In the immunology sector, Biotest develops products for use in automated and manual blood group analysis. Beyond this, the product spectrum includes reagents and systems which find their application in transplantation and infection diagnostics.

The core product in blood group diagnostics is the TANGO® optimo system, which offers hospital haematology laboratories and blood banks fully-automated blood group typing. Biotest markets the equipment complete with the associated reagents and software.

Biotest also offers an extensive programme of test systems and reagents for tissue typing and microbiological and virological laboratory diagnosis for the transplantation and infection diagnostics market.

The microbiology product programme includes air samplers, particle counters and a wide range of solid (contact media and sedimentation plates) and liquid culture media (in bags, bottles and containers) as well as special media for microbe identification. Some of the dishes and strips of the media are barcoded to ensure that sample-taking is safe and simple. These products are used, in particular, by the pharmaceutical industry to check for possible microbial contamination (bacterial and fungal), although the cosmetic and food industries are of increasing interest as areas of application. Every Biotest and heipha Dr. Müller GmbH diagnostic product is CE certified.

Cosmetic and food industries are of increasing interest

Key processes

Pharmaceutical segment

Biotest covers the entire value added chain in plasma protein business. The raw plasma required is taken from voluntary donors, who are subject to stringent health checks. It is either obtained from conventional blood donations or by means of plasmapheresis, where only the plasma is taken from the blood and the remaining cellular elements are reinfused directly to the donor. The donor centres operated by Biotest supply around 40% of the entire volume of plasma processed. Biotest obtains the remaining volume from suppliers under the terms of long-term agreements.

Covering the entire value added chain

In plasma fractionation, specific proteins are extracted from the raw material after a mandatory storage period of 60 days and exhaustive prior testing. This is carried out after ethanol precipitation by means of centrifuge or special filters (filter aid procedure). In its Dreieich location, Biotest is gradually switching production to the filter aid procedure. Biotest Pharmaceuticals Corp. uses the centrifugation method.

In addition, Biotest buys plasma fractions from its cooperation partners. The company has worked with Sanquin, a Belgian-Dutch trust, for many years. Its facilities are included in the approval dossiers for Biotest's plasma proteins, so that any plasma fractionated there can be processed in Dreieich to produce coagulation factors, immunoglobulins and albumins.

After fractionation, the substance is subjected to precision purification processes, including chromatography. The individual production stages incorporate several viral depletion and/or deactivation processes. The complete production process is subject to the most stringent standards of safety and purity.

All sales activities are initiated and coordinated by Biotest

Plasma proteins are sold directly by Biotest Group companies or its partner companies. All sales activities are initiated and coordinated by Biotest.

In addition to marketing medical products under its own brand names, Biotest also manufactures plasma proteins for other companies and national institutions through toll manufacturing agreements. Here, partners supply plasma to Dreieich and receive the medical preparations obtained from processing in return.

Biotest carries out plasma protein-based research and development in its own specialised corporate departments.

Diagnostic segment

The production of reagents and culture media is primarily carried out at the Dreieich and Eppelheim sites. The culture media are manufactured under controlled cleanroom conditions according to the principles of Good Manufacturing Practice (GMP).

Biotest manufactures its immunology products mainly at the Dreieich location. The facilities and processes meet the quality standards of the European and US approval authorities.

As with the Pharmaceutical segment, products are sold either by Biotest AG, its subsidiaries or partner companies. In most European countries, the USA and Japan, specialist teams support customers.

Overview of the regulatory environment

Biotest operates in markets which are particularly highly regulated. Every step of production and marketing is subject to a very high level of legal regulations and generally accepted standards. No product can be marketed without approval from the respective national authorities. Drugs require extensive pre-clinical and clinical trials as well as other tests and trials before they can be marketed, and all of these processes must be extensively documented.

Plasma proteins and biotherapeutics

In Germany, the central authority for the approval of plasma protein-based drugs is the Paul Ehrlich Institute (PEI), and the production facilities of Biotest are subject to mandatory approval from the regional board based in Darmstadt and the US Food and Drug Adminstration (FDA). In Europe, monoclonal antibodies are approved by a centralised procedure carried out by the EMEA in conjunction with the relevant competent national authorities.

In the EU member states, plasma preparation approval is carried out either according to the centralised approval procedure governed by the EMEA and the European Commission, or in line with the mutual recognition procedure/decentralised procedure.

In the USA, drugs are subject to the regulatory provisions of the Food and Drug Administration (FDA). Along with other prescriptive laws and regulations, the US Food, Drug and Cosmetics Act (FDCA) regulates the entire manufacturing process for pharmaceutical products from the research process right through to marketing.

For pre-clinical research,clinical research and manufacturing as well as the approval process, Biotest procedure follows the guidelines of the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH).

Diagnostics

In the European Union, in-vitro diagnostics (IVD) must comply with the IVD Directive and the relevant national regulations derived from this Directive. CE certification is mandatory for all products and the prerequisite for this is a quality management system which complies with the provisions of the relevant international standards.

The FDA and USDA, the United States Department of Agriculture, are the approval authorities in the USA. Prior to exporting culture media to the USA, producers must provide proof that the manufacturing process and end product are free from contamination by BSE pathogens.

Key markets

The relevant markets for Biotest's Pharmaceutical business comprise the sales markets for immunoglobulins, coagulation factors and albumin. Relevant to toll manufacturing business is the supply and demand of fractionation capacities. In the case of the market for plasma collection, the number of collection stations, in particular, has a significant impact on the raw material costs incurred by Biotest in the Pharmaceutical segment and on the supply in the end product market.

In immunological diagnostics, the transfusion and transplantation diagnostic markets are relevant. In microbiology, the relevant markets are the sales markets for hygiene monitoring products as well as process and end product control.

The products are sold worldwide, with business divided into the following sales regions: Germany, the Rest of Europe, North and South America, Asia and the Rest of the World. Accordingly, sales are reported by region.

Plasma proteins

As a rule, plasma protein treatment is life-critical

As a rule, plasma protein treatment is life-critical to patients. In this respect, the demand is not contingent on the overall development of the economy. However, there is an indirect correlation in the fact that the budget of state-financed health systems is significantly affected by the national economy or macro-economic developments.

In principle, a public health system tends to improve in tandem with the increasing affluence of a society, although there may be a degree of time delay before the effects become evident. In particular, in the treatment of haemophiliac patients, this can generate growth potential. According to a survey carried out by the World Federation of Hemophilia (WFH), only around 25% of all haemophiliacs are receiving appropriate treatment.

In the UK and USA in particular, biotechnologically produced (recombinant) factors are in increasing use. In other European countries approximately 40% of products employed are plasmatic and 60% recombinant.

The USA is the biggest market for immunoglobulins worldwide, with annual demand amounting to approximately 35 tonnes and a global market share of around one third.

With a share of the global plasma protein market totalling 4%, Biotest is in the group of the six largest suppliers. Within Biotest AG's core markets for plasma protein business (Europe, Middle East, North Africa), our aggregated market share is approximately 12%. In some countries the share is considerably higher. With Nabi HB®, Biotest Pharmaceuticals Corp. covers approximately 80% of the US market for products to prevent infection with hepatitis B following liver transplants.

Nabi HB® leading preparation for the prevention of infection with hepatitis B following transplants in the USA

Diagnostics

The Diagnostic segment is dominated by the influence of sector-specific factors. In transfusion and transplantation diagnostics, the market environment is determined in the first instance by whether a public health system is in a position to reimburse the costs.

We estimate the global market volume for transfusion diagnostics to be in excess of €500 million. Approximately 60% of this is attributable to hospitals, around 20% to blood banks and approximately 20% to medical laboratories. The US market is the largest of the regional markets, followed by Europe.

The microbiology sector and its main customer, the pharmaceutical industry, are contingent on the economic development of the sector. Changes in production regulations for the pharmaceutical industry impact directly on market and product developments. The increasing cost pressure on the pharmaceutical industry coupled with the escalating stringency of requirements on hygiene monitoring and the associated documentation in the pharmaceutical and food industries are determining future market development.

The global market for industrial microbiology products includes a number of different industries and is estimated to be worth €1,100 million, with annual growth of between 4% and 6%. The largest sub-segment is the food industry with around 50%, followed by the pharmaceutical industry.

In Germany, heipha Dr. Müller GmbH is the leading supplier in the pharmaceutical sector.

Biotherapeutics

The decisive factors in any assessment of Biotest's mAb markets include the rate of patient prevalence and medical demand for the particular indication concerned, as well as the availability of alternative treatments.

Between 0.5% and 1% of the global population suffer from rheumatoid arthritis (RA). Anti-TNF treatments are currently finding the most widespread use. In simple terms, these suppress a part of the immune system and consequently inhibit the damage it causes to the body's own tissue (autoaggression) by neutralising inflammation mediators. However, the treatment has no effect on 25% of patients and between 60% and 80% present no fundamental clinical improvement in their condition (ACR 70). In nine out of ten patients, no lasting remission occurs. The medical need for developing new and more effective preparations is therefore very high.

With its specific therapeutic mechanism, which modifies instead of completely suppressing the immune system, BT-061 – which is intended for RA treatment – is clearly different from products currently on the market or in development. Pending further successful clinical development, at this phase, it is realistic to assume that Biotest will be able to achieve a significant share of the market.

According to estimates published by Nature Reviews/Drug Discovery magazine, in 2008 the RA market is likely to be worth a total volume of US$10.5 billion, of which more than 86% will comprise biotechnologically produced agents.

The global market volume for psoriasis treatment for 2013 is estimated to be worth US$3.3 billion and here also, BT-061 is clearly distinguishable from all agents currently available or in development.

Up to now, multiple myeloma, a bone marrow cancer, remains incurable, with 95% of patients dying within ten years of diagnosis. In pre-clinical trials, BT-062, in combination with the TAP technology of our partner, ImmunoGen, has proved itself highly effective against malignant cells. Distinguished oncologists have confirmed on a number of occasions that this approach is potentially far superior to all known multiple myeloma treatments in development.

Extensive market share for lead indications of Biotest mAb

According to the specialist magazine, Nature, the global market volume for multiple myeloma treatment is likely to be worth in the region of US$3.0 billion by 2009. This corresponds to an annual growth rate in the market of around 50%. The proportion of biotechnologically produced agents for the treatment of cancer patients is also rising rapidly.

We estimate the global market for systemic lupus erythematosus treatments, the lead indication of BT-063, to be in excess of more than US$2.0 billion in 2012.

Strategy: value-oriented growth

The Biotest strategy is directed at expanding the Group's position as a global specialist for innovative immunology and haematology. We provide resources for research and development in order to expand our position in core markets and develop new markets at home and abroad for our innovative, superior quality products. Our focus is on target customers with the highest requirements regarding the quality and safety of products and the associated service.

The regional expansion of business is accompanied by investment in the development and further expansion of a corresponding sales organisation. In both operating segments, our focus is on the US market.

Biotest products are used in critical clinical areas and in many cases, our plasma proteins products are responsible for saving lives. Consequently, the quality of the products and the production, research and development processes, as well as the sales organisation, and indeed every aspect of the company must respond to the most exacting demands. This impacts on the way in which production is structured as well as on the selection, basic qualifications and further training of our employees.

Plasma proteins: growth and an integrated production strategy

Following the acquisition of the Biologics Business Unit from Nabi Biopharmaceuticals and its transfer to Biotest Pharmaceuticals Corp., Biotest has advanced into the league of plasma protein manufacturers of global importance and achieved an excellent market position in the hyperimmunoglobulin sector. The establishment of our presence in the US immunoglobulin market has been accelerated significantly on the strength of the Biotest Pharmaceuticals Corp. preparations already being sold and in development.

Excellent market position in the hyperimmunoglobulin sector

New and advanced development products

Biotest Pharmaceuticals Corp. projects extend the spectrum of plasma proteins in the Biotest development pipeline. The most promising clinical development projects relate to a polyvalent immunoglobulin (Phase III, approval expected in 2010) and Civacir®, a hyperimmunoglobulin in Phase IIb, which could be used in prophylactic treatment of Hepatitis C positive patients following liver transplants (earliest approval in 2012).

To complete the product portfolio, Biotest will replace some preparations previously marketed under licence with proprietary products (for example Haemonine®).

The principal focus of continued product development is research into new indications for immunoglobulins, such as Intratect® and Cytotect® (e.g. fibromyalgia or prophylactic treatments for congenital CMV infections).

Administration of immunoglobulins is generally intravenous (IV) or intramuscular (IM). Biotest is advancing the clinical development of subcutaneous (SC) forms of administration, which patients can administer themselves. Hepatect® is expected to be the first product of this kind.

New markets
We aim to gain approval for our products in all the major European markets. The position in the highly attractive US market is to be expanded via Biotest Pharmaceuticals Corp. Biotest complements the company's range of products on a targeted basis with specific plasma proteins developed and manufactured in Dreieich. In the first instance, we are aiming for FDA approval for the polyspecific intravenous immunoglobulin currently under development in the USA.

Capacity expansion
Biotest Pharmaceuticals Corp. has a cutting edge, FDA-certified production facility for plasma proteins and nine plasmapheresis centres in Florida and six other US federal states. Following limited investments, the facility is set to process 400,000 litres of plasma per year.

Significant expansion of production capacities

At the Dreieich location, we have fractionation capacities of some 700,000 litres per year. The capacities in final production (precision purification) of immunoglobulins are currently being doubled at this site and will total around four tonnes per year after approval of the facility. Precision purification at Biotest Pharmaceuticals Corp. is to be expanded to a capacity of approximately 1.5 tonnes per year, which will be used exclusively to manufacture products for the US market. In the medium-term, total immunoglobulin production capacities will subsequently amount to 5.5 tonnes per year.

Production network
Following certification by the European authorities, which is scheduled and expected in 2008, Biotest plans to include the preliminary and intermediate products manufactured by Biotest Pharmaceuticals Corp. into its manufacturing processes in Dreieich. The aim is to establish a production network encompassing both locations in the medium term. Preparations are underway to obtain the required FDA-certification of the facilities based in Germany. The facility in Boca Raton will also be expanded to include the manufacture of monoclonal antibodies. Biotest aims to establish this as the second production element in the Biotherapeutic segment alongside the manufacturing supplied by toll manufacturers.

Raw materials
Biotest intends to secure the supply of a greater proportion of its plasma demand from its own plasmapheresis centres and is accordingly expanding its collection capacities. This ensures a consistently high level of quality of the raw material and makes us less dependent on price fluctuations in the global market.

Toll manufacturing and supplementary tender business
Toll manufacturing complements our core business, enabling us to make optimum use of our production capacities. Biotest will consequently continue its use of this arrangement. As a result of its strong presence in higher priced markets, Biotest only conducts tender business if prices and delivery terms and conditions are attractive, and there is sufficient free production capacity available. The high global demand for plasma proteins resulted in appropriate terms and conditions for some tenders last year.

Efficient sales organisation
Biotest is further expanding its overall sales structure, adapting it in line with changing market conditions and using it to target the major customer groups. In Germany, key account management has been introduced for major customers and transplantation centres, which represent the key customers for Hepatect® sales. This move responds to the increasing consolidation on the customer side. The switch from the previous support provided by individual regional representatives to teams facilitates closer, continuous customer support in a changing market environment.

Diagnostics: targeting strengths

The Diagnostic segment has been restructured as a result of the strategic refocusing launched in financial year 2006 and concentrates on the immunology and microbiology product sectors.

Immunology: focus on high-margin products and markets
With effect from 1 January 2008, immunology has been hived off as an independent company, Biotest Medical Diagnostics GmbH. Relocation of all production-related and administrative activities to a new site in Dreieich, which is separate from the rest of the Biotest facility, is imminent. Biotest is currently in the process of checking cooperation opportunities with strategic partners for immunology.

Immunological diagnostics hived off as an independent company

Given the fierce competition in the field of immunological diagnostics, Biotest will focus on markets with high quality requirements and/or those which are subject to stringent approval criteria. Production will centre on manufacturing high-margin products and/or large volumes.

In regional terms, we are concentrating on activities in Europe, the USA, Canada and Japan. Once the FDA grants approval for all manual reagents (the application procedure is in progress), we will be in a position to operate as a full service provider in the USA. In this market, we will offer system solutions in transfusion diagnostics, in particular, to the smaller and medium-sized hospitals.

Microbiology: maintaining innovation and quality leadership
In microbiology, we are aiming to expand our market position in the USA, Europe and Japan. These are markets in which we shall be markedly gearing up our sales efforts.

Beyond this, alongside the pharmaceutical industry, our intention is to win over more customers from the food and cosmetics industries, where we anticipate a significant rise in the demand for corresponding products in the coming years. Our core target group comprises the major multinational groups.

Microbiology: focus on safety and user-friendliness

We shall also be intensifying our efforts to advance research and development into new and innovative technologies in the industrial microbiology segment. A focal point will be making products more user-friendly and safer.

Biotherapeutics: developing potential efficiently

In the Biotherapeutic segment, the focus remains on value-oriented continued development of monoclonal antibodies. In order to tap significant sales and profit potential, we shall initially be concentrating on indications with a high patient prevalence and/or particularly high demand for treatment.

Biotest intends to progress the mAb development up to and including clinical Phase II for its own account. However, from the cost-intensive clinical Phase III onwards, our intention is to continue development in cooperation with partners in the pharmaceutical or biotech sectors. Our aim is not to fully out-license products, but to preferably grant licences for certain markets. The anticipated upfront and milestone payments from development partners are intended to cover our share of the costs incurred from Phase III onwards.

Cooperations

We are also implementing our growth strategy through cooperations with partner companies. These cooperations extend all the way down the entire value-added chain. The principle area of cooperation is research and development, particularly for mAb projects, the production of plasma proteins using toll manufacturing agreements, and the addition of licensed products to the range and sales.

Pooling clinical development and approval for products in the plasma proteins and Biotherapeutic segments in a single, cross-segment service unit, Medical/Regulatory Affairs, at the end of 2007 has made us more flexible with regard to potential development and sales alliances.

Value-oriented corporate management

The management of Biotest is determined by financial, as well as non-financial factors, each of which impact differently on the value of the company. The factors also have a reciprocal impact and are interrelated through the cause and effect mechanism.

The financial and non-financial performance indicators are the subject of regular reports. The switch to SAP software at the end of 2007/beginning of 2008 has made it possible to collect more comprehensive data on non-financial performance indicators and render these useful as management tools.

Financial indicators

The financial statistics of the company referring to the Group as a whole are return on capital employed (RoCE) and at segment level, earnings before interest and tax (EBIT) and earnings before tax (EBT). Cash flow is also one of the main indicators in the company's finances.

In addition, we also carry out ongoing analysis of the costs of goods sold, marketing and sales, as well as the profit/sales ratio and the structure of accounts receivable, including any inherent risks.

Non-financial indicators

The major non-financial indicators for the Group as a whole for production are the capacity utilisation of individual production areas, the production run and downtimes as well as the level of stocks held along the entire production chain. In plasma protein production, we also monitor the yield per unit of plasma, as well as the level of supplies obtained from our own sources.

Where sales are concerned, the important indicators are the Biotest share of the market as a whole or the market segment concerned, the number of customers for each product (sales depth), the sales and profit margin achieved per capita of sales personnel and the comparative figures (previous year, forecast).

Research and development projects are steered by means of milestone plans. Segment managers and the Board of Management are kept informed in regular project progress reports.

Market environment in financial year 2007

A glance at developments during the past financial year in the markets relevant to Biotest shows a mixed picture as in previous years. The markets for plasma proteins and microbiology are attractive and offer growth opportunities. However, immunology faced difficult market conditions once again.

Plasma proteins

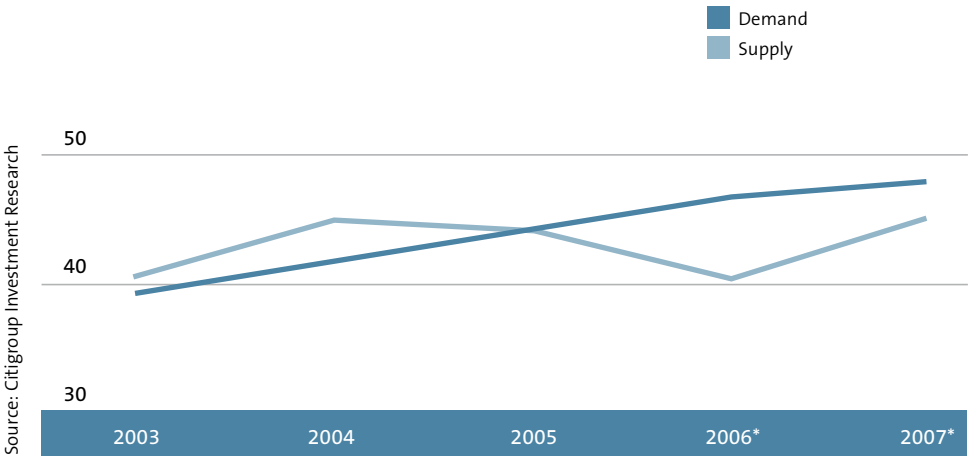
According to estimates given by data provider, MRB, the global plasma protein market increased to a volume of US$11.8 billion last year. Of this, around US$7.8 billion is attributable to plasmatic and US$4.0 billion to recombinant products.

In particular, the demand for immunoglobulins exceeded supply considerably

The demand for immunoglobulins, in particular, exceeded supply considerably, providing the industry with scope to increase prices. According to the company's own data, for example, the global market price for intravenously administered immunoglobulins rose by 5% to 10% in selected markets in 2007.

Despite the marked capacity increase compared with the previous year – in the USA, the number of plasmapheresis centres recorded by the PPTA sector association rose significantly by more than 10% – 2007 saw a continued shortage of human blood plasma, which was reflected in turn by the considerable rise in raw material prices.

Intravenous immunoglobins: supply and demand in global market



Source: Citigroup Investment Research

* estimates

The growth rate of plasma supplies is currently estimated at 8% to 9% per year. Market observations are indicating the first signs of supply and demand approaching a balance, with the strong upward trend in prices slowing down. This especially applies to albumin.

In Germany, Biotest's most important single market for plasma proteins, the market volume grew moderately and consequently developed in line with our expectations.

Russia, where Biotest established itself in 2005 and 2006 as one of the major coagulation factor suppliers, changed its system in 2007 and now allocates supplies to the state healthcare system on the basis of tender business.

Diagostics
Biotest is marketing its hygiene monitoring products in a market environment which remains favourable. There are demanding regulatory requirements for hygiene monitoring and a need for members of the pharmaceutical industry to document this. This benefits, in particular, the players who provide user-friendly products which facilitate efficient recording and processing of data.

Global harmonisation of pharmaceutical production regulations has resulted in new requirements for microbiological products. The pharmaceutical industry is obliged to implement these new regulations in the coming years. Almost all products of heipha Dr. Müller GmbH already comply with the new regulations.

The difficulties in the European transfusion and transplantation diagnostic markets persisted in financial year 2007. The ongoing cost pressure in the public health sector, the concentration processes unfolding in the market and fierce competition between suppliers at a time of stagnating demand ensured that the achievable prices decreased in some cases.

In the USA, the market environment for transfusion diagnostics remained very attractive in 2007. Only two other suppliers are active in the market along with Biotest and, as Biotest was not yet represented in the market with the full range of reagents for manual diagnostics, these competitors continued to virtually carve up the market between themselves. We are assuming that when the FDA approval has been granted for our manual reagents, which is expected in 2008, we will be able to capture a significant share of the US market in the medium to long term.

Biotherapeutics
The research and development projects in the Biotherapeutic segment are still in preclinical/clinical phase. Consequently, Biotest restricts its analysis of the market environment to the basic trends relating to patient prevalence rate and the availability or development of alternative treatments. A more detailed description is provided in the "Key markets" section.

Business development

Extremely dynamic trend in plasma protein business

In the past financial year, the Biotest Group recorded sales totalling €326.4 million, representing an increase of 15.8% on the previous year (€281.9 million). As in previous years, growth was attributable to the extremely dynamic trend in plasma protein business and microbiology products. By contrast, sales in the immunology segment were down. Only the operating result of the newly acquired US plasma protein business was included in EBIT of the Biotest Group. Accordingly, sales have not been presented for December 2007.

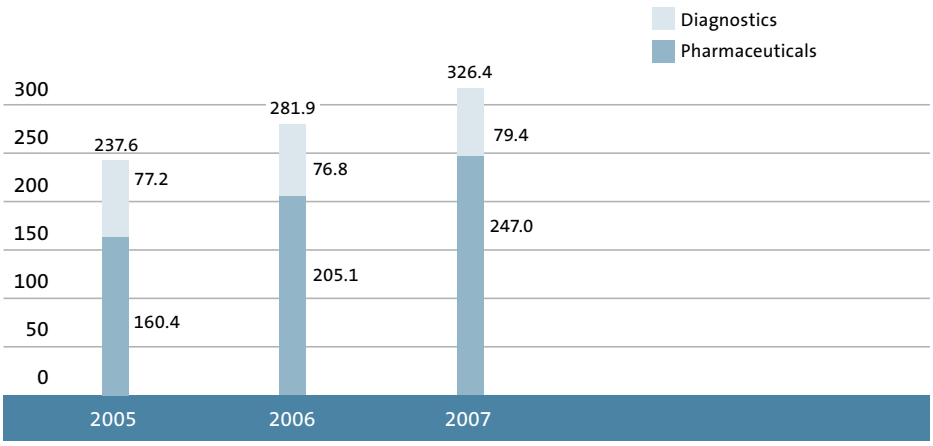
Biotest achieved more than 80% of sales in Europe. In Germany, the business volume increased by 14.0% to €105.3 million, with a rise of 15.2% to €156.7 million in the Rest of Europe. This means that Biotest achieved the highest growth rates in absolute terms in its European core markets. In the Asia sales region, sales rose by 19.6% to €45.6 million and in America, Biotest sales totalled €14.0 (+15.7%).

Pharmaceutical segment

With an increase in sales of 20.4% to €247.0 million (previous year: €205.1 million), Biotest continued the successful development of recent years in its plasma protein business and exceeded expectations significantly in 2007. Growth was attributable to a higher sales volume and the price increases implemented.

Dynamic growth in polyvalent immunoglobulin business (Intratect® and Intraglobin®) continued, with Biotest increasing sales by 19.1%. In Germany, the market share of Intratect® was around 23% at the end of the year, compared with 21.2% in the

Revenue by segment in € million



previous year. In the UK, where the product was available for the first time for a full 12-month period last year following its launch in April 2006, Intratect® accounted for approximately 15% of the national market at the end of the year (2006: around 6%). In Austria, Intratect® and Intraglobin®, which is also marketed there, have a joint market share of 24%.

Growing market shares for Intratect®

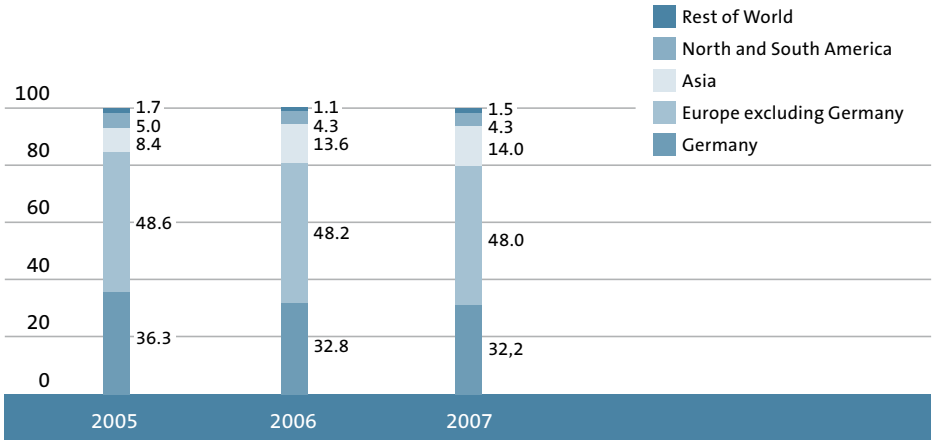
Demand for Pentaglobin® remains at a high level. An article published in the "Critical Care Medicine" journal in December 2007 reported a significant reduction in mortality following administration of Pentaglobin® in the case of severe sepsis.

The cumulative total for sales of polyvalent immunoglobulins in the European core markets gave Biotest a total market share of around 19% at the end of 2007 (2006: approximately 16%).

