Biotest

From Nature for Life

Figures 2010

Biotest AG | Annual Report

2010 at a glance

Biotest Group*		2010	2009	Change %
Revenue	€ million	412.5	390.1	5.7
of which: Germany	€ million	101.8	89.5	13.7
Rest of World	€ million	310.7	300.6	3.4
of which: Plasma Proteins	€ million	412.5	390.1	5.7
EBITDA	€ million	69.8	81.2	–14.0
EBIT	€ million	42.9	57.1	–24.9
EBIT in % of sales	€ million	10.4	14.6	–
Profit before tax	€ million	28.4	45.4	–37.4
Retained earnings attributable to equity holders of Biotest AG	€ million	19.6	29.6	–33.8
Structure of expenses by nature:				
– Cost of materials	€ million	136.7	140.0	–2.4
– Personnel expenditure	€ million	98.7	98.5	0.2
– Research and development expense	€ million	49.0	46.4	5.6
thereof: Biotherapeutics	€ million	21.1	20.7	1.9
– Research and development expense in % of sales		11.9	11.9	–
Capital expenditure in property, plant and equipment and intangible assets	€ million	31.1	37.3	–16.6
Financing:				
– Cash flow**	€ million	41.7	29.0	43.8
– Depreciation and amortisation	€ million	26.9	25.2	6.7
Equity	€ million	307.6	269.9	14.0
– Equity in % of total assets and liabilities		48.6	42.6	–
Total assets and liabilities	€ million	632.3	633.5	–0.2
Number of employees (full-time equivalents) as of year-end		1,611.1	1,548.8	4.0
Earnings per share	€	1.64	2.49	–34.1
Earnings per preference share	€	1.70	2.55	–33.3

* Continuing Operations (Plasma Proteins segment, Biotherapeutic segment, Corporate). Previous year's cash flow and earnings figures including earnings per share were adjusted accordingly.

** From operating activities

Contents

Foreword

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

Dear Readers,

In the year 2010 – a year in which the environment for plasma protein manufacturers was anything but favourable – Biotest was able to increase its sales revenue by 5.7% over the previous year. Prices for polyspecific immunoglobulins and clotting factors in particular were under heavy pressure in Europe, especially during the first half of the year, due to the enormous increase in supply. Making matters worse, cost-cutting measures in public healthcare systems, in some cases, had a direct impact on the earnings of pharmaceutical companies.

At Biotest, we anticipated the trends in the market for plasma proteins and were prepared for the possible consequences on prices. Nevertheless, the decline in prices was sharper and affected more market segments than we expected. Given these conditions, Biotest was unable to maintain the very positive EBIT performance of recent years. In 2010, EBIT fell by 24.9% over the previous year.

In our view, the past year was an exception in terms of results. Already during the second half of the year, it had become clear that a medium-term slowdown in the market for plasma proteins was to be expected. Our performance in 2010 was also influenced by investments in the future of Biotest. At the centre of these investments lies the renovation and expansion of our production facility in the US, the associated costs of which impacted our earnings during the previous year. However, the new capacity will allow us to significantly expand our position in the world's most attractive market for plasma proteins.

In November 2010, we took a very important step in this direction by submitting approval dossier for the immunoglobulin Bivigam™ to the FDA. The preparation has an annual sales potential of about USD 100 million. Approval is expected during the fourth quarter of 2011, and we are already preparing the groundwork for market entry.

Our other plasma protein development projects are also coming along quite well. The same holds true for the monoclonal antibodies from our Biotherapeutic segment: the data regarding their tolerability and efficacy in their respective lead indications is growing by the day.

We have also obtained pre-clinical findings for BT-061 showing efficacy in the indication multiple sclerosis (MS). Based on these findings, we have begun pre-clinical testing to prepare for clinical trials with BT-061 in the MS indication. These analyses are taking place in cooperation with leading academic work groups in the field as part of the ´New active agents for neurological diseases´ consortium (*Neu² Konsortium*). The work is being funded by the government.

The value of our projects in the Biotherapeutic segment increased significantly over the course of 2010. As with everything that we do, thoroughness and ensuring the most favourable terms for Biotest are more important than speed.

We have followed the same principle in focusing our activities on the special areas of Immunology and Haematology. Consequently, we started negotiations regarding the sale of all activities in the Microbiological Monitoring segment, which were not yet complete as of the reporting date. The sale of the activities of our transfusion and transplantation diagnostic business became effective at the beginning of 2010. This transaction resulted in a handsome profit for Biotest. This allows us to fully concentrate on developing our plasma proteins and biotherapeutics business. Also, under the new ownership structures, our former subsidiaries now have much better prospects.

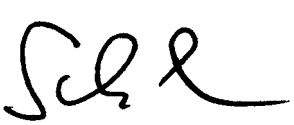
Biotest's firm basis and potential were recognised by the capital markets, particularly in the second half of the year. At the end of 2010, the price of our stock had risen by 34.6% (preference shares) and 25.7% (ordinary shares) over 12 months.

We would like to thank all of our shareholders for their trust. Thanks are also due to our financing and business partners for their cooperation in 2010. But most of all, we would like to thank the employees of the Biotest Group, who through their hard work and dedication helped lay the groundwork for the positive performance of the Group.

Thanks to an improved market environment, 2011 promises to be a year of high earnings growth for Biotest. This is our firm belief, and we are working hard to ensure the outcome.

We appreciate your continued support in this endeavour.

Sincerely yours,



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

Dr. Michael Ramroth
Chief Financial Officer

Group management report

THE FINANCIAL YEAR IN REVIEW

In 2010, the Biotest Group generated sales from its Continuing Operations of €412.5 million, thus exceeding 2009 sales (€390.1 million) by 5.7%. Earnings before interest and tax (EBIT), impacted by the unfavourable market environment for the plasma protein business and reduced by higher research and development expenses than in 2009, totalled €42.9 million, or 24.9% below the previous year (2009: €57.1 million).

The market for plasma proteins remained difficult during the financial year, with the high availability of end products having a detrimental effect on target prices, especially in Europe. However, around the end of the year, a trend toward medium-term stabilisation and gradual recovery was observed.

Biotest made significant progress in its development projects. Particularly noteworthy was the submission of the FDA approval dossier for the polyspecific immunoglobulin Bivigam™ as well as new efficacy data for the monoclonal antibodies BT-061 and BT-062. Market authorisation for Bivigam™ in the US is expected at the end of 2011 and will significantly expand Biotest's position in the world's largest market for immunoglobulins.

The financing structure of the Biotest Group is very solid. We have the funding required to continue our efforts to develop the company in line with our strategy.

Biotest is in negotiations regarding the sale of its activities in the former Microbiological Monitoring segment; negotiations were not yet complete as of the reporting date.

BUSINESS ACTIVITY AND CORPORATE STRUCTURE

Biotest is a provider of drugs developed from human blood plasma and develops monoclonal antibodies. Biotest is primarily specialised in the application fields of immunology and haematology, covering all the major elements in the supply chain from pre-clinical and clinical development to global marketing. The company is divided into two operating segments: Plasma Proteins and Biotherapeutics. Overall Group management costs and costs not attributable to other segments are shown under the Corporate segment/ Reconciliation.

Until 31 December 2010, the Microbiological Monitoring division was operated as an independent segment. Due to the company's intention to sell this segment, it is hereafter classified as "Discontinued Operation".

This line item also includes sales, profits and other key financial figures from the former Medical Diagnostics segment (activities of the transfusion and transplantation diagnostic business). The activities of the transfusion and transplantation diagnostic business were transferred to Bio-Rad Laboratories, Inc., Hercules, US, as of the closing date of the agreement, 6 January 2010. These activities had already been recognised in the 2009 annual financial statements as Discontinued Operation. An agreement to sell the only remaining company in the segment, Viro-Immun Labor-Diagnostika GmbH, Oberursel, Germany, was signed on 18 February 2011.

The sale of the Microbiological Monitoring segment, currently under negotiation, includes holdings in heipha Dr. Müller GmbH (51%), Biotest Microbiology Corp., USA, Biotest S.a.r.l., France, Biotest K.K., Japan, the Biotest HYCON product division of Biotest AG as well as corresponding distribution activities in five subsidiaries.

Unless otherwise noted, the statements and explanations in this Annual Report refer to Continuing Operations. Previous year figures have been adjusted in terms of earnings figures and cash flow; financial position figures for the previous year have not been adjusted.

CORPORATE STRUCTURE

See Section F8 of the notes

The consolidated financial statements include the parent company, Biotest AG, along with 20 fully consolidated companies. All shareholdings of the Biotest Group are included in the list of participating interests in the notes to the consolidated financial statements. Biotest AG has issued ordinary and preference shares, both of which are listed on Deutsche Börse's Prime Standard market and traded on regional German stock exchanges. Biotest AG preference shares are included in Deutsche Börse's SDAX selection index.

To learn more, visit us on the web at www.biotest.com

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

CURRENCIES

Biotest invoices 39.6% of Group sales in currencies other than the euro. The most important foreign currency is the US dollar, which accounted for 28.7% of Group sales invoiced in 2010. Exchange rate fluctuations influence margins on products manufactured in the euro zone but invoiced in other currencies, euro-denominated expenditure on purchases in other currencies, and the contributions to sales and profits made by subsidiaries based in countries outside the euro zone.

PLASMA PROTEINS SEGMENT

Products and markets

Biotest obtains proteins from human blood plasma, which can be broken down into the following main groups: immunoglobulins, clotting factors and albumins. Plasma proteins are used to treat congenital and acquired diseases and are used particularly in the medical areas of haematology and clinical immunology. Another area of application is intensive care and emergency medicine.

Plasma Proteins segment product range

Product	Indications
Immunoglobulins	
Intratect®/Intraglobin®	Replacement therapy in antibody deficiency, primary humoral immunodeficiencies or secondary antibody deficiency syndromes as well as autoimmune diseases
Hyperimmunoglobulins	
Cytotect® CP/Biotest Megalotect®	Cytomegalovirus infection (prophylaxis)
Varitect® CP	Zoster virus infection (prophylaxis and treatment)
Hepatect® CP Nabi-HB®	Hepatitis B immunoprophylaxis
Zutectra®	Hepatitis B reinfection prophylaxis after liver transplantation (pre-filled syringe for subcutaneous injection)
Clotting factors	
Haemoctin®	Haemophilia A (acute therapy and prophylaxis)
Haemonine®	Haemophilia B (acute therapy and prophylaxis)
Intensive care and emergency medicine	
Pentaglobin®	Severe bacterial infections
Albiomin Albumin Biseko®	Volume replacement of plasma protein losses, for example, during surgery or as a result of burns

In addition to drugs marketed under its own brand names, Biotest produces plasma proteins under contract for other companies or government institutions within the scope of toll manufacturing agreements.

Biotest markets plasma proteins globally. Core markets are Europe and also the United States in the future, which, based on own data collection, together accounted for 71% of the sales volume achieved in 2010. We estimate the volume of the global market for immunoglobulins at about 100 tons, which corresponds to a sales volume of about €4 billion.

Added value

In the Plasma Proteins segment Biotest covers the entire value chain. It has production facilities in Europe and the United States. Most of the plasma used by Biotest comes from plasmapheresis. Biotest has 21 plasma collection centres of its own in Europe and the United States and uses only plasma from qualified donors who donate regularly and are subject to strict health controls.

Group companies or partners handle distribution of the plasma proteins, and Biotest initiates and supervises all distribution activities. Activities in the course of clinical trials and licensing of plasma proteins and biotherapeutics are supervised by the Medical/Regulatory Affairs Division.

Price trends in the world market for blood plasma exert a substantial influence on the manufacturing costs at Biotest. Furthermore, the prices that can be achieved for finished products depend to a significant extent on the quantity of plasma proteins available in relation to the demand for them. The number and capacity of the plasmapheresis centres set up in the United States along with the US source plasma collected there are an indicator of the trend in supply.

Regulatory environment

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

In the member states of the European Union, plasma proteins are approved by the centralised marketing authorisation procedure or by mutual recognition of national marketing authorisations. In the United States, drugs are subject to the regulatory provisions of the FDA.

Biotest is a member of the Plasma Protein Therapeutics Association (PPTA) and has adopted the association's strict safety standards for obtaining and processing blood plasma.

BIOTHERAPEUTIC SEGMENT

Products and markets

Biotest has three monoclonal antibodies undergoing clinical trials.

Monoclonal antibodies undergoing clinical trials at Biotest

	Lead indication(s)	Development stage*
BT-061	Rheumatoid arthritis, psoriasis	Clinical trial (phase IIb)
BT-062	Multiple myeloma	Clinical trial (phase I/IIa)
BT-063	Systemic lupus erythematosus (SLE)	Clinical trial (phase I)

* with reference to the most advanced clinical trial; trials can run in parallel in different clinical phases.
Status: 31 December 2010

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

The global market volume in therapies for rheumatoid arthritis was estimated at USD 13.5 billion for 2010. In the treatment of psoriasis, the global market volume for biologicals for 2010 was estimated to be USD 3.0 billion. There is currently no treatment for either indication that leads to permanent remission or is free from side effects.

The global market volume in the treatment of multiple myeloma was estimated at USD 4.8 billion in 2010. The sales achieved globally with therapies of systemic lupus erythematosus (SLE) in 2010 were estimated at USD 430 million. There is currently no specific therapy for this disease, which can be fatal in severe cases. Biotest assumes that the global market for biotherapeutics for the treatment of SLE in 2012 will attain a volume of over USD 1.5 billion.

Added value

Biotest has its own resources for all major elements in the Biotherapeutic segment value chain. We complement these resources by collaborations with partners. Biotest AG supervises and manages all activities by its partners.

Regulatory environment

The relevant supervisory and regulatory authorities for monoclonal antibodies in Europe and the United States correspond to those for plasma proteins.

GROUP STRATEGY

Biotest's group strategy is to expand its position as a specialist in innovative immunology and haematology. Further internationalisation of its business and strengthening its position as a provider of quality are core goals in all segments.

A significant element of the business model is to cover the central elements of the value chain by means of its own resources. These include research and development, production, quality assurance and distribution in particular. In its continuous development of the product range, Biotest focuses on special areas such as highly specific hyperimmunoglobulins.

The clinical development of monoclonal antibodies for use in lead indications with a great need for therapies and large patient populations will become increasingly important for Biotest's further development as the projects progress.

BUSINESS PERFORMANCE MANAGEMENT

Biotest's business performance is managed using both financial and non-financial indicators, changes in which influence enterprise value in different ways. Financial and non-financial performance indicators are measured on a continuous basis.

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

FINANCIAL PERFORMANCE INDICATORS

The indicators used to manage the business performance of the Group as a whole are listed in the table below.

Key performance indicators at the Group level

Kennzahl	Calculation	2010 value
Group earnings indicators		
Return on Capital Employed (RoCE)	EBIT/capital employed	7.8%
EBIT margin	EBIT/sales	10.4%
EBT margin	EBT/sales	6.9%
Contribution margin	(Sales – cost of sales)/sales	39.9%
Cash flow from operating activities	See page 19	€41.7 million
Cost of sales ratio	Cost of sales/sales	60.1%
Distribution expense ratio	Distribution expenses/sales	12.7%

At the segment level, the main performance indicator is earnings before interest and tax (EBIT). In addition, sales and contribution margin by product and in the area of marketing and distribution by employee are also taken into consideration. We also continuously analyse the structure of our accounts receivables and the associated risks. Inventories are analysed on a monthly basis against different criteria.

NON-FINANCIAL INDICATORS

Major non-financial production-related performance indicators for the Group include capacity utilisation rate, cycle times and down times as well as the level of stocks held in the production chain. In plasma protein production we also monitor the self-supply ratio and the yield per unit of plasma. In marketing and sales, key indicators include Biotest's share of the overall market or the number of customers per product. Research and development projects are managed by means of milestone plans.

THE YEAR 2010

OVERALL ECONOMIC PERFORMANCE

Whilst the state of the economy as whole has had relatively little impact on Biotest's business performance, the change in the financial situation of the public sector has had a greater impact.

In 2010, the situation regarding public sector budgets, particularly in some EU countries, worsened dramatically. In the spring of 2010, the member states of the European Union and the International Monetary Fund helped save EU and Eurozone member Greece from financial collapse by providing a rescue package. The assistance came with strict requirements for reducing government deficits. In November, Ireland was the first country to make use of the new European Financial Stability Facility (EFSF). Speculation that other EU and Eurozone member states could have difficulty making payments had a major impact on the financial markets.

The exchange rate between the euro and the US dollar fell significantly in the first half of 2010; in the second half of the year, the common European currency then appreciated against the dollar. Exchange rates of special importance to Biotest are listed in the notes to the consolidated financial statements.

See Section B3 of the notes

PERFORMANCE BY INDUSTRY ENVIRONMENT

Plasma Proteins

Global sales of blood plasma preparations in 2010 were about 5% higher than in 2009 and sales volumes of immunoglobulins increased by about 6%, according to our own research. As in previous years, this increase was attributable to new indications, administration of higher doses per patient and the opening up of new sales markets.

The 2010 worldwide immunoglobulin sales volume of approximately 100 tons can be broken down by region as follows:

Global market for immunoglobulins*

	Market volume 2010 (t)	Share of global market (%)
USA	44	44
Europe	29	29
Rest of world	27	27

* Estimates based on data from Marketing Research Bureau (MRB), Plasma Protein Therapeutics Association (PPTA)

The supply of finished products in 2010 exceeded demand despite the gradual decline in production capacity in the industry observed since the second half of 2009. This was caused by high levels of raw material and end product inventories, which did not begin to decline until the end of 2010.

As a result, prices for plasma proteins in the European markets remained under pressure. This was especially true in the case of polyspecific immunoglobulins. The average price per unit in 2010 outside the US was about 20–25% lower than in 2009. Prices for hyperimmunoglobulins, in which Biotest has a particularly high market share, remained relatively stable.

Average prices for clotting factors in 2010 in Europe were also below those of 2009, with a significant decline seen in Eastern Europe.

Prices for both immunoglobulins and clotting factors began to stabilise in late 2010 due to a decreased supply.

The limited supply of immunoglobulins in the market as a result of the decision by the authorities to temporarily suspend the marketing authorisation for the immunoglobulin preparations of two competitors in the European Union and Israel as well as the recall of all batches of the preparation from the US market by the manufacturer had a stabilising effect on prices. The temporarily unavailable supply of immunoglobulins in the market represents about 10% of annual worldwide sales. Other providers of plasma proteins were able to fill the gap in supply left by the recall at short notice.

In the USA, sales volumes for polyvalent immunoglobulins in 2010 increased by about 8% over the same period in the previous year. Prices here were higher and overall more stable than in Europe. The volume of US source plasma in the period from January to August 2010 (market data for this period was available at the time the consolidated financial statements were prepared) was about 14% less than during the same period in 2009.

In many cases efforts to reduce government deficits or at least limit their growth had an effect on the publicly funded health care system. Two changes in legislation took effect in Germany in 2010:

The Act to Amend Provisions of Health care Insurance Law and Other Provisions (*GKV-Änderungsgesetz*) took effect on 1 August 2010. The new law requires manufacturers to grant mandatory discounts and imposes a price moratorium on products sold under the public health care system. The mandatory discount and price moratorium will remain in effect until 31 December 2013. All Biotest plasma protein products, with the exception of the clotting factors Haemoctin® and Haemonine®, are affected by the *GKV-Änderungsgesetz*. The new regulations will reduce sales and profits annually by about €5 to €6 million.

The Pharmaceutical Market Restructuring Act (AMNOG) took effect as of end 2010/beginning 2011. Manufacturers of a newly authorised drug must now prove that the drug offers greater benefits than previous medications. The price for a newly approved preparation will now be negotiated between the manufacturer and the umbrella organisation of public insurance providers within one year, provided that the superiority of the drug over products already on the market is proven. Otherwise, a fixed price policy shall apply.

The Greek government, as part of its efforts to restructure its public finances, passed a law giving pharmaceutical companies the option of exchanging their accounts receivable for the years from 2007 to 2009 for government bonds. These interest-free bonds have a time to maturity of one to three years. Biotest made use of this option.

BIOTEST IN 2010

SUMMARY ASSESSMENT BY THE BOARD OF MANAGEMENT

In 2010, despite a very difficult market environment, Biotest was able to increase its sales compared to 2009 and to strengthen its position in the market. Strong pressure on plasma protein prices had a negative impact on earnings performance. There were increasing signs of medium-term stabilisation toward the end of the year. However, the effects of this recovery were not yet felt in terms of sales and profits.

Biotest made significant progress in the development of the company in 2010. Our medium and long-term prospects were aided by the completed expansion of our plasma protein production facilities in the US as well as the initiation of the marketing authorisation process in that country for the immunoglobulin Bivigam™. Progress was also made in development projects in the Plasma Proteins and Biotherapeutic segment.

By deciding to sell the activities of its Microbiological Monitoring segment, Biotest successfully implemented its strategy of focusing the business on plasma proteins and biotherapeutics.

Biotest is solidly financed and has the necessary financial resources to fund both its operations as well as projects aimed at further developing the company.

2010 GOALS: TARGET-PERFORMANCE COMPARISON

Biotest reached most of its strategic and operational goals as described in the Outlook section of the 2009 Annual Report. These included the targeted development of the plasma protein product range as well as development projects in the Biotherapeutic segment.

Sales targets were also achieved. However, the target EBIT was reduced in July 2010 due to the ongoing difficult market situation. This adjusted target was reached during the 2010 financial year. Please note that sales targets and adjusted earnings targets (EBIT: €45 million +/–10%) apply to Continuing Operations, including the Microbiological Monitoring segment. Corresponding sales recorded in 2010 totalled €461.2 million, along with EBIT of €49.2 million.

GROUP BUSINESS STRATEGY AND IMPLEMENTATION IN THE 2010 FINANCIAL YEAR

Internationalisation of business and focus constitute the cornerstones of the Biotest Group strategy. Key points of the segment strategy and their implementation are described in the segment performance report.

FOCUS

Biotest is fully focused on developing, producing and marketing innovative pharmaceutical and biotherapeutic drugs in the areas of immunology and haematology.

INTERNATIONALISATION

During the financial year Biotest continued its efforts to expand its presence in important international markets. Steps were initiated to establish an affiliated company in Russia in order to intensify sales of plasma proteins. A direct presence in the country will also make the drug development and marketing authorisation process more efficient. The affiliated company in Belgium ceased operations; Biotest outsourced the sale of its products in Belgium to external distributors.

GROUP BUSINESS AND EARNINGS PERFORMANCE

SALES PERFORMANCE

In 2010, Biotest sales revenue was 5.7% higher than in the previous year, with the growth largely attributable to higher sales volumes.

Sales performance of the Biotest Group

€ million	2010	2009	Change in %
Plasma Proteins	412.5	390.1	5.7
Biotest Group	**412.5**	**390.1**	**5.7**
Discontinued Operation	51.0	90.9	–43.9
Biotest Group including the Discontinued Operation	**463.5**	**481.0**	**–3.6**

Products of the Biotest Group accounted for €379.9 million or 92.1% of total Group sales (2009: €360.3 million, 92.4%). Toll manufacturing of blood plasma comprised €21.6 million or 5.2% (2009: €19.1 million, 4.9%) of Group sales, with the remaining €11.0 million (2.7% of total sales) generated from merchandise, sales from partial recognition of profits and other sales (2009: €10.7 million, 2.7%).

Sales were distributed regionally as follows:

Biotest Group: Sales by region*

€ million	2010	2009	Change in %
Germany	101.8	89.5	13.7
Europe (excluding Germany)	138.5	146.8	–5.7
USA	53.7	44.4	20.9
Americas (excluding the USA)	3.9	4.7	–17.0
Asia	101.1	93.2	8.5
Rest of world	13.5	11.5	17.4
Biotest Group	**412.5**	**390.1**	**5.7**

* related to Continuing Operations

The discontinued Microbiological Monitoring segment achieved sales of €48.7 million (previous year: €48.5 million). The increase in sales of Biotest products was offset by a decrease in merchandise sales.

GROUP NET INCOME PERFORMANCE

Group net income in 2010 was below that of the previous year.

