Biotest

*From Nature for Life*

# QUARTERLY STATEMENT AS OF 31 MARCH 2017

# KEY FIGURES

| BIOTEST GROUP | | Q1 2017 | Q1 2016 | Change in % |
|---|---|---|---|---|
| **Revenue** | € million | **110.5** | 133.6 | –17.3 |
| thereof: | | | | |
| Germany | € million | **25.2** | 28.4 | –11.3 |
| Rest of world | € million | **85.3** | 105.2 | –18.9 |
| thereof: | | | | |
| Therapy | € million | **52.5** | 88.2 | –40.5 |
| Plasma & Services | € million | **56.8** | 43.4 | 30.9 |
| Other Segments | € million | **1.2** | 2.0 | –40.0 |
| EBITDA | € million | **–18.9** | 22.2 | –185.1 |
| Operating profit (EBIT) | € million | **–24.9** | 17.0 | –246.5 |
| *EBIT in % of revenue* | *%* | ***–22.5*** | *12.7* | |
| Earnings before taxes | € million | **–26.5** | 13.1 | –302.3 |
| Earnings after taxes | € million | **–16.7** | 10.3 | –262.1 |
| Earnings after taxes from discontinued operations | € million | **–7.6** | –8.5 | 10.6 |
| Earnings after taxes total | € million | **–24.3** | 1.8 | –1,450.0 |
| **Financing** | | | | |
| Cash flow from operating activities | € million | **–0.9** | 17.7 | –105.1 |
| Cash flow from operating activities from discontinued operations | € million | **–11.5** | 0.6 | –2,016.7 |
| Depreciation and amortisation | € million | **6.0** | 5.2 | 15.4 |
| | | **31 March 2017** | 31 December 2016 | |
| Equity | € million | **335.9** | 360.7 | –6.9 |
| *Equity ratio* | *%* | ***37.8*** | *38.7* | |
| Employees (full-time equivalents) | amount | **2,547** | 2,527 | 0.8 |

## KEY SHARE FIGURES

### Ordinary share

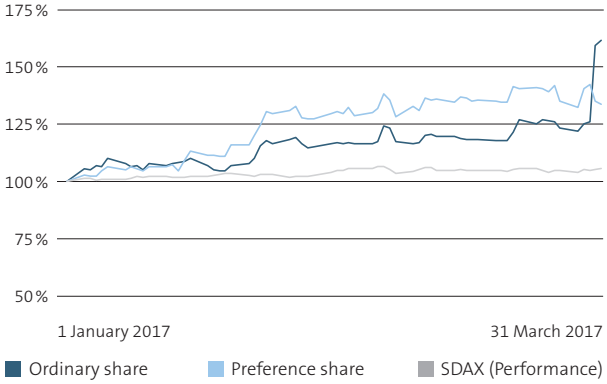
| | |
|---|---|
| Ticker / ISIN | BIO / DE0005227201 |
| Number of shares | 19,785,726 |
| Closing price (31 March 2017)* | 25.59 € |
| Highest/lowest price (Q1 2017)* | 25.59 € / 16.60 € |
| Performance 3 months | 60.9 % |
| Performance SDAX 3 months | 5.8 % |
| Market capitalisation (31 March 2017) | 506.2 Mio. € |

### Preference share

| | |
|---|---|
| Ticker / ISIN | BIO3 / DE0005227235 |
| Number of shares | 19,785,726 |
| Closing price (31 March 2017)* | 17.87 € |
| Highest/lowest price (Q1 2017)* | 19.02 € / 13.67 € |
| Performance 3 months | 33.5 % |
| Performance SDAX 3 months | 5.8 % |
| Market capitalisation (31 March 2017) | 353.6 Mio. € |

* Closing prices on Xetra trading system at Deutsche Börse AG

## BIOTEST SHARE PRICE CHART

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Dear shareholders,

At Biotest, the first few months of the 2017 financial year were characterized by ground-breaking strategic decisions and operational challenges.

In January 2017, we concluded an agreement with ADMA Biologics Inc. to sell our therapy business in the USA as part of our strategic measures to focus on the plasma business. We informed you about this in detail in the 2016 Annual Report.