Sales of the coagulation preparation Haemoctin® were also clearly positive again. This applies, in particular, to the German market (+17.9%). Growth was mainly attributable to the fact that additional inhibitor patients requiring high dosages of the coagulation factors were treated. Biotest also gained a new major customer.

Russia is the second key sales market for Haemoctin®. Here, Biotest increased its market share to 43% last year. Following the change to the tender-based contract award system, this figure decreased in line with expectations in the second half of the year.

Revenue by region in %



Tender won to supply Haemoctin® in Russia

The award conditions were such that Biotest decided to submit a bid. Together with a partner company, we won the first tender with deliveries scheduled to start in 2008.

Sales of Humanalbumin also saw a considerable increase, particularly in the Middle East.

In tender business, we won a tender to supply the Hungarian market last year alongside the Russian tender mentioned. As in the previous years, Biotest only submitted offers if an appropriate margin was guaranteed for the company and the legal and political conditions ensured the security of the contract. For this reason, we did not submit any tenders in South America.

In the raw material market, Biotest has expanded its position by opening plasmapheresis centres in Aachen, Dortmund and Cologne. We now operate eight of our own centres via our subsidiaries, Plasmaservice Europe und Plasmadienst Tirol. Biotest Pharmaceuticals Corp. has nine centres in the USA. By the end of the year, approximately 40% of the plasma required for manufacturing our own products originated from our own collection centres.

Diagnostic segment

In the Diagnostic segment, Biotest sales totalled €79.4 million, which represents a 3.4% increase on the previous year (€76.8 million). As in the two preceding years, growth was driven by the success of products used in microbiological diagnostics. Sales in the immunology sub-segment remained below the previous year's level and fell well short of expectations.

Microbiology

In microbiology, sales attributable to heipha Dr. Müller GmbH hygiene monitoring product were significantly higher compared with the previous year. Business with customers in the pharmaceutical industry was particularly dynamic and sales of products to monitor isolated clean rooms (ICR) were up by almost one third year-on-year.

Expanded sales structures in the European core markets and the USA

The introduction of new products contributed to this pleasing development, as did the expanded sales structure in the European core markets and the USA. In the Benelux countries and France, Japan, Italy and the UK, new sales teams have been set up and a key account management system has been introduced for major customers in the pharmaceutical sector.

The new APC M3 air particle counter introduced at the beginning of last year is the fastest piece of equipment in the world to monitor particle concentration.

In May, heipha Dr. Müller GmbH launched the first ready-to-use products to test for mycoplasmas. The solution, which is supplied in little bottles or petri dishes, makes it possible to test products manufactured from animal substances and/or animal or human cells, for potential contamination with mycoplasmas. Such products are used, for example, by vaccine manufacturers.

In June 2007, the US Department of Agriculture, USDA, granted licences to heipha Dr. Müller GmbH for importing culture media to the USA. The prerequisite for this was, in particular, certification of the production facility in Eppelheim and its classification as "BSE free". Deliveries to the Biotest Diagnostics Corporation commenced immediately after approval. Biotest Diagnostics Corporation is responsible for marketing the products in the USA.

At the end of 2007, we launched our new-generation hygiene monitoring test system on the market, Hycon ID, which will be used to monitor hygiene in clean rooms. A barcode on the test strip and a laser reader which includes the software ensure far safer and more efficient sample-taking and associated documentation and evaluation.

Hycon ID ensures far safer and more efficient sample-taking and associated documentation and evaluation

Immunology
Unlike microbiology, business in the immunology sub-segment was unsatisfactory. In transplantation diagnostics, the sales volume fell short of the previous year's figure as a result of difficult market conditions. This applies especially to the German market. Transfusion diagnostics business was approximately at the level recorded in 2006. The sales decline for manual reagents was compensated by higher sales in automation business with the TANGO® blood typing system.

However, our expectations with regard to US business have not been met to date. The 22 TANGO® systems, which have been placed, are very stable in operation and the response to presentations on the system has been very positive. However, the lead-in time until final purchasing decisions are made in this area is considerably longer than anticipated. Another reason for the restrained development is that Biotest was not yet present in the US market with its full range of test reagents last year. The relevant approval application has been submitted to the FDA, the competent authority, and we responded to requests for additional information in November 2007 by sending in further documentation.

Biotherapeutic segment
A detailed description of progress on the mAb projects in 2007 is provided in the section headed "Research and development".

Earnings position

The operating result of the Biotest Group, which also includes the result of the acquired US plasma protein business was overproportionally high compared with sales. Earnings before interest and tax (EBIT) rose from €31.4 million in 2006 to €38.5 million last year (+22.6%).

In parallel with sales growth, the improved earnings are primarily due to the success of the Pharmaceutical segment. EBIT in this segment amounted to €60.8 million, representing an increase of 27.7% on the previous year (€47.6 million). In the Diagnostic segment, EBIT of €–1.5 million was down on the previous year's figure of €–0.6 mil-

Overproportional growth in earnings achieved

lion, where a marked negative result for immunology was offset by a very positive result in microbiology. The figure also includes expenses associated with the settlement and redundancy payments in immunology.

The considerable expansion of research and development activities in the Biotherapeutic segment resulted in expenditure of €14.2 million, and this impacted on EBIT for the segment, which amounted to €–14.7 million (previous year: €–9.9 million).

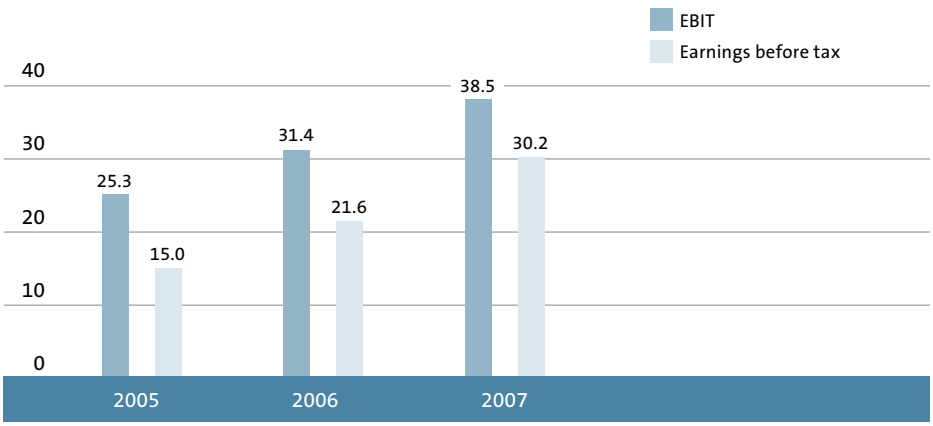
Group management costs arising in the Corporate segment and expenses that are not attributable to any of the operating segments totalled €6.1 million (previous year: €5.7 million).

The financial result improved significantly from €–9.5 million to €–8.2 million. The reduced average debt during the financial year, the more favourable terms of the syndicated loan agreement concluded in 2006 and lower lease payments had a positive impact. This more than offset the higher expenses resulting from the higher interest rate levels dictated by the market. The 2006 financial result was also affected by non-recurring expenditure of €0.8 million, which resulted from premature termination of a syndicated loan as part of the restructuring of corporate finance.

While the interest payments on finance for the acquisition of the Nabi Biopharmaceuticals plasma proteins business only impacted in December 2007, the proceeds from the capital increase were already accruing interest at the end of September 2007.

The result from associated companies comprises expenses from the at-equity valuation of the BioDarou joint venture amounting to €0.2 million. Due to the difficult political conditions in Iran and the further prolonged loss situation, we wrote down the value of our share in full last year. The resulting expenditure is included in the income statement in the item financial expenses.

EBIT and earnings before tax in € million



Earnings before tax (EBT) totalled €30.2 million, which is an increase of 39.8% compared with the previous year (€21.6 million).

The income tax expense for 2007 amounted to €12.9 million (2006: €4.3 million), which resulted in a tax ratio of 42.7% (2006: 19.7%). The increase is essentially due to three factors. First, the corporate tax reform which came into force in 2008 caused a net reduction in deferred taxes which is already reflected in the tax expense for 2007. Second, we expect additional charges for the ongoing company audits at Biotest AG and Biotest Pharma GmbH for the period from 1999 to 2003, for which we have set up the relevant provisions. Finally, in the previous year tax loss carryforwards were used up to the minimum taxation limit at Biotest AG. This option was not available for trade tax in 2007, which due to the lease agreement model, has been adversely impacted by high additions.

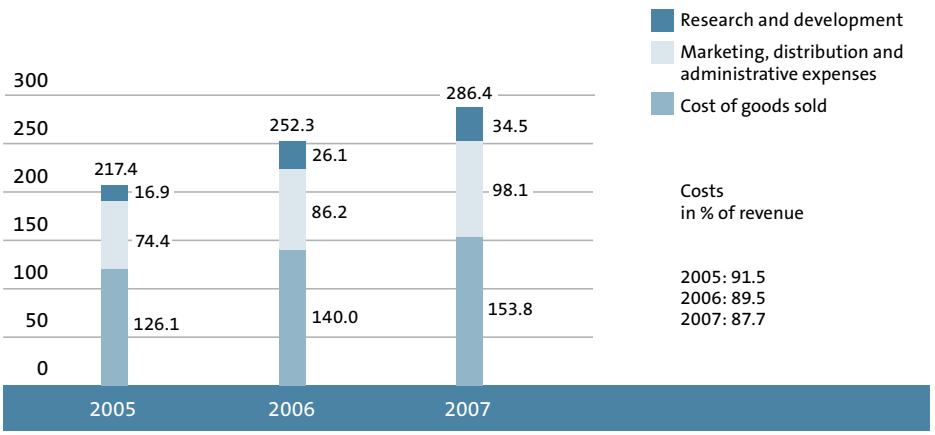
The return on sales in terms of EBIT amounted to 11.8% (2006: 11.1%). Excluding the US plasma proteins business, return on capital employed (RoCE) amounted to 11.1% compared with 9.5% in 2006.

Expenses

Costs of goods sold totalled €153.8 million in financial year 2007 (previous year: €140.0 million) and amounted to 47.1% of sales. Compared with the previous year (49.6%), the reduced costs of goods sold ratio is due to the Pharmaceutical division, where higher capacity utilisation and price effects on sales more than compensated the increased costs of plasma operations as well as the higher personnel costs.

Distribution expense, which includes sales-related commission, rose by 13.9% from €63.3 million to €72.1 million and accordingly not quite as fast as business volume. At €26.0 million, administrative expense was clearly on the figure for the previous year (€22.9 million, +13.5%). This is attributable to the broader business activity and specific strategic projects. With a total sales share of 8.0%, this figure was slightly lower than in 2006 (8.1%).

Costs in € million



Research and development expense increased significantly by 32.2% to €34.5 million (previous year: €26.1 million). Of this, €16.6 million was attributable to the Pharmaceutical segment (2006: €11.6 million), €14.2 million (2006: €9.8 million) to the Biotherapeutic segment and €3.7 million (2006: €4.7 million) to the Diagnostic segment. Applications for enhanced European approval of several products impacted in the Pharmaceutical segment. In the Biotherapeutic segment, progress on development projects had an impact, including on costs for clinical trials with BT-061.

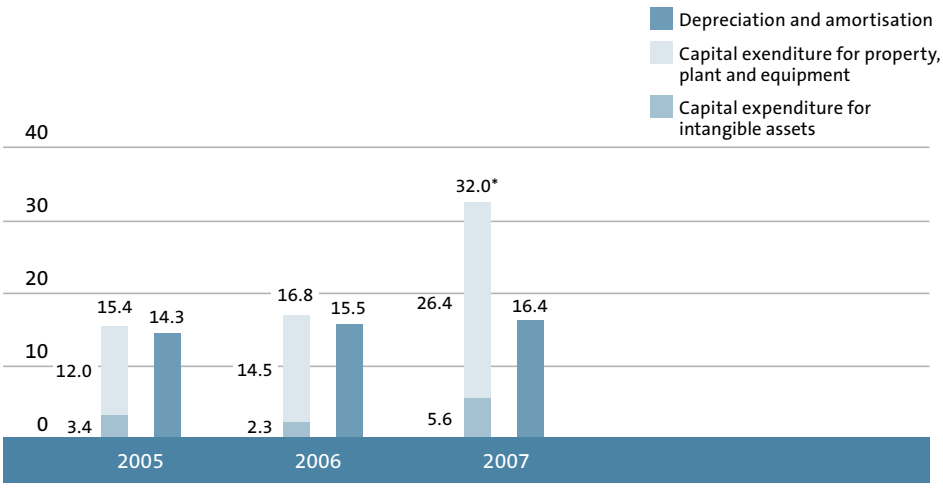
The balance of other operating income and expenses was balanced at €0.0 million after €1.7 million in 2006. At €1.7 million, release of other provisions was the key item under other operating income. Various factors impacted on other operating expenses, including the provisions for staff measures mentioned.

Capital expenditure, depreciation and amortisation

In 2007, Biotest's capital expenditure amounted to €151.9 million (previous year: €16.8 million). At €82.3 million, capital expenditure in property, plant and equipment accounted for 54.2% of the total, while Biotest invested €69.6 million in intangible assets.

The majority of capital expenditure was attributable to the acquisition of the plasma protein operations from Nabi Biopharmaceuticals completed in December 2007. Of the purchase price amounting to €133.2 million (including ancillary costs totalling €7.7 million), €55.9 million was accounted for by capital expenditure on property, plant and equipment and €64.0 million by the acquisition of intangible assets.

Capital expenditure and depreciation and amortisation € million



* a further €119.9 million was received from the acquisition of the US plasmaprotein business from Nabi Pharmaceuticals

Alongside the Nabi transaction, key projects requiring capital expenditure included the expansion of production capacities in the Pharmaceutical segment, with a focus on the chromatography facility. Installation of the facility was completed last year, following which comprehensive qualification and validation measures were implemented in line with current regulations. The launch of the second chromatography column, scheduled for the end of 2008, will double production capacity for immunoglobulins at the Dreieich location to around four tonnes per year.

Installation of the second chromatography column completed

In the Pharmaceutical segment, we also invested in the modification of facilities to meet the latest GMP principles and the set-up of a pilot plant. We will use this pilot facility to produce the batches required in connection with the clinical trials of new plasma proteins. Additional capital expenditure in the Pharmaceutical segment included the establishment and acquisition of further plasma collection centres.

In the Diagnostic segment, we expanded the production capacity of heipha Dr. Müller GmbH at the Eppelheim location and continued with the establishment of an independent production site and an administrative building for the immunology subsegment in Dreieich. Further capital expenditure arose in connection with the introduction of SAP. Following comprehensive preparations, the system was launched on 1 January 2008.

Capital expenditure was offset by depreciation and amortisation of €16.4 million (2006: €15.5 million), which resulted essentially from use. In line with planning.

Major projects underway or scheduled to commence in the immediate future will incur further capital expenditure by the end of 2009. The GMP upgrade of the pharmaceutical production facilities will see additional funding of around €1.3 million, of which €1.0 million is expected to be invested in 2008. We anticipate investing another €3.0 million in expanding immunoglobulin capacities. This will essentially complete the restructuring of plasma protein production.

Production capacities expanded in microbiology

Up to completion in the current year, around €1.8 million will be invested in the new Diagnostic production facilities in Dreieich. In microbiology, we intend to pool research and development and production of the APC and HYCON instruments in Eppelheim while discontinuing the development and production site in the USA. In addition, further investments have been earmarked to expand capacities at heipha Dr. Müller GmbH, with expenses of €1.8 million anticipated by the end of 2008.

Financial position and statement of assets

The acquisition of the plasma proteins activities from Nabi has had a major impact on the financial position and balance sheet assets of Biotest. In September, Biotest obtained a loan agreement worth €175.0 million from a banking syndicate led by Commerzbank AG. This was used to finance the Nabi transaction worth €133.2 million as well as to repay in full the loans under the existing syndicated loan agreement.

Biotest also increased its share capital by 10% in September 2007. A total of 599,567 new ordinary shares and 466,666 new preference shares were issued and placed with institutional investors by means of accelerated bookbuilding and excluding shareholders' subscription rights. The issue price amounted to €32.70 per ordinary share and €29.00 per preference share. The issue proceeds (€33.1 million gross) were used to repay existing bank loans, which contributed indirectly to the financing of the Nabi transaction.

The balance sheet total of the Biotest Group was extended to €536.7 million (previous year: €362.1 million). Excluding the Nabi transaction, the figure amounted to €398.7 million.

Acquisition financed by capital increase

Of the assets acquired from Nabi, €119.7 million have been included in non-current assets and €13.5 million in current assets. As part of the acquisition of the US plasma proteins business, according to IFRS international accounting standards, the purchase price paid must be allocated to the acquired assets.

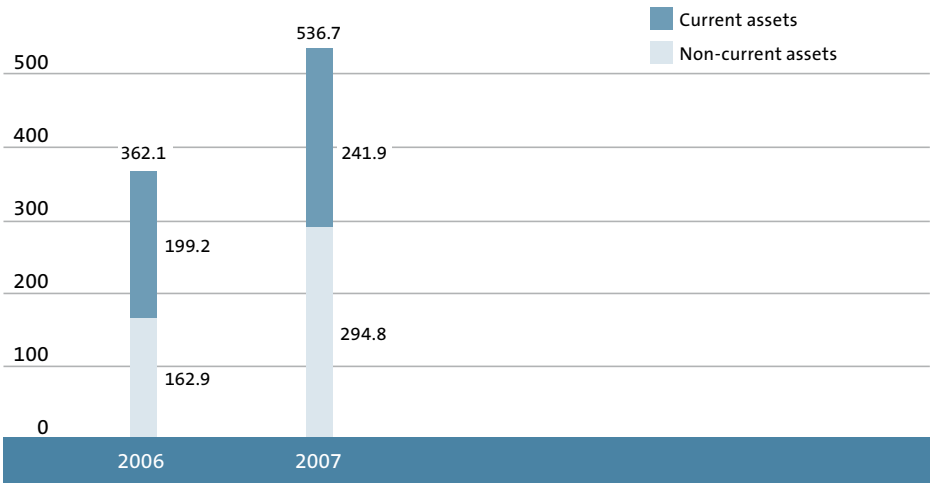
The preliminary purchase price allocation resulted, in part, to the recognition of intangible assets which have been acquired for the economic value of the group of donors in plasmapheresis centres, the marketing rights for Nabi HB® and other projects still under development as acquired intangible assets.

Depreciation on the economic value of the group of donors in plasmapheresis centres, marketing rights and the product brand raises plasma production and distribution costs. The purchase price allocation for projects still under development will not be depreciated until the products have been granted approval. Until then, development projects are subject to an impairment test and their value reduced accordingly if this is found to be necessary.

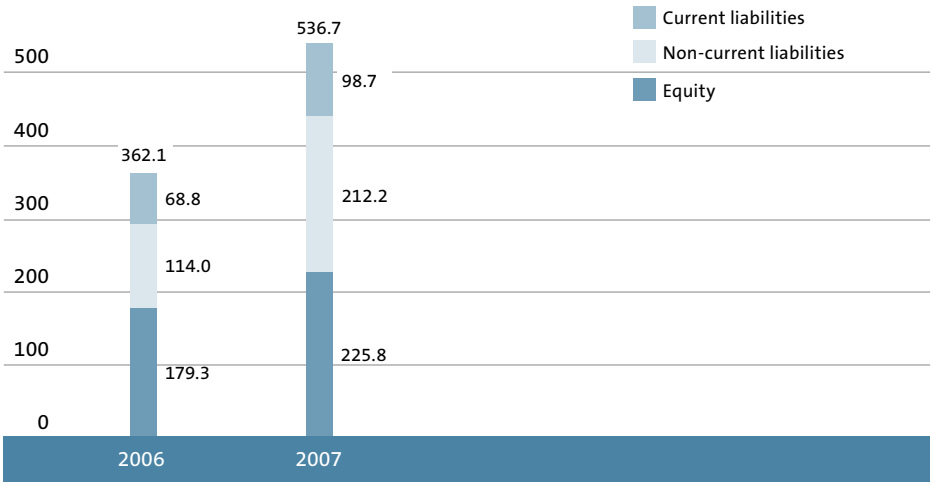
Furthermore, the purchase price allocation also impacts on the valuation of any inventories which have been subject to a step-up in value. This produce short-term charges against earnings generated by the work-down of the step-ups associated with the sale of inventories.

Overall, non-current assets amounted to €294.8 million (previous year: €162.9 million). Key factors alongside the Nabi transaction were the onsite investments in Dreieich.

Structure of the balance sheet – assets in € million



Structure of the balance sheet – equity and liabilities in € million



The volume of current assets rose, partly as a result of higher trade receivables. These increased together with sales, also due to the fact that Biotest used factoring to some extent in financial year 2007, which was not the case in previous years.

Hedging transactions were concluded for 73.0% of the accounts receivable from business in Russia, which is experiencing strong growth.

Of inventories amounting to €116.9 million, €14.0 are attributable to Biotest Pharmaceuticals Corp. The level of inventories, which is comparable to the previous year's figure of €104.8 million (excluding Biotest Pharmaceuticals Corp.), amounted to €102.9 million as of the reporting date. At €8.9 million, cash and cash equivalents as of the 2007 year-end remained at the same level as in 2006. Net of the effects of the acquisition of the US plasma proteins business, the figure amounts to €8.0 million.

On the liabilities side, on-balance sheet equity increased to €225.8 million (2006: €179.3 million) following the capital increase and as a result of profit after tax of €225.8 million. Non-current liabilities amounted to €212.2 million as of the reporting date, after €114.0 million in the previous year. The major proportion of this, amounting to €138.5 million, was attributable to the new syndicated loan agreement concluded in 2007. Current liabilities totalled €98.7 million (year-end 2006: €68.8 million).

Provisions for pensions and similar obligations totalled €43.1 million (2006: €43.1 million).

The equity ratio of the Biotest Group was 42.1% as of 31 December 2007, compared with 49.5% one year earlier.

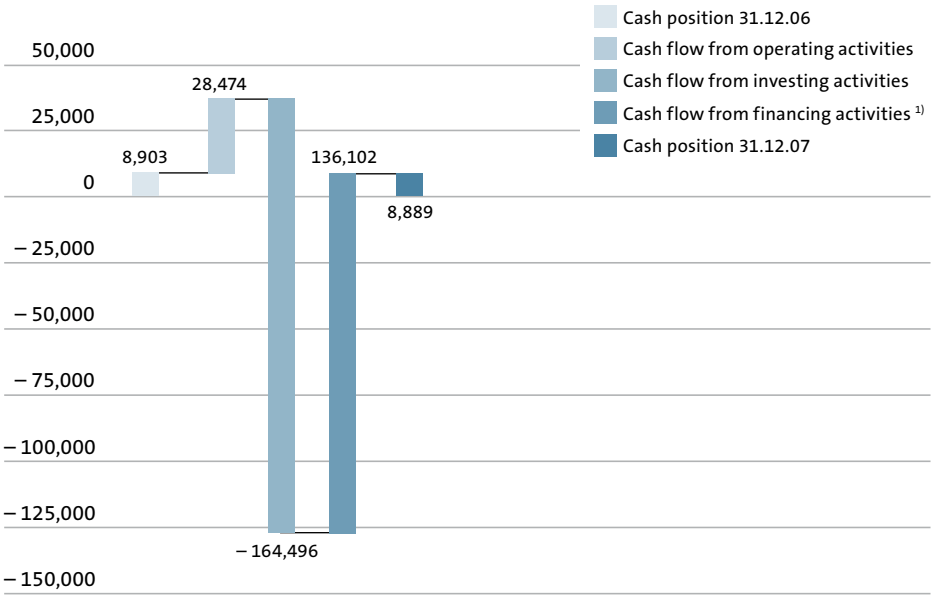
Cash flow statement

At €28.5 million, Biotest achieved significantly higher operating cash flow in 2007 than in the previous year (€26.4 million). The additional capital tied up in working capital and the rise in tax payments were overcompensated by a marked improvement in the pre-tax result. Cash outflow from investing activities totalled €164.5 million (2006: €15.3 million) and adjusted for the Nabi transaction, cash flow from investing activities was € –31.3 million in 2007.

The cash inflow from financing activities amounted to €136.1 million (previos year: cash outflow of €9.7 million). Taking into account the values adjusted for the effects of the transaction financing, this produces a net financing requirement of €6.8 million, which would have been covered by the available financing instruments.

At all times during financial year 2007, Biotest was in a position to fulfil all payment obligations.

Cash flow statement in € thousand



1) including changes in value due to exchange rate changes

Summary by the Board of Management regarding the earnings, financial and asset position of the company

In the past financial year, Biotest increased EBIT for the fifth time in a row. The growth rate of the results exceeds that of sales and reflects the positive effects of the focus on high-margin business, which is part of the corporate strategy. We consider it to be particularly noteworthy that this development occurred despite a further marked rise in research and development expenses, especially in the Biotherapeutic segment.

The acquisition of the Nabi plasma protein operations has launched Biotest's operating business and strategic direction into a new dimension.

With an equity ratio of 42.1% and well-balanced long-term financing, the Group has an extremely strong balance sheet structure which provides sufficient leeway to generate further growth in the coming years.

The highly dynamic development of the share price in 2007, especially following the announcement of the acquisition in the USA and despite the capital increase implemented during this period, confirms capital market acceptance of our business model and strategy. There has not been, and is currently no situation, which we have identified as prejudicial to the continuing existence of the Biotest Group.

We have largely achieved the targets stated in the outlook report of the 2006 Annual Report and in some cases, we have significantly exceeded these. Details are provided in the table below. Where targets were revised during the financial year under review, the latest forecast is indicated as a target.

Comparison of actual status and targets for selected indicators and milestones in financial year 2007

Aim	Target	Actual	Achievement of aim
Sales	12%–15% growth compared with 2006	15.8%	Exceeded
EBIT	12%–15% growth compared with 2006	22.7%	Exceeded
Financial result	Improvement on previous year	+€2.3 million	Yes

Research and development

Biotest further expanded its research and development activities in 2007 in accordance with the medium-term corporate planning. This applies, in particular, to the research and development of monoclonal antibodies in the Biotherapeutic segment. Biotest Pharmaceuticals preparations under development expand the R&D pipeline in the field of plasma proteins.

Plasma proteins

Biotest Pharmaceuticals has an attractive pipeline. Immunoglobulin (IVIG), whose formulation is tailored to the US market and whose product features are similar to Biotest's Intratect®, is in clinical Phase III. The market launch for this product is scheduled for 2010, which is significantly earlier than the anticipated date for approval of Intratect® in North America. Accordingly, Biotest is therefore no longer pursuing this in North America.

The hyperimmunoglobulin Civacir®, which is in Phase IIb, has a potential application in the prevention of reinfection with Hepatitis C in liver transplant patients. Biotest estimates the market potential in the USA to be in the region of several hundred million US dollars. Civacir® has been granted orphan drug status in the USA and Europe by the competent approval authorities, the FDA and EMEA. This status can provide market exclusivity for seven years in the USA and ten years in the EU after market approval, which is, however, unlikely to be obtained until at least 2012.

In the plasma protein segment, Biotest's clinical development projects progressed according to plan. The European mutual recognition procedure is underway for Hepatect®, Haemoctin® and Haemonine®. Preparations are ongoing to submit the documents for Humanalbumin (FH). The development of Intratect® for the fibromyalgia indication has also advanced.

Cytotect trial with more than 20,000 pregnant women

We took all the necessary measures last year for the planned further development of the Cytotect® immunoglobulin for the treatment of cytomegalovirus infection during pregnancy. As already described in the 2006 Annual Report, Biotest intends to conduct a trial involving more than 20,000 pregnant women to confirm the positive effects of Cytotect®, which have already been proven in precursor trials. To this end, an agreement was concluded with Abott Deutschland GmbH in June 2007 for the supply of the reagents and systems required for CMV diagnostics as part of the clinical trial.

In July 2007, distinguished transplantation specialists discussed the potential application of Cytotect® to prevent complications following transplants with Biotest. A specialist article published in "The Lancet Oncology" journal concludes that administering Cytotect® reduces the risk of lymphomas after such surgery. The results are based on the evaluation of data of 40,000 patients. The occurrence of lymphomas (cancer of the lymphatic system) is a possible complication after transplantation, which affects 2% to 5% of patients. From Biotest's point of view, the latest findings further enhance the market potential of Cytotect®.