Key earnings and return indicators for the Biotest Group*

	2010	2009	Change in %
Key earnings figures (€ million)			
EBIT	42.9	57.1	–24.9
Earnings before tax (EBT)	28.4	45.4	–37.4
Earnings after tax (EAT)	19.6	29.6	–33.8
Key return figures (in %)			
EBIT margin	10.4	14.6	–
EBT margin	6.9	11.6	–
RoCE	7.8	10.9	–

* related to Continuing Operations

EBIT was heavily impacted by pressure on prices of immunoglobulins and clotting factors. Sales and earnings were reduced by around €2 million as result of the provisions of the *GKV-Änderungsgesetz*. The effects of the increased sales volume were not able to offset the negative impact of changes in prices. EBIT also reflects the fact that the product mix was less favourable in 2010 than in the previous year. The ratio of sales of clotting factors and blood plasma, which generate lower margins than immunoglobulins and hyperimmunoglobulins, to total sales was significantly higher in 2010.

Another influencing factor on EBIT were research and development costs, which were around €2.6 million or 5.6% higher in 2010 than in 2009.

In addition, unavoidable unabsorbed overhead costs were incurred in connection with the expansion of the Biotest Pharmaceuticals Corp. (BPC) production facility in Boca Raton, US.

Earnings before tax (EBT) developed less positively than EBIT. This was due to special charges in the financial result due to the government debt crisis in Greece; earnings after tax were impacted by a change in the effective tax rate. Both positions are explained in greater detail in the "Expenses" section below.

In the second half of 2010, Biotest adopted stronger cost-cutting measures and intensified its sales activities in the German market.

Biotest earned €45.0 million from the sale of the activities of its transfusion and transplantation diagnostic business to Bio-Rad Laboratories, Inc. The profit arising on the sale totalled €18.4 million after disposals from net assets and the assumption of assumed shareholder loans and restructuring costs. This profit was recognised under the Discontinued Operation. EBIT from Continuing Operations in 2010 totalled €42.9 million, compared to €57.1 million in 2009.

Including the Discontinued Operation, the Biotest Group reported EBIT for 2010 of €67.7 million (2009: €58.5 million).

EXPENSES

Cost of sale in 2010 were significantly higher than in 2009 due to the expanded sales volume. The cost of sales ratio rose significantly to 60.1% compared to 52.6% in 2009. This was primarily caused by the situation regarding prices of plasma proteins, as well as the less favourable product mix. The position also includes unabsorbed overhead costs incurred in connection with the expansion of plasma protein production at BPC. With the completion of the facilities at the end of 2010 and the start of production, these costs will be significantly lower in 2011 and disappear completely once full capacity is reached in 2012.

Excerpt from the income statement of the Biotest Group*

€ million	2010	2009	Change in %
Cost of sale	−248.0	−205.2	20.9
Distribution costs	−52.5	−52.1	0.8
Administrative costs	−30.7	−32.7	−6.1
Research and development costs	−49.0	−46.4	5.6
Other operating income	12.2	8.9	37.1
Other operating expense	−1.6	−5.5	−70.6
Financial result	−14.8	−12.0	22.5
Income tax expense	−8.8	−15.8	−44.3

* related to Continuing Operations

Distribution costs in 2010 increased disproportionately less than sales due to lower sales commissions paid by Biotest.

The reduction in administrative expenses is largely attributable to less outsourcing in the IT and consulting areas.

Research and development costs increased markedly in line with the progress made on development projects. R&D costs also include costs incurred by BPC for the first technical production run and marketing authorisation application submission fees for the immunoglobulin Bivigam™. Research and development costs in 2010 totalled 11.9% of Group sales (2009: 11.9%).

Research and development costs by segment

€ million	2010	2009	Change in %
Plasma Proteins	27.9	25.7	8.6
Biotherapeutics	21.1	20.7	1.9
Biotest Group*	**49.0**	**46.4**	**5.6**

* related to Continuing Operations

Other operating income in the amount of €12.2 million (2009: €8.9 million) comprises primarily the reversal of provisions and deferred liabilities for outstanding invoices. This item also includes amounts received under insurance claims for damages. Other operating expense was impacted by allocations to reserves and accounts receivable write-downs, which were significantly lower compared to 2009.

The financial result was significantly impacted by the recognition of Greek government loans. In September 2010 Biotest decided to take part in the Greek government program for settling amounts due from hospitals. Biotest sold receivables due from Greek hospitals totalling €24.7 million in exchange for zero-coupon government bonds at the same nominal value with time to maturity of one to three years.

As these bonds are interest-free, they were discounted at a comparable market interest rate in accordance with “fair value” accounting principles. The financial result in 2010 was thus reduced by €5.6 million. This reduction will be fully offset by valuation gains upon repayment of the bonds by the Greek government at maturity.

Lower interest expenses of €6.1 million (2009: €8.8 million) contributed positively to the financial result in 2010. These were attributable to reduced utilisation of lines of credit. Biotest also used the proceeds from the sale of the activities of its transfusion and transplantation diagnostic business for this purpose. After expenses in the amount of €0.5 million in the previous year, currency effects had no negative impact on the profits for financial year 2010.

A total income tax expense in 2010 comprised a current tax expense of €8.1 million (2009: €12.7 million) and a deferred tax expense of €1.0 million (2009: €3.1 million).

The effective tax rate for the Group in 2010 of 31.0% was lower than in 2009 (34.8%).

Personnel expenses and cost of materials are allocated to different cost pools in the consolidated financial statements. Personnel expenses for 2010 totalled €98.7 million, or roughly the same as in 2009 (€98.5 million). The cost of materials in 2010, at €136.7 million, was slightly lower than in 2009 (€140.0 million) due to the higher sales volume.

RECOMMENDED APPROPRIATION OF NET PROFIT

The 2011 Annual Shareholders' Meeting will take place on 12 May 2011. The Board of Management will recommend the following appropriation of net profit for 2010 in the amount of €22.7 million (2009: €17.0 million):

- Dividend payments in the amount of €4.8 million (2009: €4.3 million) equal to €0.38 (2009: €0.34) per ordinary share and €0.44 (2009: €0.40) per preference share.
- Retained earnings carried forward in the amount of €17.9 million (2009: €12.7 million).

SEGMENT PERFORMANCE

PLASMA PROTEINS

Key strategy points

Biotest aims to expand international sales of plasma proteins. To this end, we will seek marketing authorisation in all major European markets and expand our presence in the US market via the BPC platform. Furthermore our objective is to expand our sales and earnings base by seeking marketing authorisation for additional plasma proteins. Our production capacities will be adjusted to changes in the market, and our production sites in Dreieich and Boca Raton will be linked. Our goal is to provide about half of our blood plasma needs and 100% of our hyperimmune plasma needs from internal sources.

Business performance

Sales generated by the segment in the financial year grew by 5.7% to €412.5 million (2009: €390.1 million), primarily as a result of increased sales volumes.

The difficult market situation had a particular effect on sales of our polyspecific immunoglobulins Intratect® and Intraglobin®. Sales generated from these products were somewhat higher than in the previous year, although sales prices were lower.

In the case of hyperimmunoglobulins, we were able to increase prices, which compensated for a slight drop in sales volume. In December 2009, we received EU-wide marketing authorisation for the subcutaneous hepatitis B immunoglobulin Zutectra®, which was marketed over the course of 2010 in Germany, Ireland, Italy, Austria and the UK.

Sales of the Factor VIII preparation Haemoctin® increased slightly in terms of volume. However, significant price concessions were required, such as for supplying the Russian market.

Sales in Plasma Proteins core product groups

€ million	2010	2009	Change in %
Immunoglobulins	158.6	159.1	–0.3
Clotting factors	89.6	88.9	0.8
Albumin	33.3	32.3	3.1

Sales of the hepatitis B immunoglobulin Nabi-HB® in the United States were lower. The main reasons for this were the lower number of liver transplantation because of a decline in hepatitis B, a trend to lower dosages because of altered treatment regimens, and because virostatics are used more in these cases. Nevertheless, Nabi-HB® maintained its position in the United States as the leading product for hepatitis B reinfection prophylaxis following liver transplantation.

Earnings performance

The difficult price situation in Europe and the unfavourable product mix (see explanation regarding net income for the Group) were the main causes of the 17.6% decline in EBIT to €73.5 million at the segment level (2009: €89.2 million). The cost of sales ratio in the Plasma Proteins segment increased to 60.1% (2009: 52.6%), also primarily for these reasons. The cost of sales also includes unabsorbed overhead costs incurred in connection with the expansion of plasma protein production in Boca Raton.

Research and development

Our focus in plasma protein research and development is on developing new indications for our products and on improving handling, for instance by special delivery forms.

In 2010, six projects were running in the Plasma Proteins segment to develop new products or additional indications for already approved drugs.

New developments

IgM concentrate: The phase I clinical trial was concluded successfully. The aim of the trial was to investigate tolerability and pharmacokinetics. The results were discussed with the Paul Ehrlich Institute in December 2010 and will serve as the basis for a phase II clinical trial in sepsis, which is planned to start in 2011.

Civacir™: The primary pre-clinical trials with the aim of optimising efficacy were concluded in November 2010. We have also optimised the production process and thus laid important foundations for the resumption of clinical trials. Production of the material for this optimised clinical trial is planned for 2011.

Fovepta™: The phase III clinical trial of the hepatitis B hyperimmunoglobulin for neonates, which is under development and can be given by the subcutaneous and intramuscular routes, was concluded successfully with 35 patients. Submission of the marketing authorisation dossier to the Paul Ehrlich Institute is planned for the first quarter of 2011. Biotest will initially seek marketing authorisation for the product in Germany, and will build on this to commercialise the product in other international markets.

Bivigam™: In November 2010, the BPC submitted the marketing authorisation dossier for the polyspecific immunoglobulin for the treatment of antibody deficiency syndromes to the American FDA. Bivigam™ is a 10% intravenous immunoglobulin that was developed for the US market. The FDA formally acknowledged the submission before Christmas. We anticipate marketing authorisation for Bivigam™ at the end of 2011.

Further development of existing products

Intratect®: In September 2010, we initiated a clinical trial with the 10% solution. Intratect® has also demonstrated efficacy in a clinical trial in patients with chronic idiopathic pain syndromes (including fibromyalgia). On the basis of these data, a scientific publication was prepared to make this information known to a broad professional readership. To offer physicians more therapeutic flexibility, these data can help doctors to prescribe the product in individual cases after carefully considering all the relevant factors.

Zutectra®: The clinical data already obtained for marketing authorisation are currently being supplemented with a study of the routine use of the already approved hepatitis B hyperimmunoglobulin. The study in Italy, which was concluded successfully with 70 patients, provides a broader basis for the practicability and safety data on Zutectra®, which is important for safe use in self-treatment at home and positively supports marketing.

Cytotect® CP: By the end of 2010, about 7,000 women had been recruited to the current phase III clinical trial in the indication "Avoidance of transmission of cytomegalovirus infection during pregnancy".

Production

In 2010, Biotest began to change the production process of the immunoglobulins Cytotect® CP and Varitect® CP to the filter aid procedure. The filter aid procedure leads to higher yields and provides an additional safety step for virus inactivation by means of 20 nm virus filtration, further improving the already very high safety standards. In addition, the change in the production process of Cytotect® CP and Varitect® CP means that there is a uniform production process for all immunoglobulins.

The final work on the expanded BPC plasma protein production in Boca Raton was completed in December 2010. In the same month, work started in Dreieich on expanding the filling and packaging plant there to match the expanded plasma protein production capacities.

In 2010, 44% of the plasma processed at Biotest in Europe came from our own centres, and for hyperimmune plasmas we achieved the desired almost complete self-sufficiency.

BIOTHERAPEUTICS

Cornerstones of strategy

Biotest is concentrating on the development of three monoclonal antibodies and on indications with a particularly high therapeutic need and major market potential. The lead indications border on the therapeutic indications of our plasma proteins. Biotest already has extensive experience in these indications and is also very well connected with research institutions and clinics working in this field.

Moreover, we are investigating the antibodies for their potential suitability in other therapeutic indications. Should the evaluation of anticipated costs and possible benefits suggest a positive outcome, we would selectively initiate appropriate development projects.

Biotest plans to continue with development on its own until the clinical phase III stage is reached. From that point on, we intend to continue development jointly with globally active pharmaceutical or biotech partners. We plan to finance our share of the further development costs from income earned on signing the contract and income anticipated in the course of further development (up-front and milestone payments). Our concept provides for granting regional development and distribution rights to the partner. Biotest anticipates further distribution-related licence revenue once the distribution phase begins.

Earnings performance

EBIT for the segment in 2010 totalled –€21.7 million compared to –€21.1 million in 2009. This resulted from slightly higher research and development costs attributable to the progress made on projects and the associated further expansion of clinical studies.

Research and development

The trials for developing BT-061, BT-062 and BT-063 in their respective lead indications progressed as planned in 2010. The results obtained confirm the conclusions reached by Biotest to date regarding efficacy and tolerability. Phase II clinical trials of BT-061 are running in both lead indications and a phase I/IIa study of BT-062 in the multiple myeloma indication. A phase I trial of BT-063 has been concluded.

Clinical trials in the Biotherapeutic segment

Type of trial	Trial number	Dosage/trial design	Planned number of participants	Status*)
BT-061				
Phase I Testing in healthy volunteers Use in volunteers concluded	961	intravenous up to 60 mg, subcutaneous up to 180 mg, single dose	57	Trial concluded, final analysis is available
Phase IIa Rheumatoid arthritis	962	intravenous up to 25 mg, subcutaneous up to 100 mg, multi dose, treatment duration six weeks, placebo-controlled	96	Trial concluded, final analysis is available
Phase II Rheumatoid arthritis (BT-061 + MTX**)	971	0.5 mg and 2.0 mg intravenous, 50 mg subcutaneous, multi dose, treatment duration eight weeks, placebo-controlled	110	Treatment concluded, trial being analysed
Phase IIb Rheumatoid arthritis (BT-061 + MTX**)	979	subcutaneous, multi dose, treatment duration 12 weeks, placebo-controlled	176	Patient recruitment in progress
Phase I/IIa Psoriasis	967	intravenous up to 20 mg, subcutaneous up to 25 mg, single dose, placebo-controlled	56	Trial concluded, final analysis is available
Phase II Psoriasis	973	multi dose, intravenous and subcutaneous, treatment duration eight weeks, placebo-controlled	48	Patient recruitment concluded
BT-062				
Phase I Multiple myeloma	969	Repeated single dose, intravenous every 21 days, 10–200 mg/m^2	34	Patient recruitment concluded, one patient still on treatment
Phase I/IIa Multiple myeloma	975	Repeated multi dose intravenous , dose escalation from 40 mg/m^2	60	Patient recruitment in progress
BT-063				
Phase I Testing in healthy volunteers	977	Single dose, intravenous up to 100 mg	24	Trial concluded, final report being prepared

*) Status: 31 December 2010
**) MTX = methotrexate

The data obtained from the development of the monoclonal antibodies were presented to the professional public at conferences and other events. Information about presentations at professional scientific events can be found on the Biotest website.

To learn more, visit us on the web at www.biotest.com

Pre-clinical data for the monoclonal antibody BT-061 point to potential in the multiple sclerosis (MS) indication. Biotest has therefore initiated further pre-clinical analyses with the aim of preparing for a clinical trial of BT-061 in the MS indication.

The analyses are being conducted in collaboration with leading academic research groups in this area within the framework of the "New active agents for neurological diseases" consortium (*Neu² Konsortium*). This is linked with promotion of the development of BT-061 in this indication over a three-year period. The promotion also includes a possible phase IIa clinical trial (proof-of-concept trial).

Pre-clinical data for BT-062 indicate that it may have great potential in the therapy of certain solid tumours for which there is currently no adequate treatment option. In further pre-clinical studies, Biotest is now identifying particularly suitable tumour indications for a clinical trial.

In 2010, we have intensified our discussions with possible development and marketing partners for BT-061 on the basis of the expanded range of clinical data. We have concentrated on global pharmaceutical companies that have particularly extensive experience in the rheumatoid arthritis area.

DEVELOPMENT IN THE DISCONTINUED OPERATION

The final "Discontinued Operation" position includes the former Medical Diagnostics (essentially activities of the transfusion and transplantation diagnostic business) and Microbiological Monitoring segments. The latter was continued until 31 December 2010 as a separate segment but is presented as a "Discontinued Operation" on the basis of the sale intentions.

EBIT of €18.4 million from the sale of the activities of the transfusion and transplantation diagnostic business, which was completed on 6 January 2010, were recognised under the Discontinued Operation.

The activities of the former Microbiological Monitoring segment achieved sales of €48.7 million (2009: €48.5 million), which amounts to a 0.4% growth. The low sales growth compared with previous years resulted from the drop in business with commercial goods. In contrast, the performance of products from heipha Dr. Müller GmbH and the Biotest HYCON product line was favourable.

The EBIT of the former Microbiological Monitoring segment achieved in 2010 was €6.4 million (2009: €4.5 million). Sales of air samplers (RCS devices) were particularly positive, as were those of test strips for surface germ indication (surface germ indication test strips) from Biotest HYCON. The newly introduced monocyte activation test was of great interest to pharmaceutical companies; this can replace the hitherto essential tests in rabbits to detect pyrogen contamination in pharmaceutical products.

With the increasing economic recovery, there was increased willingness amongst important groups of purchasers of microbiological monitoring products to buy new devices. An additional catching-up effect was evident in several countries. The demand for industrial microbiology test reagents also clearly increased in the 2010 financial year.

Overall, the EBIT for the Discontinued Operation for 2010 amounts to €24.8 million after €1.4 million in 2009.

FINANCIAL AND ASSET POSITION

FINANCING STRATEGY

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

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

FINANCING IN FINANCIAL YEAR 2010

There were no changes to equity other than the profits for financial year 2010 and dividend payments for financial year 2009.

Debt financing consists primarily of a long-term syndicated loan of €230.0 million, obtained by Biotest in 2007 in connection with the acquisition of the US plasma protein business and extended in 2009. To date €15.0 million of the long-term portion has been repaid on schedule.

Effective 6 May 2009, Biotest AG renewed its loan agreement with the syndicate banks. Available credit was expanded by an additional, two-year operating line of credit for €40.0 million. An additional line was also established in the amount of €15.0 million to cover changes in the exchange rate between the euro and the US dollar for an €85.0 million loan taken by Biotest Pharmaceuticals Corp. This ensures that changes in the exchange rate do not limit available credit as long as the effects are less than €15.0 million. Biotest Group was also granted credit lines from other banks totalling €72.2 million (2009: €73.4 million).

The Biotest Group had €119.2 million of unused credit lines available as of the 2010 reporting date.

In Section F2 of the notes to the consolidated financial statements Biotest explains the importance of off-balance sheet financing instruments for the Group; Section F3 contains details regarding the financial derivatives used.

CASH FLOW

Cash flow from operating activities for the Continuing Operations in financial year 2010 totalled €41.7 million, or 43.8% more than in 2009 (€29.0 million). The increase was primarily attributable to a significant reduction in current assets; Biotest significantly reduced its inventory volume, especially that of interim products for Intraglobin®/Intratect®, in the second half of the year.

Cash inflow from investing activities for the Continuing Operations in 2010 amounted to €18.3 million, significantly more than the cash outflow in 2009 (€36.7 million). This increase reflects the proceeds from the sale of the Medical Diagnostic segment in 2010.

Key cash flow statement figures for the Biotest Group

€ million	2010	2009
Operating cash flow before changes in working capital	66.7	81.9
Cash flow from changes in working capital	−11.7	−34.8
Interest and tax payments	−13.3	−18.1
Cash flow from operating activities	**41.7**	**29.0**
Cash flow from investing activities	18.3	−36.7
Cash flow from financing activities	−47.3	8.2
Net change in cash and cash equivalents	**12.7**	**0.5**

Operating cash flow amounted to €77.8 million (2009: €31.7 million), including the Discontinued Operation. Cash flow from investing activities, including disposals of the Discontinued Operation, totalled –€16.8 million (2009: –€39.8 million).

The Biotest Group thus had free cash flow available of €61.0 million. This was used to finance dividend payments and repay loans. All capital expenditures in 2010 were internally funded.

CAPITAL EXPENDITURES AND DEPRECIATION AND AMORTISATION

In 2010, Biotest invested €31.1 million (2009: €37.3 million) in Continuing Operations. Of this amount, €1.7 million was invested in property, plant and equipment and €29.4 million in intangible assets.

Major individual capital expenditures in 2010 were made in connection with the expansion of immunoglobulin production at BPC, which was largely complete by the end of the year. In Dreieich we began work on expanding our filling capacities. In addition, major renovation projects continued in the production area.

Capital expenditures were offset by depreciation and amortisation in the amount of €26.9 million (2009: €25.2 million), of which €26.9 million (2009: €24.7 million) consisted of scheduled depreciation and amortisation.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Total assets of the Biotest Group as of 31 December 2010 decreased slightly to €632.3 million compared to the 31 December 2009 (€633.5 million).

Assets

Non-current assets increased slightly over 2009 to €323.4 million (2009: €308.2 million), while current assets at €308.9 million were lower compared to 2009 (€325.3 million). 2009 figures included assets from the Microbiological Monitoring segment, which in 2010 were reported under the Discontinued Operation. The exchange of accounts receivable for a claim to government bonds in Greece led to a reclassification of these assets from current to non-current.

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

€ million	2010	2009	Change in %
Property, plant and equipment	230.8	232.0	–0.5
Intangible assets	19.3	0.2	–9,550.0
Inventories	148.7	170.3	–12.7
Trade receivables	98.3	96.0	2.4
Other assets	11.6	19.3	–39.9

The zero-coupon bonds are recognised under non-current assets. After discounting required under fair value accounting, the carrying amount of the bonds was €19.2 million at the end of the year.

For more information see Earnings position

After a significant increase in 2009, inventory volume in 2010 was lower. This reflects actions taken by Biotest to adjust production to changes in the market environment. Due to long production cycles, steps taken over the course of 2009 began to take full effect in 2010.

See Section E8 of the notes

The volume of trade receivables increased slightly, primarily due to the reduced use of factoring based on the high liquidity of the Group. €60.7 million (61.7%) of the €98.3 million in accounts receivable recognised on the statement of financial position was neither impaired nor past-due as of the reporting date. In the previous year, non-impaired or past-due receivables comprised 71.6% of all receivables.

Other assets as of the reporting date consisted mostly of deferred items as well as value-added and other tax claims. The decrease compared to 2009 was the result of a decline in accounts receivable from factoring firms.

Equity and liabilities

On the liabilities side, an increase in equity resulting from the appropriation of profits (less dividend payments for the 2009 financial year) was offset by reduced borrowing.

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

€ million	2010	2009	Change in %
Total Equity	307.6	269.9	14.0
Non-current liabilities	193.4	214.8	– 10.0
Of which: non-current financial liabilities	132.2	153.7	–14.0
Of which: provisions	52.8	51.9	1.7
Current liabilities	131.3	148.8	–11.8
Of which: current financial liabilities	28.9	50.8	– 43.1

Current liabilities were also lower in the reporting year due to reduced financial liabilities. In 2010, Biotest made less use of available credit lines for the financing of operations than was the case in 2009.

The equity ratio of the Biotest Group (including the Discontinued Operation) as of the reporting date was 48.6%, well above that of the previous year (42.6%) and above the long-term target of 40%. Equity and non-current liabilities comprised 79.2% of total liabilities.

HUMAN RESOURCES

CHANGES IN PERSONNEL

The Biotest Group had 1,721 employees or 1,611 full-time equivalents in its Continuing Operations as of 31 December 2010. The number of full-time equivalents increased in comparison to the end of 2009 by 62 or 4.0%. The newly created positions were primarily in the sales division of the Plasma Proteins segment. Additional team members were also hired in the Biotherapeutic segment in line with the progress made on projects.

As of the 2010 reporting date, approximately 44.2% (712) of all full-time equivalents in the Group were employed by Biotest AG, with another 38.1% (614 full-time equivalents) by BPC. Of the 1,721 employees, 946 (55.0%) were employed in Germany, with another 653 (37.9%) in the USA.