A few weeks ago, on 7 April 2017, the Chinese Creat Group Corporation announced a public takeover offer for all outstanding Biotest shares. My colleagues on the Board of Management Dr Michael Ramroth and Dr Georg Floß, the Supervisory Board of Biotest AG and I personally welcome this offer. We are convinced that the business combination creates value for the shareholders and the company, as we have found a partner in Creat that would strengthen our strategy and enable further investment in our business. This includes pursuing existing projects such as Biotest Next Level. In addition, the transaction would also mean a greater international presence, which would benefit our customers and our partners. Creat's commitments in various areas are crucial for Biotest and at the same time demonstrate the value that Creat ascribes to our employees and our market position worldwide. The offer document is expected to be published in the next few weeks as soon as it is approved by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsich). Once it is published, the Board of Management and Supervisory Board will examine the offer document closely and deliver a reasoned opinion. In light of the announced offer, we postponed the Annual General Meeting to 30 August 2017.

In parallel to the tasks in connection with the transactions described above, in the first quarter of 2017 we also had to deal with a particular operational challenge: rectifying a technical defect in the cooling system of one of the production facilities used for manufacturing human albumin. In agreement with the responsible authorities, Biotest initially put the affected batches under quarantine. The subsequent voluntary recall ensured that all affected products will be returned promptly. The production of human albumin was restarted after extensive testing.

These events have a non-recurring effect and will impact only the 2017 financial year. As a precaution, Biotest has lowered the sales guidance from a low-single-digit percentage increase to the previous year's level and the earnings guidance (EBIT) from between € 46 and € 48 million by around € 25 to € 30 million.

My colleagues on the Board of Management and I would like to thank all employees of the Biotest Group for their dedicated work and you, our shareholders, for the trust you have placed in us.

Cordially yours,

Dr Bernhard Ehmer
Chairman of the Board of Management

# BUSINESS PERFORMANCE

## A. AT A GLANCE

Unless otherwise noted, the amounts stated below relate exclusively to the continuing operations.

### Results of Operations

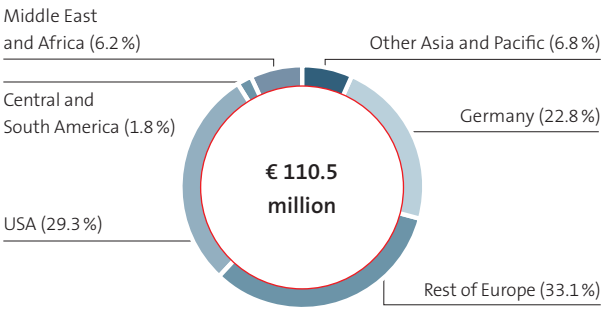
In the first quarter of 2017, the Biotest Group generated sales of € 110.5 million, after € 133.6 million in the same period of the previous year. This corresponds to a percentage decrease of 17.3 %. € 26.5 million of this decrease is attributable to sales reductions from the recall of various batches of the product human albumin and potential contractual penalties due to incorrect deliveries. The reason for the recall was a technical defect in the production of an intermediate product for human albumin, which has since been rectified. Without these one-time effects, there would have been a 2.5 % increase in sales to € 137.0 million, which would have been in line with the original guidance.

SALES BY SEGMENT

| in € million | Q1 2017 | Q1 2016 | Change in % |
|---|---|---|---|
| Therapy | 52.5 | 88.2 | -40.5 |
| Plasma & Services | 56.8 | 43.4 | 30.9 |
| Other Segments | 1.2 | 2.0 | -40.0 |
| **Biotest Group** | **110.5** | **133.6** | **-17.3** |

In the regional analysis, Biotest generated sales growth only in the USA region. Sales here rose by 52.1 % to € 32.4 million due to the increase in plasma sales. The other regions posted sales declines, particularly due to the product recall for human albumin and the postponement of tender deliveries.

SALES BY REGION




In discontinued operations, sales of € 2.1 million were generated in the first three months of the 2017 financial year.