Diagnostic segment

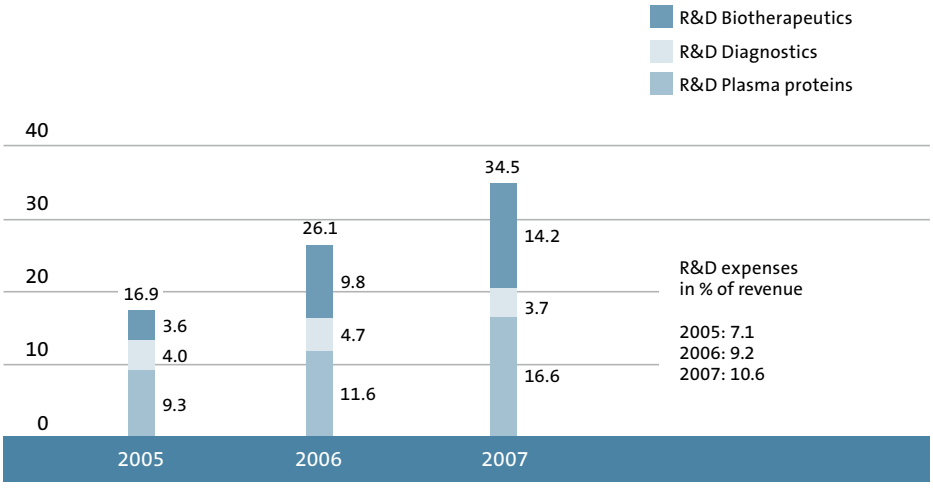
Fastest particle counter in the world launched in the market

In microbiology, we concluded four high-potential R&D projects in the past financial year, resulting in the launch of the corresponding products in the market. These included a particle counter (the fastest device of its kind in the world, with a volume of air of one cubic metre examined in 10 minutes), ready-to-use mycoplasma test media, the Hycon ID system and the ICR plus contact media with an innovative closing system.

Progress has also been made with the other projects in the pipeline. These include new solutions for the wet-and-dry swab technique in industry and laboratories, which are far more user-friendly.

Other R&D projects comprise an advanced particle counter used to test air for contamination, a system based on PCR DNA testing used to identify mycoplasmas and a sterile testing system. The latter should significantly reduce the waiting time for proving any bacterial contamination.

Expenses for research and development in € million



Biotherapeutic segment

In the Biotherapeutic segment, the development of monoclonal antibodies has advanced. A clinical trial is underway with BT-061 in the lead indications of rheumatoid arthritis and psoriasis. To date, we are not aware of any events which indicate that our assessment of efficacy and tolerability may need to be revised. We expect the initial efficacy data from the trials in the first half of 2008. The projects to research BT-061 in relation to other autoimmune diseases continue. Concepts have been developed for the search for partners, with whom we will develop and market the products in the lead indications. The search is expected to take place in the second half of 2008.

For BT-062, GMP compliant manufacturing of the antibody needed for the clinical trial has been completed. The toxicology trials agreed in May with the US approval authority, the FDA, were completed. A number of clinical centres and the clinical research organisation (CRO) were specified for the clinical trials scheduled to commence after the granting of final FDA approval, which is anticipated during the first six months of 2008.

For BT-063, the third monoclonal antibody in Biotest's pipeline, the system to manufacture clinical test material has been established. We have commissioned a toll manufacturer to manufacture the antibody in accordance with GMP standards and have started measures to transfer the manufacturing process.

Production

Biotherapeutic segment

The key further developments in plasma protein production in financial year 2007 were the expansion of capacities for chromatographic purification and the integration of an additional viral depletion stage, nanometer filtration.

Nanometer filtration introduced for Intratect®

The installation of the second chromatography column has been completed and the consistency batches required for approval have been manufactured. The expansion will double the Biotest annual immunoglobulin production capacity. In the past financial year, we completed all the necessary preliminary work for switching production of Intratect® to the nanometer filtration system and have submitted the approval documentation to the competent authority, the Paul Ehrlich Institute. Nanometer filtration represents a further step in eliminating viruses and prions: the product is filtered once more at the end of the manufacturing process.

Given the scarcity of plasma volume worldwide, some deliveries did not arrive at Biotest in time and this caused delays in production. We have taken precautions against the knock-on effect of possible capacity bottlenecks by booking the corresponding production slots in the facilities of partner companies.

In areas of our pharmaceutical production, the high demand for our plasma proteins and correspondingly good order situation led us to introduce triple shift operation.

Diagnostics

In the immunological diagnostic production at our Dreieich location, we have started to outsource individual production stages as part of the strategic refocusing to allow us to concentrate on the manufacturing of products, which are either produced in high volumes or are subject to stringent quality and safety standards.

The new filling plant went on stream last year for products aimed at markets outside the USA. Approval is yet to be received for marketing the products bottled there in the USA.

The construction of the new production site and administrative building for Biotest Medical Diagnostics GmbH was largely completed by the end of the financial year.

In November, we installed a new filling station for contact plates in Eppelheim to expand capacities.

Personnel

As of the end of financial year 2007, Biotest employed 1,877 staff worldwide, which corresponds to 1,726.5 full-time equivalents. The marked rise of 50.5% (number of employees) and 50.2% (full-time equivalent) reflects the addition of the 514 staff of Biotest Pharmaceuticals Corp. and the opening of the plasmapheresis centres in Germany. We have also further expanded our teams in Research and Development, Regulatory Affairs and Sales.

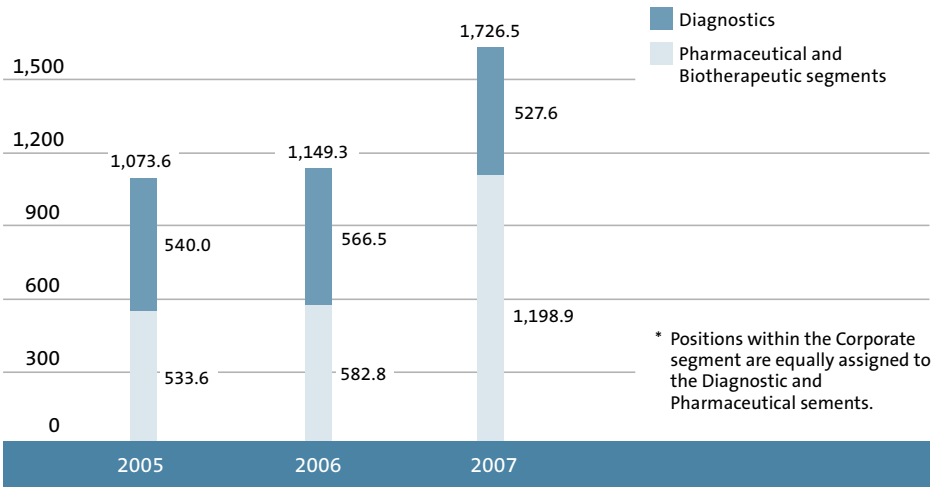
In the Pharmaceutical segment, the number of full-time equivalents rose by 610.1 to 1,174.0, of which 475.5 jobs are attributable to Biotest Pharmaceuticals Corp. With 68.0%, the proportion of jobs attributable to the Pharmaceutical segment has significantly increased in relation to the full staff complement compared with the previous year. A staff member from the USA was appointed Marketing Export Manager for the Hycon division.

Biotest offered new contracts of employment to all staff members in the Biologics Business Unit of Nabi, so that virtually all employees transferred to the new company.

Expansion of the research and development teams

The research and development teams in the Biotherapeutic segment were also further expanded. At the end of the year, this segment comprised 21.2 full-time equivalents.

Staff by segment* as of year-end Full-time equivalents



In the whole Diagnostic segment, Biotest recorded 524.0 full-time equivalents at year-end (2006: 562.7). This accounts for 30.4% of the total staff complement. In microbiology, we had 251.6 full-time equivalents at year-end. In immunological diagnostics, the strategic refocusing was accompanied by a reduction of 44 jobs. Biotest offered a new contract of employment in the strong growth segments of plasma proteins and microbiology to many of the staff concerned.

The Corporate segment comprised 7.3 full-time equivalents as of 31 December 2007.

The company's growing internationalisation is reflected by the breakdown of full-time equivalents by country. While Germany accounted for 83.5% at the 2006 year-end, the figure was exactly 59.9% one year later. Around 30% of Biotest staff worked in the USA.

At the end of 2007, Biotest had 18 apprentices for industrial business and office administrators, chemical lab technicians and biology lab technicians. At year-end, the proportion of trainees accounted for 2.95% of the total staff complement of the parent company.

Personnel management

The tasks associated with the company's expansion and internationalisation impacted on developments in personnel management. In financial year 2007, staff were recruited for more than 200 jobs, in some cases for fixed periods.

Biotest seconded four senior managers from Dreieich to subsidiaries in the USA, while one staff member from Germany moved to the Japanese affiliated company. The international exchange of staff will increase considerably in the coming years. In the past financial year, we implemented the personnel management structures required to facilitate this.

International graduate trainee programme set up

This also applies to the area of securing young talent. Biotest has set up an international graduate trainee programme. Trainees on the programme will spend at least six months of their two-year training period at one or several companies in other countries. The programme targets graduates in sciences as well as graduates in business studies and business economics with an interest in sciences.

In immunology, we agreed arrangements with the employee council for the transfer of staff to Biotest Medical Diagnostics GmbH with effect from 1 January 2008. To the extent that job cuts were required, settlements were implemented. We supported staff members who did not change to a new job within the Biotest Group in their career change and employed specialist outplacement consultants for this purpose.

In addition, various company agreements were concluded, including an agreement to implement continuous triple shift operation for plasma protein production in Dreieich, which came into force at the end of last year.

Second tranche of performance-related pay implemented

As part of the Long Term Incentive Programme (LTIP) launched in financial year 2006 for performance-related pay for specialist and management staff, Biotest implemented the second tranche last year. The programme will run until 31 December 2009.

Participation was still conditional on the participant making a personal investment through the purchase of preference shares of Biotest AG. The level of the incentive payment is determined by the performance of Biotest shares in an SDAX comparison, by the average EBIT margin achieved (established on the basis of a three-year period) and by the level of the personal investment made. Details about the LTIP are provided in the notes of the Biotest Group, which start on page 93.

Supplementary report

With effect from 1 January 2008, Biotest hived off the development, production and marketing of immunological diagnostics systems and products in a separate company, Biotest Medical Diagnostics GmbH, whose registered office is in Dreieich. In addition to more efficient cost allocation, the advantage of this structure is that it offers greater flexibility when seeking strategic cooperation partners for this business.

With effect from 1 January 2008, the structures in the plasma protein business were aligned with the global growth strategy. Activities in plasma protein business and the development of biotherapeutics have been divided into two units with separate organisational structures. The Medical/Regulatory Affairs service segment is a new unit with cross-divisional responsibility for managing clinical development and drug approval.

In January 2008, the clinical trial for the development of Cytotect in the indication of congenital cytomegalovirus infection was launched. More than 20,000 pregnant women are scheduled to be included in the trial.

In February 2008, Biotest received the decision from Customs & Excise Head Office in Darmstadt dated 19 February 2008 regarding its application for equitable relief relating to further exemption from the tax on spirits. The authorities broadly accepted the grounds for exemption presented by Biotest and consequently, the risk associated with the tax on spirits which was mentioned in the 2006 Annual Report now no longer exists. The issue had originally arisen at the time of the transfer of the plasma protein production from Biotest Pharma GmbH to Biotest AG in 2004, because submission of the reapplication for a tax exemption in respect of the denatured alcohol used there was erroneously omitted. Biotest subsequently submitted the application for the tax exemption in the second quarter of 2006.

Risk report

Business operations and the development of sales and results of Biotest depend on a number of different factors, the occurrence of which cannot always be predicted and which may be completely or partially beyond our control. A situation such as this produces risks, which, should they arise, may have an adverse effect on Biotest's asset, financial and earnings position. The opportunities which may similarly arise are described in the report on opportunities (part of the outlook report).

Risk strategy

The Board of Management and the Supervisory Board of Biotest have specified in their joint risk strategy report that the company may take controlled risks in cases where prospects exist for long-lasting profitable growth. This primarily refers to the establishment of the new Biotherapeutic segment. The development of mAb opens up substantial additional sales and earnings potential for Biotest. However, for this purpose, considerable expenses will initially be incurred, for which there is no guarantee of whether or not they will result in the commensurate success.

On the basis of milestone planning, we are consequently monitoring project progress on a continuous basis and beyond this, we regularly cross-check our estimates of the available potential against current market data. As a matter of principle, all major Biotest managerial decisions, such as the approval of capital expenditure, are taken only after detailed assessment of the associated risks and opportunities.

Risk management and controlling

Biotest systematically compiles and assesses the operating and strategic risks. Their management forms an integral component of the overall management of the Group. All risks with wide-ranging implications and a reasonable probability factor are closely monitored.

An IT-based risk management system fulfilling the requirements of the German Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich, KonTraG) facilitates identification and evaluation of risks, as well as monitoring the measures introduced to limit such risks. The switch of all Group IT systems to the standard SAP software enhances our possibilities for capturing and evaluating data.

Major potential risks are a component of the monthly internal reporting system and beyond this, a risk management committee analyses the current exposure to risks in all business areas every six months and provides the Board of Management with a detailed risk report.

Biotest has taken out insurance policies to limit the financial consequences of liability risks and material damage to plant and machinery. The scope of the protection afforded by insurance is regularly reviewed and adjusted where necessary. Purchasing of financial derivatives to minimise interest rate and foreign exchange risks is carried out in line with the defined risk limits.

Presentation of significant individual risks

The risks described below are not the only such factors to which Biotest is exposed. Other risks and uncertainties, of which we may currently be unaware or which we presently regard as insignificant, could also impact on Biotest business operations and have an adverse effect on the asset, financial and earnings position of the company.

The order in which the risks below are listed is not in any way indicative of the probability of their occurrence.

Market environment and sector risks

Fluctuations in the economies of major sales markets only have a minor immediate bearing on the business situation of Biotest. The indirect effects are of greater significance, as the financial position of those playing a role in the healthcare sector and the situation of the public health sector depends on the economic environment. Cost-cutting measures in the healthcare sector can have a negative effect on the achievable margins in both operating segments.

The financial pressure on institutions financing the healthcare systems in all Biotest's major sales markets continues in spite of various reforms and we are therefore anticipating further governmental cost-cutting measures in the short to medium term.

A proportion of Biotest sales recorded by the Pharmaceutical segment is attributable to tender business. Business of this type can only be planned to a degree and in certain countries, it is subject to a high level of political influence, a situation which might lead to a contract granted to Biotest being revoked. In such cases, even if Biotest has already invested in the tender, there is a very limited chance of compensation and this is only awarded if the company invests considerable efforts to make a claim. As Biotest is extremely restrained in this market sector, the associated risk can be regarded as minor.

Biotest maintains relations with companies worldwide. In unfavourable circumstances, any destabilisation of the political situation in individual countries could adversely affect Biotest's business relations and outlook. A possible consequence is that sales achieved outside Europe may decline significantly.

The imposition of international sanctions against Iran may jeopardise the goals and investments of the BioDarou joint venture. As a result of the write-down in full of the stake in BioDarou carried out in financial year 2007, any losses relating to investments have already been reflected in the 2007 annual financial statements.

Supply market risks
We consider supply market risks to be the danger of shortages or price increases in the raw materials, auxiliary materials and operating supplies needed for production or in the pharmaceutical products obtained through toll manufacturing.

Of particular importance is the supply of human plasma. Biotest has concluded long-term supply agreements and covers a large part of the demand with its proprietary plasmapheresis stations. We have responded to the expanded production volume by increasing our own collection capacities. Should donor willingness decline or new and more stringent regulations for plasma procurement come into effect, it could become more difficult to obtain the supplies of raw material needed.

In the Pharmaceutical and Diagnostic segments, our production requires special raw materials, such as supplies of antigens, serums and biological products for the manufacture of the reagents used in diagnostics, or a special chromatography gel used in plasma purification. Should a shortage or significant increase in the price of auxiliary and operating supplies occur, Biotest might possibly be restricted in its production and supply capacity. We are of the opinion that this risk is very limited due to our long-term agreements with suppliers and other appropriate measures we have taken.

Risks relating to plasma as a raw material
Blood plasma is obtained from the blood or plasma of many donors. There is a residual risk of plasma contaminated with bacteria, viruses or prions that are currently known, but have remained undiscovered or were previously unknown, entering the production cycle and resulting in a contamination of the end products. In such cases, the authorities might mandate the recall of individual batches from the market, or restrict or suspend approval.

In addition, contamination caused by previously unknown bacteria, viruses or prions could result in tighter legislative controls on plasma-based drugs.

Biotest applies the highest safety standards to obtaining and processing plasma, which in many aspects exceed the stringent legal standards.

For example, when selecting the location of plasma collection centres, we exclude regions or districts of cities that are associated with a higher risk of infection from the outset.

All blood and plasma donations obtained are subjected to extensive testing and quarantine phases. The testing procedures we use comply with the latest scientific standards and reliably detect currently known bacteria and viruses. Biotest's manufacturing processes incorporate a number of viral deactivation or viral depletion stages, which further minimise the risk of contamination of the end products. The introduction of nanometer filtration for Intratect®, which is gradually being extended to the other plasma proteins, will further increase the safety of our preparations.

Within the bounds of human possibility, contamination of end products is considered as excluded.

Supply relationship risks
Biotest works with external suppliers in the manufacture and processing of products, material for clinical research and intermediate products. In contracting with third parties, there is a risk that individual business or cooperation partners may not comply with, or may not comply adequately with, their obligations or may terminate the contract with the company. There is also a risk of claims against us for possible infringements committed by our partners.

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

In view of the global shortage of plasma proteins at a time of rising demand, the risk of a sudden price collapse in this product sector is currently regarded as unlikely. In the Diagnostic segment, the consequences of fierce competition have already been taken into account, particularly in our pricing structure. Biotest monitors market developments on an ongoing basis in order to identify any potential changes at the earliest possible time.

The development of further international markets and the conclusion of long-term supply agreements have enabled Biotest to reduce the risk generated by short-term fluctuations in the volume of plasma proteins sold. However, the risk remains, in particular with regard to individual tenders, that the volume sold is lower than planned. As Biotest plasma proteins are complementary products, there is a risk that different sales opportunities for the individual end products could lead to increased stocks of other primary and end products.

Substitution risks exist primarily for plasmatic coagulation preparations in industrialised countries. Other countries switching to recombinant factors could adversely affect Biotest's sales opportunities there. According to Biotest observations, the relationship of the plasmatic and recombinant factors used worldwide has been stable for many years and there are no signs of demand for plasmatic coagulation factors decreasing in the short term.

There is a risk of default on trade receivables. Biotest is systematically observing the possibility of potential defaulting and limits the risk by corresponding default risk management, factoring, and to some degree, the conclusion of insurance policies.

Side effect or drug interaction risks
In drugs which have already received approval, unexpectedly severe or previously unknown side effects or drug interactions may arise. Inappropriate handling, storage or application of our preparations can also give rise to considerably negative effects on recipients and patients. Measures needed to be taken by the authorities in such cases range from ordering a recall of single batches to the restriction or suspension of approval. Side effects, drug interaction or inadequate quality may also have an adverse effect on the reputation of Biotest.

Process and production risks
Process and production risks are considered to be the impairment of an efficient and environmentally friendly provision of output through inefficient structures or production processes, or material damage to plant and machinery.

We are constantly monitoring and analysing our production processes in order to take swift action to deal with any possible risks arising at an early stage.

Research and development risks
In the research and development process of a new drug, many clinical tests are necessary before it receives approval prior to marketing and there is a risk that the therapeutic effects of the treatment, which had previously been assumed to exist, are not confirmed. In addition, it is impossible to put a precise figure on the level of investment required in advance, since unforeseen additional costs may arise.

This is a risk which is particularly relevant to the early research phases of monoclonal antibodies. Since this involves entering new pharmaceutical-technical terrain, there is an increased risk that developments fail either in part or completely, that approvals are not granted as anticipated, or that third parties initiate patent infringement procedures.

As part of the acquisition of the plasma protein segment of Nabi Biopharmaceuticals, assumptions were made about the implementation of development projects acquired together with the business. In reality, these assumptions may prove to be wrong, for example, with regard to the duration of development work, the amount of additional expenditure required or the overall success of the development.

On the basis of milestone planning, we constantly monitor the developmental progress of individual projects and, under the terms of our patent strategy, we continually verify and extend the patents protecting our products.

Personnel risks
Personnel risks arise from the potentially deliberate or accidental misconduct of employees, which might negatively affect production efficiency or safety.

Of essential importance to Biotest is the maintenance of a qualified workforce of dedicated employees and if required, the hire of promising new staff. This is the cornerstone relating to every area of the company, which especially applies to staff working in Research and Development and Regulatory Affairs. The company's growth in recent years, and the acquisition of Biotest Pharmaceuticals in particular, has enhanced the attractiveness of the Group as an employer. As a global company, we are in a position to offer promising employees attractive career prospects.

Biotest takes action to avoid personnel risks through ongoing and targeted employee training and a performance-related remuneration scheme for management.

The integration of former Nabi staff in the Biotest Group may result in a decrease in operational efficiency in the early stages. Biotest has limited this risk from the start by ensuring a high level of independence for Biotest Pharmaceuticals Corp. The integration will also be supported by comprehensive communication measures.

Economic and currency risks
Biotest earns part of its sales in foreign currencies. Exchange-rate fluctuations in the rate between the euro and these currencies could impact on the Biotest Group result, as well as on the sales potential in individual markets. Biotest purchases a proportion of the supplies of raw and auxiliary materials required in dollar-denominated markets and this produces a counter effect in each case.

The profit contribution of Biotest Pharmaceuticals Corp. (whose activities are processed in US dollars) to the Group result (which is calculated in euros) depends in part on the exchange rate between the two currencies.

Biotest uses derivative financial instruments to hedge the currency risk.

Economic risks may arise from the unexpected calling in of credit lines or a sudden increase in the lending rate. In the past, Biotest has changed its financing structure in favour of lending with a considerably extended long-term component. The Board of Management believes that the level of indebtedness, which increased as a result of the Nabi transaction, is appropriate in view of the additional growth opportunities the transaction has opened up. From the point of view of the Board of Management, long-term agreements and an ongoing dialogue with the lending banks indicate that the risk relating to economic factors is virtually negligible.

Other risks

The tax statements of the major companies in the Biotest Group, of Biotest AG and of Biotest Pharma GmbH for the years 1999 to 2007 have not yet been finalised, or remain subject to audit by the tax authorities. This may result in further demands from the tax authorities. In the past financial year, provisions were set up for expected further demand resulting from ongoing verification of the financial statements for the period from 1999 to 2003.

Preliminary proceedings have been brought against Biotest AG and Biotest Pharma GmbH relating to alleged violation of the Foreign Trade Law in connection with the United Nations "Oil for Food" programme introduced for Iraq. The case could have grave consequences for the parties responsible, including custodial sentences. The company considers the claims to be unfounded.

Given that the acquisition of the plasma protein business from Nabi Biopharmaceuticals was carried out by means of an asset deal, the approval of Nabi HB® has not been transferred to Biotest. The relevant agreements stipulate that Nabi Biopharmaceuticals will be responsible for marketing the product and Biotest will be entitled to the financial result generated by this.

General statement on the risk situation of the Group

It is the opinion of the Board of Management that Biotest is not currently subject to any risks extending beyond those which are an inevitable part of its business operations. All material risks are constantly monitored and where possible and reasonable, precautions are taken accordingly to avoid any potential financial consequences arising. No risks are currently evident which might jeopardise the financial stability of the Biotest Group.

Outlook

Statements relating to future expectations

Biotest is planning its future business development on the basis of assumptions made on the most probable scenario from the current perspective. However, it should be said that like all predictions of future development, these are associated with a degree of uncertainty. The actual development of the market environment in Biotest segments may differ considerably from the assumed development, both in a positive and negative direction.

Strategic direction the Group will take in the next two financial years

Continued implementation of the growth strategy

The next two financial years will be marked by the continuing implementation of the Biotest growth strategy. The focus will be on integrating the activities of Biotest Pharmaceuticals Corp. in the Group, the continued internationalisation of business in both segments – in particular expansion of the position in the USA – as well as the further targeted development of mAb. At Biotest Medical Diagnostics GmbH, we will consider a joint venture with a strategic partner, provided that the relevant opportunities arise.

Future sales markets

The acquisition of Biotest Pharmaceuticals Corp. has enabled us to enter the highly attractive US market for plasma proteins approximately three years earlier than would have been possible on the strength of Biotest AG alone. In the coming years, we intend to progressively expand the product offering in this market to include the products in the Biotest Pharmaceuticals development pipeline and individual products from Biotest AG, such as Humanalbumin.

In immunology and microbiology, the focus is on expanding our market position in the USA. We expect to receive approval of all manual reagents for blood group diagnostics from the FDA in the first half of 2008. The delay compared with the period indicated in the last annual report (end of 2007) results from the fact that the authorities requested additional documents from Biotest, which were submitted within the specified period. In our view, our position as a full service provider should impact positively on sales opportunities for TANGO® in the USA.

Approval process in other European countries further advanced

In parallel, we shall be further advancing the approval process for Biotest products in other European countries. The development of international sales structures launched in the previous financial year in microbiology will continue.

Future use of new processes

In the manufacture of plasma proteins at the Dreieich location, we shall be continuing the gradual process of switching to a state-of-the-art filter aid procedure which began in 2004. In 2008, we aim to obtain approval in other European countries for albumin produced using the filter aid procedure.

Biotest plans to obtain approval for its Dreieich facility from the FDA and achieve EU certification for the FDA-approved facility in Boca Raton. This will facilitate the establishment of a production network. Biotest can already process plasma obtained in the US donation centres in Dreieich. As a result of supply contracts taken over from Nabi, the amount is initially restricted to approximately 70,000 litres. However, the volume will increase substantially in subsequent years.

Following approval, which is expected in the second quarter of 2008, we will supplement the production procedure for Intratect® by nanometer filtration, an additional purification stage. The intention is to apply this stage successively to other plasma proteins manufactured in Dreieich. From 2009 onwards, we expect additional sales from the expansion of capacities in the chromatography facility.

In plasma protein production in Dreieich, we can switch to continuous triple shift operation as a result of the continued dynamic trend in demand. This means that the facility will be operating around the clock every day.

Future new products and services

In the coming years, we intend to market numerous new or further-developed products in both the Pharmaceutical and Diagnostic segments.

In this respect, we are anticipating the extension of approvals in Europe for Haemoctin®, Haemonine® and Albumin in 2008, with approval for the subcutaneously administered variant of Hepatect® following in 2009. For Cytotect® (treatment for cytomegalovirus infections in pregnancy), we plan to start the clinical trials required for approval of these new indications in the current year. For Intratect®, we are in discussion with the authorities regarding a plan to carry out a pivotal fibromyalgia trial in order to obtain approval. A medical product for application in cardiac surgery is anticipated to receive CE certification by the end of 2009.

In microbiology, we intend to launch new, user-friendly media systems for the identification of germs in laboratories on the market in the current year.

We shall continue to give priority to advancing the mAb projects in the coming years. For BT-061, we expect initial efficacy data from the clinical trial in the first half of 2008. If this provides the anticipated results, we will start the search for a partner for the late clinical development stages and for marketing the product.

For BT-062, clinical development in Phase I is scheduled to start in the first half of 2008. Pre-clinical development of BT-063 will continue in the current year. We will also manufacture material for clinical trials.

Development of the economic framework conditions

Market and sector forecasts indicate that the development trends observed in the past years will continue in the current year and the year ahead. The demand for plasma proteins is set to remain high, in particular for immunoglobulins. Here, an average annual growth rate of 7% to 8% is expected up to 2010.

Annual growth rate of 7% to 8% expected for immunoglobins

The global raw materials offering for plasma proteins will rise to the same extent and this is unlikely to result in any surplus supply in the short term.

We believe that prices for immunoglobulins and coagulation factors will continue to follow an upward trend, despite the fact that in light of apparent increased competition in individual export markets, the dynamic development of the past year is unlikely to be repeated.

To a large extent, the sales opportunities for coagulation factors are dependent on whether the number of haemophiliacs receiving treatment rises. It is our opinion that, particularly in the developing markets, the rising standard of affluence will bring with it increased demand for factor preparations.