ORGANISATION AND WORKING HOURS

Biotest signed a works agreement with employee representatives in September 2010 regarding the introduction of overtime accounts. Under the agreement Biotest AG employees paid under a collective bargaining agreement may transfer overtime hours to an individual overtime account. Hours collected in the account may be used at a later time for various purposes as paid time off.

COMPENSATION

The next phase of the Long Term Incentive Programme (LTIP) for success-based compensation of management staff began on 1 June 2010. The programme is described in detail in the notes to the consolidated financial statements.

In accordance with the "Working Life and Demographics" collective bargaining agreement signed in May 2008 between the *Bundesarbeitgeberverband Chemie* (BAVC) and the *Industriegewerkschaft Bergbau, Chemie, Energie* (IG BCE), Biotest has granted every employee paid under a collective bargaining agreement a "Demographics" subsidy of €300 per month since 2009 in addition to the Chemical Employee Collective Bargaining Subsidy II (*Chemietarifförderung II*) of €39 per year. These amounts may be transferred under a works agreement to the "Biotest Retirement Savings Plan" company pension scheme.

PERSONNEL DEVELOPMENT

Personnel development activities were intensified in some areas.

In 2010, Biotest implemented an "Intercultural Management" workshop concept for managers and employees who, in the course of the further internationalisation of the company, must increasingly communicate with foreign colleagues, customers and business partners. The focus of the workshop is on improving intercultural sensibility, a key qualification and requirement for successful coordination and cooperation processes in an international context.

Biotest analysed and revised job requirements based on expected changes in markets and products for sales positions in Germany. As part of our assessment of staff potential, possible development needs for marketing and sales employees were analysed. The resulting continuing education initiatives are being implemented.

In 2010, project employees received basic training in project management and began the process for Level D project manager certification by the International Project Management Association (IPMA), coordinated by Central Project Management. This will guarantee the further harmonisation and optimisation of project management within the company.

Trainees

At the end of 2010, Biotest employed 26 trainees in seven trainee occupations, eight of which began their traineeships during the course of the year.

A three-year dual traineeship program, in which trainees divide their time equally between university classroom studies and hands-on professional training at Biotest, was offered for the first time in 2010. Graduates receive a Bachelor of Arts in International Business Administration.

Extension of Board of Management contracts

At its meeting held on 11 June 2010 the Supervisory Board extended the contracts of both members of the Board of Management. The contract with Dr. Gregor Schulz will remain in effect until 31 December 2013; Dr. Michael Ramroth's contract was extended until 31 December 2015.

CORPORATE SOCIAL RESPONSIBILITY

Biotest meets its corporate responsibility by supporting various medical/scientific initiatives, research projects and measures taken by patient organisations through donations and sponsorships. Examples of our involvement in 2010 include our support for the work of haemophilia organisations (such as the World Federation of Hemophilia) for more than 30 years as well as our participation in the International Patient Organisation for Primary Immundeficiencies (IPOPI).

Biotest provided support to the Dreieich works council in 2010 in its health care efforts. The organisation's activities included establishing a health care committee, which organised a Health Day event as well as a programme to help employees quit smoking. As a Good Corporate Citizen, we also take part in social and cultural projects at our two primary locations, Dreieich and Boca Raton.

EVENTS AFTER THE END OF FINANCIAL YEAR 2010

In January 2010, Biotest acquired all shares of the Brazilian firm Marcos Pedrilson Produtos Hospitalares Ltda. The company, based in São Paulo, is a former distribution partner of Biotest and holds marketing authorisations for Biotest preparations in the Brazilian market.

The company, which was acquired under a share deal, operates a sales office in Rio de Janeiro, a quality control laboratory and a warehouse near the São Paulo airport.

RISK REPORT

Biotest's business operations, sales performance and results depend to some extent on factors, the occurrence of which cannot always be predicted and which may be partly or entirely beyond our control. This results in risks which, should they arise, might have an adverse effect on Biotest's asset, financial and earnings position. At the same time, these conditions may result in better-than-projected earnings performance.

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

GENERAL STATEMENT ON THE GROUP'S RISK POSITION

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

RISK STRATEGY

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

RISK MANAGEMENT AND CONTROLLING

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

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

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR ACCOUNTING PROCESSES

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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT SYSTEM FOR FINANCIAL INSTRUMENTS

See Section F3 of the notes

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

PRESENTATION OF SIGNIFICANT RISK CATEGORIES

The risks described below are not the only ones to which Biotest is exposed. Other risks and uncertainties, of which we are currently unaware or which we currently consider to be insignificant, could impact business operations and have an adverse effect on the company's asset, financial and earnings position. The order in which the risks below are listed is in no way indicative of the probability of their occurrence.

Environmental and industry risks

Economic risks

Although Biotest would be unable to permanently escape the consequences of a far-reaching, long-lasting recession, even if its direct effects were limited. The risk of a downturn in sales may result from lower demand and/or rising pressure from customers to reduce prices. Another potentially dampening effect is the possibility that Biotest will be forced to reduce or discontinue supplies to individual markets.

This could be the case if the company is unable to adequately hedge against default on corresponding receivables or only at much less favourable terms. If a country's overall economic position deteriorates to such an extent that serious consequences for its solvency and its health care system are feared, Biotest may be forced to discontinue deliveries to such countries in order to reduce risk.

Given the current economic climate, we believe that economic risk remains high and are monitoring developments closely.

Sales market risks
Sales market risks consist of risks associated with price, quantity, substitution and payment default. The risk of further decreases in plasma protein prices has been reduced due to the now established turnaround in supply as well as the continued rise in demand. We are reducing the risk of short-term fluctuations in sales quantities and prices by opening up additional international markets and establishing longer-term supply agreements. However, the risk remains, especially with regard to individual tenders in the Plasma Proteins segment, that the volume of sales could be lower than planned.

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

Default risk continues to be high due to the questionable solvency of companies and governments in some regions. Biotest monitors the receivables trend and takes measures to reduce risk if necessary.

Procurement market risks
Special raw materials are required by all of our operational segments for production purposes. If these materials were to become scarcer or increase substantially in price, Biotest's ability to manufacture or supply might be restricted. Biotest has established long-term agreements for the supply of raw materials for production, and a large portion of its raw materials are procured from internal sources. Therefore, in our assessment, procurement market risks are currently very low.

Political risks

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

Biotest maintains relationships with companies all over the world. In unfavourable circumstances, a destabilisation of the political situation in individual countries could impair business relationships and prospects. The same applies in cases where international sanctions are imposed against individual countries.

In some Eastern European or South American countries, a worsening of the economy could destabilise the political and economic system. Possible effects include currency export restrictions or import and export bans, which could threaten business relationships between Biotest and typically government-run institutions in such countries. Biotest monitors all political risks closely and continuously. In our view, the economic consequences that may result from such risks are manageable.

Corporate strategy risks

Research and development risks
New drugs must undergo several clinical tests prior to approval and market launch. There is a risk that a previously assumed therapeutic effect may not be confirmed. In addition, it is impossible to put a precise figure on the amount of development investment that will be required. Additional, unforeseen costs may arise. Such costs may also arise as a result of new legislation in Germany requiring new pharmaceuticals already in the approval process to prove better efficacy.

Using milestone planning, we constantly monitor the developmental progress of projects. We undertake regular interim analyses to evaluate newly obtained data from the pre-clinical and clinical development process, thereby establishing a reliable basis for making decisions on how to proceed with the project.

Performance-related risks

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

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

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

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

The testing procedures used by Biotest comply with the latest scientific standards and reliably detect currently known and unknown bacteria and viruses. The manufacturing process includes several steps for viral inactivation or viral depletion. Contamination of end products is thus highly unlikely.

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

The heads of Group companies may only undertake business transactions with a material effect on the Group's earnings, financial and asset position or the Group's risk position with the approval of company management.

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

IT risks

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

Financial and currency risks

Financial risks may also arise from the unexpected cancellation of credit lines or a sudden increase in lending rates. Biotest has established long-term agreements for the majority of its debt financing. Sales in US dollars continue to be largely offset by purchases in the same currency. In the Board of Management's view, risks resulting from financial factors are negligible.

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

Other risks

Side effect or drug interaction risks
Unexpectedly severe or previously unknown side effects or drug interactions may occur in previously approved drugs. Inappropriate handling, storage or application of our preparations may also give rise to significant adverse effects on customers and patients. Actions taken by the authorities in such cases range from ordering the recall of individual batches to imposing restrictions on or revoking approvals. Side effects, interactions or quality defects may also have an adverse effect on Biotest's reputation. Through intensive dialogue with hospitals and specialist medical practices, we make sure that we are informed at an early stage of any newly discovered side effects and interactions.

Risks arising from ongoing legal proceedings and tax risks
Biotest AG's tax return assessments for the years 2004 to 2008 remain subject to audit by the tax authorities. Additional tax liabilities resulting from the tax audit for the period from 1999 to 2003 but not yet assessed by the tax authorities are reflected in the consolidated financial statements.

OUTLOOK

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

GENERAL STATEMENT BY THE BOARD OF MANAGEMENT REGARDING GROUP PERFORMANCE

Biotest expects to continue the successful performance of previous years in the current and coming financial year. We hope to further increase sales and return to a path of earnings growth after a decline in 2010. Our shareholders will be able to share in the company's performance through a reliable dividend policy.

The market environment for plasma proteins will remain challenging in 2011. However, the medium-term outlook appears more favourable overall than a year ago. Our further sharpened strategic profile along with our solid financing structure will have a positive effect on the future performance of Biotest.

GROUP STRATEGY IN FINANCIAL YEARS 2011 AND 2012

The strategy of the Biotest Group in the current and subsequent financial years will not change significantly from that of today. Biotest will continue to work on expanding its position as a provider of tolerable and effective drugs for the treatment and prophylaxis of haematological and immunological diseases. With the sale of the Microbiological Monitoring segment, Biotest will now focus exclusively on the plasma protein business as well as on developing market-ready monoclonal antibodies.

MARKET DEVELOPMENTS

General

The financial situation of governments and publicly funded health care systems will remain tense; in some countries, the situation may worsen. Pressure on public health care institutions to cut spending or at least prevent it from rising any further will remain high. In light of this, further cost-cutting measures are to be expected.

Possible changes to the planned reform of the US health care system may impact the business performance of BPC with regard to Bivigam™ upon its release.

The plasma protein market

We expect the demand for immunoglobulins to develop in line with long-term trends in 2011 and 2012, and to increase by about 4–6% per year. In the case of plasma-based clotting factors, we anticipate an increase in the global market volume by about 2% per year. As regards albumin, our planning is based on the assumption that the market volume will be largely stable.

We anticipate a further relaxation of supply constraints, which should have a stabilising effect on the clotting factor and immunoglobulin price levels in the medium term. We assume that the prices achieved on a yearly average in 2011 will be above the 2010 level and will increase further in 2012.

The biotherapeutics market

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

Expected business and earnings position of the Biotest Group

In the year 2011, Biotest expects to increase sales in its Continuing Operations by 1-2% over 2010 levels. Sales growth of 5-7% is projected for the following year 2012.

EBIT in 2011 is projected to grow in equal proportion to sales. This goal does not take into consideration possible earnings from a license agreement or our participation in another project in the Biotherapeutic segment. In 2012, the Board of Management expects a slightly higher increase in profits than in sales.

Due to the intended sale of the former Microbiological Monitoring segment, operating profit from these activities will no longer flow into the company. On the other hand, the inflow of liquid funds from the sale will allow us to repay loans, thereby having a positive effect on the financial result.

Expected financial and asset position of the Biotest Group

Biotest seeks to maintain in 2011 and 2012 a balanced financing structure, both in terms of the ratio of debt to equity as well the ratio of short-term to long-term debt financing.

Capital expenditures of €35 million are planned for 2011, with a comparable amount projected for 2012. The largest single project is the expansion of filling and packaging systems for plasma protein products in Dreieich.

We expect to be able to finance a portion of these capital expenditures from operating cash flow and will make use of borrowed capital for any additional amounts. Our existing credit agreements will give us the necessary latitude to do so.

As a result of the sale of the Microbiological Monitoring segment, the Biotest Group will report asset disposals in the region of €29 million.

EXPECTED SEGMENT PERFORMANCE

Plasma Proteins

We expect an increase in sales and profits in the plasma protein business for the years 2011 and 2012. Both the expanded production capacity and the expected positive change in prices should contribute to this outcome. In addition, upon completion of the renovation of our plasma protein production facilities at BPC, the associated unabsorbed overhead costs will no longer be incurred. This will noticeably increase profits as early as in 2011. We expect the facility to begin regular operations in mid-2011.

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

Development projects
Bivigam™: We expect the FDA to authorise the immunoglobulin for sale in the US market by the end of 2011. In the meantime, we will be laying the groundwork for market entry – work is already underway. Bivigam™ has a medium-term sales potential of USD 100 million.

IgM concentrate: Biotest will begin a phase II clinical trial in 2011 to develop this preparation for the treatment of sepsis.

Civacir™: In 2011 we plan to manufacture the necessary lots for clinical testing of this hepatitis C hyperimmunoglobulin and coordinate the development concept with the authorities. Resumption of clinical development is expected to take place in 2012.

Biotherapeutics

Continuing development
We will continue development projects in this segment in the current and subsequent business years. The focus will continue to be on the lead indications, and the upside indications identified (particularly multiple sclerosis for BT-061, and solid tumours for BT-062) will likewise be further pursued.

Based on the promising data regarding monotherapy in the multiple myeloma indication, Biotest will submit an application for a combined BT-062 study in the third quarter of 2011, in accordance with the development plan.

Miscellaneous
Discussions on collaboration in the further development of BT-061 after the phase II clinical stage will enter their final phase in 2011. From today's perspective, we assume that an agreement will be concluded by the end of the year.

Biotest continues to attach the greatest importance to an agreement that fully recognises the potential of the monoclonal antibodies and will not be hurried during these complex negotiations.

The monoclonal antibody production plant at BPC will probably be inspected by the competent German authorities during the first half of the year. A successful inspection is essential to the ability to provide lots of BT-061 produced in the plant for the clinical trial in Germany. The technical transfer of the BT-062 production process to BPC should be underway by the end of 2011.

OPPORTUNITIES

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

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

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

Opportunities arising from the development of framework conditions

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

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

Opportunities arising from corporate strategy

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

Performance-related opportunities

The planned networking of the Dreieich and Boca Raton production centres may increase the efficiency of plasma protein production and have a positive impact on the cost situation at Biotest.

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

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

In accordance with the Articles of Association the subscribed capital of Biotest AG is €30,025,152. It is divided into 6,595,242 no-par ordinary shares as well as 5,133,333 no-par preference shares. The shares are bearer shares; preference shares do not carry voting rights. OGEL GmbH notified us on 12 February 2008 that it holds 50.03% of Biotest AG's ordinary shares. The company is controlled by Dr. Cathrin Schleussner, who is a member of Biotest AG's Supervisory Board. Kreissparkasse Biberach notified us that it held 24.36% of the company's shares with voting rights as of 20 January 2007.

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

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

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

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

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

Biotest AG has entered into major agreements with third parties regarding the Group's long-term financing contracts, which take effect in the event of a change of control. The syndicated loan agreement grants the lending banks the right to terminate the agreement in the event of a change of control at Biotest AG or Biotest Pharmaceuticals Corp., if, in their view, this change of control would make continuance of the agreement unacceptable.

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

The Board of Management agreement for both members of the Board of Management includes a supplementary agreement regarding severance pay in the event of the early termination of the Board of Management agreement as a result of circumstances clearly defined as a change of control. The severance payment shall consist of the member's fixed salary until the end of the contractual term plus pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the company vehicle provided. In addition to these entitlements, the severance payment shall also include a sum equal to twice the annual fixed salary. In total, however, the severance payment may not exceed three times the annual fixed salary.

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

Statement of income

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

€ thousand	Note	2010	2009 *)
Revenue	D1	412,482	390,053
Cost of sales		−247,999	−205,207
Gross profit		**164,483**	**184,846**
Other operating income	D5	12,142	8,920
Distribution expenses		−52,456	−52,087
Administrative expenses		−30,729	−32,735
Research and development expenses	D4	−48,968	−46,341
Other operating expenses	D6	−1,578	−5,536
Operating profit		**42,894**	**57,067**
Financial income	D7	11,698	6,451
Financial expenses	D8	−26,438	−18,418
Financial result		**−14,740**	**−11,967**
Income from associated companies	D9	299	297
Earnings before tax (EBT)		**28,453**	**45,397**
Income tax	D10	−8,826	−15,825
Earnings after tax from Continuing Operations		**19,627**	**29,572**
Earnings after tax from the Discontinued Operation	D11	19,858	−1,552
Earnings after tax (EAT)		**39,485**	**28,020**
Of which:			
Retained earnings attributable to equity holders of the parent company		**36,947**	**25,672**
from Continuing Operations		19,615	29,561
from the Discontinued Operation		17,332	−3,889
Minority interest		2,538	2,348
from Continuing Operations		12	11
from the Discontinued Operation		2,526	2,337
Earnings per share in €	**E12**	**3.12**	**2.16**
from Continuing Operations		1.64	2.49
from the Discontinued Operation		1.48	−0.33
Additional dividend rights per preference share in €	**E12**	**0.06**	**0.06**
from Continuing Operations		0.06	0.06
from the Discontinued Operation		–	–
Earnings per preference share in €	**E12**	**3.18**	**2.22**
from Continuing Operations		1.70	2.55
from the Discontinued Operation		1.48	−0.33

*) Previous year amounts adjusted due to the Discontinued Operation

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

Statement of comprehensive income

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

€ thousand	2010	2009 *)
Profit for the period	**39,485**	**28,020**
Actuarial losses from defined pension benefit plans	–2,766	–4,808
Deferred taxes thereon	801	1,307
Other income/expenses recognised directly in equity	–53	7
Deferred taxes thereon	–	–
Currency translation of foreign subsidiaries	6,170	–2,546
Total deferred taxes on income and expenses recognised in equity	**801**	**1,307**
Income and expenses recognised in equity	**4,152**	**–6,040**
Comprehensive income	**43,637**	**21,980**
Income and expenses recognised directly in equity	**4,152**	**–6,040**
from Continuing Operations	4,139	–5,633
from the Discontinued Operation	13	–407
Profit for the period	**39,485**	**28,020**
from Continuing Operations	19,627	29,572
from the Discontinued Operation	19,858	–1,552
Comprehensive income	**43,637**	**21,980**
from Continuing Operations	23,766	23,939
from the Discontinued Operation	19,871	–1,959
Of which:		
Retained earnings attributable to equity holders of the parent company	41,099	19,663
from Continuing Operations	23,754	23,928
from the Discontinued Operation	17,345	–4,265
Minority interest	2,538	2,317
from Continuing Operations	12	11
from the Discontinued Operation	2,526	2,306
Comprehensive income	**43,637**	**21,980**
from Continuing Operations	23,766	23,939
from the Discontinued Operation	19,871	–1,959

*) Previous year amounts adjusted due to the Discontinued Operation

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

Statement of financial position

of the Biotest Group as of 31 December 2010

€ thousand	Note	31 December 2010	31 December 2009
ASSETS			
Intangible assets	E1	64,941	66,680
Property, plant and equipment	E2	230,749	231,955
Investments in affiliates	E3	100	100
Investments in associates	E4	1,050	768
Other financial investments	E5	19,341	215
Other assets	E9	1,735	2,215
Deferred tax assets	E6	5,479	6,260
Total non-current assets		**323,395**	**308,193**
Inventories	E7	148,711	170,326
Trade receivables	E8	98,300	95,992
Current income tax assets		2,436	3,686
Other assets	E9	9,814	17,049
Cash and cash equivalents	E10	18,541	6,730
Assets from the Discontinued Operation	E11	31,142	31,478
Total current assets		**308,944**	**325,261**
TOTAL ASSETS		**632,339**	**633,454**
EQUITY AND LIABILITIES			
Subscribed capital		30,025	30,025
Share premium		153,332	153,332
Reserves		81,260	55,732
Retained earnings attributable to equity holders of the parent company		36,947	25,672
Equity attributable to equity holders of the parent company	**E12**	**301,564**	**264,761**
Minority interests		6,044	5,101
Total equity	**E12**	**307,608**	**269,862**
Provisions for pensions and similar obligations	E13	49,672	48,287
Other provisions	E14	3,111	3,659
Financial liabilities	E15	132,176	153,720
Other liabilities	E16	255	375
Deferred tax liabilities	E6	8,169	8,774
Total non-current liabilities		**193,383**	**214,815**
Other provisions	E14	16,454	19,622
Current income tax liabilities		7,047	7,783
Financial liabilities	E15	28,889	50,822
Trades payables		42,779	40,583
Other liabilities	E16	22,431	21,017
Liabilities from the Discontinued Operation	E11	13,748	8,950
Total current liabilities		**131,348**	**148,777**
Total liabilities		**324,731**	**363,592**
TOTAL EQUITY AND LIABILITIES		**632,339**	**633,454**

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

Cash flow statement

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

€ thousand	Note	2010	2009 *)
Earnings before tax		28,453	45,397
Depreciation and amortisation of intangible assets and property, plant and equipment	E1; E2	26,891	25,186
Income from associated companies		−299	−297
Depreciation and amortisation (appreciation in the previous year) of securities classified as financial assets		17	−471
Gains on disposal of fixed assets		−406	−19
Changes in pension provisions	E13	−2,654	157
Financial result		14,740	11,967
Cash flow from operating activities before changes in working capital		**66,742**	**81,920**
Changes in other provisions	E14	−3,550	2,219
Changes in inventories, receivables and other assets		−8,899	−34,411
Changes in accounts payable and other liabilities		774	−2,590
Cash flow from changes in working capital		**−11,675**	**−34,782**
Interest paid		−5,753	−9,003
Taxes paid		−7,569	−9,087
Cash flow from operating activities of Continuing Operations		**41,745**	**29,048**
Cash flow from operating activities of the Discontinued Operation		36,083	2,634
Total cash flow from operating activities		**77,828**	**31,682**
Cash from the disposal of fixed assets		2,526	496
Payments for investment in fixed assets	E1; E2	−29,373	−37,301
Cash from the sale of Medical Diagnostics		45,000	–
Changes in other financial assets		34	22
Interest received		114	35
Cash flow from investing activities in Continuing Operations		**18,301**	**−36,748**
Cash flow from investing activities in the Discontinued Operation		−35,144	−3,012
Total cash flow from investing activities		**−16,843**	**−39,760**
Dividend payment for the previous year	E12	−4,296	−3,827
Dividend payments to minority interests	E12	−1,595	−1,665
Proceeds from the assumption of financial liabilities	E15	9,398	45,033
Payments for redemption of financial liabilities	E15	−50,783	−31,326
Cash flow from financing activities in Continuing Operations		**−47,276**	**8,215**
Cash flow from financing activities in the Discontinued Operation		−1,020	−1,453
Total cash flow from financing activities		**−48,296**	**6,762**
Cash changes to cash and cash equivalents		12,689	−1,316
Exchange rate-related changes		−20	−12
Cash and cash equivalents at the beginning of the period	E10	6,744	8,072
Total cash and cash equivalents at the end of the period	**E10**	**19,413**	**6,744**
Less cash and cash equivalents at the end of the period from the Discontinued Operation	E10	872	1,172
Cash and cash equivalents at the end of the period from Continuing Operations	**E10**	**18,541**	**5,572**

*) Previous year values adjusted due to the Discontinued Operation

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

Statement of changes in equity

of the Biotest Group for the period from 1 January 2009 to 31 December 2010

€ thousand	Subscribed capital	Share premium	Accumulated differences from currency translation	Earnings and reserves	Equity excluding minority interests	Minority interests	Total equity
As of 1 January 2009	**30,025**	**153,332**	**2,097**	**63,471**	**248,925**	**4,449**	**253,374**
Gains/losses recognised directly in equity	–	–	–2,546	–3,463	–6,009	–31	–6,040
Profit for the period	–	–	–	25,672	25,672	2,348	28,020
Comprehensive income	**–**	**–**	**–2,546**	**22,209**	**19,663**	**2,317**	**21,980**
Dividend payments for 2008	–	–	–	–3,827	–3,827	–1,665	–5,492
As of 31 December 2009	**30,025**	**153,332**	**–449**	**81,853**	**264,761**	**5,101**	**269,862**
Gains/losses recognised directly in equity	–	–	6,170	–2,018	4,152	–	4,152
Profit for the period	–	–	–	36,947	36,947	2,538	39,485
Comprehensive income	**–**	**–**	**6,170**	**34,929**	**41,099**	**2,538**	**43,637**
Dividend payments for 2009	–	–	–	–4,296	–4,296	–1,595	–5,891
As of 31 December 2010	**30,025**	**153,332**	**5,721**	**112,486**	**301,564**	**6,044**	**307,608**

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

A GENERAL INFORMATION

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

As of 31 December 2010 the Biotest Group had two operating segments.