EBIT of continuing operations amounted to € -24.9 million in the first quarter of 2017 compared to the previous year's figure of € 17.0 million. The EBIT margin thus amounted to -22.5 % after 12.7 % in the same period of the previous year. In the core segment Therapy, EBIT of € -33.0 million was generated in the first three months of the 2017 financial year (same period of the previous year: € 9.4 million). This development was chiefly attributable to sales reductions of € 26.5 million from the anticipated return of human albumin already delivered and contractual penalties, one-time expenses from write-downs of € 9.1 million on inventories of the product human albumin that can no longer be sold due to technical problems in the manufacturing process, and other costs relating to the recall in the amount of € 1.7 million.

EBIT BY SEGMENT

| in € million | Q1 2017 | Q1 2016 | Change in % |
|---|---|---|---|
| Therapy | –33.0 | 9.4 | –451.1 |
| Plasma & Services | 8.6 | 7.9 | 8.9 |
| Other Segments | –0.5 | –0.3 | –66.7 |
| **Biotest Group** | **–24.9** | **17.0** | **–246.5** |

EBIT of discontinued operations amounted to € -7.6 million in the reporting period after € -8.5 million in the same period of the previous year.

In the first three months of the 2017 financial year, earnings after taxes of continuing operations in the amount of € -16.7 million (same period of the previous year: € 10.3 million) were impacted by the one-time effect described above in connection with the recall of the product human albumin.

Earnings after taxes of discontinued operations amounted to € -7.6 million in the first quarter of 2017 after € -8.5 million in the same period of the previous year.

### Cash flow

In the first three months of 2017, the Biotest Group recorded a negative operating cash flow for continuing operations in the amount of € -0.9 million (same period of the previous year: € 17.7 million). Cash flow from investing activities of continuing operations amounted to € -26.2 million in the period from January to March 2017 (same period of the previous year: € 42.5 million). Cash flow from financing activities for continuing operations amounted to € -7.4 million in the first quarter of 2017 and was thus below the previous year's level (same period of the previous year: € 6.6 million).

### Financial position

The Biotest Group's total assets changed from € 932.8 million as of 31 December 2016 to € 889.2 million as of the reporting date 31 March 2017. The main reasons for this decline were falling trade receivables due to the anticipated quantities of human albumin to be returned and a decrease in cash and cash equivalents. This was partly offset by additions to property, plant and equipment due to capital expenditure as part of the Biotest Next Level project.

## B. RESEARCH AND DEVELOPMENT

In the first quarter of 2017, research and development costs from continuing operations amounted to € 13.0 million (same period of the previous year: € 12.5 million). A comprehensive list of all research and development projects is provided in the 2016 Annual Report (pages 16 to 19). In the period from January to March 2017, Biotest made further progress in the following research and development products:

RESEARCH & DEVELOPMENT PROGRESS IN THE FIRST QUARTER OF 2017

| | |
|---|---|
| **Indication area Haematology** | |
| Indatuximab ravtansine (BT-062) | Clinical phase I/IIa combination study (no. 983) in the indication multiple myeloma: Finalisation of the first of two planned study reports. |
| **Indication area Clinical Immunology** | |
| IgG Next Generation | Ongoing patient recruitment in two pivotal studies: In the clinical phase III study (no. 991), patients with primary immune deficiencies are being treated in Europe and the USA. In study no. 992 (also clinical phase III), which is being carried out in several European countries, patients are being recruited for the treatment of immune thrombocytopenia (ITP). |
| BT-063 | Clinical phase IIa study (no. 990) in the indication systemic lupus erythematosus: Patient recruitment for part two of the study completed. |
| **Indication area Intensive Care Medicine** | |
| IgM Concentrate | Preparations for the phase III study are under way; the feedback from the European Medicines Agency (EMA) on phase III has been received. |
| Fibrinogen | The EMA approved the positive recommendation of the Paediatric Committee (PDCO) with regard to the paediatric development plan for fibrinogen in the indication congenital fibrinogen deficiency. |

## C. MARKETING AND DISTRIBUTION

A list of significant marketing and distribution activities in 2016 is provided in the 2016 Annual Report (pages 19 and 20). The following table summarises the progress made in the first quarter of 2017:

MARKETING & DISTRIBUTION PROGRESS IN THE FIRST QUARTER OF 2017

| | |
|---|---|
| **Indication area Haematology** | |
| Vihuma® | Marketing authorisation for Vihuma® was granted by the European Commission in February. Biotest will sell this recombinant factor VIII preparation on the basis of a cooperation with Octapharma AG in Germany and Switzerland. |
| **Indication area Clinical Immunology** | |
| Intratect® 50 g/l (5 %) | Extension of the indication in Columbia (January 2017): neurological indications multifocal motor neuropathy (MMN) and chronic inflammatory demyelinating polyneuropathy (CIDP). |
| Intratect® 100 g/l (10 %) | Marketing authorisation granted in Cyprus in January 2017. |
| Zutectra® | Marketing authorisation granted in Israel for early use of Zutectra® starting from one week after a liver transplant. |

## D. SUPPLEMENTARY REPORT

On 7 April 2017, Biotest AG, Tiancheng International Investment Limited, Hong Kong, and Blitz 17-623 AG (now: Tiancheng (Germany) Pharmaceutical Holdings AG) signed a business combination agreement. Both companies are controlled by the Creat Group Corporation, Beijing, China. As of the same date, Tiancheng (Germany) Pharmaceutical Holdings AG announced its decision to make a voluntary public takeover offer for all outstanding publicly traded ordinary and preference shares of Biotest AG at a price of € 28.50 per ordinary share and € 19.00 per preference share in cash. The offer will be subject to a minimum acceptance threshold of 75 % of all ordinary shares and to approval by the authorities.

Biotest AG has been informed by OGEL GmbH that the latter, as the company's majority shareholder, supports the transaction and has made an agreement with Tiancheng International Investment Ltd., Hong Kong, to accept the offer irrevocably and to transfer its shares, which account for 50.61 % of all outstanding ordinary shares, in the context of a takeover offer.

If Tiancheng (Germany) Pharmaceutical Holdings AG's takeover offer is successful, this would probably result in limited usability of tax loss carryforwards, particularly at Biotest Pharmaceuticals Corp., Boca Raton, USA. To date, no deferred tax assets have been recognised on the corresponding loss carryforwards in the consolidated financial statements. If and when the transaction is concluded, performance-based fees for consultancy services in connection with the transaction will fall due in an amount in the low single-digit millions.

On 13 April 2017, Biotest started informing its customers that there would be shortages in the supply of human albumin in the months ahead. The reason for this is a technical defect in the production of an intermediate product for human albumin, which has since been rectified. In addition, Biotest decided in agreement with the responsible authorities to voluntarily recall batches already delivered from the facility concerned. Based on the analytical data obtained to date on the batches affected and an evaluation of the quantities of the end product still in the market, there was a sales reduction of € 26.5 million for products already delivered that are being recalled from the customers and an inventory write-down of € 9.1 million in the first quarter. In addition, provisions of € 1.7 million have been recognised for other costs relating to the recall. The company has taken out insurance for the resulting damages and the loss of income from past and future deliveries. The settlement of the damages is currently being reviewed and, in the case of a positive decision by the insurance company, will result in corresponding income that could partly compensate for the damages incurred and the anticipated sales losses. The resulting claims are not taken into account in the quarterly financial statements.

Besides the earnings effects taken into account in the quarterly financial statements, there is a risk of further returns and contractual penalties, although the Board of Management considers this risk to be low on the basis of current knowledge.

## E. OUTLOOK, RISK AND OPPORTUNITIES REPORT

### I. CHANGE IN OUTLOOK REPORT

On 26 April 2017, the Board of Management announced that due to the technical defect in the production of human albumin, the associated return of end products already sold and the supply shortages for human albumin in the current financial year, it is now forecasting sales at the previous year's level for continuing operations in 2017, after previously having forecast a low single-digit percentage increase in sales. The forecast for EBIT of continuing operations of € 46 million to € 48 million and for cash flow from operating activities of around € 40 million has been reduced by between around € 25 million and € 30 million. As a result, the Board of Management now anticipates a return on capital employed (RoCE) of approximately 2 %.

### II. RISK REPORT

The Biotest Group's risk situation has not changed materially from the presentation set out in the 2016 Annual Report (pages 28 to 35) except the facts outlined hereafter.