In microbiology, we expect moderate growth as a result of increasingly stringent regulatory requirements. Quality suppliers are likely to benefit most from this development. Stronger marketing and sales activities in microbiology in Japan and the USA are expected to result in higher growth in sales in these countries.

In Europe, the immunological diagnostic segment will continue to operate in a market environment which remains difficult throughout 2008 and 2009. In the USA, our observations indicate that there will be no change in the very attractive market environment. The fact that to date, on account of the demanding FDA requirements, only two other suppliers along with Biotest have approval for transfusion diagnostics, leads us to confirm our belief that following approval for our manual reagents, we will capture a significant market share, and that this will be reflected in rising sales from the second half of 2008 onwards.

Expected business situation and earnings position

As a result of the first-time inclusion of the activities of Biotest Pharmaceuticals Corp., Group sales in 2008 will be significantly up on the previous year. We anticipate a figure in the region of €400 million, which represents an expected increase of 26% compared with financial year 2007.

The new US activities in the plasma protein segment will make a contribution to a positive operating profit figure as early as 2008. We are aiming for an increase of at least 10% in profit before tax for 2008.

Aim to increase profit before tax by 10%

In line with the corporate tax reform which came into force in Germany on 1 January 2008, the tax rates payable by Biotest for corporation and trade tax have been reduced to 15% and 12.95% (municipal trade tax in Dreieich) respectively.

To finance this tax rate reduction, the legislator has restricted the possibilities of taking into account expenses when establishing the taxable profit. In particular, interest expenses and lease payments will now only be tax deductible to a limited extent. As a result, Biotest will incur additional expenditure which will offset the savings resulting from the lower tax rates. For the current year, we anticipate a tax rate of 34% to 35%.

Opportunities

In addition to risks, the business activities of Biotest also provide opportunities for further sales and earnings. If these opportunities are realised, they may generate a distinct improvement on the forecast contained in the present outlook report.

Biotest practises a comprehensive corporate management approach to opportunities and risks. Continuous monitoring of sales markets and regulatory framework conditions enables us to identify associated opportunities at an early stage.

Close and constant dialogue with leading physicians also keeps us informed of the current status of medical developments in the markets relevant to us and we record scientific publications on the medical fields that are relevant to Biotest in an in-house database. This enables us to identify further potential areas of indication for our plasma proteins.

From the current perspective, the most interesting opportunities can be summarised as follows:

- In the Pharmaceutical segment, the possibility exists that new medical findings will significantly increase the indication spectrum of Biotest's plasma proteins. If there should be a marked improvement in the economic and political circumstances in Russia in the medium term, this would provide Biotest with the opportunity of further strengthening its presence in this market.

- For Biotest Medical Diagnostics GmbH, the critical size achieved by entering into partnership with another company could generate synergetic potential.

- Further global harmonisation of the regulations governing pharmaceutical production could lead to the generation of additional sales opportunities for microbiological hygiene monitoring products.

Board of Management summary of future company prospects

With the acquisition of the US plasma protein business, Biotest has taken another major step in its evolution as a global pharmaceutical, diagnostic and biotech group.

In the coming years, the Group will enter a new dimension in terms of sales, market coverage and earnings. Group sales totalling €500 million by 2010 seem realistic.

Subject to projects progressing according to schedule, we are set to reach the next state in the development of monoclonal antibodies in the Biotherapeutic segment.

Biotest is a company with sound financing and excellent future growth prospects.

Details in accordance with Section 315 (4) of the German Commercial Code (HGB)

The subscribed capital of Biotest AG in accordance with the Articles of Association amounts to €30.03 million. It is divided into 6,595,242 ordinary no-par-value shares and 5,133,333 preference no-par-value shares. The shares are bearer shares; preference shares do not carry voting rights.

On 12 February 2008, OGEL GmbH notified us that it holds 50.03% of the ordinary share capital of Biotest AG. The company is under the control of Dr. Cathrin Schleussner, who is a member of the Supervisory Board of Biotest AG.

The Kreissparkasse Biberach has notified us that it held 24.36% of the shares carrying voting rights as of 20 January 2007. Beyond this, the Board of Management is not aware of any direct or indirect shareholdings in the company exceeding 10% of the voting rights. There are no shareholders with special rights conferring controlling rights.

The members of the Board of Management are appointed and removed by the Supervisory Board, in accordance with the provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Article 7 (2) of the Articles of Association. Pursuant to Section 179 (1) of the German Stock Corporation Act (AktG), all amendments to the Articles of Association require a resolution to be passed by the Shareholders' Meeting (Section 133 AktG). The authority to amend the version of the Articles of Association has been assigned to the Supervisory Board according to Article 27 of the Articles of Association in compliance with Section 179 (1) Clause 2 of the German Stock Corporation Act (AktG).

In accordance with the resolutions adopted by the Shareholders' Meeting on 3 May 2007, the company is authorised to acquire its own shares pursuant to Section 71 (1) Clause 8 of the German Stock Corporation Act (AktG) up to a value of 10% of the share capital of €27,295,596 existing at the time of the Shareholders' Meeting. Together with other own shares held by the company or own shares that are attributable to it pursuant to Sections 71a ff. of the German Stock Corporation Act (AktG), the shares acquired must at no time amount to more than 10% of the share capital. The authorisation is valid until 2 November 2008; the company has not exercised its rights under this authorisation to date.

Furthermore, the resolution adopted by the Shareholders' Meeting on 20 May 2005 authorised the Board of Management to increase the company's share capital by up to €10,240 thousand by 19 May 2010 with the approval of the Supervisory Board, by issuing new ordinary and/or new preference shares against cash contributions and/or contributions in kind. Following the capital increases of 3 August 2005, 18 October 2005 and 28 September 2007, authorised capital amounts to €695 thousand.

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

Biotest AG has concluded significant agreements with third parties in respect of the long-term financing arrangements of the Group 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, where they consider that this would make the continuance of the agreement unacceptable.

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

The service agreements of both members of the Board of Management include a provision governing settlement in the event that the Board of Management agreement is prematurely terminated as a result of circumstances defined in detail as a change of control. Settlement comprises the fixed remuneration to the end of the contractual term plus any bonuses which may be due pro rata for the period concerned, calculated on the average amount of the past two financial years, plus a consideration taking into account the use of a company car.

If the remaining period is less than three years, the settlement shall constitute three times the annual fixed remuneration, plus bonuses and consideration for the company car. There shall be no entitlement if the Board of Management contract is terminated for serious reasons, illness or incapacity to work, or if members of the Board of Management have reached the age of 60 at the time of termination or have received considerations or benefits from a third party in connection with the change of control.

Income statement

of the Biotest Group for the period from 1 January to 31 December 2007

€ thousand	Note	2007	2006
Revenue	D1	326,419	281,941
Cost of sales		– 153,840	– 139,980
Gross profit		**172,579**	**141,961**
Other operating income	D5	6,533	7,815
Distribution expense		– 72,104	– 63,314
Administrative expense		– 25,960	– 22,869
Research and development expense	D4	– 34,476	– 26,078
Other operating expenses	D6	– 6,572	– 6,129
Operating profit Biotest Pharmaceuticals Corporation	F	– 1,488	–
Operating profit		**38,512**	**31,386**
Financial income	D7	1,177	363
Financial expenses	D8	– 9,349	– 9,830
Financial result		**– 8,172**	**– 9,467**
Costs relating to associated companies	D9	– 184	– 323
Profit before tax		**30,156**	**21,596**
Income tax	D10	– 12,879	– 4,255
Profit after tax		**17,277**	**17,341**
thereof:			
Retained earnings attributable to equity holders of the parent company		**15,522**	**16,041**
Minority interest		1,755	1,300
Earnings per share in €	E11	**1.39**	**1.48**
Additional dividend right per preference share in €	E11	**0.06**	**0.06**
Earnings per preference share in €	E11	**1.45**	**1.54**

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

Balance sheet

of the Biotest Group as of 31 December 2007

€ thousand	Note	31 December 2007	31 December 2006
ASSETS			
Intangible assets	E1	73,356	5,468
Property, plant and equipment	E2	191,764	122,071
Finance lease assets	E2	22,431	24,598
Investments in affiliates	E3	155	100
Investments in associates	E4	–	1,015
Other financial assets	E5	258	341
Other assets	E9	975	37
Deferred tax assets	E6	5,871	9,238
Total non-current assets		**294,810**	**162,868**
Inventories	E7	116,871	104,755
Trade receivables	E8	101,141	73,902
Current income tax assets		1,226	1,181
Other assets	E9	13,765	10,450
Cash and cash equivalents	E10	8,889	8,903
Total current assets		**241,892**	**199,191**
TOTAL ASSETS		**536,702**	**362,059**
EQUITY AND LIABILITIES			
Subscribed capital		30,025	27,296
Share premium		153,332	122,922
Reserves		23,614	10,378
Retained earnings attributable to equity holders of the parent company		15,522	16,041
Shareholders' equity	E11	**222,493**	**176,637**
Minority interest		3,267	2,676
Total equity	E11	**225,760**	**179,313**
Provisions for pensions and similar obligations	E12	43,103	43,123
Other provisions	E13	2,645	3,498
Financial liabilities	E14	162,690	64,653
Other liabilities	E15	–	6
Deferred tax liabilities	E6	3,780	2,670
Total non-current liabilities		**212,218**	**113,950**
Other provisions	E13	16,787	10,903
Current income tax liabilities		6,796	4,735
Financial liabilities	E14	26,069	16,669
Trade payables		32,117	23,490
Other liabilities	E15	16,955	12,999
Current liabilities		**98,724**	**68,796**
Total liabilities		**310,942**	**182,746**
TOTAL EQUITY AND LIABILITIES		**536,702**	**362,059**

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

Statement of recognised income and expenses

of the Biotest Group for the period from 1 January to 31 December 2007

€ thousand	2007	2006
Differences from currency translation	– 483	– 224
Costs of capital increase	– 465	–
Long Term Incentive Programme	–	– 135
Actuarial gains from defined benefit pension plans	1,319	194
Deferred tax on gains/losses recognised in equity	– 172	– 100
Other income/expenses recognised in equity	– 129	5
Gains/losses recognised in equity	**70**	**– 260**
Profit for the period	17,277	17,341
Total profit	**17,347**	**17,081**
thereof:		
Retained earnings attributable to equity holders of the parent company	15,564	15,794
Retained earnings attributable to minority interests	1,783	1,287
Total profit	**17,347**	**17,081**

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

Cash flow statement

of the Biotest Group for the period from 1 January to 31 December 2007

€ thousand	Note	2007	2006
Profit before tax		30,156	21,596
Depreciation and amortisation of intangible assets and property, plant and equipment	E1; E2	16,367	15,493
Loss from associates		184	323
Amortisation of securities held as financial assets		1,008	7
Losses from the disposal of fixed assets		30	735
Decrease of pension provisions	E12	– 558	– 660
Financial result		8,172	9,467
Cash flow from operating activities before changes in working capital		**55,359**	**46,961**
Increase in other provisions	E13	4,895	1,983
Increase in inventories, accounts receivable and other assets		– 31,201	– 10,025
Increase (2006: decrease) in liabilities and other terms on the liabilities side		11,628	– 3,145
Cash flow from changes in working capital		**– 14,678**	**– 11,187**
Interest paid		– 5,657	– 6,072
Taxes paid		– 6,550	– 3,329
Cash inflow from operating activities		**28,474**	**26,373**
Cash from the disposal of fixed assets		290	1,396
Payments for the investment in fixed assets	E1; E2	– 32,186	– 16,792
Payments for the acquisition of additional shares		– 55	– 100
Payments for the acquisition of the plasma protein business from Nabi Biopharmaceuticals	F	– 133,237	–
Changes in other financial assets		83	31
Interest received		609	170
Cash outflow from investing activities		**– 164,496**	**– 15,295**
Dividend payment for the previous year	E11	– 2,839	– 1,559
Dividend payments to minority interests	E11	– 1,203	– 1,047
Proceeds from capital increase	E11	33,139	–
Payments for the costs of the capital increase		– 465	–
Proceeds from the inclusion of financial liabilities	E14	154,572	38,418
Payments for redemption of financial liabilities	E14	– 47,102	– 45,523
Cash inflow (2006: outflow) from financing activities		**136,102**	**– 9,711**
Cash changes in cash and cash equivalents		80	1,367
Exchange rate-related changes		– 94	– 53
Cash and cash equivalents at the beginning of the period	E10	8,903	7,589
Cash and cash equivalents at the end of the period	**E10**	**8,889**	**8,903**

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

A General

The Biotest Group comprises Biotest Aktiengesellschaft (Biotest AG), the parent company with registered office in Dreieich/Germany, as well as its subsidiaries in Germany and abroad. The Group's headquarters are located at Landsteinerstrasse 5, D-63303 Dreieich, Germany. Biotest is a pharmaceutical, biotherapeutic and diagnostic company active in research and production and specialises in immunological and haematological applications.

In its Pharmaceutical segment, Biotest develops immunoglobulins, coagulation factors and albumins on the basis of human blood plasma, which are used for diseases of the immune system and the haemopoietic systems. The products are manufactured on the basis of blood plasma and human blood. Plasma Service Europe GmbH, Dreieich/Germany, Plasmadienst Tirol GmbH, Innsbruck/Austria and Biotest Pharmaceuticals Corporation, Boca Raton/USA, established in 2007, support the supply of blood plasma within the Group.

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

The Diagnostic segment comprises the manufacture of serology and microbiology reagents and systems which are used in blood transfusions, for example, as well as research and development in these fields. The products include test serums, culture media and hygiene monitoring devices; the segment also sells merchandise which complements the product portfolio.

The Biotest Group has 1,877 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 the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the interpretations of the Standing Interpretation Committee (SIC). Accounting at the Biotest Group is based on the IFRS whose application is mandatory for financial years commencing on 1 January 2007.

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

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

On 10 March 2008, the Board of Management of Biotest AG authorised the consolidated financial statements for issue to the Supervisory Board.

Changes in accounting and valuation methods due to new standards

The accounting and valuation methods applied in the previous year have been retained. In addition, the Biotest Group has applied the following new or revised standards and interpretations, which are mandatory for financial years commencing on or after 1 January 2007.

IFRS 7 "Financial Instruments: Disclosures"

The IASB issued IFRS 7 "Financial Instruments: Disclosures" in August 2005. This standard collates the disclosures on the financial instruments that had previously been regulated by IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Disclosures and Presentation". Several disclosure requirements were thereby changed or supplemented.

IFRS 7 is mandatory for financial years commencing on or after 1 January 2007.

The standard will result in more extensive details regarding financial instruments as of its full application by the Biotest Group for the first time in financial year 2007. The scope of disclosures regarding the type and extent of risks resulting from financial instruments has increased substantially.

IAS 1 "Presentation of Financial Statements – Capital Disclosures"

In August 2005, the IASB announced an amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures" in conjunction with the publication of IFRS 7 "Financial Instruments: Disclosures". Accordingly, information is to be published in the financial statements that allows the addressees of the financial statements to appraise the objectives, policies and processes for managing capital.

The amendment to IAS 1 is to be applied to financial years commencing on or after 1 January 2007.

The first-time application of this amendment to IAS 1 by the Biotest Group leads to more extensive disclosures in the notes in financial year 2007.

IFRIC 10 "Interim Financial Reporting and Impairment"

In July 2006, the International Financial Reporting Interpretations Committee (IFRIC) published Interpretation IFRIC 10 "Interim Financial Reporting and Impairment". IFRIC 10 addresses inconsistencies between the regulations under IAS 34 "Interim Reporting" compared to the rules on recording impairment losses on goodwill (IAS 36) and on certain financial assets (IAS 39).

IFRIC 10 stipulates that impairment losses recognised in the interim report and subject to the reinstatement prohibition in line with IAS 36 or IAS 39 may not be reversed in subsequent interim reports or annual/consolidated financial statements.

IFRIC 10 is to be applied to financial years commencing on or after 1 November 2006.

The Biotest Group has applied IFRIC 10 since 1 January 2007.

Standards/interpretations not applied ahead of schedule

The IASB has issued and/or amended a series of additional accounting standards and interpretations whose application is mandatory from 1 January 2008 at the earliest, provided that they are passed by the Council of the European Commission and are relevant to the Biotest Group.

Standards/ Interpretation	Title	Application from
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (revision)	1 January 2009
IAS 23	Borrowing Costs	1 January 2009
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 January 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programs	1 January 2009
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

From today's perspective, the first-time application of the accounting standards mentioned will have no material impact on the assets and liabilities, financial position and earnings of the Biotest Group.

B Material accounting policies

1 Scope of consolidation

With 5 (2006: 5) domestic and 13 (2006: 11) foreign companies in which Biotest AG directly or indirectly holds the majority of voting rights, all material subsidiaries are included in Biotest AG's consolidated financial statements.

In financial year 2007, changes were made to the scope of consolidation of the Biotest Group. Biotest AG established the Biotest Pharmaceuticals Corporation in Boca Raton in the USA, which has absorbed the assets from the asset deal with Nabi Biopharmaceuticals. Another company, the Biotest US Corporation, Boca Raton/USA, was also set up to benefit from potential tax advantages in the USA. This company holds all of the shares in the Biotest Pharmaceuticals Corporation.

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

The material companies included in the financial statements are listed in note G7 of the notes to the consolidated financial statements. Four subsidiaries without operating activities are not included in the scope of consolidation due to their negligibility. A complete listing of all companies in which an equity interest is held by the Biotest Group is disclosed in the online Federal Gazette (Bundesanzeiger).

2 Consolidation principle

The reporting date for Biotest AG and all companies included in the financial statements is 31 December 2007. The financial statements of the companies included are prepared in accordance with uniform accounting and valuation policies prescribed by Biotest AG.

Intragroup sales, expenses and income as well as accounts receivable and liabilities between the consolidated companies have been eliminated.

Capital consolidation is carried out pursuant to IFRS 3 according to the purchase method and the cost of purchase has been offset against the fair value of the equity attributable to the parent company at the time of purchase on a pro rata basis. Any remaining positive difference is recognised as goodwill in intangible assets. If the fair value of the pro rata equity capital attributable to the parent company is greater than the cost of purchase at the time of first consolidation, this results in a reassessment of the fair value. Any remaining amount in excess of the cost of purchase of the parent company is recognised immediately in the income statement. Goodwill is subject to regular impairment tests. Any lower fair values resulting from this measurement lead to unscheduled amortisation.

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

The book value of investments in associated companies includes pro rata start-up losses from the moment when a material influence is exercised. According to IAS 28 "Investments in Associates", the amount carried for the investment should include other financial exposure (such as loans) as well as the cost of purchase. Pro rata losses are offset against the book value of the investment.

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

3 Currency translation

The functional currency concept applies to the currency translation. The subsidiaries included in the Biotest Group conduct their operations independently and the functional currency of these companies is the respective local currency. When translating the annual financial statements of the subsidiaries whose functional currency is not the euro, assets and liabilities have been translated using the mean rate of exchange as of the balance sheet date and income and expenses have been translated using annual average rates. The resulting accumulated differences are recognised in a separate item in equity, which is reported under reserves in the balance sheet.

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

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

Equivalent of €1	Average rates		Rates as of the balance sheet date	
	2007	2006	31.12.2007	31.12.2006
US dollar	1.3706	1.2557	1.4721	1.3170
Pound sterling	0.6846	0.6818	0.7334	0.6715
Japanese yen	161.24	146.06	164.93	156.93
Swiss franc	1.6427	1.5731	1.6547	1.6069
Hungarian forint	251.32	264.13	253.73	251.77

Where monetary items (cash and cash equivalents, accounts receivable and liabilities) are recorded in local currency in the consolidated companies' individual balance sheets, these items are valued as of the balance sheet date. Resulting currency differences are reported under other operating income or expenses. Non-monetary items denominated in foreign currencies are carried at historical cost.

4 Intangible fixed assets

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

As part of the impairment test, goodwill is allocated to the respective cash generating units. The cash generating units are based on the segments.

The allocable future cash flows of these cash generating units are used to determine their recoverable amount as the value in use on the basis of the discounted cash flow method. This method discounts cash flows based on the five-year business plan and a long-term growth rate forecast. The growth rate depends on the particular business and is between 0% and 2%. The after-tax discount rates of between 7% and 9% are based on the relevant weighted average cost of capital (WACC). Necessary write-downs are determined by comparing the book value of the cash generating unit with the recoverable amount.

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

The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at least at the end of each financial year. If there is a change in the anticipated useful life of the asset or anticipated amortisation period of the asset, another amortisation period or amortisation method is to be selected. Such changes are treated as estimate changes. Amortisation on intangible assets with a definite useful life is reported in the income statement under the expense category which corresponds to the function of the intangible asset.

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

5 Property, plant and equipment

Property, plant and equipment are carried at cost of purchase and sales less accumulated scheduled depreciation and unscheduled depreciation in accordance with the purchase cost model. Depreciation is carried out on a straight line basis over the expected useful life in accordance with the component approach as follows:

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

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

With regard to self-constructed property, plant and equipment, in addition to material and personnel costs, the conversion costs include an appropriate portion of overheads. Repair and maintenance expenses are recognised in the income statement when incurred. Extensions and material improvements are capitalised. Interest cost is recognised as an expense. Government grants reduce the cost of purchase or conversion.

6 Leasing

Whether or not an agreement is or contains a leasing relationship is determined on the basis of its economic content. Here an assessment is required as to whether the performance of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset (IFRIC 4.6).

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

The assets capitalised in the context of finance leases mainly relate to production facilities and software.

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

7 Impairment

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

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

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

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

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

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

8 Inventories

Inventories are carried at cost or at lower recoverable net selling value as of the balance sheet date. The latter corresponds to the estimated selling price which may be recovered in the course of the ordinary business, reduced by expected completion or selling costs. The conversion cost is determined on the basis of the “first in first out” method or weighted average. In addition to the directly allocable individual costs, pursuant to IAS 2 “Inventories”, the production cost includes appropriate portions of the overheads locatable to the production process. These are based on the normal capacity of the production plant without taking account of interest costs.

9 Trade receivables and other assets

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

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

10 Other financial assets

Financial assets are valued at fair value or cost of purchase at the time when they are first reported. With regard to all financial assets which are not subsequently valued at fair value and recognised in the income statement, the transaction costs attributable to the acquisition are taken into account. The fair values stated in the balance sheet generally correspond to the market prices of financial assets. Where these are not readily available, fair values are calculated using recognised valuation models and with reference to current market parameters. The cash flows determined already or established on the basis of forward rates using the current yield curve, are discounted by the discount factors specified on the basis of the yield curve applicable on the balance sheet date. The mean rates are applied.

11 Cash and cash equivalents

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

12 Pension provisions

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

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

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

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

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

13 Other provisions

In accordance with IAS 37, provisions are recognised when there is a present (legal or constructive) obligation arising out of a past event and it is probable that this will result in an outflow of resources to settle the obligation and a reliable estimate can be made of the outflow of resources. It is valued at the probable amount. Provisions with an expected completion time of more than 12 months after the balance sheet date are recorded at present value.

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

Material companies within the Biotest Group are subject to the collective wage 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 benefit obligations are recognised for all employees who are likely to start working on a part-time basis when approaching retirement age during the term of the framework agreement. The maximum thresholds for the employer's obligation indicated in the framework agreement are taken into account in this context. Amounts are valued at the present value of the probable obligations. Past experience has shown that the thresholds stated in the collective wage agreement have been exhausted.

Long Term Incentive Programme
Biotest AG pursues a business policy focused on the interests of shareholders in terms of the shareholder value principle, which promotes the long-term value enhancement of the Biotest Group. As in the previous year, with the consent of the Supervisory Board, the company therefore resolved to continue the Long Term Incentive Programme (LTIP) with a further tranche in 2007.

Long Term Incentive Programme / 2007 tranche
The programme was launched on 20 June 2007 and runs until 31 December 2009. The structure of this tranche is largely the same as the tranche issued in 2006.

Participation in the programme is contingent on the participant's personal investment through the purchase of preference shares in Biotest AG. 25% of the acquisition was supported by Biotest AG. Participants were able to either retain or use as their personal investment those preference shares already acquired in 2006. The personal investment in preference shares is to be held in the custody account until the incentive payment is disbursed.

On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2010; this cash payment will depend on the level of own investment, the fixed salary as of 1 October 2007 and the achievement of two performance targets. The performance targets are allocated to factors by which the own investment is multiplied.

The level of the incentive payment is calculated in accordance with the following formula:

$$\frac{\text{own investment x performance factor 1} + \text{own investment x performance factor 2}}{100} \times \text{annual fixed salary as of 1 October 2007} = \text{payment}$$

The level of the performance factors derives from the extent to which the company has achieved agreed performance targets.

Performance target 1 refers to the development of the share price compared to a relevant comparative parameter. Here the performance of Biotest preference shares is compared to shares listed on the SDAX.

Position vs. benchmark (shares SDAX)	Performance factor 1
Better than 3rd quartile	0.04
Same as median	0.02
Better than 1st quartile	0.01
Worse/same as 1st quartile	0.00

However, the key criterion for performance factor 1 is that in financial year 2009, the company achieves earnings before interest and tax (EBIT) of at least €5,000 thousand before taking account of the LTIP. If EBIT remains below €5,000 thousand in 2009, the factor is 0.

Performance target 2 relates to the average EBIT margin achieved in the years 2007, 2008 and 2009 based on the total of the annual EBIT margins divided by three.

Performance factor 2 is also linked to another key criterion. The factor only comes into effect when the price of Biotest preference shares has outperformed the 1st quartile of the SDAX shares during the term. The calculation is carried out in the same way as for performance factor 1.

Average EBIT margin 2007–2009	Performance factor 2
16.5% and higher	0.04
Equal for 13.0%	0.02
At least 10.0%	0.01
Below 10.0%	0.00

For targets achieved that lie between the values indicated above, the respective factor is determined by linear interpolation.

If both performance criteria are met, on expiry of the performance period a minimum of 2% and a maximum of 8% of the annual fixed salary as of 1 October 2007 is paid out if there is a personal investment of 100 shares.

In addition to the members of the Board of Management, a further 59 people participate in the Long Term Incentive Programme with a total personal investment of 19,050 preference shares.

The valuation was carried out by external consultants (Towers Perrin, Frankfurt/Main), using the Monte Carlo simulation. In the valuation of market conditions as well as non-market conditions pursuant to IFRS 2 "Share-based Payment", conditions which affect the incentive payment but are not observable in the market are separated from observable market conditions. The determination of market conditions is undertaken by means of a fair value assessment. As of 31 December 2007, the fair value determining the granting of an incentive payment relating to the outperformance of the SDAX peer group amounted to €2.843 per 100 preference shares in the equity and €100 fixed payment. As of the time of granting the incentive payment on 20 June 2007, the fair value amounted to €1.470. Non-market conditions are taken into account through the addition of performance factor 2, determined on the basis of budget forecasts. The sum of the factors as of 31 December 2007 amounted to 4.468%.

All market parameters that are not directly observable are obtained through statistical estimates. Historical market data is used in the valuation to factor in volatility. The risk free market interest rate to be used is determined on the basis of the Svensson method parameters published by Deutsche Bundesbank. To determine the number of people likely to leave the programme during the term, a staff turnover rate of 4% was assumed for the beneficiaries.

The total expense up to 2009 is expected to amount to €1,074 thousand on the basis of 31 December 2007.

As a provision as of 31 December 2007, a pro rata value of €215 thousand was stated in line with the distribution over the full term up to 31 December 2009.

Long Term Incentive Programme / 2006 tranche
The 2006 tranche of the Long Term Incentive Programme was described in detail in the annual report for the previous year.

Performance factor 1 of the 2006 tranche is identical to the 2007 tranche, as shown below:

Position vs. benchmark (SDAX shares)	Performance factor 1
Better than 3rd quartile	0.04
Same as median	0.02
Better than 1st quartile	0.01
Worse/same as 1st quartile	0.00

Performance factor 2 of the 2006 tranche has slightly different intervals compared with the 2007 tranche, as follows:

Average EBIT marge 2006–2008	Performance factor 2
16.0% and higher	0.04
Equal to 12.5%	0.02
At least 9.1%	0.01
Below 9.1%	0.00

The level of the incentive payment is calculated in accordance with the following formula:

$$\frac{\text{own investment} \times \text{performance factor 1} + \text{own investment} \times \text{performance factor 2}}{100} \times \text{annual fixed salary as of 1 October 2006} = \text{payment}$$

Under IFRS 2, the balance sheet valuation of the 2006 tranche is treated as continuation of the 2005 programme with amended parameters. In the continuation of the programme from 2005, the valuation in the balance sheets as of 31 December 2006 and 2007 therefore follows on from the value as derived at the time of the Annual Shareholders' Meeting in May 2006. In 2006, this amount was increased to the year-end value of €490 thousand. The period expense totalled €355 thousand.