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

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

As of 31 December 2010, the former Microbiological Monitoring segment is classified within the Biotest Group as a Discontinued Operation. This segment comprises the development and distribution of products for hygiene industrial control. Its products consist mainly of culture media and hygiene monitoring devices. In financial year 2010, the Biotest Group made a decision to sell the Microbiological Monitoring division. Discussions were held with potential buyers in the fourth quarter, but no agreement has yet been signed.

The former Medical Diagnostic segment is also classified as a Discontinued Operation. This division encompasses products for blood group and tissue typing. Its product range consists mainly of reagents, test serums and test systems. In July 2009 the Biotest Group decided to intensify the disinvestment process for its Medical Diagnostic segment. In the third quarter of 2009, exclusive sales negotiations were held with the buyer. This led to an agreement on 23 October 2009 with various companies of the Bio-Rad Group, USA. As of 31 December 2009, the contract of sale, signed and notarised on 4 November 2009, was still subject to approval by the anti-trust authorities. The transaction was finally completed on 6 January 2010.

The Biotest Group has 2,050 employees worldwide.

The consolidated financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) which are mandatory in the European Union. The IFRS comprise both the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the interpretations of the Standing Interpretation Committee (SIC). The accounts of the Biotest Group are prepared in accordance with the IFRS which are mandatory for financial years beginning on 1 January 2010.

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

Unless otherwise noted, all amounts are stated in thousand euros (€ thousand).

The amounts shown in the consolidated financial statements, with the exception of the previous year statement of financial position amounts, unless otherwise noted, relate exclusively to Continuing Operations. Previous year amounts were adjusted in accordance with IFRS 5.

In financial year 2010 the Discontinued Operation on the statement of financial position comprised the Medical Diagnostic and Microbiological Monitoring segments, in 2009 the Medical Diagnostic segment. In both financial years 2010 and 2009, the Discontinued Operation on the statement of income comprises the Medical Diagnostic and Microbiological Monitoring segments.

Reconciliation for the period from 31 December 2009 to 31 December 2010 shows previous year amounts from the Microbiological Monitoring division as being reclassified to the Discontinued Operation. Accordingly, reconciliation for the period from 31 December 2008 to 31 December 2009 shows previous year amounts from the Medical Diagnostic division as being reclassified to the Discontinued Operation.

On 9 March 2011, the Board of Management of Biotest AG submitted the consolidated financial statements to the Supervisory Board. The Supervisory Board decided on 17 March 2011 on the release of the consolidated financial statements for publication.

Changes in recognition and measurement methods

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

The IASB has published new rules for recognising corporate mergers. IFRS 3 "Business Combinations (revised 2008)" is based primarily on the following principles: the acquirer obtains control over the acquired company at the time of acquisition and recognises all of the assets and liabilities of the acquired company from that point on, irrespective of its proportion of ownership interest. Identifiable assets and assumed liabilities acquired under the merger are generally recognised at fair value at the time of acquisition. Non-controlling shares in the acquired company held by the acquirer at the time of acquisition are to be written off at the time of acquisition; any resulting profit or loss is to be recognised through profit or loss. The new version of IFRS 3 is applicable to financial years beginning on or after 1 July 2009. The application of the changes to IFRS 3 had no effect on the asset, financial and earnings position of the Biotest Group in financial year 2010.

IAS 27 "Consolidated and Separate Financial Statements (amended 2008)" was changed in direct relation to the changes in IFRS 3. These changes consist of a rule under which changes in the proportion of ownership interest not resulting in loss of control are to be recognised as equity transactions, as well as a rule stating that residual holdings upon loss of control shall be remeasured at fair value and any difference recognised through profit or loss. In general, loss allocations may exceed minority interests and result in a negative item. Adjustments are to be applied retrospectively with few exceptions. The new version of IAS 27 applies to financial years beginning on or after 1 July 2009. The application of the changes to IAS 27 had no effect on the asset, financial and earnings position of the Biotest Group in financial year 2010.

The IASB published amendments to IAS 39 "Eligible Hedged Items" to clarify the existing standard. The changes regard rules for qualified underlying transactions. To simplify the application of the basic principles (which remain unchanged), new rules were added for identifying inflation risk as a risk to be hedged as well as for identifying a one-sided risk in an underlying transaction. The amendments to IAS 39 apply to financial years beginning on or after 1 July 2009. This clarification has no effect on the asset, financial and earnings position of the Biotest Group in financial year 2010.

In connection with the Improvements to IFRS 2008, amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operation" were published. Upon announcement of plans to sell an interest in a subsidiary leading to loss of control, all assets and liabilities are to be classified as held for sale provided that the criteria set out in IFRS 5.6 – 5.8 are met. Assets and liabilities are classified as held for sale in their full amount irrespective of any residual minority interests after the sale. The amendments to IFRS 5 apply to financial years beginning on or after 1 July 2009. The application of the amendments to IFRS 5 had no effect on the asset, financial and earnings position of the Biotest Group in financial year 2010.

The Improvements to IFRS 2009 published by the IASB include amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16. These amendments consist of adjustments to the wording of individual standards as well as changes affecting accounting methods. The amendments made as part of the improvements to IFRS 2009 apply to financial years beginning on or after 1 January 2010. Their application had no effect on the asset, financial and earnings position of the Biotest Group in financial year 2010.

Standards/interpretations not applied ahead of schedule

The IASB has issued respectively revised a series of additional accounting standards and interpretations, the future application of which will be mandatory provided they are adopted by the Council of the European Commission and are relevant to the Biotest Group:

Standards/ interpretations	Title	Applicable from	EU endorsement status as of 31 December 2010
IAS 24	Related Party Disclosures (rev. 2009)	1 January 2011	Endorsed
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010	Endorsed
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates	1 July 2011	Not yet endorsed
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	1 July 2011	Not yet endorsed
IFRS 9	Financial Instruments	1 January 2013	Not yet endorsed
Amendments to IFRS 12	Deferred Tax on Investment Property	1 January 2012	Not yet endorsed
Amendments to IAS 32	Classification of Rights Issues	1 February 2010	Endorsed
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	Endorsed
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011	Endorsed
Improvements to IFRS 2010	various standards and interpretations	1 January 2011	Not yet endorsed

Based on a current assessment, the first-time application of the above-mentioned accounting rules will not materially affect the Biotest Group's asset, financial and earnings position.

B MATERIAL RECOGNITION AND MEASUREMENT PRINCIPLES

B1 Scope of consolidation

The consolidated financial statements of Biotest AG include all primary subsidiaries of the Group, which consist of 5 (2009: 6) domestic and 15 (2009: 16) foreign companies in which Biotest AG directly or indirectly holds the majority of the voting rights.

In financial year 2010, the scope of consolidation of the Biotest Group changed compared to the previous year. In financial year 2010, two companies were deconsolidated.

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

In financial year 2009, the Biotest Group founded the Spanish company Biotest Medical S.L.U. This distribution company commenced operations on 1 January 2010. It conducts the plasma protein business in Spain.

Furthermore, at the end of 2009 Biotest Microbiology Corporation was founded in the United States. This new US company also commenced operations in the Microbiological Monitoring segment on 1 January 2010. The microbiology business of the sold Biotest Diagnostics Corporation was transferred to the new company.

The Biotest Group decided to sell the Microbiological Monitoring division. Negotiations are currently underway with potential investors. Therefore, in financial year 2010 the German company heipha Dr. Müller GmbH, the US company Biotest Microbiology Corporation, the Japanese company Biotest K.K. and the French company Biotest S.a.r.l. were classified as discontinued operations.

Furthermore, in February 2011 the Biotest Group sold Viro-Immun Labor-Diagnostika GmbH under a purchase agreement signed on 18 February 2011. The company was thus included in the group of consolidated companies for the last time in financial year 2010 and is classified as discontinued operations as of 31 December 2010.

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

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

The shareholdings of Biotest AG within the meaning of Section 313 (2) of the German Commercial Code (HGB) are listed in Section F8 List of participating interests.

B2 Consolidation methods

The reporting date for Biotest AG and all companies included in the financial statements is 31 December 2010. The financial statements of the included companies are prepared applying uniform recognition and measurement methods prescribed by Biotest AG.

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

Capital consolidation is carried out pursuant to IFRS 3 according to the acquisition method, under which the cost of purchase is offset against the fair value of the equity attributable to the parent company at the time of acquisition on a pro rata basis. Any remaining positive differences are recognised as goodwill in intangible assets. If the fair value of the pro rata equity attributable to the parent company is greater than the cost of purchase at the time of the first consolidation, this results in a reassessment of the fair value. Any remaining amount in excess of the parent company's cost of purchase is recognised immediately through profit or loss. Goodwill is subject to regular impairment testing. If this testing results in lower fair values, an impairment loss is recognised.

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

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

Minority interests comprise the portion of profits for the period and shareholders' equity of heipha Dr. Müller GmbH, Viro-Immun Labor-Diagnostika GmbH and Biotest Grundstücksverwaltungs GmbH which relate to shares in companies not held 100% by the Biotest Group. Minority interests are disclosed as a separate item in the statement of income and the statement of financial position.

B3 Currency translation

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

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

The following exchange rates were applied for the currency translation of fully consolidated companies of the Biotest Group:

	Average exchange rates		Exchange rates as of the reporting date	
Equivalent of €1	2010	2009	31 December 2010	31 December 2009
US dollar (USD)	1.3268	1.3933	1.3362	1.4406
Pound sterling (GBP)	0.8582	0.8911	0.8608	0.8881
Japanese yen (JPY)	116.46	130.23	108.65	133.16
Swiss franc (CHF)	1.3823	1.5099	1.2504	1.4836
Hungarian forint (HUF)	275.36	280.54	277.95	270.42

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

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

B4 Intangible fixed assets

a) Goodwill

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

Goodwill is allocated to a group of cash generating units. In the Biotest Group, these groups of cash generating units are equivalent to the segments.

For the purpose of impairment testing, the allocable future cash flows of these cash generating units are used to calculate their recoverable amount as the value in use on the basis of the discounted cash flow method. Under this method, cash flows are discounted based on multi-year business projections and a long-term growth rate forecast. The growth rate depends on the business under review. The discount rates

applied after taxes are based on the relevant WACC (Weighted Average Cost of Capital). Necessary write-downs are determined by comparing the carrying amount of the cash generating unit with the recoverable amount.

b) Other intangible fixed assets

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

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

Intangible assets with an indefinite useful life are subject to an impairment test at least once a year at the cash generating unit level. These assets are not subject to scheduled amortisation. The useful life of these intangible assets is to be reviewed at least once a year to ensure that the indefinite useful life assessment is still justified. If this is not the case, the indefinite useful life is reassessed as a definite useful life on a prospective basis.

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

B5 Property, plant and equipment

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

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

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

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

B6 Leasing

Whether or not an agreement constitutes or contains a leasing relationship is determined based on its economic content. For this purpose, an assessment is required as to whether fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset (IFRIC 4.6).

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

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

Unless all of the relevant risks and rewards associated with the leased item transfer to the Biotest Group under the lease agreement, the lease is classified by the lessor as an operating lease. Lease payments are recognised as an expense at the time they are incurred.

B7 Impairment

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

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

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

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

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

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

B8 Inventories

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

B9 Trade receivables and other assets

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

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

B10 Other financial assets

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

B11 Cash and cash equivalents

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

B12 Pension provisions

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

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

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

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

Any service period costs to be charged retrospectively arising in a financial year due to a retrospective change in pension commitments are determined separately and amortised over the period until the claims are vested. If claims are already vested at the time of the change, pension costs are recognised through profit or loss as pension expense in that period.

B13 Other provisions

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

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

The main companies of the Biotest Group are subject to the collective pay-scale agreements of the chemical industry and are consequently subject to the chemical industry's framework agreement on partial retirement for older workers. Provisions for partial retirement liabilities are recognised for all employees who, during the term of the framework agreement, are likely to start working on a part-time basis upon approaching retirement age. The maximum limits for the employer's obligation indicated in the pay-scale agreement are taken into account in this connection. The probable obligations are measured at present value. Experience shows that the limits stated in the collective pay-scale agreement are typically reached.

In addition, obligations under the Biotest Group's share-based remuneration system, which are recognised in accordance with IFRS 2, are disclosed under other provisions.

B14 Financial liabilities

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

B15 Financial instruments

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

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

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

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

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

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

B16 Discontinued Operation

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

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

In financial year 2010 the Biotest Group also began discussions regarding the sale of the Microbiological Monitoring segment with potential buyers. Sales negotiations had not yet been finalised at the date of the preparation of the consolidated financial statements.

Under IFRS 5, assets and liabilities held for sale were considered as Discontinued Operation. In the statement of financial position these items are reported under assets of the Discontinued Operation and liabilities of the Discontinued Operation. All affected assets and liabilities are deemed to be current from that point in time.

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

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

The Discontinued Operation is disclosed separately in the statement of financial position, the statement of income, the cash flow statement and segment reports and explained in the Notes. With the exception of the statement of financial position, the previous year amounts have been adjusted accordingly.

The Medical Diagnostic division was deconsolidated in financial year 2010, as the contract was concluded during that year. As of 31 December 2009 the purchase contract was still subject to approval by the antitrust authorities. Deconsolidation of the Microbiological Monitoring segment is planned for financial year 2011.

B17 Revenue

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

Service agreements from which the result can be reliably estimated are recognised using the percentage of completion method in accordance with IAS 18 "Revenue". The service provided, including the pro rata result, is recognised as revenue based on percentage of completion. The percentage of completion to be recognised is determined based on expenses incurred (cost-to-cost method). Contracts are disclosed under receivables or liabilities using the percentage of completion method.

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

B18 Research and development expenses

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

B19 Government grants for research and development

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

B20 Financial income and financial expenses

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

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

B21 Taxes

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

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

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

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

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

B22 Estimates

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

C SEGMENT REPORTING

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

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

Segment information made available to the chief operation decision maker in the course of the year is based on IFRS amounts and primarily comprises information up to and including operating profit (EBIT). Operating profit (EBIT) is used as a measure of segment performance. In order to measure assets, assets and liabilities are allocated to the segments based on their economic origin at their respective IFRS carrying amounts.

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

Furthermore, a decision was made in 2010 to sell the Microbiological Monitoring segment. The corresponding sales negotiations have not yet been finalised. The Microbiological Monitoring segment under negotiation for sale comprises holdings in heipha Dr. Müller GmbH, Biotest Microbiology Corporation, Biotest K.K. and Biotest S.a.r.l, the Biotest HYCON product division of Biotest AG and corresponding distribution activities in five subsidiaries. This division is also disclosed in segment reports for financial year 2010 under the Discontinued Operation in accordance with IFRS 5.

The business segments of the Biotest Group are now as follows:

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

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

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

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

Segment information by business segment

€ thousand		Plasma Proteins	Biothera-peutics	Recon-ciliation	Total Continuing Operations	Discon-tinued Operation	Total
Revenue with third parties	2010	412,482	–	–	**412,482**	51,005	463,487
	2009*)	390,053	–	–	**390,053**	90,908	480,961
Operating profit (EBIT)	2010	73,448	–21,681	–8,873	**42,894**	24,772	67,666
	2009*)	89,134	–21,062	–11,005	**57,067**	1,449	58,516
Assets	2010	539,688	5,761	55,748	**601,197**	31,142	632,339
	2009*)	542,597	5,261	66,036**)	**601,976**	31,478	633,454
Investments in associates	2010	1,050	–	–	**1,050**	–	1,050
	2009*)	768	–	–	**768**	–	768
Capital expenditure	2010	27,524	924	2,612	**31,060**	2,517	33,577
	2009*)	33,529	1,662	2,110	**37,301**	3,995	41,296
Liabilities	2010	265,404	10,639	34,940	**310,983**	13,748	324,731
	2009*)	285,912	14,246	80,948**)	**354,642**	8,950	363,592
Scheduled depreciation and amortisation	2010	24,489	403	1,999	**26,891**	1,504	28,395
	2009*)	21,067	549	3,052	**24,668**	2,421	27,089
Impairment	2010	–	–	–	**–**	–	–
	2009*)	518	–	–	**518**	–	518

*) Previous year values adjusted due to the Discontinued Operation
**) Including the former Microbiological Monitoring segment

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

Segment information by region

	Revenue with third parties by the customer's geographcal location		Revenue with third parties by the company's registered office		Non-current assets	
€ thousand	2010	2009 *)	2010	2009 *)	2010	2009
Europe	240,351	236,303	326,186	314,381	183,114	181,386
Americas	57,527	49,136	86,296	75,672	140,281	126,525
Asia	101,072	93,179	–	–	–	282
Rest of world	13,532	11,435	–	–	–	–
Biotest Group	**412,482**	**390,053**	**412,482**	**390,053**	**323,395**	**308,193**
Of which:						
Germany	101,816	89,484	242,063	240,386	159,112	175,807
Rest of World	310,666	300,569	170,419	149,667	164,283	132,386
Of which: USA	53,658	44,415	86,296	75,672	140,281	126,525

*) Previous year values adjusted due to the Discontinued Operation

No significant provision of supplies takes place between the individual segments.

D EXPLANATORY NOTES TO THE STATEMENT OF INCOME

D1 Revenue

€ thousand	2010	2009 *)
Products of the Biotest Group	379,897	360,280
Merchandise	8,099	5,857
Toll manufacturing	21,559	19,158
Revenue according to percentage of completion method from service agreements	2,910	4,688
Other	17	70
	412,482	**390,053**

*) Previous year amounts adjusted due to the Discontinued Operation

Products of the Biotest Group includes revenue from the sale of plasma.

D2 Cost of materials

€ thousand	2010	2009 *)
Raw materials and supplies	119,376	120,758
Services purchased	17,307	19,205
	136,683	**139,963**

*) Previous year amounts adjusted due to the Discontinued Operation

D3 Personnel expenses

€ thousand	2010	2009 *)
Wages and salaries	82,445	80,460
Social security contributions	13,990	15,610
Pension costs	2,270	2,473
	98,705	**98,543**

*) Previous year amounts adjusted due to the Discontinued Operation

Personnel expenses include costs for outplacement and severance pay totalling €1,493 thousand (previous year: €2,280 thousand).

In Continuing Operations, the average number of employees in terms of full-time equivalents in financial year 2010 was 1,580 (2009: 1,555). As of 31 December 2010, the Biotest Group had 1,611 (2009: 1,549) full-time equivalent employees in its Continuing Operations.

In the Discontinued Operation, the average number of Biotest Group full-time equivalent employees in financial year 2010 was 293 (2009: 542). As of 31 December 2010, there were 293 (2009: 542) employees in term of full-time equivalents in the Discontinued Operation.

Employees are distributed across operating divisions as follows:

In full-time equivalents	2010	2009 *)
Distribution	197	179
Administration	226	202
Production	1,027	1,013
Research and development	161	155
	1,611	**1,549**

*) Previous year amounts adjusted due to the Discontinued Operation

As of 31 December 2010 the Biotest Group employed 2,050 staff (2009: 2,252), of which 1,721 (2009: 1,667) were in Continuing Operations.

D4 Research and development expenses

Research and development expenses totalling €48,968 thousand (2009: €46,341 thousand) are reported in full in the statement of income.

D5 Other operating income

€ thousand	2010	2009 *)
Release of deferred liabilities	3,819	3,998
Insurance reimbursements and other refunds	3,426	1,248
Release of other provisions	3,075	1,440
Gains from the disposal of fixed assets	442	3
Supplier bonuses	373	112
Reversal of write-downs	13	126
Reimbursements from the German Federal Employment Office for re-filling positions left vacant by partial retirement	4	45
Sale of distribution rights	–	1,170
Tax refunds	–	151
Other	990	627
	12,142	**8,920**

*) Previous year amounts adjusted due to the Discontinued Operation

In financial year 2010, the Biotest Group recorded €30 thousand (2009: €91 thousand) in government grants in income, of which €14 thousand (2009: €0 thousand) were grants for research and development projects and €12 thousand (2009: €46 thousand) were wage subsidies and €4 thousand (2009: €45 thousand) were reimbursements from the German Federal Employment Office for re-filling positions left vacant by partial retirement.

In financial year 2010, the Biotest Group earned €511 thousand (2009: €174 thousand) in income from operating leases. Lease income of €310 thousand will be generated in financial year 2011 under lease agreements in force as of the reporting date and expiring in 2011.

D6 Other operating expenses

€ thousand	2010	2009 *)
Donations	331	433
Additions to provisions	326	2,818
Write-downs of receivables	310	1,424
Impairment loss	78	281
Losses from the disposal of fixed assets	36	257
Indemnification	21	19
Other	476	304
	1,578	**5,536**

*) Previous year amounts adjusted due to the Discontinued Operation

Additions to provisions mainly comprise provisions for pending and imminent legal proceedings.

Write-downs of receivables totalling €310 thousand (2009: €1,424 thousand) relate to receivables that are no longer considered recoverable.

D7 Financial income

€ thousand	2010	2009 *)
Income from currency translation	10,713	5,842
Interest income	494	91
Interest on tax refunds	31	29
Write-ups of investments in associates	–	471
Other	460	18
	11,698	**6,451**
Of which: financial instruments of the measurement categories according to IAS 39:		
Loans and receivables (LaR)	694	192
Financial investments held to maturity (HtM)	1	8
Financial assets measured at fair value through profit and loss (FAFVtPL)	4	5
Financial liabilities measured at amortised cost (FLAC)	54	–
Financial liabilities held for trading (FLHfT)	55	–

*) Previous year amounts adjusted due to the Discontinued Operation

D8 Financial expenses

€ thousand	2010	2009 *)
Currency translation expenses	10,753	6,382
Interest expenses	6,102	8,824
Fair value measurement expenses	5,566	–
Interest expenses for pensions	2,255	2,443
Interest hedging costs	942	557
Interest on tax payments for previous years	72	175
Other	748	37
	26,438	**18,418**
Of which: financial instruments of the measurement categories according to IAS 39:		
Financial assets measured at fair value through profit and loss (FAFVtPL)	5,566	–
Financial liabilities measured at amortised cost (FLAC)	5,726	9,613
Financial assets held for trading (FAHfT)	333	27
Financial liabilities held for trading (FLHfT)	–	318
Loans and receivables (LaR)	188	517

*) Previous year amounts adjusted due to the Discontinued Operation

Fair value measurement expenses relate primarily to the measurement of claims to the issue of Greek government bonds in exchange for receivables from Greek hospitals disclosed under financial assets.

D9 Income from associated companies

In financial year 2010, €299 thousand (2009: €297 thousand) in income was earned from associates.

D10 Income tax

€ thousand	2010	2009 *)
Taxes in the financial year	6,595	11,776
Current tax expense for previous years	1,254	885
Current tax	**7,849**	**12,661**
Deferred tax	**977**	**3,164**
Income tax expense	**8,826**	**15,825**

*) Previous year amounts adjusted due to the Discontinued Operation

Deferred tax income arising on items charged or credited directly to equity totalled €801 thousand (2009: €1,307 thousand).