For information on the risks resulting from a technical defect in the production of human albumin, please refer to the comments on events after the reporting date.

### III. OPPORTUNITIES REPORT

The Biotest Group's opportunities situation has not changed materially from the presentation set out in the 2016 Annual Report (pages 35 and 36).

# CONSOLIDATED STATEMENT OF INCOME

of the Biotest Group for the period from 1 January to 31 March 2017

| in € million | Q1 2017 | Q1 2016 |
|---|---|---|
| Revenue | 110.5 | 133.6 |
| Cost of sales | –98.7 | –83.6 |
| **Gross profit** | **11.8** | **50.0** |
| | | |
| Other operating income | 0.6 | 0.7 |
| Marketing and distribution costs | –13.6 | –12.0 |
| Administrative expenses | –9.8 | –8.6 |
| Research and development costs | –13.0 | –12.5 |
| Other operating expenses | –0.9 | –0.6 |
| **Operating profit** | **–24.9** | **17.0** |
| | | |
| Financial result | –1.6 | –3.9 |
| **Earnings before taxes** | **–26.5** | **13.1** |
| | | |
| Income taxes | 9.8 | –2.8 |
| **Earnings after taxes from continuing operations** | **–16.7** | **10.3** |
| Earnings after taxes from discontinued operations | –7.6 | –8.5 |
| **Earnings after taxes** | **–24.3** | **1.8** |
| | | |
| Attributable to: | | |
| **Equity holders of the parent** | **–24.3** | **1.8** |
| thereof from continuing operations | –16.7 | 10.3 |
| thereof from discontinued operations | –7.6 | –8.5 |
| **Non-controlling interests** | **–** | **–** |
| thereof from continuing operations | – | – |
| thereof from discontinued operations | – | – |
| | | |
| **Earnings per share in €** | **–0.61** | **0.05** |
| thereof from continuing operations | –0.42 | 0.26 |
| thereof from discontinued operations | –0.19 | –0.21 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of the Biotest Group as of 31 March 2017

| in € million | 31 March 2017 | 31 December 2016 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | 24.8 | 25.3 |
| Property, plant and equipment | 436.7 | 414.9 |
| Investment property | 6.5 | 6.6 |
| Investments in joint ventures | 4.3 | 4.3 |
| Other assets | 0.7 | 0.5 |
| Other financial assets | 1.5 | 1.4 |
| Deferred tax assets | 22.7 | 12.6 |
| **Total non-current assets** | **497.2** | **465.6** |
| **Current assets** | | |
| Inventories | 167.2 | 170.8 |
| Trade receivables | 119.3 | 163.8 |
| Current income tax assets | 9.1 | 5.7 |
| Other assets | 13.5 | 16.7 |
| Other financial assets | 10.8 | 12.2 |
| Cash and cash equivalents | 38.1 | 72.9 |
| | **358.0** | **442.1** |
| Assets from discontinued operations | 34.0 | 25.1 |
| **Total current assets** | **392.0** | **467.2** |
| **Total assets** | **889.2** | **932.8** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Subscribed capital | 39.6 | 39.6 |
| Share premium | 219.8 | 219.8 |
| Retained earnings | 100.6 | 146.9 |
| Share of profit or loss attributable to equity holders of the parent | –24.3 | –45.8 |
| **Equity attributable to equity holders of the parent** | **335.7** | **360.5** |
| Non-controlling interests | 0.2 | 0.2 |
| **Total equity** | **335.9** | **360.7** |
| **Non-current liabilities** | | |
| Provisions for pensions and similar obligations | 84.3 | 83.8 |
| Other provisions | 13.0 | 7.9 |
| Financial liabilities | 333.3 | 330.0 |
| Other liabilities | 1.7 | 1.9 |
| Deferred tax liabilities | 2.5 | 2.5 |
| **Total non-current liabilities** | **434.8** | **426.1** |
| **Current liabilities** | | |
| Other provisions | 27.3 | 35.6 |
| Current income tax liabilities | 3.6 | 3.5 |
| Financial liabilities | 17.2 | 16.2 |
| Trade payables | 43.5 | 62.8 |
| Other liabilities | 26.9 | 27.9 |
| **Total current liabilities** | **118.5** | **146.0** |
| **Total liabilities** | **553.3** | **572.1** |
| **Total equity and liabilities** | **889.2** | **932.8** |