In 2007, the year-end value as of 31 December 2007 was increased to €775 thousand. The period expense amounted to €285 thousand in 2007.

The total of the factors as of 31 December 2007 changed from 3.398% to 4.907%. Following departures from the company and deinvestment, the number of beneficiaries decreased by seven people. Personal investment in preference shares was reduced by a total of 1,680 shares.

14 Financial liabilities

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

15 Financial instruments

Financial instruments are contracts which result in a financial asset for one company and a financial liability or equity instrument for another company.

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

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

The Biotest Group uses currency option and currency forward transactions, interest rate caps and payer swaps to hedge against interest rate and currency risks. No derivative financial instruments are acquired for trading purposes.

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

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

16 Revenue

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

Customer-specific construction contracts are accounted for according to the percentage of completion method under IAS 11 "Construction Contracts". The service provided, including pro rata results, is reported under revenue according to the percentage of completion. The percentage of completion is determined according to the expenses incurred (cost-to-cost method). Contracts are reported under accounts receivable or liabilities according to the percentage of completion method.

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

17 Research and development expense

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

18 Government grants for research and development

Government grants for research and development are recorded in the income statement at the time of the grant or in accordance with the research and development expense incurred. They are recorded under other income and not offset against the research and development expense.

19 Financial income and expenses

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

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

20 Taxes

The actual tax assets and tax liabilities for the current period and for earlier periods are to be valued at the amount at which a refund from or payment to the tax authorities is to be expected. The calculation of the amount reflects the tax rates and tax legislation of the respective national tax regulations of the countries in which the Biotest Group companies operate.

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

The book value of deferred tax assets is reviewed on each balance sheet date and reduced by the amount by which it is no longer probable that sufficient taxable income will be available to offset the deferred tax claim in part at least. In addition, deferred tax assets which have not been applied are reviewed on each balance sheet date and carried at the amount by which it is probable that future taxable income will facilitate the realisation of the deferred tax asset.

The respective current tax rates or those rates which were already passed by parliament are used to determine current tax expenses and deferred taxes.

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

21 Estimates

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

C Segment reporting

Information disclosed in the segment report has been prepared in accordance with IAS 14 “Segment Reporting”.

Segmentation in the Biotest Group is primarily aligned along product lines in accordance with internal reporting; the company is divided into the Pharmaceutical, Diagnostic, Biotherapeutic and Corporate segments.

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

- **Diagnostics**: The Diagnostic segment primarily produces and distributes diagnostic preparations for use in medical laboratories and for hygiene monitoring in industry.

- **Biotherapeutics**: The Biotherapeutic segment researches, develops and produces monoclonal antibodies, including for the treatment of rheumatoid arthritis and multiple myeloma.

- **Corporate**: The costs of the overriding Group management are shown separately in the Corporate segment. Assets contain other financial assets, income tax receivables, deferred tax assets and cash and cash equivalents. Liabilities pertain to bank loans for the financing of assets not assigned to the operating segments, income tax liabilities and deferred tax liabilities. In addition, expenses and earnings that cannot be assigned to other segments due to their uniqueness are reported in the Corporate segment.

The allocation of revenues to business segments (primary segmentation) was effected in accordance with their origination.

Segmentation of revenues by region (secondary segmentation) was effected in accordance with the customer’s geographical location. Assets were allocated on the basis of the geographical location of the owner.

Segment information by business segment

€ thousand		Pharma-ceuticals	Diagnostics	Biothera-peutics	Corporate	Total
Revenue with third parties	2007	247,050	79,369	–	–	326,419
	2006	205,085	76,856	–	–	281,941
Operating profit	2007	60,759	– 1,466	– 14,706	– 6,075	38,512
	2006	47,600	– 640	– 9,851	– 5,723	31,386
Loss from associates	2007	184	–	–	–	184
	2006	323	–	–	–	323
Assets	2007	445,855	67,942	59	22,846	536,702
	2006	281,050	59,434	–	21,575	362,059
Investments in associates	2007	–	–	–	–	–
	2006	1,015	–	–	–	1,015
Capital expenditure	2007	17,806	8,487	59	5,696	32,048
	2006	9,574	6,550	–	700	16,824
Liabilities	2007	236,985	40,308	14,488	19,161	310,942
	2006	114,487	37,814	1,426	29,019	182,746
Scheduled depreciation and amortisation	2007	10,913	5,138	62	11	16,124
	2006	10,772	2,881	11	1,161	14,825
Non-scheduled depreciation and amortisation	2007	122	121	–	–	243
	2006	335	334	–	–	669
Cash flow from operating activities	2007	56,431	– 1,581	– 12,086	– 14,290	28,474
	2006	40,507	3,141	– 9,311	– 7,964	26,373

Segment information by region

€ thousand	Revenue with third parties 2007	Revenue with third parties 2006	Assets 2007	Assets 2006	Capital expenditure 2007	Capital expenditure 2006
Germany	105,267	92,433	395,984	298,367	30,726	15,300
Rest of Europe	156,709	136,016	72,262	61,005	1,033	1,352
America	13,994	12,099	67,633	3,266	240	169
Asia	45,649	38,178	823	– 579	49	3
Rest of world	4,800	3,215	–	–	–	–
	326,419	**281,941**	**536,702**	**362,059**	**32,048**	**16,824**

There were no material supplies between the individual segments.

D Explanatory notes to the income statement

D1 Revenue

€ thousand	2007	2006
Revenue from Biotest Group products	300,944	258,926
Revenue from merchandise	14,376	12,687
Revenue from toll manufacturing	7,013	6,463
Revenue according to percentage of completion method	3,845	3,722
Other revenue	241	143
	326,419	**281,941**

D2 Cost of materials purchased

€ thousand	2007	2006
Raw materials and supplies	82,193	71,748
Services purchased	10,438	11,680
	92,631	**83,428**

D3 Staff cost

€ thousand	2007	2006
Wages and salaries	69,491	60,323
Social security contributions	12,227	11,369
Pension costs	1,944	1,608
	83,662	**73,300**

The staff cost includes expenses for indemnification and severance pay of €1,742 thousand (2006: €351 thousand). Of this amount, €1,644 thousand is attributable to the Diagnostic segment.

The average number of employees in terms of full-time equivalents amounted to 1,340 in financial year 2007 (2006: 1,118). As of 31 December 2007, the Biotest Group employed a staff complement of 1,726.5 (2006: 1,149.3) in terms of full-time equivalents.

As of 31 December 2007, the Biotest Group employed 1,877 staff (2006: 1,247).

D4 Research and development expense

The research and development expense amounting to €34,476 thousand (2006: €26,078 thousand) was reported in full in the income statement.

D5 Other operating income

€ thousand	2007	2006
Release of deferred liabilities	1,689	1,938
Foreign exchange gains from operating activity	1,426	858
Release of other provisions	1,069	986
Insurance reimbursement and other refunds	518	2,515
Reversal of write-downs	114	6
Gains from the disposal of fixed assets	12	7
Other earnings with associated companies	–	14
Other	1,705	1,491
	6,533	**7,815**

D6 Other operating expenses

€ thousand	2007	2006
Additions to provisions	2,047	114
Foreign exchange losses from operating activity	1,451	1,592
Unscheduled depreciation and amortisation	243	669
Write-downs of receivables	232	526
Indemnification	78	–
Losses from the disposal of fixed assets	42	742
Provisions for forced discount	–	584
Expense for compensation claims	–	34
Other expenses in connection with services to associates	–	15
Other	2,479	1,853
	6,572	**6,129**

D7 Financial income

€ thousand	2007	2006
Interest income	739	300
Foreign exchange gains from financing activity	24	–
Other	414	63
	1,177	**363**
thereof from financial instruments in the valuation categories according to IAS 39:		
Loans and accounts receivable (LaR)	474	265
Investments held to maturity (HtM)	4	4
Measurement of financial assets at fair value through profit or loss (FAFVtPL)	21	15

D8 Financial expenses

€ thousand	2007	2006
Interest expenses	7,016	6,983
Interest costs – syndicated loan agreement	–	1,125
Amortisation of investments in associates	1,008	–
Other	1,325	1,722
	9,349	**9,830**
thereof from financial instruments in the valuation categories according to IAS 39:		
Financial liabilities measured at amortised cost (FLAC)	7,189	8,626

The amortisation of investments in associates relates to the investment in BioDarou P.J.S. Co. reported as of 31 December 2007 in the amount of the pro rata equity of the company. The pro rata loss for the financial year (€184 thousand) is reported under costs relating to associated companies.

The syndicated loan agreement concluded in 2005 was ended prematurely in 2006 and replaced with a new agreement. For this reason, the structuring costs of the syndicated loan agreement from 2005 to be spread over the term of the agreement had to be released before maturity in the remaining amount of €786 thousand.

The syndicated loan agreement concluded in 2006 was also terminated early in 2007 and replaced with a new agreement for financing the asset deal with Nabi Biopharmaceuticals. This has not produced any special effects on the financial result.

D9 Costs relating to associated companies

The costs relating to associated companies of €184 thousand (2006: €323 thousand) include a pro rata loss amounting to €184 thousand (2006: €361 thousand) from the joint venture with BioDarou P.J.S. Co. with registered office in Teheran/Iran.

D10 Income tax

€ thousand	2007	2006
Taxes in the financial year	7,826	5,498
Current tax expense for previous years (2006: tax income)	757	– 476
Current taxes	**8,583**	**5,072**
Deferred taxes	**4,296**	**– 817**
Income tax expense	**12,879**	**4,255**

Deferred tax liabilities from items with direct negative or positive impact on equity amounted to €172 thousand (2006: €100 thousand).

Applying the nominal income tax rate of 37.9%, the expected tax expense varies for financial year 2007 from the actual amounts as follows:

€ thousand	2007	2006
Profit before tax	**30,156**	**21,596**
Expected tax expense (37.9%)	**11,429**	**8,185**
Unvalued losses in the financial year	707	158
Utilisation of unvalued loss carryforwards from previous years	– 1,332	– 4,016
Deferred taxes on loss carryforwards from previous years	– 1,437	– 208
Write-downs on deferred tax assets	827	–
Tax payments for previous years (2006: tax refunds)	757	– 426
Tax effect from capitalisation of corporation tax credit	–	45
Tax effect from non-deductible expenses	636	880
Tax effect from future changes in domestic tax rates	1,527	–
Tax effect from the application of foreign tax rates and use of foreign tax losses carried forward	– 225	– 146
Tax effect from tax-free income	– 17	– 20
Tax effect from capital increase costs	176	–
Other effects	– 169	– 197
Income tax in accordance with the income statement	**12,879**	**4,255**

The calculation of the tax rate of 37.9% is based on a corporation tax rate of 25%, a solidarity surcharge of 5.5% and the rate at which trade tax is levied by the municipality of Dreieich (registered office of the parent company).

D11 Auditors' expenses

The Biotest Group incurred auditors' expenses totalling €348 thousand (2006: €316 thousand). These break down into fees of €243 thousand (2006: €195 thousand) for the audit, €96 thousand (2006: €113 thousand) for tax consultancy services and €8 thousand (2006: €8 thousand) for other audit-related services. As in the previous year, there were no further expenses for other services.

E Notes to the balance sheet

E1 Intangible assets

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

€ thousand	Goodwill	Patents, licences and similar rights	Leased assets	Facilities under construction	Total
Cost of purchase					
As of 31 December 2005	**226**	**14,437**	**1,608**	**11**	**16,282**
Additions	–	2,314	–	–	2,314
Book transfers	–	10	–	– 10	–
Disposals	–	– 681	–	–	– 681
Currency translation differences	– 7	– 42	–	– 1	– 50
As of 31 December 2006	**219**	**16,038**	**1,608**	**–**	**17,865**
Additions to the scope of consolidation	26,926	37,125	–	–	64,051
Additions	–	5,571	–	–	5,571
Disposals	–	– 170	–	–	– 170
Currency translation differences	20	9	–	–	29
As of 31 December 2007	**27,165**	**58,573**	**1,608**	**–**	**87,346**
Accumulated depreciation					
As of 31 December 2005	**–**	**10,191**	**160**	**–**	**10,351**
Depreciation in the financial year	–	1,096	387	–	1,483
Unscheduled depreciation and amortisation	–	–	669	–	669
Book transfers	–	1		–	1
Disposals	–	– 69	–	–	– 69
Currency translation differences	–	– 39	1	–	– 38
As of 31 December 2006	**–**	**11,180**	**1,217**	**–**	**12,397**
Depreciation in the financial year	–	1,116	144	–	1,260
Depreciation and amortisation from PPA effect	–	321	–	–	321
Unscheduled depreciation and amortisation	–	–	243	–	243
Disposals	–	– 170	–	–	– 170
Currency translation differences	–	– 61	–	–	– 61
As of 31 December 2007	**–**	**12,386**	**1,604**	**–**	**13,989**
Book value as of					
31 December 2006	219	4,858	391	–	5,468
31 December 2007	**27,165**	**46,187**	**4**	**–**	**73,356**

As part of purchase price allocation (PPA) in relation to the acquired plasma protein activities of Nabi Pharmaceuticals, additional scheduled depreciation has arisen as a knock-on effect of the positive revaluation, which is reported separately in the statement of investments under depreciation from PPA effect.

Amortisation of intangible assets for financial year 2007 includes the amortisation of the Biotest Pharmaceuticals Corporation of €28 thousand. Total amortisation on intangible assets of the Biotest Pharmaceuticals Corporation of €349 thousand is stated in the income statement under operating profit Biotest Pharmaceuticals Corporation.

There are contractual obligations amounting to €689 thousand (2006: €1,482 thousand) for the acquisition of intangible assets.

The additions to patents, licences and similar rights in the financial year amounting to €5,571 thousand (2006: €2,314 thousand) essentially relate to the costs for SAP software totalling €4,858 thousand (2006: €701 thousand).

As a result of the realigned IT strategy, unscheduled amortisation of €243 thousand (2006: €669 thousand) was applied to leased intangible assets in the financial year.

The following items in the income statement include scheduled and unscheduled amortisation of intangible assets in the financial year:

€ thousand	2007	2006
Cost of sales	80	97
Distribution expense	353	379
Administrative expense	433	688
Research and development expense	365	319
Other operating expenses	244	669
Operating profit Biotest Pharmaceuticals Corporation	349	–
	1,824	**2,152**

As in the previous year, no intangible assets are used to collateralise liabilities to banks under the new syndicated loan agreement from 2007.

To test for impairment, the goodwill acquired during mergers was allocated to the cash generating units, which correspond to the four segments. As a result of the increasing internationalisation of the business activities of Heipha Dr. Müller GmbH and the associated links with other Biotest Group companies, Heipha Dr. Müller GmbH is no longer treated as an independent cash generating unit from financial year 2007, but is instead allocated directly to the cash generating unit represented by the Diagnostic segment.

The book values for goodwill are allocated to the individual cash generating units as follows:

Companies in the Biotest Group	Cash generating unit	Intangible assets	Book value as of 31 December 2007 in € thousand
Biotest Pharmaceuticals Corporation	Pharmaceutical segment	Goodwill	26,953
Heipha Dr. Müller GmbH	Diagnostic segment	Goodwill	155
Biotest Diagnostics Corporation	Diagnostic segment	Goodwill	57
			27,165

The recoverable amount of the respective cash generating unit is determined through the calculation of a value in use on the basis of cash flow forecasts based on the five-year financial planning drawn up by the company management. The after-tax discount rates of between 7% and 9% are based on the relevant weighted average cost of capital (WACC). The underlying growth rate in the calculation depends on the particular business and is between 0% and 2%. Necessary write-downs are determined by comparing the book value of the cash generating unit with the recoverable amount.

In the course of the annual impairment test, there was no requirement for any write-down on the individual cash generating units.

E2 Property, plant and equipment

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

€ thousand	Land and buildings	Machinery	Other plants, furniture and fixtures and office equipment	Leased assets	Facilities under construction	Total
Cost of purchase/ cost of sale						
As of 31 December 2005	**108,741**	**36,304**	**62,425**	**35,884**	**14,693**	**258,047**
Additions	1,054	1,494	4,422	89	7,451	14,510
Book transfers	–	13,774	3,539	109	– 17,421	1
Disposals	– 1,606	– 172	– 1,205	–	– 1	– 2,984
Currency translation differences	– 8	– 45	– 36	– 7	–	– 96
As of 31 December 2006	**108,181**	**51,355**	**69,145**	**36,075**	**4,722**	**269,478**
Additions to the scope of consolidation	34,258	20,333	1,261	–	12	55,864
Additions	1,061	6,130	5,973	979	12,334	26,477
Book transfers	–	3,959	99	–	– 4,058	–
Disposals	– 111	– 146	– 754	– 99	–	– 1,110
Currency translation differences	16	– 36	– 79	– 8	–	– 107
As of 31 December 2007	**143,405**	**81,595**	**75,645**	**36,947**	**13,010**	**350,602**
Accumulated depreciation						
As of 31 December 2005	**34,693**	**27,907**	**40,116**	**8,293**	**–**	**111,009**
Depreciation in the financial year	2,924	2,271	4,957	3,190	–	13,342
Book transfers	–	–	– 1	–	–	– 1
Disposals	– 345	– 129	– 991	–	–	– 1,465
Currency translation differences	– 5	– 36	– 29	– 6	–	– 76
As of 31 December 2006	**37,267**	**30,013**	**44,052**	**11,477**	**–**	**122,809**
Depreciation in the financial year	2,847	3,436	5,082	3,146	–	14,511
Depreciation from PPA effect	–	32	–	–	–	32
Book transfers	–	–	–	–	–	–
Disposals	– 96	– 99	– 496	– 99	–	– 790
Currency translation differences	– 16	– 64	– 67	– 8	–	– 155
As of 31 December 2007	**40,002**	**33,318**	**48,571**	**14,516**	**–**	**136,407**
Book value as of						
31 December 2006	70,914	21,342	25,093	24,598	4,722	146,669
31 December 2007	**103,403**	**48,277**	**27,074**	**22,431**	**13,010**	**214,195**

As part of purchase price allocation (PPA) in relation to the acquired plasma protein activities of Nabi Pharmaceuticals, additional scheduled depreciation has arisen as a knock-on effect of the positive revaluation, which is reported separately in the statement of investments under depreciation from PPA effect.

Depreciation on property, plant and equipment for financial year 2007 includes depreciation of the Biotest Pharmaceuticals Corporation amounting to €248 thousand. Total depreciation on property, plant and equipment of the company of €280 thousand is reported in the income statement under the item "operating profit Biotest Pharmaceuticals Corporation".

Government grants for the acquisition or production of assets reduced the cost of purchase and cost of sales. In financial year 2007, the accumulated reduction amounted to €699 thousand (2006: €643 thousand).

Assets capitalised as finance leases primarily relate to production facilities of Biotest AG for plasma fractionation and sterile final fill. The sterile final fill was completed in financial year 2002 and depreciation was recorded for the first time in the same year. The plasma fractionation facility started operations in 2004. The term of the lease contracts for the two facilities amounts to eight years in each case. Biotest may terminate the contracts with three months' notice. The earliest possible date, however, is a date on which at least 40% of the contractual term has passed. Biotest only has the right of termination prior to expiry of 90% of the contractual term if Biotest provides evidence of exceptional circumstances with regard to the possibility or ability to utilise the facilities. After expiry of the contracts, Biotest may purchase the facilities at market value.

Collateral for the new syndicated loan agreement was provided by a charge of €95 million on real estate belonging to Biotest AG, Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor. The creation of a global charge on real estate belonging to the company and its subsidiaries of €100 million was notarised on 18 March 2003 as part of an earlier collateral trustee agreement. Moreover, shares in the Biotest Pharmaceuticals Corporation were pledged as collateral.

Facilities under construction primarily consist of partial payments settled of €12,371 thousand (2006: €4,687 thousand) for the expansion of the IG-CP facility (facility for chromatographic purification of immunoglobulins) and the adjustment of production functions.

E3 Investments in affiliates

Investments in affiliates amounting to €155 thousand break down as follows:

€ thousand	2007	2006
Biotest Medical Diagnostics GmbH	55	–
Biotest Hycon GmbH	50	50
Biotest Immobilien Verwaltungs GmbH	25	25
Biotest Immobilien GmbH & Co. KG	25	25
	155	**100**

Biotest Hycon GmbH and Biotest Medical Diagnostics GmbH are wholly-owned subsidiaries of Biotest AG. Biotest Immobilien Verwaltungs GmbH and Biotest Immobilien GmbH & Co. KG are wholly-owned subsidiaries of Biotest Pharma GmbH. The companies are not operationally active and are therefore not consolidated for negligibility reasons.

E4 Investments in associates

Investments in associates refer to the 49% stake held by Biotest Pharma GmbH in BioDarou P.J.S. Co. with registered office in Teheran/Iran, which is valued using the equity method.

The object of the company is the collection of plasma and its processing into immunoglobulins, factors and human albumin at Biotest.

In the first stage, the partners in the joint venture intend for the company to gradually be equipped with equity of up to €4,000 thousand. The respective required shareholder resolutions are adopted separately according to the financial requirement. To date, Biotest Pharma GmbH has paid a contribution of €796,572 and written this down in full due to the difficult political situation in Iran and the fact that the company continues to make a loss. The capital of BioDarou P.J.S. Co. amounts to 30 billion rial and is fully paid up.

The success of the company depends on it collecting a critical mass of plasma, in order to break even. Political developments in Iran will play a decisive role in achieving this.

The joint venture had the following assets and liabilities as of the balance sheet date:

The value of non-current assets amounted to €3,998 thousand (2006: €4,544 thousand) as of 31 December 2007 and the value of current assets amounted to €1,290 thousand (2006: €1,693 thousand).

The value of non-current liabilities amounted to €2,694 thousand (2006: €3,410 thousand) as of 31 December 2007 and the value of current liabilities amounted to €1,290 thousand (2006: €1,891 thousand).

The company has yet to achieve sales from its own production. However, a first, relatively low-volume delivery of blood plasma was made to Biotest in financial year 2007 for manufacturing human albumin. The resulting product sales are expected in the second quarter of 2008.

In financial year 2007, the company reported a loss of €376 thousand (2006: €737 thousand).

E5 Other financial assets

€ thousand	2007	2006
Bond funds (Financial Asset at Fair Value through Profit and Loss)	130	177
Fixed-income securities (Held to Maturity)	111	137
Loans to employees (Loans and Receivables)	17	27
	258	**341**

In financial years 2007 and 2006, financial instruments were not reclassified.

The fair value of the Financial Assets at Fair Value through Profit or Loss category comprises various positions whose fair value is determined in different ways. Fund units account for the major portion; their fair value as of 31 December 2007 was advised by the custodial bank in writing. Another component in this position is life assurance cover capital valued by the insurance company as of 31 December 2007 using actuarial methods.

The fair value of the Held to Maturity category, which includes fixed-term deposits, corresponds to the nominal value.

The Loans and Receivables category includes loans to employees; the fair value is set at the nominal value.

E6 Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities refer to the following items on the balance sheet:

€ thousand	Assets		Equity and liabilities		Net	
	2007	2006	2007	2006	2007	2006
Intangible assets	95	129	414	235	– 319	– 106
Property, plant and equipment	14	19	13,549	15,317	– 13,535	– 15,298
Other financial assets	361	243	91	62	270	181
Inventories	5,698	6,056	36	44	5,662	6,012
Accounts receivable	20	12	2,272	2,525	– 2,252	– 2,513
Provisions	1,320	1,243	37	85	1,283	1,158
Financial liabilities	4,051	7,199	436	–	3,615	7,199
Other liabilities	1,170	1,298	119	199	1,051	1,099
Other balance sheet items	3,155	4,182	17	2	3,138	4,180
Tax value of the loss carried forward	3,178	4,656	–	–	3,178	4,656
Sub-total	**19,062**	**25,037**	**16,971**	**18,469**	**2,091**	**6,568**
Less deferred tax assets set off against deferred tax liabilities	– 13,191	– 15,799	– 13,191	– 15,799	–	–
Deferred tax assets/liabilities	**5,871**	**9,238**	**3,780**	**2,670**	**2,091**	**6,568**

Deferred taxes have not been recognised for tax loss carryforwards of €3,001 thousand (2006: €4,566 thousand), as we currently do not expect with sufficient certainty to be able to use such loss carryforwards. Deferred taxes not recognised for loss carryforwards of €2,018 thousand (2006: €4,406 thousand) are attributable to German companies and of €983 thousand (2006: €160 thousand) to foreign companies. At present, loss carryforwards can be carried forward for an unlimited time in Germany.

E7 Inventories

€ thousand	2007	2006
Raw materials and supplies	22,573	18,186
Work in progress	59,622	66,718
Finished goods and merchandise	34,676	19,851
	116,871	**104,755**

Write-downs on inventories amounted to €5,806 thousand (2006: €3,910 thousand) as of the balance sheet date; after the write-down to the net realisable value, the corresponding inventories had a residual book value of €17,997 thousand (2006: €13,711 thousand).

As in the previous year, no inventories were used as collateral for liabilities to banks in the new syndicated loan agreement signed in financial year 2007.

Inventories with a reach of more than one year are recorded at a book value of €2,534 thousand (2006: €0 thousand).

The breakdown of impairment losses on inventories is as follows:

€ thousand	2007	2006
As of 1 January	**3,910**	**4,397**
Utilisations	– 2,216	– 2,746
Releases	– 66	– 112
Additions	4,183	2,376
Foreign exchange differences	– 5	– 5
As of 31 December	**5,806**	**3,910**

E8 Trade receivables

All trade receivables are due within one year and are allocated to the "Loans and Receivables" (LaR) category. They comprise the following items:

€ thousand	2007	2006
Trade receivables (gross)	122,691	100,479
Sale of receivables	– 18,581	– 22,435
Allowance for bad debts	– 2,969	– 4,142
Trade receivables (net)	**101,141**	**73,902**

The allowance for bad debts is determined as the difference between the nominal value of the accounts receivable and the estimated recoverable net amount. For the estimate, the Biotest Group uses historical values relating to the payment behaviour of specific customers and knowledge about country-specific circumstances. When determining the value of trade receivables, account is taken of all changes in credit ratings since granting the payment target and up to the balance sheet date. This applies to changes in country risks and specific customer risks. For write-downs on trade receivables, the Biotest Group exclusively uses specific bad debt charges. General bad debt charges are not applied.

Under factoring contracts, Biotest AG and Biotest Hellas MEPE disposed of accounts receivable in the amount of €18,581 thousand (2006: €22,435 thousand) as of the balance sheet date. The factoring programme provides for the sale of domestic and foreign accounts receivable of Biotest AG, whereby each customer has an individual credit limit. Furthermore, these contracts provide for the sale of accounts receivable from private hospitals in Greece by Biotest Hellas MEPE up to a volume of €14,800 thousand. Provided that the accounts receivable are legally valid, the factor carries the risk of the customer's inability to pay the accounts receivable purchased (risk of default).

As in the previous year, no accounts receivable served as collateral for liabilities to banks as of the balance sheet date.

Trade receivables include accounts receivable according to the percentage of completion method amounting to €3,845 thousand (2006: €3,722 thousand). These relate to customer-specific construction contracts which are valued at the corresponding cost of sales incurred including pro rata profit.

The allowance for doubtful trade receivables and accounts receivable according to the percentage of completion method developed as follows:

€ thousand	2007	2006
As of 1 January	**4,142**	**3,830**
Additions	285	741
Utilisations	– 1,207	– 112
Releases	– 251	– 317
As of 31 December	**2,969**	**4,142**

The analysis of the age of trade receivables provides the following information:

€ thousand	2007	2006
Book value	**101,141**	**73,902**
thereof not impaired and not overdue as of the reporting date	70,715	38,883
thereof not impaired and overdue in the following periods		
< 90 days overdue	17,837	13,217
91 – 181 days overdue	4,879	7,877
181 – 365 days overdue	4,647	9,130
> 1 year overdue	2,839	4,044

Of the overdue accounts receivable by the Biotest Group in financial year 2007, €16,638 thousand (2006: €26,828 thousand) relate to accounts receivable of Biotest Italia S.r.l. and Biotest Hellas MEPE. Due to country-specific payment procedures, overdue accounts receivable are common practice in these locations. The creditworthiness of the debtors is essentially ensured, since these accounts receivable are accounts receivable from state-run hospitals and it can therefore be assumed that the outstanding amounts will be paid.