Applying the nominal income tax rate of 28.8% (2009: 28.8%), the expected tax expense for financial year 2010 differed from actual amount as follows:

€ thousand	2010	2009 *)
Earnings before tax (EBT)	**28,453**	**45,397**
Expected tax expense	**8,194**	**13,074**
Effect of losses not recognised in the financial year	35	267
Utilisation of unmeasured loss carryforwards from previous years	−858	−31
Deferred tax on loss carryforwards from previous years	−237	–
Write-downs on deferred taxes	42	161
Tax payments for previous years	1,254	885
Tax effect of adjustments to deferred taxes from previous years	−109	265
Tax effect of capitalisation of tax credits	−546	−1,281
Tax effect of non-deductible expenses	1,039	1,833
Tax effect of changes in domestic tax rates	18	3
Tax effect of the application of foreign tax rates and use of foreign tax losses carried forward	289	981
Tax effect of tax-free income	−189	−309
Other effects	−106	−23
Income tax recognised in the statement of income	**8,826**	**15,825**

*) Previous year amounts adjusted due to the Discontinued Operation

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

D11 Discontinued Operation

In financial year 2010, a decision was made to sell the Microbiological Monitoring segment. Discussions were commenced with potential strategic investors in the fourth quarter of 2010 which led to concrete sales negotiations with select investors in February 2011.

Based on the decision to sell, all affected assets and liabilities of the Microbiological Monitoring segment and the small remaining portion of the sold Medical Diagnostic division were treated as Discontinued Operation as per IFRS 5. Amounts from the Discontinued Operation are disclosed separately from those of Continuing Operations in the statement of income, the segment reports and the cash flow statement. In the statement of financial position, assets and liabilities held for sale are disclosed under assets of the Discontinued Operation and liabilities of the Discontinued Operation.

Pursuant to the IFRS 5 presentation guidelines, the current results of the Microbiological Monitoring segment were transferred to the current results of the Discontinued Operation.

The results of the Discontinued Operation are as follows:

€ thousand	2010	2009 *)
Income from the Discontinued Operation	73,925	94,082
Expenses from the Discontinued Operation	–49,593	–94,343
Earnings before tax from the Discontinued Operations	**24,332**	**–261**
Income tax from the Discontinued Operation	–4,474	–1,291
Earnings after tax from the Discontinued Operations	**19,858**	**–1,552**
Results of the measurement/disposal of the Discontinued Operation before tax	–	–
Tax on the results of measurement/disposal	–	–
Results from the measurement/disposal of the Discontinued Operation after tax	**–**	**–**
Results of the Discontinued Operation	**19,858**	**–1,552**

*) Previous year amounts adjusted due to the Discontinued Operation

D12 Audit fees

KPMG LLP (UK), KPMG Switzerland, KPMG Spain (excluding the Audit division), KPMG Belgium (excluding the Audit division) and KPMG Netherlands became affiliated companies of KPMG AG Wirtschaftsprüfungsgesellschaft as defined in Section 271 (2) of the German Commercial Code (HGB) with the merger of KPMG Europe LLP.

The auditor, KPMG Europe LLP, charged the Biotest Group a total of €745 thousand (2009: €767 thousand) in fees for financial year 2010. This includes €397 thousand (2009: €498 thousand) for tax consulting services (of which €74 thousand are for the previous year), €304 thousand (2009: €259 thousand) for financial statement auditing fees (of which €17 thousand are for the previous year) and €40 thousand (2009: €5 thousand) for other audit-related services. An additional fee of €4 thousand (2009: €5 thousand) was charged for other services.

E NOTES TO THE STATEMENT OF FINANCIAL POSITION

E1 Intangible assets

All intangible assets are allocated to non-current assets.

€ thousand	Goodwill	Patents, licenses and similar rights	Leased assets	Facilities under construction	Total
Cost of purchase					
Balance as of 31 December 2008	**28,442**	**65,238**	**1,608**	**–**	**95,288**
Reclassification to the Discontinued Operation	–	–4,401	–	–	–4,401
Additions	–	1,399	123	15	1,537
Disposals	–	–473	–	–	–473
Book transfers	–	–7,225	7,895	–	670
Effect of foreign currency translation differences	–789	–1,339	–	–	–2,128
Balance as of 31 December 2009	**27,653**	**53,199**	**9,626**	**15**	**90,493**
Reclassification to the Discontinued Operation	–218	–449	–	–15	–682
Additions	–	1,636	–	–	1,636
Disposals	–	–148	–	–	–148
Effect of foreign currency translation differences	1,549	3,022	–	–	4,571
Balance as of 31 December 2010	**28,984**	**57,260**	**9,626**	**–**	**95,870**
Accumulated depreciation					
Balance as of 31 December 2008	**–**	**19,872**	**1,608**	**–**	**21,480**
Reclassification to the Discontinued Operation	–	–3,404	–	–	–3,404
Depreciation for the financial year	–	4,923	1,542	–	6,465
Disposals	–	–427	–	–	–427
Book transfers	–	–305	305	–	–
Effect of foreign currency translation differences	–	–301	–	–	–301
Balance as of 31 December 2009	**–**	**20,358**	**3,455**	**–**	**23,813**
Reclassification to the Discontinued Operation	–	–351	–	–	–351
Depreciation for the financial year	–	5,424	1,543	–	6,967
Disposals	–	–148	–	–	–148
Effect of foreign currency translation differences	–	648	–	–	648
Balance as of 31 December 2010	**–**	**25,931**	**4,998**	**–**	**30,929**
Carrying amount as of					
31 December 2009	27,653	32,841	6,171	15	66,680
31 December 2010	**28,984**	**31,329**	**4,628**	**–**	**64,941**

There are contractual commitments amounting to €196 thousand (2009: €65 thousand) for the acquisition of intangible assets.

Additions to patents, licences and similar rights in financial year 2010 totalling €1,636 thousand (2009: €1,399 thousand), €827 thousand (2009: €377 thousand) relate to SAP software costs.

In financial year 2009 the Biotest Group sold the ERP software acquired in 2008 to a leasing company and bought it back by means of a hire purchase agreement.

Goodwill acquired in the course of a corporate merger was allocated to a group of cash generating units, corresponding to the Plasma Proteins segment, for the purpose of testing impairment. The annual impairment test did not result in a need for write-downs for the cash generating unit.

An impairment test was also conducted on two development projects with an indefinite useful life in the Plasma Proteins segment; as in the previous year, the test did not result in any impairment.

In sensitivity analyses, the impacts of changes in the market risk premium affecting the discount factor used and a change in the assumed growth rate for development projects was established. If the market risk premium were to rise by five percentage points, there would be no need for value adjustments with regard to development projects. If the assumed growth rate were reversed from 2% to negative 2%, there would likewise be no need for value adjustments.

The recoverable amount of the cash generating unit is determined by calculating the value in use based on cash flow forecasts. Two different impairment tests are used. To test goodwill impairment for Biotest Pharmaceuticals Corporation, a discount rate of 5.08% based on the relevant WACC (Weighted Average Cost of Capital) was used. Expected cash flows were calculated on the basis of five-year financial forecasts by management. The two development projects also underwent an impairment test, in which an after-tax discount rate of 6.76% was applied based also on the relevant WACC (Weighted Average Cost of Capital). Expected cash flows for the years 2011 to 2021 were calculated on the basis of financial forecasts. For the years 2022 to 2027 a growth rate of 2% was assumed. Finally, any value adjustments required are determined by comparing the carrying amount of the cash generating unit with the recoverable amount.

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

Companies of the Biotest Group	Cash Generating Unit	Intangible asset	Carrying amount as of 31 December 2010 € thousand	Carrying amount as of 31 December 2009 € thousand
Biotest Pharmaceuticals Corporation	Plasma Proteins segment	Goodwill	28,984	27,435
heipha Dr. Müller GmbH	Microbiological Monitoring segment	Goodwill	–	155
Biotest AG	Microbiological Monitoring segment	Goodwill	–	63
Biotest Pharmaceuticals Corporation	Project	Patents, licenses and similar rights	10,378	9,626
			39,362	**37,279**

Depreciation and amortisation of intangible assets for the financial year are included in the following items of the statement of income:

€ thousand	2010	2009 *)
Cost of sales	4,353	4,043
Distribution expenses	215	232
Administrative expenses	2,268	2,030
Research and development expenses	86	142
Other operating expenses	45	–
	6,967	**6,447**

*) Previous year amounts adjusted due to the Discontinued Operation

E2 Property, plant and equipment

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

€ thousand	Land and buildings	Technical equipment and machinery	Other facilities, office furniture and equipment	Leased assets	Facilities under construction	Total
Cost of purchase/ production costs						
Balance as of 31 December 2008	**152,300**	**100,788**	**85,938**	**37,570**	**8,431**	**385,027**
Reclassification to the Discontinued Operation	−13,654	−4,365	−11,290	−68	−36	−29,413
Additions	5,820	4,703	5,724	76	22,307	38,630
Book transfers	8,584	12,834	−48	998	−23,038	−670
Disposals	−286	−463	−1,084	−41	−52	−1,926
Effect of foreign currency translation differences	−1,241	−753	−56	–	−233	−2,283
Balance as of 31 December 2009	**151,523**	**112,744**	**79,184**	**38,535**	**7,379**	**389,365**
Reclassification to the Discontinued Operation	−10,095	−7,552	−5,251	−3,370	−746	−27,014
Additions	5,084	2,531	2,946	–	18,863	29,424
Book transfers	10,659	34,954	5,483	−33,002	−18,094	–
Disposals	−1,265	−308	−1,870	−538	−20	−4,001
Effect of foreign currency translation differences	3,313	2,584	268	–	330	6,495
Balance as of 31 December 2010	**159,219**	**144,953**	**80,760**	**1,625**	**7,712**	**394,269**
Accumulated depreciation						
Balance as of 31 December 2008	**43,248**	**40,226**	**54,197**	**17,461**	**–**	**155,132**
Reclassification to the Discontinued Operation	−4,852	−2,898	−7,677	−68	–	−15,495
Depreciation for the financial year	3,200	7,471	5,122	3,173	–	18,966
Impairment loss	215	303	–	–	–	518
Book transfers	−90	90	−215	215	–	–
Disposals	−286	−235	−925	−41	–	−1,487
Effect of foreign currency translation differences	−27	−189	−8	–	–	−224
Balance as of 31 December 2009	**41,408**	**44,768**	**50,494**	**20,740**	**–**	**157,410**
Reclassification to the Discontinued Operation	−1,231	−6,128	−3,132	−1,951	–	−12,442
Depreciation for the financial year	3,498	10,008	4,932	1,486	–	19,924
Book transfers	1,947	13,707	2,908	−18,562	–	–
Disposals	−1	−142	−1,256	−533	–	−1,932
Effect of foreign currency translation differences	62	427	71	–	–	560
Balance as of 31 December 2010	**45,683**	**62,640**	**54,017**	**1,180**	**–**	**163,520**
Carrying amount as of						
31 December 2009	110,115	67,976	28,690	17,795	7,379	231,955
31 December 2010	**113,536**	**82,313**	**26,743**	**445**	**7,712**	**230,749**

Additions to land and buildings relate to a non-cash land swap valued at €1,687 thousand.

Impairment losses of the previous financial year were due mainly to the relocation of a plasmapheresis centre where it was not possible to remove tenant-installed fixtures and fittings upon vacating the property.

Government grants for the acquisition or production of assets reduce the cost of purchase or production costs. In financial year 2010, the accumulated reduction amounted to €595 thousand (2009: €595 thousand).

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

Collateral for the syndicated loan agreement, in place since 2007 and extended in the reporting year, was provided in the form of a €95 million lien on real estate belonging to Biotest Pharma GmbH and Biotest Grundstücksverwaltungs GmbH as third party assignor. The creation of a global lien on real estate belonging to the Company and its subsidiaries of €100 million was notarised on 18 March 2003 as part of an earlier collateral trustee agreement. Shares in the Biotest Pharmaceuticals Corporation were also pledged as collateral.

Facilities under construction in financial year 2010 consist primarily of the expansion of filling and packaging facilities of Biotest Pharma GmbH. In the previous year, this item consisted primarily of the production facility for the IVIG development project of the Biotest Pharmaceuticals Corporation which was under construction at that time.

E3 Investments in affiliates

Investments in affiliates amounting to €100 thousand (2009: €100 thousand) are broken down as follows:

€ thousand	2010	2009
Biotest HYCON GmbH	50	50
Biotest Immobilien Verwaltungs GmbH	25	25
Biotest Immobilien GmbH & Co. KG	25	25
	100	**100**

Biotest HYCON GmbH is a wholly owned subsidiary of Biotest AG. Biotest Immobilien Verwaltungs GmbH and Biotest Immobilien GmbH & Co. KG are wholly owned subsidiaries of Biotest Pharma GmbH. These companies are not operationally active and are therefore not consolidated on the grounds of immateriality.

E4 Investments in associates

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

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

In a first stage, the partners in the joint venture intend to provide the company gradually with up to €4,000 thousand in equity capital. The shareholder resolutions required for this are adopted separately based on financial requirements. To date, Biotest Pharma GmbH has contributed €1,593 in capital. The capital of BioDarou P.J.S. Co. amounts to 30 billion rials (2009: 30 billion rials) and is fully paid in.

As no audited financial statements were available for BioDarou P.J.S. Co. when the consolidated financial statements were prepared, previous year figures as of 31 December 2009 are reported for BioDarou P.J.S. Co.

The earnings forecast of BioDarou P.J.S. Co. for financial year 2010 shows a clearly positive result because the company is now in a position to regularly collect enough plasma to allow processing on an industrial scale at Biotest AG and then to sell it in Iran.

The joint venture had the following assets and liabilities as of the 2009 reporting date:

As of 31 December 2009, non-current assets were worth €2,932 thousand (2009: €3,402 thousand) and current assets were worth €6,146 thousand (2009: €4,192 thousand).

As of 31 December 2009, non-current liabilities were valued at €1,851 thousand (2009: €2,324 thousand) and current liabilities were worth €4,860 thousand (2009: €3,402 thousand).

In financial year 2009, the company's annual net profit amounted to €611 thousand (2009: €605 thousand).

The company plans to increase blood plasma collection through special measures in financial year 2011, thereby further raising its profitability. In addition, in financial year 2010 the company began construction of an additional plasmapheresis centre in Iran.

Due to the very tense political situation in Iran, the company's future options continue to be limited. Increased international restrictions in 2010 have brought payment transactions to a virtual halt. This has led to a partially critical assessment of the company's future development. The company itself is clearly profitable and achieved a clearly positive result. However, in the international environment the Iran's political situation has further deteriorated, with markedly negative consequences. In addition, Iran's financial base together with Iranian government support for health care is dependent on the volatile price of crude oil and on crude oil sales.

In view of this assessment and bearing both of these factors in mind, the Biotest Group recognised a pro-rata impairment loss of €1,050 thousand (2009: €768 thousand) on equity.

E5 Other financial investments

€ thousand	2010	2009
Claims to the issue of Greek government bonds (Financial Assets at Fair Value through Profit and Loss)	19,160	–
Pension funds (Financial Assets at Fair Value through Profit and Loss)	136	136
Fixed-interest securities (Held to Maturity)	45	68
Loans to employees (Loans and Receivables)	–	11
	19,341	**215**

In September 2010, the Biotest Group exercised the option to exchange receivables from government hospitals from 2007 to 2009 for still unissued zero coupon government bonds with staggered maturities. Trade receivables from Greek government hospitals for the above years were closed out and claims to the issue of the Greek bonds were recorded in other financial investments. The financial result was adversely impacted to a significant extent by the remeasurement of these bond claims.

Claims to the issue of government bonds are categorised as Financial Assets at Fair Value through Profit and Loss. Biotest AG calculated the fair value of these claims by discounting the zero coupon bonds at a comparable market interest rate based on the corresponding term to maturity. This category also contains fund shares, the market value of which was reported by the custodian bank in writing as of the reporting date.

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

The loans and receivables category in the previous year included loans to employees; the fair value was equivalent to the nominal value.

E6 Deferred tax assets and liabilities

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

	Assets		Equity and liabilities		Net	
€ thousand	2010	2009	2010	2009	2010	2009
Intangible assets	28	73	404	186	–376	– 113
Property, plant and equipment	21	10	17,369	17,598	–17,348	– 17,588
Other financial investments	516	540	4,407	–	–3,891	540
Inventories	7,117	7,876	39	81	7,078	7,795
Accounts receivable	5,724	63	5,574	4,612	150	– 4,549
Provisions	842	1,346	76	42	766	1,304
Financial liabilities	8	976	344	407	–336	569
Pension provisions	4,363	3,707	–	–	4,363	3,707
Other liabilities	2,019	1,601	105	9	1,914	1,592
Other financial position items	914	716	53	5	861	711
Tax credit claims	2,325	1,399	–	–	2,325	1,399
Tax value of the recognised loss carried forward	1,804	2,119	–	–	1,804	2,119
Subtotal	**25,681**	**20,426**	**28,371**	**22,940**	**–2,690**	**– 2,514**
Less netting of deferred tax assets and liabilities	–20,202	–14,166	–20,202	– 14,166	–	–
Deferred tax assets and liabilities	**5,479**	**6,260**	**8,169**	**8,774**	**–2,690**	**– 2,514**

Deferred taxes have not been recognised for tax loss carryforwards of €255 thousand (2009: €1,396 thousand) as it is not sufficiently certain at this time whether they can be utilised. Unrecognised deferred taxes on loss carryforwards for domestic companies total €0 thousand (2009: €992 thousand) and €255 thousand (2009: €404 thousand) for foreign companies. At present, loss carryforwards may be carried forward indefinitely in Germany.

E7 Inventories

€ thousand	2010	2009
Raw materials and supplies	45,725	35,372
Work in progress	66,579	89,581
Finished goods and merchandise	36,407	45,373
	148,711	**170,326**

Write-downs on inventories totalled €9,370 thousand (2009: €12,935 thousand) as of the reporting date. After being written down to their net realisable value, the residual carrying amount of inventories was €42,248 thousand (2009: €46,141 thousand).

As of the reporting date the Biotest Group had no inventories with a turnover of more than one year; the carrying amount of such inventories was €880 thousand in financial year 2009.

The breakdown of impairment losses on inventories is as follows:

€ thousand	2010	2009
Balance as of 1 January	**12,935**	**9,155**
Reclassification to the Discontinued Operation	−634	−3,079
Consumption	−7,291	−2,182
Releases	−2,731	−57
Additions	6,815	9,232
Effect of foreign currency translation differences	276	−134
Balance as of 31 December	**9,370**	**12,935**

E8 Trade receivables

Trade receivables are normally due within one year; in the current financial year (as in the previous year), out of a total of €98,300 thousand (2009: €95,992 thousand) there were no trade receivables classified as non-current. Trade receivables are allocated to the loans and receivables (LaR) category. They are broken down as follows:

€ thousand	2010	2009
Trade receivables (gross)	124,172	140,481
Sale of trade receivables	−21,749	−40,568
Allowance for bad debts	−4,123	−3,921
Trade receivables (net)	**98,300**	**95,992**

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

As already described in Section E5 Other financial investments, in financial year 2010 receivables from Greek government hospitals were reclassified to other financial investments.

Under factoring contracts Biotest AG sold receivables totalling €12,893 thousand (2009: €24,385 thousand) as of the reporting date. The factoring programme provides for the sale of domestic and foreign receivables of Biotest AG, whereby each customer has an individual credit limit. Provided that the receivables are legally valid, the factor carries the risk of the customer's inability to pay the receivables purchased (del credere).

As in the previous year, these contracts also provide for the sale of receivables from public hospitals in Greece by Biotest Hellas MEPE. In this regard, receivables totalling €1,072 thousand (2009: €9,771 thousand) have been sold as of the reporting date and are disclosed under other assets as receivables from factoring companies. Due to the exercise of the legal option to exchange receivables from Greek government hospitals for

Greek government bonds, the remaining, already sold factored receivables from the years 2007 to 2009 were also disclosed under other financial investments.

Since 2009, Biotest Italia S.r.l. has sold some of its receivables from Italian customers. Provided that the receivables are legally valid, the factor carries the risk of the customer's inability to pay the receivables purchased (del credere). As of the reporting date receivables of the Italian company totalling €7,784 thousand (2009: 6,412 thousand) had been sold.

Trade receivables include receivables based on the percentage of completion method amounting to €13,353 thousand (2009: €10,444 thousand). These relate to customer-specific construction contracts, which are valued at the corresponding production costs incurred including pro rata profit.

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

€ thousand	2010	2009
Balance as of 1 January	**3,921**	**3,063**
Reclassification to the Discontinued Operation	–57	–53
Additions	348	1,379
Consumption	–2	–355
Releases	–63	–126
Effect of foreign currency translation differences	–24	13
Balance as of 31 December	**4,123**	**3,921**

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

€ thousand	2010	2009
Carrying amount	**98,300**	**95,992**
Of which: unimpaired and current as of the reporting date	60,687	68,691
Of which: unimpaired as of the reporting date but past due in the following time bands:		
< 90 days past due	12,759	10,744
91 – 180 days past due	4,935	3,074
181 – 365 days past due	4,790	1,118
> 1 year past due	859	569

Unimpaired and current receivables of the Biotest Group include €5,687 thousand in Greek receivables, the terms of which are currently being renegotiated by the Greek government.

€12,782 thousand (2009: €7,046 thousand) of the past due receivables of the Biotest Group in financial year 2010 relate to receivables of Biotest Italia S.r.l., Italy. Due to the country-specific payment practices, past due receivables are common practice in Italy. However, the creditworthiness of the debtors is essentially assured based on the fact that they are state-run hospitals, and it is therefore safe to assume that any outstanding amounts will be paid.

Net trade receivables are denominated in the following currencies:

€ thousand	2010	2009
EUR	76,495	76,261
USD	16,753	14,437
GBP	2,041	1,922
HUF	1,894	1,627
RUB	65	424
Other currencies	1,052	1,321
Trade receivables (net)	**98,300**	**95,992**

E9 Other assets

	2010		2009	
€ thousand	Total	Of which: non-current	Total	Of which: non-current
Receivables from associates	2,856	–	2,593	–
Deferred items	2,728	–	2,469	128
Value-added and other tax claims	2,054	–	730	35
Receivables from factoring companies	1,073	–	9,771	–
Purchase price claims for distribution rights	781	526	1,000	760
Derivatives	651	491	984	897
Receivables from insurance companies	187	129	249	153
Payments in advance	186	–	526	–
Loans to employees	114	63	311	176
Other assets	919	526	631	66
	11,549	**1,735**	**19,264**	**2,215**

Impairment losses on other assets were as follows:

€ thousand	2010	2009
Balance as of 1 January	**997**	**964**
Reclassification to the Discontinued Operation	–4	–
Additions	–	33
Consumption	–22	–
Releases	–	–
Effect of foreign currency translation differences	–7	–
Balance as of 31 December	**964**	**997**

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

€ thousand	2010	2009
Carrying amount	**11,549**	**19,264**
Of which: unimpaired and current as of the reporting date	11,499	19,214
Of which: unimpaired as of the reporting date but past due in the following time bands:		
< 90 days past due	–	–
91 – 180 days past due	–	–
181 – 365 days past due	–	50
> 1 year past due	50	–

Other assets are denominated in the following currencies:

€ thousand	2010	2009
EUR	7,528	18,270
USD	2,195	207
GBP	155	105
HUF	1,648	465
Other currencies	23	217
	11,549	**19,264**

E10 Cash and cash equivalents

€ thousand	2010	2009
Bank balances	17,495	5,937
Cash in hand	1,046	793
	18,541	**6,730**

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

E11 Assets and liabilities of the Discontinued Operation

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

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

€ thousand	2010	2009
Intangible assets	466	997
Property, plant and equipment	15,184	12,435
Inventories	9,543	14,316
Trade receivables	4,401	3,499
Current income tax assets	25	96
Deferred tax assets	195	–
Other assets	456	121
Cash and cash equivalents	872	14
Assets from the Discontinued Operation	**31,142**	**31,478**
Provisions for pensions and similar obligations	3,021	3,464
Current income tax liabilities	84	–
Deferred tax liabilities	428	–
Other provisions	1,874	1,794
Financial liabilities	6,201	506
Trade payables	1,095	1,660
Other liabilities	1,045	1,526
Liabilities of the Discontinued Operation	**13,748**	**8,950**

E12 Equity

The subscribed capital is fully paid in and amounted to €30,025,152.00 (ordinary shares: €16,883,819.52; preference shares: €13,141,332.48) as of 31 December 2010. As of 31 December 2010, it was divided into 6,595,242 ordinary no-par-value shares and 5,133,333 no-par-value preference shares without voting rights. Certification of shares is excluded. The theoretical par value of each share is therefore €2.56. Profit distributions in any financial year are based on the net profit of Biotest AG within the meaning of the German Commercial Code .