# CONSOLIDATED CASH FLOW STATEMENT

of the Biotest Group for the period from 1 January to 31 March 2017

| in € million | 2017 | 2016 |
|---|---|---|
| Operating cash flow before changes in working capital | 16.8 | 22.3 |
| Cash flow from changes in working capital | –13.3 | –1.0 |
| Interest and taxes paid | –4.4 | –3.6 |
| | | |
| **Cash flow from operating activities from continuing operations** | **–0.9** | **17.7** |
| Cash flow from operating activities from discontinued operations | –11.5 | 0.6 |
| **Cash flow from operating activities total** | **–12.4** | **18.3** |
| | | |
| Cash flow from investing activities from continuing operations | –26.2 | 42.5 |
| Cash flow from investing activities from discontinued operations | –1.2 | –0.3 |
| **Cash flow from investing activities total** | **–27.4** | **42.2** |
| | | |
| Cash flow from financing activities from continuing operations | –7.4 | 6.6 |
| Cash flow from financing activities from discontinued operations | 12.2 | 0.0 |
| **Cash flow from financing activities total** | **4.8** | **6.6** |
| | | |
| **Cash changes in cash and cash equivalents** | **–35.0** | **67.1** |
| Exchange rate-related changes in cash and cash equivalents | 0.2 | –0.4 |
| Cash and cash equivalents on 1 January | 72.9 | 53.8 |
| **Cash and cash equivalents on 31 March** | **38.1** | **120.5** |
| thereof from discontinued operations | 11.9 | 0.0 |
| **thereof from continuing operations** | **26.2** | **120.5** |
| thereof in cash flow from investing activities increase in cash and cash equivalents from other financial assets | 0.0 | 70.0 |
| **Cash flow from investing activities from continuing operations diluted by proceeds from financial assets as part of short-term financial planning** | **–26.2** | **–27.5** |
| **Total cash flow from investing activities diluted by proceeds from financial assets as part of short-term financial planning** | **–27.4** | **–27.8** |

## NET DEBT

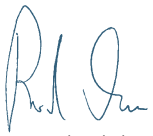
| in € million | 31 March 2017 | 31 December 2016 |
|---|---|---|
| Financial liabilities to financial institutions | 346.8 | 342.6 |
| Liabilities from finance leases | 3.6 | 3.6 |
| **Financial liabilities** | **350.4** | **346.2** |
| | | |
| Cash and cash equivalents | 38.1 | 72.9 |
| Financial investments in other current financial assets* | 10.0 | 10.0 |
| **Liquid assets and financial assets as part of the short-term financial disposition** | **48.1** | **82.9** |
| | | |
| **Net debt** | **302.3** | **263.3** |

*Current financial investments of surplus cash and cash equivalents are included in other current financial assets.

## SCHEDULE OF ASSETS – NET PRESENTATION

| in € million | Carrying amount as of 31 Dec 2016 | Capital expenditure | Depreciation and amortisation | Currency translation differences | Carrying amount as of 31 March 2017 |
|---|---|---|---|---|---|
| Intangible assets | 25.3 | 0.2 | –0.4 | –0.3 | 24.8 |
| Property, plant & equipment | 414.9 | 27.6 | –5.6 | –0.2 | 436.7 |
| **Total** | **440.2** | **27.8** | **–6.0** | **–0.5** | **461.5** |

Dreieich, 10 May 2017
Biotest Aktiengesellschaft
Board of Management



Dr Bernhard Ehmer
Chairman of the Board of Management

Dr Michael Ramroth
Member of the Board of Management

Dr Georg Floß
Member of the Board of Management

## FINANCIAL CALENDAR

**14 AUGUST 2017**
Half-Year Report 2017

**30 AUGUST 2017**
Annual General Meeting

**14 NOVEMBER 2017**
Quarterly Statement
as of 30 September 2017

## ACKNOWLEDGEMENTS

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**PRINTING**
Dialogistiker GmbH,
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