Net trade receivables are denominated in the following currencies:

€ thousand	2007	2006
EUR	82,411	62,408
USD	13,586	8,188
GBP	1,592	1,162
HUF	2,570	1,660
Other currencies	982	484
Trade receivables (net)	**101,141**	**73,902**

E9 Other assets

€ thousand	2007		2006	
	Total	thereof non-current	Total	thereof non-current
Accounts receivable from factoring companies	8,169	–	6,681	–
Accounts receivable from associated companies	–	–	1,220	–
Value-added and other tax claims	850	97	828	–
Deferred items	3,230	233	632	25
Derivatives	414	335	197	–
Payments in advance	158	–	97	–
Other assets	1,919	310	832	12
	14,740	**975**	**10,487**	**37**

Allowances for other assets developed as follows:

€ thousand	2007	2006
As of 1 January	**964**	**964**
Additions	–	–
Utilisations	–	–
Releases	–	–
Currency translation differences	–	–
As of 31 December	**964**	**964**

The analysis of the age of other assets provides the following information:

€ thousand	2007	2006
Book value	**14,740**	**10,487**
thereof not impaired and not overdue as of the reporting date	14,697	10,460
thereof not impaired and overdue in the following periods		
< 90 days overdue	–	–
91 – 181 days overdue	–	4
181 – 365 days overdue	–	3
> 1 year overdue	–	8

In financial year 2007, the Biotest Group achieved income from operating leases amounting to €191 thousand. According to the valid operating lease agreements as of the balance sheet date, lease income of €525 thousand results for financial year 2008 and for the subsequent four financial years a total amount of €1,841 thousand. From financial year 2013 onwards, accumulated lease income will amount to €2,428 thousand.

Other assets are denominated in the following currencies:

€ thousand	2007	2006
EUR	11,691	10,170
USD	2,543	48
GBP	94	10
HUF	206	176
Other currencies	206	83
	14,740	**10,487**

E10 Cash and cash equivalents

€ thousand	2007	2006
Bank balances	8,748	8,806
Cash on hand	141	97
	8,889	**8,903**

Please refer to the cash flow statement of the Biotest Group for details regarding the development of cash and cash equivalents.

E11 Equity

Biotest AG implemented one capital increase in financial year 2007. On 28 September 2007, the subscribed capital was increased by €2,729,556.48 (599,567 ordinary shares and 466,666 preference shares).

The subscribed capital is fully paid up and amounted to €30,025,152 (ordinary shares: €16,883,819.52; preference shares: €13,141,332.48) as of 31 December 2007. As of that date, it was divided into 6,595,242 ordinary shares of no-par value and 5,133,333 preference shares of no-par value and without voting rights. Certification of shares is precluded. The theoretical nominal value of these shares therefore amounted to €2.56. In the previous year, the subscribed capital amounted to €27,295,596 (ordinary shares: €15,348,928; preference shares: €11,946,668) and was divided into 5,995,675 ordinary shares and 4,666,667 preference shares.

The distributable profit of Biotest AG determined in accordance with the German Commercial Code is the basis for the profit distribution in any financial year.

In her letter dated 8 February 2008, Dr. Cathrin Schleussner advised us that her share of the voting rights as of that day amounted to 50.03%. The voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner. As of the reporting date of 31 December 2007, Kreissparkasse Biberach held 24.36% of the company's ordinary shares according to its latest notification. Other major share parcels, also according to the respective most recent notifications, are held by Baden-Württembergische Investmentgesellschaft mbH (7.43%), Deka Investment GmbH (8.25%) and BayernInvest Kapitalanlagegesellschaft mbH (6.37%), which are attributed voting rights on the shares in accordance with Section 22 (1) No. 6 of the German Securities Trading Act (WpHG) in each case.

The proposed appropriation of profits provides for a dividend distribution of €3,827 thousand in 2007. The dividend on ordinary shares amounts to €0.30/share and on preference shares €0.36/share. Preference shares carry minimum dividend rights of €0.11/share. Moreover, should holders of ordinary shares receive a dividend of more than €0.11/share, holders of preference shares receive an additional dividend of €0.06 €/share. If no dividend is paid on preference shares in one year, this must be paid in the following year. If the dividends are not paid in the second year, the preference shares are furnished with voting rights (cf. Section 140 (2) of the German Stock Corporation Act (AktG)).

By resolution of the Annual Shareholders' Meeting held on 3 May 2007, Biotest AG was authorised to purchase own ordinary and/or preference shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 2 November 2008 up to 10% of the capital stock at the time of purchase in the amount of €27,296 thousand. Moreover, with the consent of the Supervisory Board, the Board of Management was authorised by resolution of the Annual Shareholders' Meeting on 20 May 2005 to increase the capital stock of Biotest AG by up to €10,240 thousand through the issue of new ordinary and preference shares in return for contributions in cash or in kind (authorised capital) up until 19 May 2010. Following the capital increase on 28 September 2007, the authorised capital amounts to €695 thousand.

Issuance can take place once or on several occasions, whereby shareholders' subscription rights may be excluded. In addition, the Board of Management was authorised with the consent of the Supervisory Board to issue profit-sharing rights until 7 July 2009 with a nominal amount of up to €50,000 thousand. Use was made of this authorisation in financial year 2005 in the amount of €10,000 thousand.

A further capital increase was implemented at Viro-Immun Labor-Diagnostika GmbH in the amount of €344 thousand on 31 July 2007. Since the minority shareholders did not participate in the capital increase pro rata of their investment, their stake was diluted from 48.80% to €21.35%. The stake of Biotest AG in Viro-Immun Labor-Diagnostika GmbH increased accordingly from 51.20% to 78.65%.

Earnings per share are determined by dividing the consolidated profit attributable to all shareholders by the weighted average number of shares outstanding.

€ thousand	2007	2006
Profit for the period	15,522	16,041
Additional dividend on preference shares	– 287	– 280
Consolidated earnings adjusted for additional dividend rights	**15,235**	**15,761**
Number of shares outstanding (corresponds to weighted average)	10,939,855	10,662,342
Earnings per share in €	1.39	1.48
Additional dividend rights per preference share in €	0.06	0.06
Earnings per preference share in €	**1.45**	**1.54**

Statement of changes in equity of the Biotest Group for the period from 1 January to 31 December:

€ thousand	Subscribed capital	Share premium	Accumulated differences from currency translation	Earnings and reserves	Equity before minority interest	Minority interests	Total equity
As of 1 January 2006	**27,296**	**123,057**	**– 639**	**12,688**	**162,402**	**2,436**	**164,838**
Gains/losses recognised immediately in equity	–	– 135	– 224	112	– 247	– 13	– 260
Profit for the period	–	–	–	16,041	16,041	1,300	17,341
Total result	**–**	**– 135**	**– 224**	**16,153**	**15,794**	**1,287**	**17,081**
Dividend payments for 2005	–	–	–	– 1,559	– 1,559	– 1,047	– 2,606
As of 31 December 2006	**27,296**	**122,922**	**– 863**	**27,282**	**176,637**	**2,676**	**179,313**
As of 1 January 2007	**27,296**	**122,922**	**– 863**	**27,282**	**176,637**	**2,676**	**179,313**
Gains/losses recognised immediately in equity	–	–	– 483	525	42	28	70
Profit for the period	–	–	–	15,522	15,522	1,755	17,277
Total result	–	–	**– 483**	**16,047**	**15,564**	**1,783**	**17,347**
Capital increase Biotest AG	2,729	30,410	–	–	33,139	–	33,139
Acquisition of minority interests	–	–	–	– 8	– 8	11	3
Dividend payments for 2006	–	–	–	– 2,839	– 2,839	– 1,203	– 4,042
As of 31 December 2007	**30,025**	**153,332**	**– 1,346**	**40,482**	**222,493**	**3,267**	**225,760**

E12 Pension provisions and similar obligations

The benefits are based on the employee's length of service and salary. Retirement benefit obligations are essentially recognised for employees in German and Greek companies. Similar obligations include foreign obligations which become due in the form of a one-time payment upon retirement.

Pension provisions and similar obligations consist of the following:

€ thousand	2007	2006
Pensions	41,892	41,918
Similar obligations	1,211	1,205
	43,103	**43,123**

The net amount of pension provisions and similar obligations is derived as follows:

€ thousand	2007	2006
Present value of retirement benefit obligations funded by provisions	**42,923**	**42,843**
Present value of retirement benefit obligations funded by pensions liability insurance	857	956
Fair value of plan assets (employer's pension liability insurance)	– 677	– 676
Present value of retirement benefit obligation	**43,103**	**43,123**

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

€ thousand	2007	2006
Pension provisions as of 1 January	**43,123**	**42,363**
Pension payments in the reporting period	– 1,999	– 2,057
Release of pension provisions for persons no longer eligible for benefits	– 10	–
Pension costs	3,308	3,011
Actuarial gains recognised in equity	– 1,319	– 194
Pension provisions as of 31 December	**43,103**	**43,123**

Defined benefit plans generated overall expenses of €3,308 thousand during the reporting year (2006: €3,011 thousand), comprising the following components:

€ thousand	2007	2006
Current service cost	1,501	1,372
Changes in the fair value of plan assets (employer's pension liability insurance)	– 85	– 47
Interest expense	1,892	1,686
	3,308	**3,011**

In financial year 2007, actuarial gains amounting to €1,319 thousand (2006: €194 thousand) were recognised in equity.

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

€ thousand	2007	2006
Cost of sales	657	571
Distribution expense	345	304
Administrative expense	289	256
Research and development expense	211	183
Other operating expenses	–	58
Financial expenses	1,806	1,639
	3,308	**3,011**

The calculations are based on the following actuarial assumptions:

in %	2007	2006
Discount rate as of 31 December	5.5 – 5.7%	4.1 – 4.5%
Expected return on plan assets	4.1 – 4.5%	4.0 – 4.3%
Salary progression	1.5 – 3.5%	1.5%
Pension progression	1.5 – 2.0%	1.5%
Staff turnover rate	3.0 – 4.5%	3.0 – 4.5%

The actuarial assumptions are based on empirical values.

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

€ thousand	2007	2006
Defined benefit obligation as of 1 January	**43,799**	**42,992**
Current service cost	1,501	1,372
Interest expense	1,892	1,686
Actuarial gains and losses	– 1,319	– 194
Pensions paid	– 2,093	– 2,057
Defined benefit obligation as of 31 December	**43,780**	**43,799**

The following table shows the reconciliation account for the present value of the plan assets:

€ thousand	2007	2006
Present value of plan assets as of 1 January	**676**	**629**
Expected return on plan assets	60	26
Actuarial gains and losses	– 5	5
Employer's contribution	17	17
Pensions paid	– 71	– 1
Present value of plan assets as of 31 December	**677**	**676**

The actual income from plan assets amounted to €61 thousand in the financial year (2006: €26 thousand).

As in the previous year, plan assets exclusively comprise insurance contracts.

IAS 19.120 A p) requires the presentation of an overview of the current year and preceding four years:

€ thousand	2007	2006	2005	2004	2003
Present value of the defined benefit obligation (DBO)	43,780	43,799	42,992	37,286	34,376
Fair value of plan assets	677	676	629	766	770
Expectation-related adjustments:					
a) plan liabilities	861	1,501	2,226	3,701	– 1,653
b) plan assets	– 8	– 32	– 8	7	37

In the financial year under review, €6,036 thousand (2006: €5,319 thousand) were recorded in connection with contribution-based pension plans.

The breakdown of expenses for contribution-based pension plans is as follows:

€ thousand	2007	2006
Contribution-based pension plans of the company	182	219
Employer contributions to statutory pension insurance	5,854	5,100
	6,036	**5,319**

E13 Other provisions

€ thousand	Partial retirement	Other staff-related costs	Other	Total	Of which short-term
As of 31 December 2006	**3,923**	**6,766**	**3,712**	**14,401**	**10,903**
Additions	421	9,813	5,570	15,804	
Utilisations	– 1,499	– 5,773	– 2,494	– 9,766	
Releases	–	– 690	– 379	– 1,069	
Currency translation differences	–	– 25	– 6	– 31	
Addition of accrued interest	102	– 9	–	93	
As of 31 December 2007	**2,947**	**10,082**	**6,403**	**19,432**	**16,787**

The additions in financial year 2007 comprise the addition of the Biotest Pharmaceuticals Corporation. In the income statement, this amount is reported under operating profit Biotest Pharmaceuticals Corporation.

The impact of changes to the discount rate on the present value of the previous year amounts to €–142 thousand.

The corresponding provision has been recognised pursuant to the collective agreement to promote partial retirement of Bundesarbeitgeberverband Chemie e.V., which runs until 31 December 2009. In addition to obligations for current partial retirement arrangements (performance backlog, top-up amounts and severance payments if required), the provision includes funds for anticipated future drawdowns (top-up amounts and severance payments if required).

The other staff-related provisions essentially comprise provisions for profit sharing, anniversaries and contributions to the employer's liability insurance association.

Other provisions include provisions for the Long Term Incentive Programme as well as the negative fair value of derivative financial instruments, the utilisation of guarantees, process risks and similar facts.

At €665 thousand, the release of other provisions mainly relates to profit sharing by employees.

E14 Financial liabilities

€ thousand	2007	2006
Non-current liabilities		
Collateralised liabilities to banks	138,535	41,209
Unsecured subordinated loans	15,015	9,713
Unsecured other loans	378	390
Liabilities from finance leases	8,762	13,341
	162,690	**64,653**
Current liabilities		
Collateralised liabilities to banks	–	–
Other collateralised liabilities to banks	16,849	9,607
Short-term portion of collateralised liabilities to banks	**16,849**	**9,607**
Other collateralised loans	–	–
Other unsecured loans	3,624	1,845
Other loans	**3,624**	**1,845**
Short-term portions of liabilities from finance leases	5,460	5,180
Unsecured liabilities to banks	136	37
	26,069	**16,669**

With the exception of the short-term portion of liabilities from finance leases, the balance sheet values of current financial liabilities correspond approximately to the market values because of their short maturities.

In November 2007, the existing syndicated loan agreement was replaced with a new agreement for long-term financing with an eight year term.

The new syndicated loan agreement includes a short-term tranche of €40 million, a long-term tranche of €85 million with full amortisation within seven years, as well as a bullet tranche of €50 million with an eight year maturity.

Of the credit lines granted under the syndicated loan agreement, €32,775 thousand remained unused in 2007 (2006: €34,552 thousand). In addition, unused credit lines amounting to €27,565 thousand (2006: €18,717 thousand) are available.

Information on hedging exchange rate and interest risks is given in section G1 “Financial instruments”.

Via the profit-participation certificate dated 25 November 2005, unsecured subordinated loans essentially include a bullet loan (nominal amount: €10,000 thousand) in the amount of €9,762 thousand (2006: €9,713 thousand), for which a subordinated claim was extended. The return on this loan depends on the key financial figures. The loan was disbursed minus a discount. Moreover, another subordinated loan amounting to €5,253 thousand was raised in financial year 2007.

In connection with the syndicated loan agreement, Biotest AG is obliged to maintain certain financial ratios. These apply to both a certain ratio of net debt to EBITDA, to a certain ratio of net debt to liable equity and to a ratio of EBITDA to interest expense. These financial ratios are determined quarterly to the end of the quarter based on the annual or quarterly consolidated financial statements.

Terms, redemption terms of financial liabilities and the structure of times to maturity are as follows:

€ thousand 2007	Total	Time to maturity ≤ 1 year	Time to maturity 1 bis ≤5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
Euro – floating between 3.5% to 6.5%	84,703	10,650	16,147	57,906
Euro – fixed between 3.8% to 8.3%	9,659	2,918	3,973	2,768
USD – floating between 5.8% to 7.3%	61,019	3,278	37,362	20,379
GBP – floating between 6.9% to 7.3%	3	3	–	–
Other loans:				
Euro – floating between 3.3% to 9.3%	2,317	2,317	–	–
Euro – fixed between 5.0% to 5.5%	706	328	53	325
USD – fixed at 5.6%	979	979	–	–
Liabilities from finance leases:				
Euro – fixed between 3.0% to 7.0%	14,222	5,460	8,685	77
Unsecured loans:				
Euro – floating between 6.9% to 7.0%	9,796	34	9,762	–
Euro – fixed between 1.8% to 3.6%	5,355	102	–	5,253
	188,759	**26,069**	**75,982**	**86,708**

Terms, redemption terms of financial liabilities for the previous year and the structure of times to maturity are as follows:

€ thousand 2006	Total	Time to maturity ≤ 1 year	Time to maturity 1 bis ≤5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
Euro – floating between 4.6% to 8.3%	35,731	5,731	20,000	10,000
Euro – fixed between 3.5% to 6.4%	15,085	3,876	8,579	2,630
Other loans:				
Euro – floating between 5.0% to 6.6%	1,165	1,165	–	–
Euro – fixed between 3.3% to 6.0%	1,070	680	50	340
Liabilities from finance leases:				
Euro – fixed between 3.0% to 7.0%	18,519	5,178	13,341	–
USD – fixed at 11.0%	2	2	–	–
Unsecured loans:				
Euro – floating between 4.7% to 6.9%	9,750	37	–	9,713
	81,322	**16,669**	**41,970**	**22,683**

Liabilities from finance leases are amortised as follows:

€ thousand	Payment	Interest	Amortisation
2007			
Due in < 1 year	6,304	844	5,460
Due in 1 to 5 years	9,520	835	8,685
Due in > 5 years	79	2	77
	15,903	**1,681**	**14,222**
2006			
Due in < 1 year	6,339	1,159	5,180
Due in 1 to 5 years	14,904	1,563	13,341
Due in > 5 years	–	–	–
	21,243	**2,722**	**17,521**

Collateral for the new syndicated loan agreement was provided by a charge of €95 million on real estate belonging to Biotest AG, Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor. The creation of a global charge on real estate belonging to the company and its subsidiaries of €100 million was notarised on 18 March 2003 as part of an earlier collateral trustee agreement. Moreover, shares in the Biotest Pharmaceuticals Corporation were pledged as collateral.

E15 Other liabilities

€ thousand	2007	2006
Commission payable	8,091	5,676
Value added tax liabilities	3,206	3,416
Deferred liabilities	2,319	1,277
Wage tax liabilities	1,523	1,153
Social security liabilities	457	636
Liabilities from other taxes	21	5
Other liabilities	1,101	610
Deferred items	237	232
	16,955	**13,005**

In this financial year, there are no additional other liabilities with a remaining time to maturity of over one year (2006: €6 thousand).

F Explanatory notes on the acquisition of the Biologics Business Unit of Nabi Biopharmaceuticals

On 4 December 2007, Biotest AG took over the Biologics Business Unit of Nabi Biopharmaceuticals, Boca Raton, Florida, USA as well as certain assets from the administrative unit as part of an asset deal. The plasma protein activities of Nabi Biopharmaceuticals were pooled in the Biologics Business Unit. The acquisition essentially comprised nine plasmapheresis centres, one plasma protein production facility and the head office in Boca Raton.

Given that the acquisition happened so recently, the purchase price allocation (PPA) to the assets acquired has yet to be finalised. The fair values of the assets acquired as of the acquisition date, to be allocated provisionally in accordance with IFRS 3.62, and their book values immediately prior to the acquisition were as follows:

€ thousand	Book values	Adjustment amount	Fair values
Ongoing research and development projects	–	9,716	9,716
Donor base	–	11,463	11,463
Nabi HB® distribution rights	–	12,960	12,960
Nabi HB® brand name	–	666	666
Other intangible assets	2,320	–	2,320
Property, plant and equipment	53,107	2,757	55,864
Non-current assets	**55,427**	**37,562**	**92,989**
Inventories	12,167	1,323	13,490
Current assets	**12,167**	**1,323**	**13,490**
Obligation to deconstruct plasma centre	– 168	–	– 168
Non-current liabilities	**– 168**	**–**	**– 168**
Total assets acquired	**67,426**	**38,885**	**106,311**

The gross cost of purchase for the assets acquired amounted to €133,237 thousand, which comprised ancillary costs of purchase amounting to €7,737 thousand. The acquisition has yielded goodwill of €26,926 thousand.

€ thousand	
Purchase price	125,500
Ancillary costs of purchase	7,737
Total cost of purchase	**133,237**
Fair value of the assets acquired	106,311
Goodwill	26,926

The purchase price was paid in cash.

The residual goodwill after purchase price allocation is attributable to various factors. These include synergies, in particular, as well as the value attributable to the staff complement of the acquired business unit. The transaction enables Biotest to considerably accelerate intended access to the US market, significantly expand its plasmapheresis and pharmaceutical production capacities and at the same time, broaden its clinical development portfolio. In addition, the acquisition has strengthened Biotest's market position by propelling the company into the group of six global plasma protein providers.

The provisional purchase price allocation included the recognition of intangible assets acquired for the donor base of the plasmapheresis centres, the distribution rights and the product brand of the existing Nabi HB® product and projects in development.

Amortisation on the donor base and for the distribution rights and product brand increased the cost of sales of the plasma and the Nabi HB® product. The purchase price allocation for the projects in development will only result in amortisation once the products have been approved. Until then, development projects will be subject to an impairment test and devalued if necessary.

The impact of purchase price allocation on the valuation of the inventories acquired resulted in step-ups. This affected earnings in the short term due to the work-down of the step-ups as a result of selling inventories.

Operating profit of the business unit acquired is reported in a separate item as a total position, since a cost allocation according to uniform Group guidelines has yet to be implemented. The notes to the income statement include cost of materials, the staff cost and non-operating expense and income of the Biotest Pharmaceuticals Corporation.

The production of Nabi HB® is concentrated in larger batches, with intervals between each batch production. There was no production in December and plasma sales were comparatively low as a result of the holiday period. Above-average costs therefore impacted on income, resulting in an operating loss of €–1,488 thousand for the period from 4 December to 31 December 2007. In addition, this result comprises special factors from the provisional purchase price allocation amounting to €–658 thousand, of which €–305 thousand is attributable to the work-down from selling inventories described above.

Since the acquired Biologics Business Unit and the additional assets of the administrative unit were not previously run as a separate business unit by the seller, it is not possible to quantify the consolidated sales and consolidated profit which would have arisen had the asset deal been implemented at the start of the financial year.

G Other explanatory notes

G1 Financial instruments

1.1 Reconciliation of classification in valuation categories and the values stated and fair values

€ thousand			Value stated in the balance sheet according to IAS 39					
Balance sheet items (classification)	Valuation category according to IAS 39	Book value as of 31.12.2007	Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss	Valuation in the balance sheet according to IAS 17	Fair value as of 31.12.2007
Assets								
Trade receivables	LaR	101,141	101,141	–	–	–	–	101,141
Other receivables	LaR	14,326	14,326	–	–	–	–	14,326
Other primary financial assets								
Bond funds	FAFVtPL	130	–	–	–	130	–	130
Fixed-income securities	HtM	111	111	–	–	–	–	111
Loans to employees	LaR	17	17	–	–	–	–	17
Derivative financial assets								
Derivatives without hedging relationship	FAHfT	414	–	–	–	414	–	414
Equity and liabilities								
Trade payables	FLAC	32,117	32,117	–	–	–	–	32,117
Collateralised bank liabilities	FLAC	155,384	155,384	–	–	–	–	155,384
Unsecured bank liabilities	FLAC	15,151	15,151	–	–	–	–	14,986
Other non-interest bearing liabilities	FLAC	16,955	16,955	–	–	–	–	16,955
Liabilities from finance leases	n.a.	14,222	–	–	–	–	14,222	14,222
Other unsecured loans	FLAC	4,002	4,002	–	–	–	–	4,002
Derivatives without hedging relationship	FLHfT	38	–	–	–	38	–	38

Valuation category according to IAS 39	Book value as of 31.12.2006	Value stated in the balance sheet according to IAS 39				Valuation in the balance sheet according to IAS 17	Fair value as of 31.12.2006
		Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss		
LaR	73,902	73,902	–	–	–	–	73,902
LaR	10,290	10,290	–	–	–	–	10,290
FAFVtPL	177	–	–	–	177	–	177
HtM	137	137	–	–	–	–	137
LaR	27	27	–	–	–	–	27
FAHfT	197	–	–	–	197	–	197
FLAC	23,490	23,490	–	–	–	–	23,490
FLAC	50,816	50,816	–	–	–	–	50,816
FLAC	9,750	9,750	–	–	–	–	9,819
FLAC	13,005	13,005	–	–	–	–	13,005
n.a.	18,521	–	–	–	–	18,521	18,521
FLAC	2,235	2,235	–	–	–	–	2,235
FLHfT	362	–	–	–	362	–	362

The valuation categories according to IAS 39 are abbreviated as follows: Loans and Receivables (LaR), Investments Held to Maturity (HtM), Financial Assets at Fair Value through Profit or Loss (FAFVtPL), Financial Assets Held for Trading (FAHfT), Financial Liabilities Held for Trading (FLHfT) and Financial Liabilities at Amortised Cost (FLAC).

Equity instruments that are not listed are stated under the item "investments in associates", which was reported at cost in 2006. Their fair values could not be determined reliably, since there is no active market for this investment and the information required for reliably determining the fair value was not available. In 2007, the investment was written down in full.

Cash and cash equivalents with a book value of €8,889 thousand (2006: €8,903 thousand) are not included in the table above, since these financial instruments are not allocated to any of the IAS 39 valuation categories.

1.2 Aggregation of the valuation categories including values stated and fair values

€ thousand			Value stated in the balance sheet according to IAS 39					
Category	Valuation category according to IAS 39	Book value as of 31.12.2007	Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss	Valuation in the balance sheet according to IAS 17	Fair value as of 31.12.2007
Loans and accounts receivable	LaR	115,484	115,484	–	–	–	–	115,484
Investments held to maturity	HtM	111	111	–	–	–	–	111
Financial assets at fair value through profit or loss	FAFVtPL	130	–	–	–	130	–	130
Financial assets held for trading	FAHfT	414	–	–	–	414	–	414
Financial liabilities measured at amortised cost	FLAC	223,609	223,609	–	–	–	–	223,444
Financial liabilities held for trading	FLHfT	38	–	–	–	38	–	38

Valuation category according to IAS 39	Book value as of 31.12.2006	Value stated in the balance sheet according to IAS 39				Valuation in the balance sheet according to IAS 17	Fair value as of 31.12.2006
		Amortised cost of purchase	Cost of purchase	Fair value recognised in equity	Fair value recognised in profit or loss		
LaR	84,219	84,219	–	–	–	–	84,219
HtM	137	137	–	–	–	–	137
FAFVtPL	177	–	–	–	177	–	177
FAHfT	197	–	–	–	197	–	197
FLAC	99,296	99,296	–	–	–	–	99,366
FLHfT	362	–	–	–	362	–	362

Trade receivables and other accounts receivable primarily have a time to maturity of less than one year. For this reason, the book values as of the reporting date correspond approximately to the fair values.

With regard to other non-current accounts receivable and investments held to maturity, which have a time to maturity of more than one year, the fair values correspond to the present values of the payments relating to the assets. The applicable interest rate parameters are taken into account in each case, which reflect market and partner-specific changes in terms and expectations.

Trade payables and other liabilities generally have a time to maturity of less than one year. Accordingly, the book values correspond approximately to the respective fair values.

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

As of 31 December 2007, the Biotest Group had no investment categorised as available-for-sale in its portfolio.