In her letter dated 8 February 2008, Dr. Cathrin Schleussner advised us that her voting interest as of that date was 50.03%. These voting rights are held via OGEL GmbH, Frankfurt/Main. OGEL GmbH is controlled by Dr. Cathrin Schleussner. On 15 March 2010, Massachusetts Mutual Life Insurance Company, Massachusetts, USA, notified us of having fallen below the 3% threshold as of 9 March 2011. As of the reporting date of 31 December 2010, Kreissparkasse Biberach held 24.36% of the Company's ordinary shares per its last notification.

The proposed appropriation of net profit for the year 2010 calls for dividend payments in the amount of €4,765 thousand. Ordinary shares will receive a dividend of €0.38/share and preference shares will receive €0.44/share. Preference shares are entitled to a minimum dividend of €0.11 per share. Additionally, if holders of ordinary shares receive a dividend of more than €0.11 per share, holders of preference shares receive an additional dividend of €0.06 per share. If no dividend is paid on preference shares in one year, it shall be paid in the following year. If a dividend is not paid in the second year, preference shares shall receive voting rights (cf. Section 140 (2) of the German Stock Corporation Act (AktG)).

By resolution of the Annual Shareholders' Meeting of 7 May 2009, the Board of Management of Biotest AG was authorised to purchase ordinary and/or preference treasury shares under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 19 November 2010 at up to 10% of the share capital of €30,025 thousand at that time. This authorisation was revoked by resolution of the Annual Shareholders' Meeting of 6 May 2010 and replaced by an authorisation allowing the Board of Management to purchase ordinary and/or preference treasury shares under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) until 5 May 2015 at up to 10% of the share capital of €30,025 thousand at that time.

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

Earnings per share (from Continuing Operations) are calculated by dividing the profit attributable to shareholders of the parent company by the weighted average number of shares outstanding.

€ thousand	2010	2009
Earnings after tax (EAT)	19,615	29,561
Additional dividend on preference shares	−308	−308
Profit adjusted for additional dividend rights	**19,307**	**29,253**
Number of shares outstanding (weighted average)	11,728,575	11,728,575
Earnings per share in €	**1.64**	**2.49**
Additional dividend rights per preference share in €	**0.06**	**0.06**
Earnings per preference share in €	**1.70**	**2.55**

E13 Provisions for pensions and similar obligations

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

Pension provisions and similar obligations consist of the following:

€ thousand	2010	2009
Pension benefits	47,877	45,967
Similar obligations	1,795	2,320
	49,672	**48,287**

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

€ thousand	2010	2009
Present value of retirement benefit obligations funded by provisions	**49,635**	**48,151**
Present value of retirement benefit obligations funded by pension liability insurance	179	856
Fair value of plan assets (employer's pension liability insurance)	–142	–720
Present value of retirement benefit obligations	**49,672**	**48,287**

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

€ thousand	2010	2009
Pension provisions as of 1 January	**48,287**	**43,388**
Reclassification to the Discontinued Operation	–2,992	–2,718
Pension payments in the reporting period	–2,772	–2,366
Pension costs	4,513	5,533
Actuarial losses recognised directly in equity	2,636	4,450
Pension provisions as of 31 December	**49,672**	**48,287**

The defined benefit system generated a total expense of €4,746 thousand (2009: €5,922 thousand) in the reporting period. Pension costs in the Discontinued Operation in the financial year amounted to €233 thousand (2009: €985 thousand). Total expense for Continuing Operations consisted of the following components:

€ thousand	2010	2009 *)
Current service cost	2,258	2,082
Retrospective service costs	–	412
Changes in the fair value of plan assets (employer's pension liability insurance)	–12	–11
Interest expense	2,267	2,454
	4,513	**4,937**

*) Previous year amounts adjusted due to the Discontinued Operation

In financial year 2010 actuarial losses totalling €2,636 thousand (2009: €4,450 thousand) were recognised directly in equity.

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

€ thousand	2010	2009 *)
Cost of sales	1,106	1,193
Distribution expenses	366	411
Administrative expenses	405	452
Research and development expenses	381	438
Financial expenses	2,255	2,443
	4,513	**4,937**

*) Previous year amounts adjusted due to the Discontinued Operation

The calculation is based on the following actuarial assumptions:

In percent	2010	2009
Discount rate as of 31 December	4.6 – 4.8%	4.9 – 5.4%
Expected returns on plan assets	2.0 – 6.0%	2.0 – 6.0%
Rate of increase for wages and salaries	3.3%	3.3%
Rate of increase for pensions	2.0%	2.0%
Employee turnover rate	3.0 – 6.9%	3.0 – 4.5%

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

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

€ thousand	2010	2009
Defined benefit obligation as of 1 January	**49,007**	**44,127**
Current service cost	2,258	2,648
Interest expense	2,267	2,491
Actuarial losses	2,636	4,450
Retrospective service costs	–	412
Pension benefits paid	–2,864	–2,403
Reclassification to the Discontinued Operation	–3,490	–2,718
Defined benefit obligation as of 31 December	**49,814**	**49,007**

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

€ thousand	2010	2009
Fair value of plan assets as of 1 January	**720**	**739**
Reclassification to the Discontinued Operation	–497	–
Expected income from plan assets	12	18
Actuarial losses	–5	–8
Employer contributions	–	–29
Pension contributions paid	–88	–
Fair value of plan assets as of 31 December	**142**	**720**

Actual income from plan assets amounted to €7 thousand in the financial year 2010 (2009: €17 thousand).

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

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

€ thousand	2010	2009	2008	2007	2006
Present value of defined benefit obligations (DBO)	49,814	49,007	44,127	43,780	43,799
Fair value of plan assets	142	720	739	677	676
Expectation-related adjustments:					
a) plan liabilities	2,632	4,771	1,273	861	1,501
b) plan assets	−2	−8	−2	−8	−32

In the financial year under review, spending on contribution-based pension plans totalled €6,391 thousand (2009: €5,627 thousand).

Expenses for contribution-based pension plans break down as follows:

€ thousand	2010	2009 *)
Contribution-based plans of the Company	874	127
Employer's contributions to statutory pension plans	5,517	5,500
	6,391	**5,627**

*) Previous year amounts adjusted due to the Discontinued Operation

E14 Other provisions

€ thousand	Partial retirement	Other staff-related provisions	Miscel-laneous provisions	Total	Of which: current
Balance as of 31 December 2008	**2,190**	**10,867**	**9,866**	**22,923**	**19,270**
Reclassification to the Discontinued Operation	−228	−1,378	−290	−1,896	
Additions	764	7,948	6,590	15,302	
Use of provisions	−1,047	−7,689	−2,837	−11,573	
Releases	–	−555	−889	−1,444	
Book transfers	–	322	−322	–	
Effect of foreign currency translation differences	–	−47	−42	−89	
Accrued interest	−123	113	68	58	
Balance as of 31 December 2009	**1,556**	**9,581**	**12,144**	**23,281**	**19,622**
Reclassification to the Discontinued Operation	–	−805	−24	−829	
Additions	603	6,261	4,552	11,416	
Use of provisions	−1,114	−5,742	−4,540	−11,396	
Releases	–	−905	−2,170	−3,075	
Book transfers	–	−843	843	–	
Effect of foreign currency translation differences	–	162	124	286	
Accrued interest	−37	26	−107	−118	
Balance as of 31 December 2010	**1,008**	**7,735**	**10,822**	**19,565**	**16,454**

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

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

Miscellaneous provisions include provisions for the Long Term Incentive Programme as well as the negative market value of derivative financial instruments, guarantees, litigation risks and similar issues.

Additions in financial year 2010 consist mainly of additions to employee profit sharing (€5,380 thousand), the Long Term Incentive Programme (€637 thousand) and partial retirement benefits (€603 thousand).

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

The reversal of other provisions amounting to €841 thousand relates mainly to employee profit sharing.

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

E15 Financial liabilities

€ thousand	2010	2009
Non-current liabilities		
Collateralised liabilities to banks	109,667	130,165
Unsecured subordinated loans	17,406	17,358
Unsecured other loans	1,612	50
Liabilities from finance leases	3,491	6,147
	132,176	**153,720**
Current liabilities		
Collateralised liabilities to banks	21,927	30,519
Unsecured subordinated loans	345	12,385
Unsecured other loans	4,950	3,508
Short-term portion of liabilities from finance leases	1,667	4,410
	28,889	**50,822**

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

The syndicated loan agreement includes a short-term tranche of €40 million, a long-term tranche of €85 million with full amortisation within seven years as well as a bullet tranche of €50 million due in 2015.

With effect from 6 May 2009, an additional loan agreement was concluded to supplement the amount of financing available under the syndicated loan agreement with a two-year working capital credit line of €40 million. An additional €15 million line of credit was established to cover EUR-USD exchange rate risks in connection with a loan taken out by the Biotest Pharmaceuticals Corporation. This ensures that exchange rate fluctuations do not restrict available lines of credit, as long as their effect does not exceed €15 million.

Of the credit lines available under the syndicated loan agreement in financial year 2010, €76,685 thousand (2009: €62,831 thousand) remained unused. Further unused lines of credit totalled €42,466 thousand (2009: €27,196 thousand).

Information on the hedging of exchange-rate and interest risks is given in Section F3 Financial risk management.

Unsecured subordinated loans consist mainly of a bullet loan taken out in connection with a profit participation agreement dated 25 November 2005 (nominal value: €10,000 thousand) in the amount of €9,907 thousand (2009: €9,858 thousand), for which a subordination was agreed. The interest rate payable on the loan is dependent on key financial ratios. The loan was disbursed less a discount.

In connection with the syndicated loan agreement, Biotest AG is required to maintain certain financial ratios, including net debt to EBITDA, net debt to liable equity and EBITDA to interest expense. These ratios are calculated quarterly at the end of the quarter based on the annual or quarterly consolidated financial statements. In financial year 2010 as in the previous year, all required financial ratios were met.

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

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

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

€ thousand 2009	Total	Time to maturity < 1 year	Time to maturity 1 to 5 years	Time to maturity > 5 years
Collateralised liabilities to banks:				
Euro – variable at 1.5 to 2.7%	85,849	22,395	12,808	50,646
USD – variable at 1.0 to 2.6%	62,377	3,373	59,004	–
Euro – fixed at 3.8 to 6.4%	11,063	3,356	6,070	1,637
HUF – variable at 8.6%	1,109	1,109	–	–
GBP – variable at 2.9%	286	286	–	–
Other loans:				
Euro – variable at 2.9 to 4.6%	3,120	3,070	50	–
USD – fixed at 2.3%	258	258	–	–
Euro – fixed at 3.3 to 6.0%	180	180	–	–
Liabilities from finance leases:				
Euro – fixed at 4.0 to 7.4%	10,557	4,410	6,144	3
Unsecured loans:				
Euro – fixed at 1.3 to 3.6%	18,977	11,477	3,750	3,750
Euro – variable at 2.0 to 7.0%	10,285	427	9,858	–
HUF – variable at 8.6%	481	481	–	–
	204,542	**50,822**	**97,684**	**56,036**

Liabilities from finance leases are amortised as follows:

€ thousand	Payment	Interest	Principal repayments
2010			
Due in < 1 year	1,935	268	1,667
Due in 1 to 5 years	3,814	323	3,491
Due in > 5 years	–	–	–
	5,749	**591**	**5,158**
2009			
Due in < 1 year	5,165	755	4,410
Due in 1 to 5 years	6,824	680	6,144
Due in > 5 years	3	–	3
	11,992	**1,435**	**10,557**

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

E16 Other liabilities

€ thousand	2010	2009
Commissions payable	11,289	10,236
Value added tax liabilities	4,070	2,284
Deferred liabilities	1,395	2,523
Social security liabilities	1,097	1,435
Wage tax liabilities	1,001	1,375
Downpayments received	874	569
Liabilities from other taxes	73	52
Other miscellaneous liabilities	1,876	2,215
Deferred items	1,011	703
	22,686	**21,392**

In this financial year, there were other liabilities with a time to maturity of over one year totalling €255 thousand (2009: €375 thousand).

F MISCELLANEOUS NOTES

F1 Long Term Incentive Programme

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

The previous 2006 LTIP with its 2006, 2007 and 2008 tranches constituted a single unit in terms of the required personal investment by eligible participants. This meant that an additional personal investment was not required at each new tranche but rather the investment from the first tranche could be applied to future tranches. The 2006 and 2007 tranches have already been paid out. The 2008 tranche ran until 31 December 2010 and will be paid out in May 2011.

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

The amounts reported for the 2008, 2009 and 2010 tranches are for all employees eligible to participate in the programme.

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

The programme began on 1 June 2010 and will run until 31 December 2012. The 2010 tranche is designed in a fashion similar to the 2009 LTIP and is identically structured.

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

To take part in the 2010 LTIP, each eligible participant is required to make an additional investment of 50% of the number of newly acquired preference shares. Eligible participants may contribute preference shares acquired or contributed under the 2008 and/or 2009 LTIP as part of their new and/or additional investment in the 2010 LTIP. Only the new investment is used to calculate the incentive payment under the 2010 LTIP.

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

On expiry of the programme, each beneficiary will receive an incentive payment in cash after the Annual Shareholders' Meeting scheduled for May 2012; this cash payment will depend on the level of new investment, the fixed salary as of 1 October 2010 and the achievement of two performance targets. Performance targets are assigned factors by which the new investment is multiplied.

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

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

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

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

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

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

Performance Target 2 refers to the average EBIT margin achieved at the Group level in the years 2010, 2011 and 2012 based on the sum of these annual EBIT margins divided by three.

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

Average EBIT margin 2010 – 2012	Performance Factor 2
Better than 16.4%	Maximum 0.05
Equal to 16.4%	0.04
Equal to 14.2 %	0.02
Equal to 13.2 %	0.01
Less than 12.2%	0.00

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

If both performance criteria are met, on expiry of the performance period a minimum of 1% and a maximum of 10% of the annual fixed salary as of 1 October 2010 is paid if there is a new investment of 100 shares.

In addition to the members of the Board of Management, another 110 employees participated in the 2010 Long Term Incentive Programme with a total new investment of 28,620 preference shares. 6,200 preferences shares were virtually allocated to employees of Biotest Pharmaceuticals Corporation.

The valuation was performed by external experts (Towers Watson, Frankfurt/Main) using Monte Carlo simulation. In assessing both market and non-market conditions in accordance with IFRS 2 "Share-based Remuneration", conditions affecting the incentive payment but not observable in the market are viewed separately from observable market conditions. Market conditions are determined through a fair value assessment. The fair value of the incentive payment based on outperformance of the SDAX as of 31 December 2010 equals €2.240 per 100 preference shares and €100 of fixed salary. On 1 June 2010, at the time the incentive payment was made, the fair value was €2.324. Non-market conditions are taken into account by adding Performance Factor 2, which is calculated on the basis of budget forecasts. As of 31 December 2010, the sum of the two factors equalled 3.0090%.

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

A pro rata provision amounting to €234 thousand was made on 31 December 2010 based on the entire period ending 31 December 2012. This amount is also equal to the expense for the period in 2010.

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

The programme began on 1 June 2009 and will run until 31 December 2011. The 2009 LTIP is similar in its design to the former 2006 LTIP with its 2006, 2007 and 2008 tranches and its structure is largely identical to that of the 2010 LTIP. Its described content is identical to that of the 2010 LTIP. The different parameters are listed below.

Performance Factor 1 of the 2009 LTIP is identical to Performance Factor 1 of the 2010 LTIP and is as follows:

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

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

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

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

Average EBIT margin 2009 – 2011	Performance Factor 2
Better than 16.3 %	0.05
Equal to 16.3 %	0.04
Equal to 14.0 %	0.02
Equal to 13.0 %	0.01
Less than 11.9 %	0.00

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

$$\frac{\text{New investment x Performance Factor 1} + \text{New investment x Performance Factor 2}}{100} \times \text{Annual Fixed Salary on 1 October 2009} = \text{Payment}$$

A pro rata provision amounting to €258 thousand was made on 31 December 2010 based on the entire period ending 31 December 2011.

The period expense for 2010 was €67 thousand.

The sum of the factors thus changed as of 31 December 2010 from 2.7468% (as of 31 December 2009) to 1.0220%.

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

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

Performance Factor 1 of the 2008 tranche is identical to that of the 2007 and 2006 tranches and is as follows:

Position in relation to the benchmark (SDAX stocks)	Performance Factor 1
Better than the third quartile	0.04
Equal to the median	0.02
Better than the first quartile	0.01
Worse than/equal to the first quartile	0.00

However, the key criterion for Performance Factor 1 is that in financial year 2010 the Company must achieve earnings before interest and tax (EBIT) of at least €10,000 thousand before the taking the LTIP into account. If EBIT is less than €10,000 thousand in 2010, the factor is 0.

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

Average EBIT margin 2008 – 2010	Performance Factor 2
16.3% and higher	0.04
Equal to 12.8 %	0.02
At least 10.9%	0.01
Less than 10.9%	0.00

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

$$\frac{\text{Personal investment} \times \text{Performance Factor 1} + \text{Personal investment} \times \text{Performance Factor 2}}{100} \times \text{Annual Fixed Salary on 1 October 2008} = \text{Payment}$$

The 2008 tranche was recognised in the statement of financial position as of 31 December 2010 as a provision totalling €1,646 thousand.

The period expense for 2010 was €596 thousand.

The sum of the factors thus changed from 5.450% in the previous year to 5.889% as of 31 December 2010.

2006 Long Term Incentive Programme / 2007 Tranche (LTIP 2007)

The 2007 tranche of the Long Term Incentive Programme was described in detail in the annual financial statements as of 31 December 2007.

The 2007 tranche was disbursed in May 2010 in the amount of €1,284 thousand. Share performance was 4.0% per 100 preference shares and the average EBIT margin achieved between 2007 and 2009 was 12.4767%. The sum of the factors was 5.82556%. The number of qualifying preference shares acquired as part of the personal investment was 16,080.

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

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

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

Effects of the Microbiological Monitoring segment to be abandoned on the LTIP

Eligible participants who, following the expected disposal of the Microbiological Monitoring segment, will no longer be employees of the Biotest Group but of the new owner will leave the LTIP. They will receive a pro rata incentive payment based on the date of the ad-hoc announcement of the disposal.

Further general information about the LTIP

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

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

F2 Financial instruments

F2.1 Classification of financial instruments

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

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

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

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

In financial year 2010, as in the previous year, no reclassification of financial instruments took place.

F2.2 Reconciliation of financial position items to measurement categories as well as their valuation basis and fair values

€ thousand			Valuation basis in the statement of financial position under IAS 39					
Statement of financial position items	Measure-ment category under IAS 39	Carrying amount as of 31 December 2010	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Valuation basis in the statement of financial position under IAS 17	Fair value as of 31 Decem-ber 2010
Assets								
Trade receivables	LaR	98,300	98,300	–	–	–	–	98,300
Other receivables	LaR	10,898	10,898	–	–	–	–	10,898
Other primary financial assets								
Claim to the issue of Greek government bonds/ pension funds	FAFVtPL	19,296	–	–	–	19,296	–	19,296
Fixed-interest securities	HtM	45	45	–	–	–	–	45
Loans to employees	LaR	–	–	–	–	–	–	–
Financial asset derivatives								
Derivatives not designated as a hedging instrument	FAHfT	651	–	–	–	651	–	651
Equity and liabilities								
Trade payables	FLAC	42,779	42,779	–	–	–	–	42,779
Collateralised liabilities to banks	FLAC	67,524	67,524	–	–	–	–	67,728
Unsecured liabilities to banks	FLAC	81,822	81,822	–	–	–	–	82,859
Other non-interest-bearing liabilities	FLAC	22,686	22,686	–	–	–	–	22,686
Liabilities from finance leases	n.a.	5,158	–	–	–	–	5,158	5,110
Other unsecured loans	FLAC	6,561	6,561	–	–		–	6,561
Derivatives not designated as a hedging instrument	FLHfT	334	–	–	–	334	–	334

Cash and cash equivalents with a carrying amount of €18,541 thousand (2009: €6,730 thousand) are not included in the table above as these financial instruments are not assigned to any of the IAS 39 measure-ment categories.

			Valuation basis in the statement of financial position under IAS 39					
	Measurement category under IAS 39	Carrying amount as of 31 December 2009	Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised through profit or loss	Valuation basis in the statement of financial position under IAS 17	Fair value as of 31 December 2009
	LaR	95,992	95,992	–	–	–	–	95,992
	LaR	18,279	18,279	–	–	–	–	18,279
	FAFVtPL	136	–	–	–	136	–	136
	HtM	68	68	–	–	–	–	68
	LaR	11	11	–	–	–	–	11
	FAHfT	984	–	–	–	984	–	984
	FLAC	40,583	40,583	–	–	–	–	40,583
	FLAC	160,684	160,684	–	–	–	–	160,972
	FLAC	29,743	29,743	–	–	–	–	30,617
	FLAC	21,392	21,392	–	–	–	–	21,392
	n.a.	10,557	–	–	–	–	10,557	10,145
	FLAC	3,558	3,558	–	–	–	–	3,558
	FLHfT	433	–	–	–	433	–	433

F2.3 Aggregation of the measurement categories including their valuation basis and fair values

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

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

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

	Measure-ment category under IAS 39	Carrying amount as of 31 Decem-ber 2009	Valuation basis in the statement of financial position under IAS 39				Valuation basis in the statement of financial position under IAS 17	Fair value as of 31 December 2009
			Amortised cost of purchase	Cost of purchase	Fair value recognised directly in equity	Fair value recognised in income through profit or loss		
	LaR	114,282	114,282	–	–	–	–	114,282
	HtM	68	68	–	–	–	–	68
	FAFVtPL	136	–	–	–	136	–	136
	FAHfT	984	–	–	–	984	–	984
	FLAC	255,960	255,960	–	–	–	–	257,122
	FLHfT	433	–	–	–	433	–	433

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

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

As of 31 December 2010, the Biotest Group held no major investments categorised as available for sale in its portfolio.

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

The measurement of primary financial assets (claims to the issue of Greek government loans as well as pension fund shares) is described is further detail in Section E5 Other financial investments. This fair value measurement procedure corresponds to a level 2 classification.

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

F2.4 Net result by measurement categories

The net result for financial year 2010 by measurement category is as follows:

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

The net result for the previous financial year by measurement category is as follows:

€ thousand		From subsequent valuation				
Categories	From interest	At fair value	Currency translation	Impair-ment	From disposal	Net result 2009 *)
Loans and receivables	91	–	–416	–1,383	–	–1,708
Financial investments held to maturity	8	–	–	–	–	8
Financial assets recognised at fair value	5	–	–	–	–	5
Financial assets held for trading	–	–27	–	–	–	–27
Financial liabilities held for trading	–	–318	–	–	–	–318
Financial liabilities measured at amortised cost of purchase	–8,512	–	–1,101	–	–	–9,613
Total	**–8,408**	**–345**	**–1,517**	**–1,383**	**–**	**–11,653**

*) Previous year amounts adjusted due to the Discontinued Operation

All components of the net result are recognised in other financial expenses or other financial income, except for the allowance for bad debts for trade receivables, which are disclosed under other operating expenses.

The subsequent valuation of financial instruments assigned to the measurement category financial assets and liabilities held for trading resulted in a loss amounting to €278 thousand (2009: €345 thousand) including both interest rate and currency effects.

F2.5 Cash flow in periods

The table below shows the contractually agreed, undiscounted interest payments and principal repayments relating to primary financial liabilities and derivative financial instruments with positive and negative fair values:

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

All instruments in the portfolio as of 31 December 2010 for which payments were already contractually agreed are included above. Forecast figures for future new liabilities are not included. Foreign currency amounts are translated at the exchange rate as of the reporting date. Variable interest payments on financial instruments are calculated using the latest fixed interest rates prior to 31 December 2010. Financial iabilities repayable at any time are always assigned to the earliest time period.

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

The following table contains comparative values for cash flows in specific periods based on the previous financial year:

		Cash flows in 2010			Cash flows in 2011		
€ thousand	Carrying amount as of 31 December 2009	Fixed interest	Variable interest	Principal repayments	Fixed interest	Variable interest	Principal repayments
Primary financial liabilities:							
Liabilities to financial institutions	−190,427	−667	−3,285	−42,905	−538	−2,691	−22,137
Liabilities from finance leases	−10,557	−755	–	−4,410	−312	–	−2,015
Other interest-bearing liabilities	−3,558	−13	–	−3,507	–	–	–
Other non-interest-bearing liabilities	−20,823	–	–	−20,695	−1	–	−44
Derivative financial liabilities:							
Currency derivatives not designated as a hedging instrument	−149	–	–	149	–	–	–
Interest rate derivatives not designated as a hedging instrument	−284	–	−82	–	–	−178	–
Financial asset derivatives:							
Currency derivatives not designated as a hedging instrument	87	–	–	87	–	–	–
Interest rate derivatives not designated as a hedging instrument	897	–	–	–	–	–	–

F3 Financial risk management

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

To hedge currency and interest rate positions, Biotest uses derivative financial instruments to minimise risks inherent in exchange rate and interest rate fluctuations. Derivative financial instruments are generally subject to changes in market prices.

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

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

The market values of derivative financial instruments are disclosed in the statement of financial position under other assets or other provisions. As of 31 December 2010, €651 thousand (2009: €984 thousand) was disclosed under other assets and €334 thousand (2009: €433 thousand) under other provisions.

Credit risks

A credit risk is the financial risk that a contractual partner will not meet his payment obligations. Biotest counters default risk through the continuous management of receivables. Credit terms and other condi-

	Cash flows in 2012			Cash flows in 2013			Cash flows in 2014			Cash flows after 2014		
	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments	Fixed interest	Variable interest	Principal repay-ments
	−467	−2,371	−31,618	−397	−1,322	−27,868	−265	−875	−10,008	−152	−638	−57,306
	−224	–	−1,989	−140	–	−2,007	−3	–	−133	–	–	−3
	–	–	–	–	–	–	–	–	−51	–	–	–
	−3	–	−43	−4	–	−41	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	−294	–	–	−213	–	–	−111	–	–	−36	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	6	–	–	–	–

tions are based on the customer's credit rating. In addition, portions of domestic receivables and selected foreign receivables are sold to factoring companies or banks.

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

For certain customers in selected countries, credit insurance has been obtained from various companies.

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

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

€ thousand	2010	2009
Trade receivables	98,300	95,992
Other assets	11,549	19,264
Other financial assets	19,341	215

Other financial assets include claims to the issue of Greek government bonds in the amount of €19,160 thousand.

Market risks

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

Foreign currency risks

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

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

Foreign currency risk	USD		GBP		HUF		RUB	
€ thousand	2010	2009	2010	2009	2010	2009	2010	2009
Cash reserves	2,357	742	730	69	398	235	–	–
Trade receivables	16,753	14,437	2,041	1,922	1,894	1,627	65	424
Other primary financial assets	2,195	207	155	105	1,648	465	–	–
Other derivative financial assets	–	–	112	46	18	10	–	6
Trade payables	–8,158	–8,018	–737	–78	–66	–13	–	–
Liabilities to financial institutions	–66,454	–63,634	–	–286	–	–1,590	–	–
Other primary financial liabilities	–2,351	–1,826	–68	–84	–344	–515	–	–
Other derivative financial liabilities	– 47	–	–25	–29	–	–13	–119	–105
Net exposure	**–55,705**	**–56,648**	**2,208**	**1,665**	**3,548**	**206**	**–54**	**325**

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

	Nominal amount		Market values	
€ thousand	2010	2009	2010	2009
Currency option contracts	–	2,890	–	37
Currency futures	20,181	7,835	–43	–99

As of the reporting date, the times to maturity of currency option contracts and currency futures (nominal amounts: USD 7,500 thousand, GPB 4,800 thousand, HUF 600,000 thousand, JPY 170,000 thousand, RUB 213,620 thousand) were:

€ thousand	Total	Time to maturity < 1 year
31 December 2010	20,181	20,181
31 December 2009	10,725	10,725

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

Interest rate risks

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

The Biotest Group is exposed to interest rate risks resulting from existing loans (see also section E15 Financial liabilities). Interest rate hedging instruments are used to minimise such risks.

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

	Nominal amount		Market values	
€ thousand	2010	2009	2010	2009
Interest rate caps	75,000	80,000	478	859
Interest rate swaps	20,313	23,457	–122	–246
	95,313	**103,457**	**356**	**613**

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

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

€ thousand	Total	Time to maturity < 1 year	Time to maturity 1–5 years	Time to maturity > 5 years
2010				
Interest rate caps	75,000	5,000	70,000	–
Interest rate swaps	20,313	313	20,000	–
	95,313	**5,313**	**90,000**	**–**
2009				
Interest rate caps	80,000	–	55,000	25,000
Interest rate swaps	23,457	–	20,937	2,520
	103,457	**–**	**75,937**	**27,520**

To hedge against interest rate risks, floating rate financial liabilities totalling €0.3 million (2009: €3.5 million) were swapped for fixed-interest positions. Interest of 3.67% was paid on fixed-interest financial liabilities.

In addition, €95 million (2009: €75 million) in financial liabilities is secured against an increase in variable interest rates over established threshold values of between 3.5% and 5.0% by interest rate caps and swaps.

Liquidity risks

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

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

As of 31 December 2010 the Biotest Group had access to the following contractually established credit lines:

€ thousand	2010	Of which: drawn down	2009	Of which: drawn down
Credit lines granted (freely available)	270,958	151,959	275,511	190,915
Fixed loan commitments received (subject to specific terms and conditions)	14,894	3,948	20,527	3,070
	285,852	**155,907**	**296,038**	**193,985**

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

A maturity overview illustrating how cash flows from liabilities as of 31 December 2010 impact the Group's liquidity position is provided in Section F2.5.

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

F4 Sensitivity analysis pursuant to IFRS 7.40

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

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

Foreign currency risks

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

If the euro had appreciated by 10% against all currencies as of 31 December 2010, the financial result would have been €1,020 thousand higher (2009: €830 thousand higher).

If the euro had depreciated by 10% against all currencies as of 31 December 2010, the financial result would have been €800 thousand lower (2009: €645 thousand higher).

In detail, the hypothetical impact on profit or loss of €1,020 thousand or –€800 thousand results from the following currency sensitivities:

€ thousand	Appreciation of the EUR by 10%	Depreciation of the EUR by 10%
EUR to USD	–518	758
EUR to GBP	551	–549
EUR to HUF	241	–247
EUR to RUB	513	–512
EUR to other currencies	233	–250
	1,020	**– 800**

Because inter-company relationships are not included in the calculation of currency sensitivities in accordance with IFRS 7 but represent a major cash flow source for the Biotest Group, the currency effects presented here do not correspond to the relationship between hedging transactions and underlying transactions.

Interest rate risks

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

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

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

Currency derivatives are not subject to interest rate risks and therefore do not impact interest rate sensitivities.

If the market interest rate level as of 31 December 2010 had been 100 basis points higher, the fair values of the financial instruments would have been €1,421 thousand (2009: €2,399 thousand) higher. The hypothetical effect on income of €669 thousand (2009: €1,321 thousand) results from the potential effects of interest rate derivatives amounting to €669 thousand (2009: €1,321 thousand) and of primary financial liabilities amounting to €0 thousand (2009: €0 thousand).

Given the low reference interest rates as of the reporting date, disclosures here are made on the basis of 70 basis points. If the market interest rate level as of 31 December 2010 had been 70 basis points lower, the fair values of the financial instruments would have been €806 thousand (2009: €1,320 thousand) lower. The hypothetical effect on income of –€260 thousand (2009: –€535 thousand) results from the potential effects of interest rate derivatives amounting to –€260 thousand (2009: –€535 thousand) and of primary financial liabilities amounting to €0 thousand (2009: €0 thousand).

If the market interest rate level as of 31 December 2009 had been 100 basis points higher or 70 basis points lower, equity would have remained unchanged.

Other price-related risks

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

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

F5 Contingencies and contingent liabilities

€ thousand	2010	2009
Guarantees	19,942	17,508
Other contingent liabilities	–	–
	19,942	**17,508**

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

F6 Other financial commitments

€ thousand	in 2011	2012 – 2015	as of 2016	Total
Obligations from the acquisition of property, plant and equipment	3,119	–	–	3,119
Obligations from the acquisition of intangible assets	196	–	–	196
Obligations under long-term service agreements	13,113	34,012	25,037	72,162
Other order commitments	3,483	–	–	3,483
Future payments from rent and lease contracts and operating lease contracts	3,318	4,537	1,064	8,919
Other financial obligations	533	393	–	926
	23,762	**38,942**	**26,101**	**88,805**

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

Obligations under long-term service agreements relate to purchase commitments under two toll manufacturing agreements for the period from 2010 to 2018 totalling €72,162 thousand (2009: €82,195 thousand).

Biotest rents and leases operating equipment. Operating leases include vehicle and office equipment with a base rental term of two to five years. In financial year 2010 expenditure on rental and operating lease contracts amounted to €4,619 thousand (2009: €6,613 thousand).

F7 Relationships to related companies and persons

The Biotest Group maintains disclosable relations with the associated company BioDarou P.J.S. Co., Tehran, Iran, and with members of the Board of Management and the Supervisory Board and persons related to them.

a) Associates

In financial year 2010, the Biotest Group made purchases from its associate BioDarou P.J.S. Co., Tehran, Iran, totalling €0 thousand (2009: €0 thousand). The Group's liabilities to BioDarou P.J.S. Co. as of the reporting date were €0 thousand (2009: €0 thousand).

In the reporting year BioDarou P.J.S. Co. acquired goods and services from Biotest Group companies totalling €4,526 (2009: €2,593 thousand). This resulted in Biotest Group receivables from BioDarou P.J.S. Co. as of 31 December 2010 of €2,856 thousand (2009: €2,593 thousand).

b) Other related parties

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

The members of Dr Hans Schleussner's family are also deemed related parties as defined by IAS 24. Expenses for other related parties in the Schleussner family amounted to €18 thousand (2009: €18 thousand). Shareholder loans did not give rise to interest expenses in financial years 2010 or 2009.

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

c) Supervisory Board and Board of Management

Board members

As of 31 December 2010, the members of the Supervisory Board and the Board of Management also served on statutory supervisory boards and comparable controlling bodies of commercial enterprises as follows:

Supervisory Board

Dr. Thorlef Spickschen, businessman, Seeheim, Germany
Chairman
Stiftung Orthopädische Universitätsklinik, Heidelberg, Germany
Cytos AG, Zurich, Switzerland

Dr. Cathrin Schleussner, biologist, Neu-Isenburg, Germany
Deputy Chairperson

Prof. Dr. Marbod Muff, economist, Ingelheim, Germany

Thomas Jakob, businessman, Ulm, Germany
Deputy Chairman of the Management Board of Kreissparkasse Biberach

Barbara Arnold-Schlosser, commercial employee, Leimen, Germany

Kerstin Birkhahn, engineer, Langen, Germany

€ thousand 2010	Fixed salary	Variable remuneration	Total compensation
Dr. Thorlef Spickschen (Chairman)	51	25	76
Dr. Cathrin Schleussner (deputy chair)	29	15	44
Prof. Dr. Marbod Muff	23	10	33
Thomas Jakob	18	10	28
Barbara Arnold-Schlosser	18	10	28
Kerstin Birkhahn (since April 2010)	10	7	17
Astrid Paluch (until January 2010)	–	–	–
	149	**77**	**226**

€ thousand 2009	Fixed salary	Variable remuneration	Total compensation
Dr. Thorlef Spickschen (Chairman)	51	25	76
Dr. Cathrin Schleussner (deputy chair)	29	15	44
Prof. Dr. Marbod Muff	23	10	33
Thomas Jakob	18	10	28
Barbara Arnold-Schlosser	18	10	28
Astrid Paluch	15	10	25
	154	**80**	**234**

Board of Management

Prof. Dr. Gregor Schulz, physician, Umkirch, Germany
Chairman

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

Total remuneration of active members of the Board of Management in financial year 2010 amounted to €964 thousand (2009: €911 thousand).

Of this total, Prof. Dr. Gregor Schulz received a fixed salary of €300 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling €41 thousand. His performance-related remuneration amounted to €173 thousand.

Dr. Michael Ramroth received a fixed salary €260 thousand plus allowances (such as for insurance policies) as well as benefits in kind (company vehicle) totalling €33 thousand. His performance-related remuneration amounted to €157 thousand.

The Board of Management agreement signed by both members of the Board of Management includes a supplementary agreement regarding severance pay in the event of the early termination of the Board of Management agreement due to circumstances clearly defined as a change of control. The severance payment shall consist of the member's fixed salary until the end of the contractual term and is limited to a maximum of three times the annual fixed salary plus pro-rata bonuses calculated on the basis of the average for the previous two financial years plus compensation for the value in use of the company vehicle provided. In addition to these entitlements, severance pay also includes two times the annual fixed salary provided that the total severance pay based on the fixed salary does not exceed three times the annual fixed salary.

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

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

Participation by members of the Board of Management in the Long Term Incentive Programme is not included in total remuneration and is as follows:

€ thousand	Personal investment in preference shares (in number of share)	Total cost of the stock option plan	Total cost of the stock option plan in the financial year
2010 (2008, 2009 and 2010 tranches)			
Prof. Dr. Gregor Schulz	2.000	298	95
Dr. Michael Ramroth	2.000	258	82
	4.000	**556**	**177**
2009 (2007, 2008 and 2009 tranches)			
Prof. Dr. Gregor Schulz	2.000	425	160
Dr. Michael Ramroth	2.000	369	137
	4.000	**794**	**297**

The 2007 tranche of the Long Term Incentive Programme was disbursed in financial year 2010; Prof. Dr. Gregor Schulz received €175 thousand and Dr. Michael Ramroth received €151 thousand.

Pension provisions totalling €2,487 thousand (2009: €2,040 thousand) were formed for active members of the Board of Management. Of this total, €1,649 thousand (2009: €1,472 thousand) is attributable to Prof. Dr. Gregor Schulz and €838 thousand (2009: €568 thousand) to Dr. Michael Ramroth.

Provisions of €4,155 thousand (2009: €4,050 thousand) were formed for pension commitments to former members of the Board of Management. As of the reporting date, there were no loans outstanding to members of the Company's management bodies.

In financial year 2010 pension payments of €417 thousand (2009: €400 thousand) were made to former members of the Board of Management

F8 List of participating interests

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

Company name	Registered office	Equity Mio. €	Share of equity in %	Sales Mio. €	Earnings after tax (EAT) Mio. €
Biotest Pharma GmbH	Dreieich/Germany	98.8	100.00	19.6	3.9
Biotest Grundstücksverwaltungs GmbH *	Dreieich/Germany	4.4	98.00	1.4	0.6
Biotest Seralc° N.V.	Mechelen/Belgium	0.4	100.00	0.5	0.4
Biotest S.a.r.l.	Paris/France	1.4	100.00	3.2	0.4
Biotest (UK) Ltd.	Birmingham/UK	1.8	100.00	19.4	0.7
Biotest Italia S.r.l.	Milan/Italy	9.4	100.00	31.0	0.3
Biotest K.K.	Yokohama/Japan	−0.4	100.00	3.2	−0.4
Biotest Austria GmbH	Vienna/Austria	2.2	100.00	18.9	0.6
Biotest (Schweiz) AG	Rupperswil/Switzerland	2.2	100.00	7.7	0.8
Biotest Hungaria Kft.	Budapest/Hungary	3.9	100.00	18.2	1.2
Biotest Hellas MEPE	Athens/Greece	−0.1	100.00	7.1	−3.6
Biotest Medical S.L.U.	Barcelona/Spain	0.1	100.00	1.2	0.0
Biotest Microbiology Corporation *	Rockaway/USA	0.6	100.00	5.5	−0.3
heipha Dr. Müller GmbH	Eppelheim/Germany	12.1	51.00	28.7	5.2
Viro-Immun Labor-Diagnostika GmbH	Oberursel/Germany	0.2	88.975	2.0	−1.0
Plasmadienst Tirol GmbH *	Innsbruck/Austria	0.4	100.00	2.1	0.1
Plasma Service Europe GmbH * / **	Dreieich/Germany	0.5	100.00	16.4	0.0
Biotest Pharmaceutical Corporation *	Boca Raton/USA	83.9	100.00	87.5	2.9
Biotest US Corporation	Boca Raton/USA	75.7	100.00	0.0	0.0
Plazmaszolgálat Kft. *	Budapest/Hungary	0.2	100.00	1.0	−0.4
BioDarou P.J.S. Co. *	Teheran/Iran	9.1	49.00	4.3	0.6
Biotest Immobilienverwaltungs GmbH * / ***	Dreieich/Germany	0.0	100.00	0.0	0.0
Biotest Immobilien GmbH & Co. KG * / ***	Dreieich/Germany	0.0	100.00	0.0	0.0
Biotest HYCON GmbH ***	Dreieich/Germany	0.1	100.00	0.0	0.0

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

F9 Pending and imminent legal proceedings

Provisions of €2,119 thousand (2009: €2,147 thousand) were formed for pending and imminent legal proceedings as of the reporting date.

F10 Events after the reporting date

In January 2011 Biotest acquired all the shares of the Brazilian firm Marcos Pedrilson Produtos Hospitalares Ltda. Based in São Paulo, the company is a former distribution partner of the Biotest Group and holds marketing authorisations for Biotest preparations in the Brazilian market. The company, which was acquired under a share deal, operates a sales office in Rio de Janeiro as well as a quality control laboratory and a warehouse near the São Paulo airport.

F11 Exercise of discretion and uncertainty of estimates

The preparation of financial statements requires certain assumptions and estimates to be made which affect the amount and disclosure of recognised assets and liabilities and of income and expenses during the reporting period. These assumptions and estimates relate for the most part to the recoverability of receivables and inventories and to the assessment of the likelihood of occurrence with regard to the potential requirement to recognise provisions. In evaluating these assumptions and estimates, the management relies on past experience, assessments by experts (lawyers, rating agencies, trade associations) and the results of a careful weighing of different scenarios. Developments that deviate from these assumptions and are beyond the management's control may cause actual amounts to differ from original estimates. If actual developments deviate from anticipated developments, assumptions and, if necessary, the carrying amounts of the assets and liabilities in question are adjusted accordingly.

F12 Corporate Governance

The Board of Management and the Supervisory Board of Biotest AG have issued the Declaration of Compliance required under Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the Company's website.

Dreieich, Germany, 9 March 2011

Prof. Dr. Gregor Schulz
Chairman of the Management Board

Dr. Michael Ramroth
Chief Financial Officer

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

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

Dreieich, Germany, 9 March 2011

Biotest Aktiengesellschaft

Management Board

Prof. Dr. Gregor Schulz
Chairman of the Management Board

Dr. Michael Ramroth
Chief Financial Officer

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Biotest Aktiengesellschaft, Dreieich, comprising the statement of income, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Frankfurt am Main, 9 March 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hommel	Gottron
Auditor	Auditor

REPORT OF THE SUPERVISORY BOARD FOR 2010

During the past financial year, the Supervisory Board fulfilled its duties in accordance with the law, the Articles of Association and rules of procedure. It advised the Board of Management and carefully and regularly monitored its activities. The Board of Management regularly, promptly and comprehensively informed the Supervisory Board in written and oral reports of all issues of fundamental importance to the Company, particularly those relating to planning, business performance, development, the risk situation and risk management. Wherever performance deviated from plan, the Board of Management explained these deviations in detail. The Supervisory Board was continuously involved along with the Board of Management in the coordination and implementation of the Company's strategy.

In financial year 2010 the Supervisory Board held five regular meetings. One Supervisory Board resolution was adopted by written circular in lieu of a meeting. In addition to the Supervisory Board meetings, the Chairman of the Board of Management regularly informed the Chairman of the Supervisory Board about current business developments and major business transactions. Business transactions of major importance to the Company were discussed in detail on the basis of reports prepared by the Board of Management, and the Supervisory Board was involved in decisions at an early stage. The Board of Management submitted for approval detailed documentation on business transactions for which the consent of the Supervisory Board was required. In addition to discussing the topics indicated below at Supervisory Board and committee meetings and the written and oral explanations from the Board of Management, the Supervisory Board received monthly reports in writing on the business situation and business developments. These reports also included explanations of any deviations from current or planned developments. Furthermore, the Chairman of the Supervisory Board automatically receives all internal audit reports and, on request, copies of the minutes of Board of Management meetings. Internal audit reports are also provided to the Audit Committee. No conflicts of interest involving members of the Board of Management and Supervisory Board, which must be immediately disclosed to the Supervisory Board and reported to the Annual Shareholders' Meeting, arose during the reporting year.

MAIN FOCUS OF SUPERVISORY BOARD DELIBERATIONS

Topics regularly discussed by the Supervisory Board included planning and the Company's current business performance as well as its strategic orientation and financial position. An additional focal point was the further development of the Plasma Proteins and Biotherapeutic segments.

At the meeting held on 18 March 2010, the Supervisory Board reviewed current business performance, discussed Biotest AG's single-entity financial statements and the consolidated financial statements for financial year 2009 with the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, ("KPMG") and addressed individual items of the financial statements in detail. The single-entity financial statements of Biotest AG and the consolidated financial statements for financial year 2009 were subsequently approved. The annual financial statements were thereby adopted. Other agenda items included a resolution regarding appropriation of net profit, the adoption of the Supervisory Board report and the corporate governance report as well as a unanimous recommendation to the Annual Shareholders' Meeting to select KMPG as the auditors for financial year 2010. In addition, the second tranche of the 2010 Long Term Incentive (LTI) programme was approved. The Supervisory Board also approved resolution recommendations for the agenda of the 2010 Annual Shareholders' Meeting and made a final determination regarding the achievement of targets by Board of Management members in financial year 2009 as well as in respect of a one-off payment based on the sale of the Medical Diagnostic division. The Supervisory Board also presented the Board of Management targets set for financial year 2010. In addition, the Chairman of the Board of Management reported on the implementation status of the growth strategy agreed upon with the Supervisory Board.

The Supervisory Board held a meeting prior to the Annual Shareholders' Meeting on 6 May 2010 to prepare for the Annual Shareholders' Meeting and to discuss the current business situation.

At the start of the meeting of the Supervisory Board on 11 June 2010 the Supervisory Board discussed the extension of the contracts of the members of the Board of Management in their absence. The Supervisory Board agreed to extend the contract of Prof. Dr. Gregor Schulz until 31 December 2013 and the contract of

Dr. Michael Ramroth until 31 December 2015. The Supervisory Board also decided on the remuneration of both Board of Management members. With the members of the Board of Management, the Supervisory Board then discussed the current business situation and the decline in sales and earnings in the Plasma Proteins segment. The takeover of the world's third-largest plasma protein manufacturer, Talecris, by Spain's Grifols was also discussed. Furthermore, the Board of Management reported on R&D projects in the Plasma Proteins and Biotherapeutic segments as well as strategic options in the Microbiological Monitoring segment. The presentation of the Five Year Plan was postponed until the next meeting. The Board of Management reported that Biotest AG had increased D&O liability insurance deductibles for Board of Management members as of 1 July 2010 in accordance with statutory regulations.

The Supervisory Board adopted a resolution by written circular dated 5 August 2010 approving the purchase of all shares in the Brazilian distribution company.