1.3 Net results by valuation categories

In the following, the net result for financial year 2007 is shown by valuation category:

€ thousand	From Interest	From subsequent valuation			From disposal	Net result for 2007
Category		At fair value	Currency translation	Allowance		
Loans and accounts receivable	474	–	– 24	– 34	–	416
Investments held to maturity	4	–	–	–	–	4
Financial assets at fair value through profit or loss	21	– 10	–	–	–	11
Financial assets held for trading	–	216	–	–	–	216
Financial liabilities held for trading	–	324	–	–	–	324
Financial liabilities measured at amortised cost	– 7,189	–	–	–	–	– 7,189
Total	**– 6,690**	**530**	**– 24**	**– 34**	**–**	**– 6,218**

In the following, the net result for the previous year is shown by valuation category:

€ thousand	From Interest	From subsequent valuation			From disposal	Net result for 2007
Category		At fair value	Currency translation	Allowance		
Loans and accounts receivable	265	–	– 24	– 424	–	– 183
Investments held to maturity	4	–	–	–	–	4
Financial assets at fair value through profit or loss	15	– 7	–	–	–	8
Financial assets held for trading	–	139	–	–	–	139
Financial liabilities held for trading	–	500	–	–	–	500
Financial liabilities measured at amortised cost	– 8,626	–	–	–	–	– 8,626
Total	**– 8,342**	**632**	**– 24**	**– 424**	**–**	**– 8,158**

The other components comprised in the net result are included in other financial expenses and other financial income, with the exception of allowances on trade receivables which are reported under other operating expenses.

The result from the subsequent valuation of financial instruments allocated to the "financial assets and liabilities held for trading" categories comprises a profit amounting to €540 thousand (2006: €639 thousand), which takes account of interest rate and currency effects.

1.4 Cash flow in periods

The table below shows the contractually agreed, non-discounted interest and amortisation payments relating to the primary financial liabilities and derivative financial instruments, with the positive and negative fair values:

€ thousand		Cash flow in 2008			Cash flow in 2009		
	Book value as of 31.12.2007	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation
Primary financial liabilities:							
Liabilities to banks	– 170,535	– 4,368	– 6,021	– 16,985	– 4,280	– 5,337	– 7,191
Liabilities from finance leases	– 14,222	– 844	–	– 5,460	– 585	–	– 5,567
Other interest-bearing liabilities	– 4,002	– 46	– 155	– 3,624	– 20	–	– 12
Other non-interest bearing liabilities	– 16,955	–	–	– 16,955	–	–	–
Derivative financial liabilities:							
Currency derivatives without hedging relationship	– 9	–	–	– 9	–	–	–
Interest rate derivatives without hedging relationship	– 29	– 21	–	–	–		–
Derivative financial assets:							
Currency derivatives without hedging relationship	79	–	–	79	–	–	–
Interest rate derivatives without hedging relationship	335	–	282	–	–	183	–

All instruments in the portfolio as of 31 December 2007, for which payments were already contractually agreed, have been included above. Forecast figures for future new liabilities are not included. Foreign currency amounts have been translated at the exchange rate applicable on the reporting date. The floating interest rate payments for financial instruments are determined on the basis of the latest interest rates set prior to 31 December 2007. Financial liabilities repayable at any time are always allocated to the earliest date occurring.

Cash flow in 2010			Cash flow in 2011			Cash flow in 2012			Cash flow after 2012		
Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation
– 4,001	– 5,189	– 11,398	– 3,506	– 5,156	– 19,704	– 2,576	– 4,644	– 29,189	–2,423	– 9,655	– 87,620
– 228	–	– 2,818	– 15	–	– 197	– 7	–	– 103	– 2	–	– 77
– 19	–	– 13	– 19	–	– 14	– 18	–	– 14	– 144	–	– 325
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	107	–	–	68	–	–	36	–	–	89	–

The following table provides the comparative values for the cash flow in specific periods of time, based on the previous financial year:

€ thousand		Cash flow in 2008			Cash flow in 2009		
	Book value as of 31.12.2006	Fixed interest rate	Floating interest rate	Amortisation	Fixed interest rate	Floating interest rate	Amortisation
Primary financial liabilities:							
Liabilities to banks	– 60,566	– 671	– 2,704	– 9,226	– 474	– 2,056	– 9,028
Liabilities from finance leases	– 18,521	– 1,159	–	– 5,180	– 794	–	– 5,270
Other interest-bearing liabilities	– 2,235	– 46	– 239	– 1,606	– 21	–	– 12
Other non-interest bearing liabilities	– 13,005	–	–	– 13,000	–	–	– 5
Derivative financial liabilities:							
Currency derivatives without hedging relationship	– 173	–	–	– 173	–	–	–
Interest rate derivatives without hedging relationship	– 189	– 64	34	–	– 55	81	–
Derivative financial assets:							
Currency derivatives without hedging relationship	24	–	–	24	–	–	–
Interest rate derivatives without hedging relationship	173	–	23	–	–	36	–

G2 Financial risk management

In the course of its ordinary operations and due to existing international delivery and service relations, Biotest is exposed to substantial currency and interest rate risks.

To hedge currency and interest rate positions, Biotest uses derivative financial instruments in order to minimise risk inherent in exchange rate and interest rate fluctuations. Derivative financial instruments are as a general rule subject to changes in market prices.

Biotest exclusively concludes derivative financial contracts with banks with impeccable creditworthiness.

Currently, Biotest does not comply with all formal requirements of IAS 39 for hedge accounting. Consequently, all gains and losses, recorded when derivative financial instruments used to hedge interest rate and currency risks are marked to market, have been accounted for in the income statement.

Cash flow in 2010			Cash flow in 2011			Cash flow in 2012			Cash flow after 2012		
Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation	Fixed interest rate	Floating interest rate	Amorti-sation
– 324	– 1,829	– 6,961	– 234	– 1,601	– 6,596	– 155	– 1,373	– 5,755	– 437	– 1,335	– 22,870
– 560	–	– 5,368	– 208	–	– 2,637	– 1	–	– 67	–	–	–
– 20	–	– 12	– 19	–	– 13	– 19	–	– 14	– 162	–	– 340
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	34	–	–	1	–	–	1	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	36	–	–	36	–	–	31	–	–	97	–

Financial instruments are recognised when the corresponding contracts are entered into. Financial instruments are initially accounted for at cost and then valued at the corresponding market values as of the balance sheet date. Financial instruments are derecognised when the obligations under the contract have been fulfilled by both parties or when the positions in such instruments are closed.

The market values of derivative financial instruments are shown in the balance sheet under other assets and other provisions respectively. As of 31 December 2007, an amount of €414 thousand (2006: €197 thousand) was reported under other assets and of €38 thousand (2006: €362 thousand) under other provisions.

Credit risks

Credit risks represent the financial risk of contractual parties not fulfilling their payment obligations. Biotest responds to credit risks with ongoing management of accounts receivable. Credit terms and other terms are based on the rating of the customers' creditworthiness. Moreover, part of the German accounts receivable and selected foreign accounts receivable are sold to factoring companies or banks.

As of the reporting date, there were no significant customer groups representing a particular credit risk.

For some customers in selected countries, credit insurance is in place with various companies.

Specific bad debt charges are in place for potential default risks relating to primary financial instruments. Thanks to its broadly diversified business structure, the Biotest Group does not face any concentration of credit risks with regard to individual customers or countries.

Overview of the maximum default risk relating to financial assets:

€ thousand	Trade receivables		Financial assets	
	2007	2006	2007	2006
Book value as equivalent of the maximum default risk	101,141	73,902	258	341

Market risks

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

Foreign currency risks

The Biotest Group is exposed to currency risks that mainly arise from an imbalance in the global cash flow. This imbalance primarily results from higher sales in US dollars in the face of lower purchases in US dollars. The Biotest Group protects itself as a matter of principle against identifiable future currency risks when it anticipates such exposure. In addition, the Biotest Group selectively hedges risks in the balance sheet. The Biotest Group utilises opportunities to naturally offset currency risks, as well as currency futures for the management of foreign currency risks.

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

€ thousand	USD		GBP		HUF	
	2007	2006	2007	2006	2007	2006
Cash reserve	919	458	649	354	383	780
Trade receivables	13,586	8,188	1,592	1,162	2,570	1,660
Other primary financial assets	2,538	204	94	85	272	243
Other derivative financial assets	78	24	–	–	–	–
Trade payables	– 3,063	– 351	– 60	– 401	– 898	– 181
Liabilities to banks	– 61,998	–	– 3	–	–	–
Other primary financial liabilities	– 2,491	– 1,287	– 361	– 343	– 157	– 133
Other derivative financial liabilities	–	–	–	– 26	– 9	– 147
Net exposure	**– 50,431**	**7,236**	**1,911**	**831**	**2,161**	**2,222**

As of the reporting date, the following currency options were in place:

€ thousand	Nominal volume		Market values	
	2007	2006	2007	2006
Currency options	2,305	10,827	69	– 148

As of the balance sheet date, the remaining times to maturity for currency options and currency futures (nominal volumes HUF 240,000 thousand and USD 2,000 thousand (2006: USD 1,000 thousand, HUF 960,000 thousand and GBP 4,200 thousand)) were as follows:

€ thousand	Total	Time to maturity < 1 year
31 December 2007	2,305	2,305
31 December 2006	10,827	10,827

Section B.3 provides information about the material exchange rates during the reporting period.

Interest rate risk

As a result of changes in the yield curve, the present values of payment flows change when discount rates change. The change in present value may arise for individual financial instruments on the basis of a shift in the risk-free interest rate curve (swap curve) or a change in the credit-based premiums (spread risks) which are included in the prices of the financial instruments.

The Biotest Group is exposed to interest rate risks resulting form existing loans (see also section E.14 "Financial liabilities"). Interest rate hedging instruments were entered into to minimise such risks.

The following interest rate hedging transactions were in place as of 31 December 2007:

€ thousand	Nominal volume		Market values	
	2007	2006	2007	2006
Interest rate caps	45,113	45,113	84	– 74
Interest rate/currency swaps	10,685	11,181	222	57
	55,798	**56,294**	**306**	**– 17**

The nominal volume is the sum of all purchase and sale prices of derivative financial transactions. The market values of the interest rate hedging instruments were determined by the banks appointed for this purpose. They result from the valuation of outstanding positions at market prices, without taking into account contrary performance by underlying transactions. They correspond to expenses or income for liquidation of the derivative contracts on the balance sheet date.

The following times to maturity were in place for hedging transactions (nominal volume) as of 31 December 2007:

€ thousand		Time to maturity		
	Total	< 1 year	1– 5 years	> 5 years
2007				
Interest rate caps	45,113	5,113	40,000	–
Interest rate/currency swaps	10,685	5,113	2,812	2,760
	56,038	**10,226**	**42,812**	**2,760**
2006				
Interest rate caps	45,113	–	45,113	–
Interest rate/currency swaps	11,181	256	7,925	3,000
	56,294	**256**	**53,038**	**3,000**

To hedge against interest rate risks, floating rate financial liabilities amounting to €5.6 million (2006: €6.1 million) were swapped for fixed-interest positions. Interest in a range of 3.1% to 3.7% was paid on fixed-rate financial liabilities.

Under the interest rate caps, financial liabilities with a volume of €25.1 million (2006: €25.1 million) are also secured against an increase in variable interest rates via agreed threshold values of between 3.5% and 5.1%.

Liquidity risks

Liquidity risks reflect the risk that companies are unable to fulfil their financial obligations to a sufficient extent. A financial squeeze may result in an increase in financing costs.

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

As of 31 December 2007, the Biotest Group had access to the following credit lines:

€ thousand	2007	Of which drawn on	2006	Of which drawn on
Credit lines extended (with option to draw on without restrictions)	220,078	172,820	116,169	62,800
Firm credit commitments (contingent on specific conditions)	14,800	1,717	25,335	–
	234,878	**174,537**	**141,404**	**62,800**

The individual corporate segments supply central Treasury with information, so that a liquidity profile can be prepared. All financial assets, financial liabilities and expected payment flows from planned transactions are included.

A maturity overview is provided in section G.1.4, which illustrates how the cash flows of liabilities as of 31 December 2007 impacted on the liquidity position of the Group.

The available liquidity, short and long-term credit lines and the option of generating cash inflows by securitising accounts receivable provide the Biotest Group with sufficient flexibility to cover the Group's funding requirement. Given the diversification of the funding sources and liquid funds, the Biotest Group is not exposed to a concentration of risk in terms of liquidity.

G3 Sensitivity analysis pursuant to IFRS 7.40

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

Using sensitivity analyses, the effects of any change in the relevant risk variables on profit or loss and on equity as of the balance sheet date are determined for each type of risk.

Foreign currency risks
For the analysis of currency risks, a sensitivity analysis is prepared for specific currencies that imply a significant risk to the Biotest Group. The following important currencies are analysed: USD, GBP and HUF.

Had the euro been revalued by 10% against all of the currencies as of 31 December 2007, operating profit would have been €151 thousand lower (2006: €262 thousand higher).

Had the euro been devalued by 10% against all of the currencies as of 31 December 2007, operating profit would have been €179 thousand higher (2006: €784 thousand lower).

In both cases, the financial result and equity would have remained unchanged.

In detail, the hypothetical impact on profit or loss of €-151 thousand and €179 thousand respectively results from the currency sensitivities:

€ thousand	Revaluation of the euro by 10%	Devaluation of the euro by 10%
EUR/USD	– 213	324
EUR/GBP	– 17	21
EUR/HUF	81	– 169
EUR/other currencies	– 2	3
	– 151	**179**

Since intercompany relationships are not included in the calculation of currency sensitivities under the regulations of IFRS 7, but these represent a material payment flow for the Biotest Group, the currency effects presented here do not correspond to the relationship between hedging transactions and underlying transactions.

Interest rate risks
For interest rate risks, a sensitivity analysis is used to illustrate the effects of changes in market interest rates on the interest income and expense, other income components and, where applicable, equity.

Changes in the market interest rates of primary financial instruments with fixed interest rates only impact on income if they are valued at fair value. Accordingly, all financial instruments with fixed interest rates which are valued at amortised cost are not exposed to interest rate risks pursuant to IFRS 7.

Changes in the market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps), which are not included in a hedging relationship under IAS 39, impact on other financial income (valuation result of the financial assets adjusted to fair value) and are therefore taken into account in the income-related sensitivity calculations.

Currency derivatives are not subject to interest rate risks and do not therefore impact on interest rate sensitivities.

If the market interest rate level as of 31 December 2007 had been 100 basis points higher, the fair values of the financial instruments would have been €946 thousand higher (2006: €1,309 thousand). The hypothetical effect on income of €327 thousand (2006: €441 thousand) results from the potential effects of interest rate derivatives amounting to €327 thousand (2006: €441 thousand) and primary financial liabilities of €0 thousand (2006: €0 thousand).

If the market interest rate level as of 31 December 2007 had been 100 basis points lower, the fair values of the financial instruments would have been €1,073 thousand lower (2006: €1,286 thousand). The hypothetical effect on income of €–421 thousand (2006: €–369 thousand) results from the potential effects of interest rate derivatives amounting to €–421 thousand (2006: €–369 thousand) and primary financial liabilities of €0 thousand (2006: €0 thousand).

If the market interest rate level as of 31 December 2007 had been 100 basis points higher (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 exchange prices and indices.

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

G4 Contingencies

€ thousand	2007	2006
Other contingent liabilities	–	12,579
	–	**12,579**

Contingent liabilities are potential obligations which result from past events and whose existence has to be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not within the full control of the company. Contingent liabilities can also stem from current obligations resulting from past events, which however, are not recorded because either the outflow of resources plus losses of financial benefit is not probable or the amount of the obligation cannot be estimated with sufficient reliability.

The contingent liability of the previous year, arising from possible application of spirit duty, no longer exists. In its notification of 19 February 2008, the principal customs office in Darmstadt essentially accepted the reasons of equity cited by Biotest AG.

G5 Other financial commitments

€ thousand	in 2008	2009–2012	from 2013	Total
Commitments to acquire property, plant and equipment	6,080	–	–	6,080
Commitments to acquire intangible assets	4,430	1,247	–	5,677
Future payments from rent and lease agreements and operating leases	4,195	6,534	865	11,595
Other financial commitments	2,843	265	–	3,108
	17,548	**8,046**	**865**	**26,459**

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

Biotest rents and leases operating equipment. Operating leases include vehicle and office equipment with a base rental term of two to five years. In financial year 2007, expenditure on rental and operating lease contracts amounted to €3,897 thousand (2006: €4,063 thousand).

G6 Related party relationships

Disclosure is required for the Biotest Group's relationship with the associated company BioDarou P.J.S. Co. Teheran/Iran and members of the Board of Management and the Supervisory Board and their related persons.

a) Associated companies
In financial year 2007, the Biotest Group recorded purchases amounting to €0 thousand (2006: €0 thousand) from the associate BioDarou P.J.S. Co. in Teheran/Iran. Liabilities of the Group to BioDarou P.J.S. Co. amounted to €0 thousand (2006: €0 thousand) as of the balance sheet date.

The company purchased goods and services from Biotest Group companies amounting to €880 thousand (2006: €1,220 thousand). This amount was fully paid in financial year 2007.

As of 31 December 2007, the investment of €831 thousand and the loan amounting to €177 thousand granted in 2007 were written off, given the political difficulties and the fact that the company continues to make a loss.

b) Other related parties
Dr. Cathrin Schleussner advised the Biotest Group that her voting rights totalled 50.03% as of 19 December 2007. The voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner.

The members of the Dr. Hans Schleussner family are also deemed related persons for the purposes of IAS 24. In addition to the Supervisory Board emoluments, a relationship also existed under rental agreements in the previous year. As of the balance sheet date, the Biotest Group had no liabilities in this respect that are subject to reporting (2006: €79 thousand). Total expenses for other related persons amounted to €21 thousand (2006: €65 thousand). Shareholder loans resulted in interest expenses of €3 thousand in the previous year.

As a related party of the Biotest Group, Kreissparkasse Biberach maintains the custody accounts of employees as part of the Long Term Incentive Programme.

The law firm Ashurst received €287 thousand (2006: €160 thousand) for advisory services as a related party.

c) Supervisory Board and Board of Management

Board members
As of 31 December 2007, the members of the Supervisory Board and the Board of Management additionally served on statutory Supervisory Boards and comparable control boards of commercial enterprises as follows:

Supervisory Board

Dr. Thorlef Spickschen, businessman, Seeheim
Chairman
Stiftung Orthopädische Universitätsklinik, Heidelberg, Germany
Cytos AG, Zurich, Switzerland
Pharmion Corp., Boulder, USA

Dr. Cathrin Schleussner, biologist, Neu-Isenburg
Deputy Chairwoman

Dr. Jochen Hückmann, businessman, Frankfurt am Main
Chairman of the Merz Group Shareholders' Committee
Chairman Merz Group

Thomas Jakob, businessman, Warthausen
Deputy Chairman of the Management Board of Kreissparkasse Biberach
(district savings bank)

Barbara Arnold-Schlosser, employee – administration, Leimen

Astrid Paluch, employee – technology, Rödermark

€ thousand 2007	Fixed emoluments	Variable emoluments	Total emoluments
Dr. Thorlef Spickschen (Chairman)	43	5	48
Dr. Cathrin Schleussner (Deputy Chairwoman)	29	5	34
Dr. Jochen Hückmann	23	5	28
Thomas Jakob (since May 2007)	12	3	15
Barbara Arnold-Schlosser (since May 2007)	12	3	15
Astrid Paluch (since May 2007)	10	3	13
Kerstin Birkhahn (until May 2007)	5	2	7
Reinhard Eyring (until May 2007)	6	2	8
Johannes Hartmann (until May 2007)	6	2	8
	146	**30**	**176**

€ thousand 2006	Fixed emoluments	Variable emoluments	Total emoluments
Dr. Thorlef Spickschen (Chairman)	38	5	43
Dr. Cathrin Schleussner (Deputy Chairwoman)	26	5	31
Kerstin Birkhahn	15	5	20
Reinhard Eyring	18	5	23
Johannes Hartmann	18	5	23
Dr. Jochen Hückmann	23	5	28
	138	**30**	**168**

Board of Management

Professor Dr. Gregor Schulz, physician, Umkirch
Chairman

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

Total remuneration for the members of the Board of Management who actively served in 2007 amounted to €1,126 thousand (2006: €1,092 thousand).

Of this, fixed remuneration in the amount of €290 thousand relates to Professor Dr. Gregor Schulz, plus allowances, for example, for insurance policies and benefits in kind for a company car in the total amount of €34 thousand. A provision of €265 thousand was recognised for performance-related remuneration.

€260 thousand of the total relates to fixed remuneration for Dr. Michael Ramroth, plus allowances, for example, for insurance policies and benefits in kind for a company car totalling €32 thousand. A provision of €245 thousand was recognised for performance-related remuneration.

The employment contracts of both members of the Board of Management include a severance regulation in the event that the contracts are prematurely terminated as a result of a change of control defined below. The severance payment comprises the fixed remuneration until the end of the term plus pro rata bonuses calculated on the basis of the average amount of the last two financial years plus remuneration for the value in use of the company car. If the remaining term is less than three years, the severance payment amounts to triple the annual fixed remuneration plus bonuses and company car remuneration. The entitlement does not arise if the Board of Management employment contract is terminated early for good cause, illness or incapacity to work or if the member of the Board of Management was already aged 60 when the contract was terminated or received incentives or advantages from third parties in conjunction with the change of control.

There are no other one-off or recurring commitments in the event of a termination of the Board of Management position.

Participation of the members of the Board of Management in the Long Term Incentive Programme (2006 and 2007 tranches) breaks down as follows:

€ thousand	Value of shares purchased	Company allowance for own investment	Total costs of the stock option plan	Cost of the stock option plan in the financial year
2007				
Professor Dr. Gregor Schulz	23	–	268	70
Dr. Michael Ramroth	23	–	244	63
	46	**–**	**512**	**133**
2006				
Professor Dr. Gregor Schulz	23	–	95	48
Dr. Michael Ramroth	23	–	88	43
	46	**–**	**183**	**91**

Pension provisions in the amount of €1,348 thousand (2006: €964 thousand) were recognised for the active members of the Board of Management. Of these, €984 thousand (2006: €721 thousand) are attributable to Professor Dr. Gregor Schulz and €364 thousand (2006: €243 thousand) to Dr. Michael Ramroth.

Provisions of €4,172 thousand (2006: €4,471 thousand) were recognised for pension obligations to former members of the Board of Management. As of the balance sheet date, there were no loan claims against any members of the company's management bodies.

Pension payments to former members of the Board of Management amounted to €385 thousand (2006: €331 thousand).

G7 Material subsidiaries

The following subsidiaries were fully consolidated in the financial statements of the Biotest Group.

Company name	Registered office	Interest held in %	Shareholders' equity € m	Profit after tax € m
Biotest Pharma GmbH	Dreieich / Germany	100.00	86.0	9.3
Biotest Grundstücksverwaltungs GmbH	Dreieich / Germany	98.00	3.9	0.6
Biotest Seralc° N.V.	Ternat / Belgium	100.00	0.6	– 0.4
Biotest S.a.r.l.	Buc / France	100.00	1.6	0.2
Biotest (UK) Ltd.	Solihull / UK	100.00	2.7	1.1
Biotest Italia S.r.l.	Trezzano / Italy	100.00	9.0	0.1
Biotest K.K.	Tokyo / Japan	100.00	– 0.1	0.0
Biotest Austria GmbH	Vienna / Austria	100.00	2.6	0.8
Biotest (Schweiz) AG	Rupperswil / Schweiz	100.00	1.3	0.4
Biotest Hungaria Kft.	Törökbálint / Hungary	100.00	3.3	0.7
Biotest Diagnostics Corporation	Denville / USA	100.00	1.7	– 0.2
Biotest Hellas MEPE	Maroussi / Greece	100.00	3.4	0.5
Heipha Dr. Müller GmbH	Eppelheim / Germany	51.00	6.3	3.6
Viro-Immun Labor-Diagnostika GmbH	Oberursel / Germany	78.65	0.4	– 0.2
Plasmadienst Tirol GmbH	Innsbruck / Austria	100.00	0.5	0.0
Plasma Service Europe GmbH *	Dreieich / Germany	100.00	0.4	0.0
Biotest Pharmaceutical Corporation	Boca Raton / USA	100.00	66.2	– 1.8
Biotest US Corporation	Boca Raton / USA	100.00	68.0	0.0

* Plasma Service Europe GmbH and Biotest Pharma GmbH entered into a profit transfer agreement.

G8 Pending and imminent litigation

As of the balance sheet date, provisions amounting to €795 thousand (2006: €214 thousand) were recognised for litigation pending.

G9 Events after the balance sheet date

Biotest AG hived off the partial operations relating to immunological diagnostics to the independent company, Biotest Medical Diagnostics GmbH, Dreieich, with financial effect as of 1 January 2008.

G10 Exercise of discretion and uncertainty of estimates

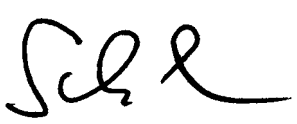
When preparing the consolidated financial statements, to a certain degree assumptions and estimates have to be made, which have an effect on the amount and disclosure of the reported assets and liabilities as well as the income and expenses during the period under review. The assumptions and estimates for the most part relate to the recoverability of accounts receivable and inventories and the assessment of the probabilities of occurrence with regard to the potential requirement to recognise provisions. In evaluating these assumptions and estimates, the management relies on experience from the past, assessments of experts (lawyers, rating agencies, and trade associations) and the result of carefully weighing up different scenarios. Due to developments that deviate from these assumptions and that are beyond the control of the management, the actual amounts may differ from the initially expected estimated values. In the cases where the actual development deviates from the initially expected development, the premise and, where necessary, the book values of the assets and liabilities concerned are adjusted accordingly.

At the time of preparing the consolidated financial statements, the underlying assumptions and estimates were not subject to material risks, and from a current perspective a material adjustment of the book values of assets and liabilities reported in the balance sheet is not to be expected in the coming financial year.

G11 Corporate Governance

The Board of Management and the Supervisory Board of Biotest AG submitted the declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders.

Dreieich, 10 March 2008



Professor Dr. Gregor Schulz

Dr. Michael Ramroth

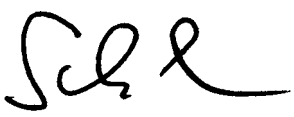
Declaration of the Management Board in accordance with Section 37y No. 1 of the German Securities Trading Act (WpHG) in conjunction with Section 297 (2) No. 3 and Section 315 (1) No. 6 of the German Commercial Code (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Group 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, 10 March 2008

Biotest Aktiengesellschaft

Management Board



Professor Dr. Gregor Schulz
Chairman of the Management Board

Dr. Michael Ramroth
Chief Financial Officer

Auditor's report

We have audited the consolidated financial statements prepared by the Biotest Aktiengesellschaft, Dreieich, comprising the income statement, the balance sheet, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt/Main, 10 March 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Böttcher	Gottron
Wirtschaftprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

During the past financial year, the Supervisory Board fulfilled its duties in accordance with legislation, the Articles of Association and rules of procedure. The Supervisory Board carefully and regularly monitored and advised the Board of Management. The Board of Management regularly, promptly and comprehensively informed the Supervisory Board through written and oral reports concerning all issues of fundamental importance to the company, in particular those relating to planning, business development, corporate development, the risk position and risk management. Detailed explanations were given on any business developments deviating from the planning. The strategic direction of the company was coordinated by the Board of Management and the Supervisory Board and the progress of strategic implementation discussed at regular intervals.

The Supervisory Board met at nine regularly convened meetings during financial year 2007, one of which was conducted as a conference call. In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was regularly informed by the Chairman of the Board of Management of current business developments and major business transactions. Business transactions of major importance to the company were discussed extensively on the basis of reports by the Board of Management and the Supervisory Board was involved in decisions at an early stage. In addition to discussing the topics indicated below at Supervisory Board and Supervisory Board committee meetings and receiving written and oral explanations from the Board of Management, the Supervisory Board receives monthly written reports on the business position and business developments. These reports also include explanations concerning any deviations from current or planned developments. Beyond this, the Chairman of the Supervisory Board automatically receives all internal audit reports as well as copies of the minutes of Board of Management meetings, which are supplied on request.

Main focus of the Supervisory Board deliberations

Topics regularly discussed by the Supervisory Board included planning and the current business development of the company, as well as its strategic direction, financial position and future financing structure. The acquisition of the plasma protein business from Nabi Biopharmaceuticals Corp., now completed, constituted another focal point.

At the meeting held on 12 March 2007, the Supervisory Board reviewed current business developments, discussed the annual financial statements of Biotest AG and the consolidated financial statements with the auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and considered individual balance sheet items in detail. The annual financial statements of Biotest AG and the consolidated financial statements were subsequently adopted. Other items on the agenda related to approval of the Report of the Supervisory Board, appointment of the auditors for the annual financial statements for financial year 2007, a discussion of the ten-year business planning as well as staff and organisational development within the company and adoption of new rules of procedure for

the Board of Management and the Supervisory Board, only a few points of which were amended. The proposal for appropriation of profits to be made at the Annual Shareholders' Meeting was also resolved. The Supervisory Board closed its meeting with a discussion on the individual items on the agenda for the 2007 Annual Shareholders' Meeting.

The Supervisory Board session, which took place on 3 May 2007 directly before the Annual Shareholders' Meeting, served to prepare the Supervisory Board for the Annual Shareholders' Meeting and property transactions were agreed. The Supervisory Board also resolved that immunological diagnostics should be hived off by establishing a new GmbH limited liability company.

Immediately after the Annual Shareholders' Meeting and following the election of members, the constituent meeting of the new Supervisory Board was held. The Chairman and the members of the Audit, Personnel and Presiding Committees were elected in this meeting.

Among other items relating to the current business position, the possibility of acquiring the plasma protein business from Nabi Biopharmaceuticals Corp. was raised for the first time at the Supervisory Board meeting held on 19 June 2007. The Supervisory Board pronounced itself to be expressly in favour of pursuing the project and further resolved to continue the Long Term Incentive Programme launched in 2006 for the Board of Management and other members of the company's management. The programme also applies to executive and senior management staff.

A Supervisory Board meeting was held on 16 July 2007 in Frankfurt/Main. The Board of Management gave a comprehensive presentation on the risks and opportunities associated with the takeover of the plasma protein activities from Nabi Biopharmaceuticals Corp. as well as the options for financing such an acquisition. It became evident that the acquisition would need to be financed by a combination of borrowed funds and the company's own resources. The Supervisory Board resolved unanimously to authorise the Board of Management to submit a binding bid and take all the necessary steps to implement a capital increase.

In its meeting on 17 September 2007, at which some members participated via telephone, the Supervisory Board deliberated on the resolution to implement a capital increase. The meeting closed with the Supervisory Board granting its approval to implement such a capital increase of up to 10% of the share capital, excluding subscription rights and maintaining the existing ratio of ordinary to preference shares.

In a conference call on 21 September 2007, the Supervisory Board resolved the final number of shares and the issue prices for ordinary and preference shares under the capital increase. Moreover, the Supervisory Board revised the Articles of Association accordingly in line with the authorisation granted by the Annual Shareholders' Meeting.

In the Supervisory Board meeting held on 28 September 2007, the Board of Management reported on the current business position and the details regarding the planned hiving off of the immunological diagnostic segment. Information and explanations were also provided regarding progress on the acquisition from Nabi Biopharmaceuticals Corp. and the current situation in the plasma market.

In the meeting of 14 December 2007, a further report was provided on the current business position. The Supervisory Board was also informed of the marketing strategy for immunoglobulins and the results from the sale of TANGO and TANGO reagents. After explanation by the Board of Management, the Supervisory Board approved the budget for financial year 2008 and the investment proposed. Among other items, this includes the expansion of the fractionation capacity in the USA. In addition, an update was given on progress with SAP implementation, along with information on the status of the corporate culture and the associated development opportunities.

Committees

The Supervisory Board was supported in its work by the Presiding Committee, the Personnel Committee and the Audit Committee established by the Supervisory Board. In addition to attending the regular Supervisory Board meetings, the Presiding Committee also met with the Board of Management three times to enable detailed preparations to be made for the Supervisory Board meetings which followed.

The Personnel Committee convened twice.

The Audit Committee held two meetings in 2007. At the first meeting on 9 March 2007, the Audit Committee reviewed and discussed the annual financial statements and the auditors' report on the key aspects of their work. The second meeting was convened on 29 October 2007 to discuss matters which included any issues relating to the 2007 annual financial statements.

Corporate Governance

In 2007, the Supervisory Board continued to monitor the development of corporate governance standards within the company. In accordance with Section 3.10 of the German Governance Code, the Board of Management and the Supervisory Board report on corporate governance within Biotest AG appears on pages 161 to 164. In March 2007, the Board of Management and Supervisory Board of Biotest AG submitted an unqualified Declaration of Compliance with the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Section 161 of the Stock Corporation Act (AktG).

Changes in the Board of Management and Supervisory Board

No changes have taken place in the membership of the Board of Management. At a Supervisory Board meeting held on 12 March 2007, a resolution was passed unanimously to extend the period of office of Professor Schulz from 1 April 2007 onwards by five years up to 31 March 2012.

On expiry of the terms of office of all members of the Supervisory Board as of the closing of the Annual Shareholders' Meeting on 3 May 2007, both the Annual Shareholders' Meeting on 3 May 2007 and staff held new Supervisory Board elections. Dr. Cathrin Schleussner, Dr. Thorlef Spickschen and Dr. Jochen Hückmann were re-elected as representatives of the shareholders. Mr Thomas Jakob was newly elected to the Supervisory Board to replace Mr Reinhard Eyring. Staff voted Ms Barbara Arnold-Schlosser and Ms Astrid Paluch as new members to represent them on the Supervisory Board. Mr Johannes Hartmann and Ms Kerstin Birkhahn have left the Supervisory Board as staff representatives. The Chairman of the Supervisory Board thanks the departing members of the Supervisory Board for their cooperation based on trust over many years.

Annual financial statements and consolidated financial statements

The annual financial statements of Biotest AG and the consolidated financial statements as of 31 December 2007, as well as the management report and the Group management report have been examined by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and issued with an unqualified certification. The Supervisory Board has acknowledged the results of the audit and concurs with these. The auditors' report was presented to all members of the Supervisory Board. The auditors attended the meeting of the Supervisory Board on 19 March 2008 concerning the annual financial statements and consolidated financial statements. They reported on the key findings of the audit and were also on hand to provide supplementary information. On completion of the examination, the Supervisory Board found no cause for objection. The Supervisory Board approved the annual financial statements and consolidated financial statements presented by the Board of Management. The annual financial statements and consolidated financial statements were therefore adopted. The Supervisory Board endorsed the proposal of the Board of Management for appropriation of the distributable profit.

Pages 78 to 79 of the Group management report contain details on the important provisions which take effect in the event of a change of control. The syndicated loan agreement grants the creditor banks a right to termination in the event of a change of control. Similarly, the creditors who are party to the profit-participation certificate are entitled to terminate the agreement in the event of a change of control. The service contracts of both members of the Board of Management provide for a settlement in the event that their Board of Management contracts are prematurely terminated as a result of a change of control. For further details, we make reference to the relevant passages in the Group management report, rather than repeating these at this juncture.

The Supervisory Board would like to express its thanks to the Board of Management and all employees for their dedication and the success of their accomplishments in financial year 2007.

Dreieich, 19 March 2008

The Supervisory Board
Dr. Thorlef Spickschen, Chairman

Corporate Governance

Joint report by the Supervisory Board and the Board of Management of Biotest AG pursuant to Section 3.10 of the German Corporate Governance Code

Corporate Governance principles

Biotest's corporate strategy is directed towards broadening the product range through a programme of focused research and development and on reinforcing its position in highly lucrative markets. In the longer term, this strategy will ensure an attractive ratio of risk to opportunity for the stakeholders in the company - shareholders, customers, business partners and employees.

Biotest views corporate governance, risk and opportunity management, risk controlling and compliance as an integrated subject area. We pursue our corporate goals responsibly and efficiently while ensuring that we are not exposed to any uncontrollable risks.

Responsible management with a focus on long-term success and monitoring of the management by the Supervisory Board are an integral part of our corporate culture. Both executive bodies work closely together and are guided by internationally recognised standards of good corporate governance. This ensures compliance with the regulatory provisions and transparency requirements of the capital market at all times.

The German Corporate Governance Code (the "Code") in its most current version determines the definition and continuous refinement of our principles. Corporate management and control at Biotest meet the requirements listed there ("should" provisions).

Explanations to the new version of the Code

With effect from 14 June 2007, several sections of the Code have been supplemented and amended to reflect new legal conditions, such as the new transparency regulations stipulated in the Transparency Directive Implementation Act.

Section 5.3.3 includes a new recommendation that the Supervisory Board should form a Nomination Committee composed exclusively of representatives of the shareholders, whose responsibility involves suggesting suitable candidates to the Supervisory Board, whom the latter can then propose to the Annual Shareholders' Meeting for election.

With regard to remuneration of the Board of Management, Section 4.2.3 of the Code recommends that when Board of Management contracts are drawn up, it should be ensured that payments in the event of premature termination of Board of Management duties for no major reason do not exceed the value two years' remuneration and at the same time, do not provide remuneration in excess of the residual contractual term (settlement cap). It is also suggested that the corresponding payment commitment in the event of a change in control amount to a maximum of 150% of the settlement cap.

Implementation of the recommendations and suggestions of the Code at Biotest

The Supervisory Board and Board of Management have comprehensively addressed the recommendations and suggestions in the version of the Code dated 14 June 2007. Both boards agree that Biotest should implement the "should" and "can" provisions (suggestions) with one exception in each case:

We will not implement the new recommendation in Section 5.3.3 regarding the establishment of a Nomination Committee within the Supervisory Board. First, our next Supervisory Board election will be in four years' time and second, there are only four shareholder representatives on the Supervisory Board of Biotest AG. Consequently, we do not deem it necessary to set up a separate committee from this small group of people. Moreover, we believe that improved transparency of the selection procedure, which is the aim of the recommendation, can be achieved from within the full Supervisory Board.

For reasons of the associated cost, Biotest will dispense with the recommendation made in Section 2.3.4 to transmit the Annual Shareholders' Meeting via the Internet.

Since the amendment of the Code in June 2007, no new Board of Management contracts have been concluded. Accordingly, the suggestion made in Section 4.2.3. regarding settlement regulations has not applied to date.

The statement of compliance which was approved at the balance sheet meeting of the Supervisory Board on 19 March 2008 is available on the company's website (www.biotest.de). Also available on the site are the previous declarations of compliance, the Corporate Governance report, the remuneration report and the company's Articles of Association.

Corporate Governance in financial year 2007

The Annual Shareholders' Meeting of Biotest AG took place in Frankfurt/Main on 3 May 2007. 83.63% of the ordinary share capital was represented. The ordinary shareholders approved the proposals made by the Board of Management with a substantial majority.

In the elections that take place at regular intervals, the Annual Shareholders' Meeting appointed the following representatives of the capital side to the Supervisory Board of Biotest AG:

- Dr. Jochen Hückmann, businessman
- Thomas Jakob, businessman
- Dr. Cathrin Schleussner, biologist
- Dr. Thorlef Spickschen, businessman

Dr. Cathrin Schleussner, Dr. Jochen Hückmann and Dr. Thorlef Spickschen were re-elected and Thomas Jakob joined the Supervisory Board as a new member.

Staff voted Ms Astrid Paluch and Ms Barbara Arnold-Schlosser as their new representatives on the Supervisory Board.

The term of office of the Supervisory Board members ends with the Annual Shareholders' Meeting which grants formal approval of the Supervisory Board's actions for financial year 2011. As part of the first Supervisory Board meeting held immediately after the Annual Shareholders' Meeting, Dr. Spickschen was elected as Chairman and Dr. Schleussner as his Deputy. Dr. Hückmann was elected Chairman of the Audit Committee.

A ruling was made against the resolution of the Annual Shareholders' Meeting on 11 May 2006 to amend the Articles of Association of Biotest AG. The contested amendment grants the Chairman of the Annual Shareholders' Meeting the right to restrict individual shareholders' right to speak and raise questions at the Annual Shareholders' Meeting so as to ensure that the meeting lasts no longer than six to ten hours. Biotest AG is consequently implementing the provisions of the UMAG and the Code.

The challenge was rejected by the Frankfurt/Main District Court in the first instance (Ref. No. 3 – 5 O 61/06); the appropriateness of the amendment to the Articles of Association was confirmed in the reasons given for the judgement. The plaintiff has filed an appeal against this ruling.

On 12 February 2008, the Frankfurt/Main Higher Regional Court ruled in the appeal proceedings relating to the legal challenge against the resolution of the 2006 Annual Shareholders' Meeting to amend the Articles of Association of Biotest AG, which stated that the complaint should be upheld and the contested amendment was correct. The Frankfurt/Main Higher Regional Court authorised an appeal to the Federal Supreme Court in its judgement. The Board of Management is currently considering whether Biotest AG will submit such an appeal.

Efficiency review by the Supervisory Board

The Supervisory Board of Biotest intends to review the efficiency of its activities at least every two years. The last efficiency review was conducted in December 2006 and the next review is scheduled for 2008.

Directors' Dealings

The following purchases and sales subject to notification by members of the executive bodies and other senior management members at Biotest AG took place in financial year 2007:

Name	Function	ISIN	Share class	Purchase/sale	Trade date	Number of shares	€ price	€ value
Dr. Cathrin Schleussner	Member of management or supervisory board	5227201/ DE0005227201	Biotest ordinary share	Purchase	21.09.2007	160,046	32.70	5,233,504.20
Dr. Cathrin Schleussner	Member of management or supervisory board	5227201/ DE0005227201	Biotest ordinary share	Incoming transfer, OTC	12.12.2007	1,760,530	0	0
Dr. Cathrin Schleussner	Member of management or supervisory board	5227201/ DE0005227201	Biotest ordinary share	Incoming transfer, OTC	12.12.2007	3,299,508	0	0

Remuneration of the Board of Management and the Supervisory Board

Joint report by the Board of Management and the Supervisory Board of Biotest AG as part of the Corporate Governance report

Remuneration of the Board of Management

The Supervisory Board specifies the remuneration for members of the Board of Management. This is composed of a fixed remuneration, a bonus and a component entailing a long-term incentive effect and risk elements. Added to this are benefits in kind. All remuneration components are applicable individually and as a whole.

Pursuant to Section 4.2.3 of the Code, the remuneration of the Board of Management including the non-monetary components is presented in detail below.

Fixed remuneration

The non-performance related fixed remuneration of members of the Board of Management is composed of their fixed salary and fringe benefits. The amount is based on Biotest's financial position and future prospects and on remuneration in the competitive environment. The annual fixed salary is specified for the entire term of the respective contract of employment and paid in 13 monthly instalments. In the past financial year, the fixed salary of Professor Dr. Schulz amounted to €290 thousand, while that of Dr. Ramroth amounted to €260 thousand.

Members of the Board of Management received fringe benefits above and beyond their fixed salary.

Insurance policies

Both members of the Board of Management are insured professionally and privately as part of Biotest AG's collective accident policy. Members of the Board of Management receive an allowance for social insurance and also for direct insurance. In 2007, the value of these benefits amounted to €26 thousand for Professor Dr. Schulz and €23 thousand for Dr. Ramroth.

The members of the Board of Management and Supervisory Board of Biotest AG are covered by the Group-wide D&O insurance with excess, which Biotest has concluded for its entire senior management.

Further benefits in kind

Both members of the Board of Management are provided with a top-of-the-range company car free of charge, which may also be used privately. The value of the benefits in kind in 2007 amounted to €8 thousand for Professor Dr. Schulz and €9 thousand for Dr. Ramroth.

The Board of Management of Biotest AG is also included in Biotest AG's occupational pension scheme. The members of the Board of Management receive an individual commitment as part of Biotest AG's pension scheme, for which provisions are created. The amount of the provisions for this type of pension scheme is contingent on the number of years worked, the eligible salary and the benefits scale applicable below and above the social contribution assessment limit.

No loans or advances were granted in financial year 2007.

Bonuses

The performance-related component of the remuneration (bonuses) is based on the achievement of corporate and personal targets. The operating profit (EBIT) and return on capital employed (RoCE) are weighted at 30% each and the achievement of individual targets established in the previous financial year at 40% and used as the basis for the calculation. Furthermore, a separate bonus for the achievement of targets of particular significance can be determined by the Presiding Committee of the Supervisory Board. The individual targets are agreed annually between members of the Board of Management and the Presiding Committee of the Supervisory Board. The latter determines the level of the performance-related component after the end of the financial year.

For 2007, provisions of €265 thousand were created for the performance-related remuneration of Professor Dr. Schulz and €245 thousand for Dr. Ramroth.

Remuneration in 2007 comprising the components fixed salary, bonuses and benefits in kind totalled €589 thousand for Professor Dr. Schulz and €537 thousand for Dr. Ramroth.

Remuneration component with a long-term incentive effect and risk elements

The remuneration component with a long-term incentive effect and risk elements is based on Biotest's Long Term Incentive Programme (LTIP). In addition to the members of the Board of Management, this also includes selected senior managers, who have a profound influence on the company's success through their position within the Group, their decisions, their management and their actions. The programme's structure is geared to the established criteria, which the capital market sets for systems of this kind, and complies with the requirements of the Code. The programme started on 1 October 2006 and will run until 31 December 2008. A second tranche began on 20 June 2007 and will end on 31 December 2009.

The precondition for participation is the participant's own investment through the purchase of preference shares in Biotest AG. For members of the Board of Management, the maximum number of preference shares which they can acquire amounts to 1,000 shares. The shares must be held in a securities account at least until the incentive total is disbursed.

The level of the incentive payment is calculated from the performance of Biotest preference shares compared to the SDAX selection index and from the average EBIT margin achieved during the term of the relevant tranche (2006 to 2008 and 2007 to 2009). It is anticipated that participants will be paid the incentive component in April 2009 (from tranche 2006) and April 2010 (from tranche 2007).

The total value of the LTIP over the entire period amounted to €268 thousand for Professor Dr. Schulz and €244 thousand for Dr. Ramroth as of the valuation date of 31 December 2007.

In financial year 2007, the allocation to pension reserves for the Board of Management totalled €385 thousand. Of this figure, €263 thousand was attributable to Professor Dr. Schulz and €122 thousand to Dr. Ramroth.

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

In principle, the pensions agreed in their service contracts are paid to former Board of Management members and their surviving dependants. A total of €4,172 thousand is provided for former members of the Board of Management and their surviving dependants.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in the Articles of Association. Members receive an annual fixed remuneration of €15 thousand each. The Chairman of the Supervisory Board shall receive twice this amount and his Deputy one and a half times. For work in a Supervisory Board committee, a member will receive a further €3 thousand, while the Chairman of the committee will receive a further €5 thousand. Biotest AG reimburses the VAT payable on the Supervisory Board remuneration.

Furthermore, the members of the Supervisory Board receive a variable remuneration of €500 for every €1 million by which the operating profit (EBIT) exceeds a minimum amount of currently €17.3 million, however, no more than a total of € 5 thousand.

As shown in the relevant paragraph on Remuneration of the Board of Management, Biotest AG paid the premiums as part of the D&O insurance policy with excess for all members of the Supervisory Board. No further benefits in kind were granted.

€ thousand	Fixed remuneration	Variable remuneration	Total remuneration
Dr. Thorlef Spickschen (Chaiman)	43	5	48
Dr. Cathrin Schleussner (Deputy Chairwoman)	29	5	34
Dr. Jochen Hückmann (Chairman of the Audit Commitee)	23	5	28
Barbara Arnold-Schlosser[1)]	12	3	15
Thomas Jakob[1)]	12	3	15
Astrid Paluch[1)]	10	3	13
Reinhard Eyring[2)]	6	2	8
Kerstin Birkhahn[2)]	5	2	7
Johannes Hartmann[2)]	6	2	8
Total	146	30	176

1) as of 3 May 2007
2) until 3 May 2007

Glossary Technical terms

ACR 70
Set of criteria developed by the American College of Rheumatology (ACR) to assess the efficacy of treatments for rheumatologic conditions. An ACR70 response (ACR 70) is defined as 70% improvement of defined symptoms, such as joint pain, joint swelling or function impairment.

Aerob / Anaerob
All life processes requiring oxygen are aerobic (e.g. breathing). The opposite are anaerobic processes.

Albumin (or human albumin)
Protein produced in the liver which regulates and maintains the protein balance in the vascular system, as well as binding and transporting various plasma components.

Antigen
Molecule that is recognised by the immune system. The immune system can differentiate between "foreign" and "self" and trigger defence mechanisms, where appropriate.

Antibody
Antibodies are substances that are produced by the body against attack by a foreign invading substance (antigen).

Autoimmune disease
Activity of the immune system directed against the patient's own body.

CE certification
The CE mark is the manufacturer's confirmation of the product's compliance with the applicable directives of the European Union.

Congenital
Existing or acquired at birth.

Consistency charge
Batches produced as part of the drug approval process. They are used to determine whether the product retains its features in mass production and after a certain storage period.

Chromatography
Chemical process for separating mixtures into their components.

Chronic lymphocytic leukaemia
The most common form of leukaemia in the West. Unlike acute leukaemia, the disease develops over a long period of time. There is a clonal increase in B lymphocytes (white blood cells).

Cytomegalovirus
Viral infection which is generally harmless. However, if occurring in pregnancy it can cause severe foetal damage.

Fibromyalgia
Chronic non-inflammatory disease presenting with extensive pain affecting the muscles and tendons.

Filter aid procedure
Fractionation procedure for blood plasma. Plasma components are separated using special filters.

Fractionation
Physical separation of substance mixes (for example, blood plasma).

Good Manufacturing Practice (GMP)
Regulations on the safety and quality in manufacturing pharmaceutical preparations and diagnostic products.

Haematology
Branch of medicine concerned with blood and blood disorders.

Haemophilia
A blood clotting disorder resulting from defective or missing coagulation factors VIII or IX (type A or B haemophilia).

IgM concentration
Immunoglobulin M (IgM) is an antibody molecule consisting of five Y-shaped sub-components. As an immunoglobulin produced only as part of an immune system response, IgM has the function of activating the complement system.

Immunoglobulins
Protein molecules (antibodies) that make up part of the body's immune system. Polyvalent immunoglobulins are effective against a broad spectrum of infections and hyperimmunoglobulins are effective against special antigens.

Immunology
The science of the defence mechanisms of the body against alien substances and pathogens, as well as of the deficiencies of these defence mechanisms.

Immunosuppressed
Immunosuppression is the artificial suppression of the body's resistance to disease, for example, after transplants.

Immune system
The sum of all factors responsible for the body's defence against infections and invading foreign substances.

Indication
Condition for which an active ingredient/drug can be developed and approved.

Intramuscular application (IM)
Administering a drug by injecting it into a muscle.

Intravenous application (IV)
Administering a drug by injecting into a vein.

In vitro
Procedure that takes place in a laboratory setting, for example, in a test tube.

In vivo
Processes that take place in the body.

Monoclonal antibody (mAb)
Antibodies that can be traced back to a single originator cell. Antibodies attach themselves to particular antigens.

Multiple myeloma
Malignant plasma cell growth in the bone marrow.

Mutual Recognition Procedure (MR Procedure)
European mutual recognition procedure by which, once national approval has been granted, product registration can be sought in other EU countries.

Nanometer filtration
Pressurised membrane filtration procedure which separates out particles in the nanometer range.

Orphan Drug Status
Orphan drug status is given to drugs for which there is a high medical need, but which cannot be developed without subsidies, due to the prohibitive cost or low market potential.

Paul-Ehrlich-Institut (PEI)
German federal authority for sera and vaccines. The PEI is responsible for the authorisation of clinical trials and approval processes.

Plasmapheresis
Generation of plasma from blood donations. The cellular elements are immediately reinfused to the donor. What remains is blood plasma, a clear, yellowish liquid which contains the soluble proteins of the blood and minerals.

Polymerase chain reaction (PCR)
Polymerase chain reaction (PCR) is a method used to reproduce the genetic material, DNA, in vitro, i.e. without the presence of a living body such as coli bacteria.

Polyvalent
Effective in several ways. Polyvalent immunoglobulins attack several target antigens and are not designed to just focus on one target antigen.

Psoriasis
Scaly patches. Chronic skin disease.

Prions
Proteins that are present in the human and animal body, both in normal and pathogenic structures.

Reagents
Substances used to test for the presence of and identify another substance.

Recombinant
Recombinant proteins are produced with the aid of genetically modified micro-organisms or cell lines.

Rheumatoid arthritis
Inflammation of the joints.

Serology
Sub-field within immunology which studies the reactions of antigens and antibodies (in vitro).

Subcutaneous application (SC)
Administering a drug by injecting it beneath the skin.

Systemic lupus erythematosus
Autoimmune disease which often starts with a fever; patients frequently experience joint pain similar to rheumatism. Erythema (redness of the skin due to dilation of the capillaries) occurs.

Test serum
Substance used to determine the Rhesus factor.

Typing
Determination of individual characteristics of blood or somatic cells.

Glossary Financial terms

Asset deal
Occurs as part of takeovers and describes the acquisition of all economic assets of a company, for example buildings, land and machinery. Differs from the takeover of shares in a company (share deal).

At equity valuation
Accounting method for the consolidation of associated companies.

Cash flow
Reflects the actual flows of cash in a period (revenues and expenditure) and is an indicator of the internal financing ability of a company.

Credit line
The option made available by a bank of raising loans at short notice within specified limits.

Currency option contract
Currency option transactions are used to hedge against risks from exchange rate fluctuations. The buyer of a currency option contract acquires the right, however not the obligation, to buy or sell a currency at a specific exchange rate on a specified date.

Currency forward
Currency forwards are the binding agreement to exchange one currency for another on a specific date at a specified rate.

Deferred taxes
Income taxes payable or receivable in the future, which do not yet constitute actual receivables or liabilities at the time relating to the balance sheet concerned.

Derivative financial instrument
A financial instrument which is generally priced in relation to a market-based reference value.

Discount
Discount on the nominal value; opposite of premium.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Financial Assets at Fair Value through Profit or Loss (FAFVtPL)
A financial instrument category in accordance with IFRS 7.

Financial Assets Held for Trading (FAHfT)
A financial instrument category in accordance with IFRS 7.

Financial Liabilities at Amortised Cost (FLAC)
A financial instrument category in accordance with IFRS 7.

Financial Liabilities Held for Trading (FLHfT)
A financial instrument category in accordance with IFRS 7.

Forward rate
A forward rate (also known as forward interest rate) is the interest rate for a future period (year/six months etc.), which can be hedged risk-free with bonds available in the market at present.

Hedge accounting
The establishment of hedging relationships between underlying transactions and derivative financial instruments used for hedging purposes and associated reporting.

Held to Maturity (HtM)
A financial instrument category in accordance with IFRS 7.

Impairment test
A test used to check the value of an item.

Interest rate cap
Definition of an upper and lower interest rate limit for a floating rate.

Linear interpolation
Mathematical method used to derive a continuous function from available individual data points.

Loans and Receivables (LaR)
A financial instrument category in accordance with IFRS 7.

Payer swap
With regard to swaps, both contractual parties undertake to pay either a fixed or floating rate on a specific nominal value to the respective other party. The swap of the party paying a fixed rate is called payer swap.

Profit-participation certificate
Upon conclusion of the profit-sharing agreement, the beneficiary undertakes to make the profit-sharing capital available to the issuer of the profit-participation certificate. In turn, rights to assets are made available to the beneficiary, to which as a rule shareholders of the issuer are also entitled, such as performance-related pay, a share in the liquidation proceeds or option rights.

Sensitivity analysis
Used to determine the impact of specific factors on certain performance indicators. The factors analysed are, for example, prices and costs.

Svensson method
Method used to calculate the base rate on the basis of yield curves.

Working capital
Short-term tied-up capital.

Acknowledgements

Biotest AG
Landsteinerstr. 5, D-63303 Dreieich
Postfach 10 20 40, D-63266 Dreieich
Tel. +49 (0) 6103 801-520
Fax +49 (0) 6103 801-7840
e-mail: investor_relations@biotest.de
Internet: www.biotest.com

Conception, text and design: ergo Kommunikation, Köln/Frankfurt am Main/Berlin

Photography: Ralf Braum, Frankfurt/Main; Josef Silber, Bad Vilbel
Translation: arb limited London, info@arblimited.com

This 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

28 March 2008	Publication of Annual Report
15 May 2008	Quarterly report for Q1 2008
27 May 2008	Annual General Meeting
14 August 2008	Quarterly report for Q2 2008
6 November 2008	Quarterly report for Q3 2008
6 November 2008	Autumn Analysts and Press Conference

Biotest

Biotest AG, Landsteinerstr. 5, D-63303 Dreieich, Postfach 10 20 40, D-63266 Dreieich
Tel. +49 (0) 6103 801-520, Fax +49 (0) 6103 801-7840
E-mail: investor_relations@biotest.de, www.biotest.com

89850040