In the meeting of the Supervisory Board of 24 September 2010, the Board of Management informed the Supervisory Board of the current business situation, particularly with regard to the performance of the Plasma Proteins segment. The Board of Management launched numerous cost-saving measures and notified the Supervisory Board thereof. In addition, the Board of Management reported on the status of the expansion of the production facility in Boca Raton. Due to new regulatory requirements, especially with regard to fire safety, leading to additional expense, the Board of Management approved an increase in the original investment budget. The increase in capital expenditure was approved by the Supervisory Board. The Board of Management also informed the Supervisory Board regarding the status of partnering efforts in Biotherapeutics and plasma protein development projects in Dreieich. Finally, the Supervisory Board discussed the forward projection and update of Biotest AG's Five Year Plan from May 2010. The Supervisory Board also approved the founding of a Biotest company in Russia. In a separate resolution, the Supervisory Board approved insolvency protection measures for company pension claims and established a maximum cost for company vehicles for members of the Board of Management of Biotest AG.

In the Supervisory Board meeting held on 6 December 2010, the Board of Management reported on the current business situation, particularly the current performance of the Plasma Proteins and Microbiological Monitoring segment. Strategic considerations regarding the future of the latter segment were also discussed. The Board of Management further reported that construction work on the expansion of production facilities in Boca Raton is nearly complete. Finally, the budget for financial year 2011 was discussed. The Supervisory Board approved the 2011 budget as presented by the Board of Management. The Board of Management also discussed risk management and the ten largest risks. The main focus areas for the audit of the 2010 financial statements were also established in coordination with KPMG. The Board of Management, the Chairman of Audit Committee and the Chairman of the Supervisory Board recommended that the selection of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the new auditor for the Biotest Group be put to a vote at the Annual Shareholders' Meeting. The main factors behind the recommendation included the firm's detailed proposal and its experience in the pharmaceutical and biotechnology industries.

COMMITTEES

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

The Presiding Committee held one meeting with the Board of Management. The Personnel and Presiding Committees met with the Board of Management on two occasions, during which remuneration-related issues and target agreements for financial year 2010, concerns regarding possible structural and organisational changes in the Biotest Group, current developments and partnering activities in Biotherapeutics and the development of this segment as part of the Five Year Plan were discussed. The Personnel Committee also met on 11 June 2010.

The Audit Committee met on two occasions in 2010. In the first meeting held on 15 March 2010, it discussed the single-entity and consolidated financial statements for financial year 2009 as well as the findings of the external auditors. The internal control system was also discussed. The second meeting held on

26 November 2010 dealt with issues such as risk management and the ten largest risks, the establishment of areas of focus for the audit of the 2010 financial statements, internal audit reports and the decision regarding the 2011 audit plan.

CORPORATE GOVERNANCE

The Supervisory Board monitored the development of corporate governance standards within the Company in 2010 on a continual basis. The Board of Management and Supervisory Board report on corporate governance in accordance with Section 3.10 of the German Corporate Governance Codex on pages 107 to 111. In March 2011, the Board of Management and Supervisory Board of Biotest AG issued a declaration of compliance with regard to the recommendations of the German Corporate Governance Codex Government Commission in accordance with Section 161 of the German Stock Corporation Act (AktG). Pursuant to Section 5.4.7 of the German Corporate Governance Codex, it was noted that one member of the Supervisory Board did not attend one Supervisory Board meeting. Prior to this meeting, the Supervisory Board member submitted his votes on the items on the agenda to the Chairman of the Supervisory Board.

CHANGES IN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the membership of the Board of Management.

Ms Paluch resigned from the Supervisory Board on 6 January 2010 after the sale of Medical Diagnostics became effective. Upon Ms Paluch's resignation, the works council held a vote to appoint a new employee representative to the Supervisory Board of Biotest AG. As a result of the vote, Ms Kerstin Birkhahn was elected employee representative to the Supervisory Board on 27 April 2010.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, examined the single-entity financial statements of Biotest AG and the consolidated financial statements as of 31 December 2010, along with the management report and Group management report, and issued an unqualified opinion thereon. The above-mentioned documents, the auditor's report and the Board of Management's proposal on the appropriation of net profit were submitted to all members of the Supervisory Board in a timely manner. They were discussed in detail at the meeting of the Audit Committee on 16 March 2011 as well as at the meeting of the Supervisory Board on 17 March 2011. In both meetings, the auditors reported on the main results of the audit and were on hand to answer questions and provide additional information.

After reviewing and discussing the single-entity and consolidated financial statements, the management report and Group management report and the Board of Management's proposal on the appropriation of the net profit, the Supervisory Board raised no objections and approved the auditor's report. The Supervisory Board approved the single-entity and consolidated financial statements for financial year 2010 as prepared by the Board of Management. The annual financial statements are thereby adopted. The Supervisory Board approved the Board of Management's proposal on the appropriation of net profit.

The Supervisory Board would like to thank the Board of Management and all employees for their commitment and successful work in financial year 2010.

Dreieich, Germany, March 2011

The Supervisory Board
Dr. Thorlef Spickschen, Chairman

CORPORATE GOVERNANCE REPORT

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

Corporate governance principles

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

Comments on the new version of the Code

The GCGC was expanded with effect from 26 May 2010 primarily for the purpose of ensuring diversity in the filling of Supervisory, Board of Management and leadership positions in the Company and, in particular, to ensure adequate female representation. Additions were made to Code Section 4.1.5 (Filling of Leadership Positions), 5.1.2 (Composition of the Board of Management) and 5.4.1 (Composition of the Supervisory Board).

Declaration of Compliance

On 17 March 2010, the Board of Management and Supervisory Board issued its most recent declaration ("Declaration of Compliance", reprinted in full below) on the recommendations of the GCGC in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz*, AktG).

DECLARATION OF COMPLIANCE

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

Since the last declaration of compliance dated 9 March 2010, which referred to the German Corporate Governance Code of 18 June 2009, Biotest AG has complied with all of the recommendations of the German Corporate Governance Code in said version with the following exceptions:

- Biotest AG has not followed the recommendation in Section 5.3.3 of the German Corporate Governance Code to form a Supervisory Board nomination committee. Biotest AG's Supervisory Board comprises only four shareholder representatives. Biotest AG considers the formation of a committee from the small number of shareholder representatives to be unnecessary. The improvement in transparency of the selection procedure at which the recommendation is aimed is also ensured at Biotest AG in full meetings of the Supervisory Board.

- Until 30 June 2010, the Company has not followed the recommendation of Section 3.8 (2) of the German Corporate Governance Code. With regard to D&O liability insurance, Biotest AG did not set a deductible for Board of Management members of 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Board of Management member. The Company considered a deductible in this amount as not necessary with regard to responsibility and motivation on the part of Board of Management members in performing their duties. In application of Section 93 (2)(3) of the German Stock Corporation Act, D&O liability insurance coverage for Board of Management members was amended to include an appropriate deductible as of 1 July 2010.

- Biotest AG does not currently follow the recommendation in Section 3.8 (3) of the German Corporate Governance Code to set an appropriate deductible in D&O liability insurance coverage for members of the Supervisory Board. Biotest AG has established in its view an appropriate deductible for members of its Supervisory Board. However, this does not meet the deductible amount for Supervisory Board members required by law. In Biotest's view, an increase in the deductible set would be out of proportion with current remuneration for Supervisory Board duties.

The Board of Management and Supervisory Board further declare their compliance with all other recommendations of the German Corporate Governance Code as amended on 26 May 2010, with the following exceptions:

- The revisions to the German Corporate Governance Code in effect from 26 May 2010 include new recommendations under Section 5.4.1 of the German Corporate Governance Code, which state that the Supervisory Board is to establish specific targets with regard to its composition, taking into account the international activities of the Company, potential conflicts of interest, an age limit for Supervisory Board members (to be defined) and diversity in light of the Company's specific situation. These specific targets should include adequate female representation. The Supervisory Board should take these targets into account when making recommendations to the selection committees. The targets and the status of their implementation are to be published in the Corporate governance report. The Supervisory Board of Biotest AG has already set a specific target with regard to the maximum age of its members. In addition, female members already make up half of the Supervisory Board. At the time that this Declaration of Compliance is issued, the Supervisory Board will conduct an internal review of the specific targets mentioned in Section 5.4.1 (2) of the German Corporate Governance Code to determine which of these targets is of importance in terms of the composition of the Supervisory Board in light of the specific situation of Biotest AG. Upon completion of this internal analysis, the Supervisory Board shall, if applicable, formulate additional specific targets for its composition. To this extent, a deviation from Section 5.4.1 (2) of the German Corporate Governance Code is provisionally declared. Given the ongoing internal discussions as of the date of issue of this Declaration of Compliance regarding which specific targets, if any, should be set other than those regarding an age limit and adequate female representation, no further targets can be considered in any selection recommendations. Furthermore, a corresponding reporting in the Corporate governance report has not been possible to date. Therefore, a deviation from Section 5.4.1 (3) of the German Corporate Governance Code is also provisionally declared.

Dreieich, Germany, 17 March 2011

For the Board of Management

Prof. Dr. Gregor Schulz

Dr. Michael Ramroth

For the Supervisory Board

Dr. Thorlef Spickschen

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

CORPORATE GOVERNANCE IN THE FINANCIAL YEAR

The Annual Shareholders' Meeting of Biotest AG took place on 6 May 2010 in Frankfurt/Main. 81.67% of the ordinary share capital was represented. Each resolution proposed by the Board of Management was approved by a clear majority. Resolutions passed included the creation of new authorised capital for the issuance of preference shares, to which pre-emptive rights are to be granted to existing shareholders.

In addition, the Annual Shareholders' Meeting approved a motion to create new authorised capital for the issuance of preference shares, including the option to exclude pre-emptive rights for shareholders with significant controlling interests. However, at the meeting of preference shareholders immediately following the Annual Shareholders' Meeting, the motion did not receive the required three-fourths majority of the votes. As a result, authorised capital with the option to exclude pre-emptive rights was not created.

DIRECTORS' DEALINGS

In financial year 2010 the following reportable share purchase and sale transactions were undertaken by members of executive bodies and other senior executives of Biotest AG:

Name	Function	WKN/ ISIN	Share class	Purchase/ sale	Trade date	Number of shares	€ price	€ value
OGEL GmbH	Closely associated company	DE0005227201	Biotest ordinary share	Purchase	24 August 2010	3,000	33.27	99,803.10
Dr. Michael Ramroth	Member of a managing body	DE0005227235	Biotest preference share	Purchase	16 July 2010	500	28.02	14,010.00
Dr. Michael Ramroth	Member of a managing body	DE0005227235	Biotest preference share	Purchase	15 July 2010	500	28.49	14,245.00
Prof. Dr. Gregor Schulz	Member of a managing body	DE0005227235	Biotest preference share	Purchase	15 July 2010	1,000	27.79	27,785.00
Dr. Martin Reinecke	Head of Plasma Alliances and Protein Supply	DE0005227235	Biotest preference share	Purchase	6 May 2010	250	31.00	7,750.00
Dr. Michael Ramroth	Member of a managing body	DE0005227235	Biotest preference share	Purchase	22 March 2010	800	37.50	30.000,00

REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

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

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

Board of Management remuneration

The Supervisory Board determines the remuneration of members of the Board of Management. Remuneration consists of a fixed salary, a bonus and a component with a long-term incentive effect and risk elements, plus benefits in kind.

The criteria for determining appropriate remuneration include the duties of the individual Board of Management member, his/her personal performance, the economic situation, the success and future prospects of the Company and typical remuneration taking into account peer companies and the remuneration structure that otherwise applies at the Company. In accordance with Section 4.2.3 of the GCGC, the following is an outline of the Company's remuneration structure for Board of Management members, including non-monetary components.

Fixed remuneration

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

Benefits in kind

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

In accordance with the statutory regulations, Biotest AG has obtained directors and officers (D&O) liability insurance coverage for the members of the Board of Management with an appropriate deductible. The deductible equals 10% of the insured event and is limited to 150% of the fixed annual remuneration of each member of the Board of Management and meets the requirements of Section 93 (2)(3) of the AktG. Both members of the Board of Management are provided with a top-of-the-range company vehicle free of charge; personal use of the vehicle is permitted.

Bonuses

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

Remuneration component with a long-term incentive effect and risk elements

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

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

Total remuneration paid to the Board of Management

For their work in financial year 2010 the active members of the Board of Management were paid a total remuneration of €964 thousand (2009: €911 thousand). Of this total, Prof. Dr. Gregor Schulz received €514 thousand and Dr. Michael Ramroth received €450 thousand.

The fixed salary of Prof. Schulz in 2010 totalled €300 thousand plus benefits in kind valued at €41 thousand and a bonus of €173 thousand. Dr. Ramroth received a fixed salary in financial year 2010 of €260 thousand plus benefits in kind valued at €33 thousand and a bonus of €157 thousand.

As of the 31 December 2010 reporting date, LTIP amounts not yet paid out over the entire period totalled €298 thousand for Prof. Schulz and €258 thousand for Dr. Ramroth; LTIP expenses in the financial year totalled €95 thousand for Prof. Schulz and €82 thousand for Dr. Ramroth. No loans or advances were granted to the members of the Board of Management in financial year 2010. In the previous financial year, no member of the Board of Management received payments or services or any such commitments from a third party in respect of his work as a member of the Board of Management.

Pension entitlements

The Board of Management is covered under Biotest AG's company pension scheme. Members have been given individual commitments in accordance with the terms of the Biotest AG pension plan. Provisions for these commitments created in accordance with IFRS totalled €2,487 thousand as of the reporting date. Individual amounts depend on length of service, eligible salary and benefits scale applicable above and below the contribution limits of Germany's statutory pension scheme.

Measurement is based on actuarial reports prepared by an independent actuary and calculated in accordance with the projected unit credit method. For a more detailed explanation see Section B12 of the notes to the consolidated financial statements.

Change of control

In the event of the premature termination of the contracts of the members of the Board of Management due to a clearly defined change of control, both contracts include a severance payment provision. This provision is described in the Notes to the financial statements in accordance with Section 315 (4) of the German Commercial Code (HGB), (see page 32f).

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

Former Board of Management members and their surviving dependants receive pension benefits as established in their contracts. Provisions of €4,155 thousand have been created for this purpose. Pension provisions are measured in accordance with IAS 26.

Supervisory Board remuneration

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

The members of Biotest AG's Supervisory Board are, like members of the Board of Management, covered by the Group's professional indemnity insurance (D&O liability insurance).

Biotest pays the insurance premiums for all members of the Supervisory Board. The members of the Supervisory Board receive professional and personal accident insurance coverage through the group accident insurance policy of Biotest AG. In addition to the existing business liability insurance, they also receive personal liability insurance. No other non-cash benefits were granted. Supervisory Board remuneration, including reimbursement of value added tax payable in some cases, is listed by individual in the following table.

The remuneration for the Supervisory Board members, in connection with their duties, amounts to €226 thousand and is listed by individual in the following table:

	Fixed remuneration	Variable remuneration	Total
€ thousand	2010	2010	2010
Dr. Thorlef Spickschen (Chairman)	51	25	76
Dr. Cathrin Schleussner (Deputy Chairman)	29	15	44
Prof. Dr. Marbod Muff	23	10	33
Thomas Jakob	18	10	28
Barbara Arnold-Schlosser	18	10	28
Kerstin Birkhahn (since 28 April 2010)	10	7	17
Astrid Paluch (until 6 January 2010)	–	–	–
Total	**149**	**77**	**226**

Glossary Technical terms

Albumin (or human albumin)
A protein produced in the liver that regulates and maintains colloid osmotic blood pressure and serves as a transport vehicle for many physiological and pharmacological substances.

Antibody
Proteins in the blood plasma produced by special cells of the immune system as a defence reaction against different disease pathogens.

Autoimmune disease
Activity of the immune system directed against tissues and cells of one's own body.

Biotherapeutic(s)
Biotechnologically manufactured drugs.

Cytomegaly/Cytomegalovirus (CMV)
Viral infection which is generally harmless. However, if it occurs in pregnancy it can cause severe foetal damage. One of the most frequent viral infections in organ transplantations that can lead to the loss of the transplant.

Fibromyalgia
Chronic, non-inflammatory condition characterised by pains in muscles and tendon insertions.

Clotting factors
Proteins responsible for blood coagulation. The 13 different factors of the coagulation system are identified by the Roman numerals I to XIII.

Haematology
Branch of medicine concerned with blood and blood disorders.

Haemophilia
A blood clotting disorder resulting from defective or missing coagulation factors VIII or IX (type A or B haemophilia).

Hyperimmunoglobulins
Immunoglobulin (antibody) preparations containing defined antibody specificity in a higher and standardised concentration.

Immunoglobulins
Synonymous with antibodies. They recognise and bind disease pathogens and mediate their elimination by cells of the immune system.

Immunglobulin M (IgM)
Largest antibody molecule in the plasma. In conjunction with the complement system, it destroys bacteria and neutralises bacterial toxins.

Immunology
The science of immune defence and immune regulation to preserve bodily integrity, that is, distinction of self from non-self.

Immune system
The sum total of factors responsible for recognising and warding off infectious agents in the body and for exercising control over self-destructive processes.

Indication
Area of therapeutic use for which a substance or medication can be developed and licensed.

Monoclonal antibodies (mAb)
Antibodies whose production can be traced to a single original cell, which can specifically recognise and bind only a certain antigen.

Multiple myeloma
Malignant plasma cell growth in the bone marrow.

Paul Ehrlich Institute (PEI)
The German federal authority for serums and vaccines. The PEI is responsible, among other things, for the authorisation of clinical trials, the approval of vaccines and human plasma preparations, and the release for sale of production batches.

Pharmacokinetics
The totality of processes to which a medication is subject in the body – from absorption and dispersal in the body to biochemical conversion and breakdown, and finally excretion of the substance.

Plasma Protein Therapeutics Association (PPTA)
Association of the world's leading manufacturers of plasma proteins.

Plasmapheresis
Obtaining of plasma from donated blood. The cellular components are transfused back to the donor. This leaves the blood plasma, a clear yellowish fluid that contains the blood's soluble proteins.

Placebo
A dummy medication. A medically ineffective substance that is used to fulfil a subjective need for medicinal treatment. In many clinical trials a control group is treated with a placebo. The results are compared with those of participants who received the trial preparation.

Polyspecific/polyvalent
Polyspecific signifies the presence of a variety of antibodies the action of which can be directed against different antigens.

Prions
Proteins that may be present in the human and animal body, both in normal and pathogenic structures.

Psoriasis
Chronic scaling skin disease.

Pyrogens
Pyrogens are substances that cause fever when given parenterally.

Reagents
Substances used to detect and identify another substance.

Recombinant
Recombinant proteins are produced with the aid of genetically modified micro-organisms or cell lines.

Remission
In medicine, this means the temporary or permanent abatement of disease symptoms of a physical or psychological nature but without achieving cure.

Rheumatoid arthritis
Inflammatory disease of the joints.

Subcutaneous administration (SC)
Administering a drug by injecting it beneath the skin.

Substitution therapy
Medicinal use of a substance that is not being produced sufficiently by the body itself.

Systemic lupus erythematosus (SLE)
Autoimmune disease which often starts with a fever; patients frequently experience rheumatoid-like joint pain. Erythema (redness of the skin due to dilation of the capillaries) occurs.

Glossary Financial terms

Associated company
A Group company that is not fully consolidated (equity investment <50%) and that is influenced significantly by the parent company.

At equity valuation
Accounting method for the consolidation of associated companies.

Cash flow
Actual movement of cash into or out of the company in a period (inflows and outflows). It is an indicator of a company's internal financing ability.

Collateral trust agreement
A contract under which a trustee is entrusted with securities that he/she holds and administers on behalf of multiple creditors.

Constribution margin
A concept used in cost accounting calculated as the difference between revenue and variable costs.

Currency forward
Binding agreement to exchange one currency for another on a specific date at a specified rate.

Currency options
Derivative financial instruments used to hedge against risks from exchange rate fluctuations. The buyer of a currency option acquires the right, but not the obligation, to buy or sell a currency at a specific exchange rate on a specified date.

D&O insurance
Directors' and officers' insurance (also known as management liability insurance). Professional liability insurance cover that is taken out by a company for its directors (Management and Supervisory Board members, for example) and executives.

Deferred taxes
Income taxes payable or receivable in the future, which do not yet constitute actual receivables or liabilities on the reporting date.

Derivative
A financial instrument, the price of which is generally based on market-related factors. Used among other things to hedge against fluctuations in value

Directors' dealings
Transactions in securities issued by listed companies undertaken by the company's management or by related companies or parties.

Disagio
A discount from the par value of a security; the opposite of agio (premium).

EBT
Earnings before tax

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Factoring
A financial service. The factor acquires a company's accounts receivable due from the company's debtors.

Fair value
A rational and unbiased estimate of the potential market price of an asset.

Financial assets at fair value through profit and loss (FAFVtPL)
A financial instrument category in accordance with IFRS 7.

Financial assets held for trading (FAHfT)
A financial instrument category in accordance with IFRS 7.

Financial liabilities at amortised cost (FLAC)
A financial instrument category in accordance with IFRS 7.

Financial liabilities held for trading (FLHfT)
A financial instrument category in accordance with IFRS 7.

"First in first out"
A valuation principle according to which assets that were produced or bought first are sold first.

Forward rate (Forward interest rate)
Interest rate for a future period, which can be hedged risk-free with bonds currently available in the market.

Functional currency
Currency of the market in which a company is primarily active.

Hedge accounting
Accounting technique that establishes hedging relationships between underlying transactions and derivative financial instruments used for hedging purposes.

Held to maturity (HtM)
A financial instrument category in accordance with IFRS 7.

Impairment test
A test used to check whether the fair value of an asset is less than the carrying amount.

Interest rate cap
A financial instrument used to set an upper and lower limit for a floating interest rate.

Loans and receivables (LaR)
A financial instrument category in accordance with IFRS 7.

Payer swap
Interest rate management instrument that allows the variable interest rate of an obligation to be exchanged for a fixed interest rate.

Profit participation rights
Upon conclusion of the profit-sharing agreement, the beneficiary undertakes to make the profit-sharing capital available to the issuer of the profit participation rights. In turn, the beneficiary is granted asset rights to which shareholders of the issuer are also typically entitled (such as performance-related pay, a share of the liquidation proceeds or option rights).

Projected unit credit method
Actuarial valuation method for defined benefit obligations in accordance with IAS 19.

Return on Capital Employed (RoCE)
A comparison of earnings against capital invested in the company.

Sensitivity analysis
Used to determine the impact of specific factors on certain performance indicators.

Svensson method
A common method for calculating the yield curve.

Swap
In a swap, both contractual parties undertake to pay either a fixed or floating rate on a specific nominal value to the other party.

Syndicated loan
Loan provided to a single borrower by a group of banks.

Upfront payment
Payment in advance (here in connection with a participating interest in a development project).

Weighted Average Cost of Capital (WACC)
A calculation of the cost of capital in which each category of capital is proportionately weighted.

Working capital
Short-term tied-up capital.

Zero coupon bond
A bond that does not make periodic interest payments.

Acknowledgements

Biotest AG
Landsteinerstr. 5, D-63303 Dreieich
P. O. box 10 20 40, D-63266 Dreieich
Phone +49 (0) 6103 801-44 06
Fax +49 (0) 6103 801-347
Email: investor_relations@biotest.de
Internet: www.biotest.de

Conception, text and design: ergo Kommunikation, Cologne, Frankfurt/Main, Berlin, Munich
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The annual report contains forward-looking statements on overall economic development as well as on the business, earnings, financial and asset situation of Biotest AG and its subsidiaries. These statements are based on current plans, estimates, forecasts and expectations of the Company and thus are subject to risks and elements of uncertainty that could result in deviation of actual developments from expected developments. The forward-looking statements are only valid at the time of publication of this annual report. Biotest does not intend to update the forward-looking statements and assumes no obligation to do so. The English translation of the Biotest Group annual report is provided for convenience only. The German original is definitive.

Financial calendar

10 May 2011	Quarterly report for Q1 2011
12 May 2011	Annual General Meeting
11 August 2011	Quarterly report for Q2 2011
10 November 2011	Quarterly report for Q3 2011
10 November 2011	Press and analysts' conference

Biotest

Biotest AG, Landsteinerstr. 5, D-63303 Dreieich, P. O. box 10 20 40, D-63266 Dreieich
Phone +49 (0) 6103 801-4406, Fax +49 (0) 6103 801-347
Email: investor_relations@biotest.de, www.biotest.de

8985004400