Biotest AG

2002 Annual Report

Biotest

2002

At a Glance

Group	2002 € million	2001 € million	Change %
Sales	257.9	249.3	3.4
of which: Germany	82.2	76.0	8.2
Rest of world	175.7	173.3	1.4
of which: Pharmaceutical division	166.7	166.0	0.4
Diagnostic division	75.8	70.8	7.1
Medical Devices division	13.5	10.3	31.1
Not allocated sales	1.9	2.2	– 13.6
Profit before tax	– 17.3	8.3	–
Profit before tax as % of sales	– 6.7 %	3.3 %	
Net loss (in 2001: net profit)	– 20.0	4.5	–
EBIT	– 6.8	17.0	–
EBITDA	12.8	27.2	–
Structure of expense, by nature:			
– Cost of materials	96.0	103.8	– 7.5
– Personnel cost	75.1	70.0	7.3
– Research and development	19.3	20.7	– 6.8
– Research and development as % of sales	7.5 %	8.3 %	
Capital expenditure:			
– Property, plant and equipment and intangible assets	32.0	34.7	– 7.8
– Financial assets	–	0.2	–
Financing:			
– Cash flow from operating activities	14.2	29.6	– 52.0
– Depreciation and amortisation	19.6	10.2	92.2
Shareholders' equity	108.5	131.5	– 17.5
Shareholders' equity as % of balance sheet total	29.2 %	37.2 %	
Balance sheet total	372.0	353.1	5.4
Number of employees as at December 31	1,263	1,205	4.8
Net earnings per share in €	– 2.56	0.53	
Result per non-voting preference share in €	– 2.45	0.59	

Contents

Preface

Dear Shareholders,

2002 was a difficult year for the German economy and Biotest AG alike. We were nevertheless able to increase revenues further in the financial year to € 258 million and report an increase of 3.4 % compared to 2001. The development of revenues in Germany was particularly encouraging as we were able to record a distinct increase of 8.2 % despite cost-cutting effects in the health care system.

Before exceptional items, operating profit in our continued operations was distinctly positive.

Last year the Group result was heavily burdened by several factors. It was adversely affected by a sluggish economic development abroad – and lower margins in particular – as well as sustained high upfront costs for investments in new production facilities of the Pharmaceutical division as well as for the set-up of own plasmapheresis stations and the change-over to automated product systems in the Diagnostic division. Strong one-off effects and special factors in the discontinued Medical Devices division, write-downs and restructuring cost furthermore burdened our company. Overall, these factors resulted in a high Group net loss for the year. The high one-off cost, however, were necessary to set the course for a positive business development in future years.

Against the backdrop of a sluggish overall economic development and long lead times characteristic of our industry before major investments start to pay off, the Board of Management in close co-operation with the Supervisory Board initiated a comprehensive programme with the motto "Biotest Yield Enhancement", targeting the results of operations, restructuring measures and the strategic realignment, which has been supported and accompanied by competent consultants since the end of 2002. The programme comprises drastic cost-cutting measures and means to improve the result in the areas of staff cost and cost of materials, the reduction of inventories and accounts receivable in order to bolster liquidity as well as a consistent focus on our core divisions and core competencies in the Pharmaceutical and Diagnostic divisions.

One consequence of the programme was that we disposed of Biotest Medizintechnik GmbH as well as our French subsidiary Diaclone which was sold at the beginning of 2003. The sale of our subsidiary Envitec-Wismar GmbH is in the final stages. We are also concentrating activities of the Diagnostic division at the Dreieich location on the areas of transfusion and transplantation.

Despite the difficult past financial year Biotest AG is well equipped for the future. It invested in one of the most modern facilities for manufacturing plasma products world-wide and operates on international markets with these products, markets which will grow considerably in the near future. With automation and gene analysis, Biotest successfully carried out technological changes in special areas of diagnostics and set up an excellent competitive position. We are currently restructuring the Group with unprecedented exertion in order to position Biotest AG for the future.

For the sake of the company's future development, the cost of restructuring measures initiated in 2002 were, to a large degree, recognised in the past financial year. The positive effects of these measures will to a large extent be felt in 2003 already, so that we envisage recording a balanced result in the current financial year. The discontinuation of the Medical Devices division as well as the fact that the one-off special effects will cease to apply will have a positive influence on the future earnings position.

Due to restructuring measures initiated and already taking effect as well as our future-oriented strategic realignment strategy we assume a distinct improvement in the positive earnings development in 2004 and subsequent years. The positive earnings effects of investments in the plasma production of the Pharmaceutical division will ultimately be felt in 2005.

With its strategic realignment, Biotest achieved a concise company profile for the future: As an international specialist for innovative immunology and haematology, the company will successfully build on its competitive edge in the growth markets of its core business.

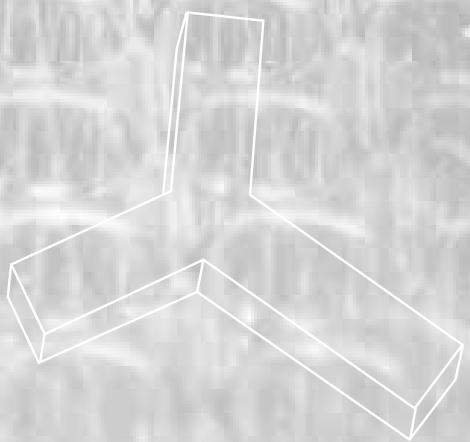
I would also like to take this opportunity to thank all employees on behalf of the Board of Management for their commitment and skills with which they overcame the large number of great challenges and burdens encountered over the past years. We also extend our thanks to our business partners for the good co-operation and to our shareholders for keeping faith in the company.

On behalf of the Board of Management

Your

Dr. Dieter Merz

Management Report Biotest Group



Management Report Biotest Group

Overview

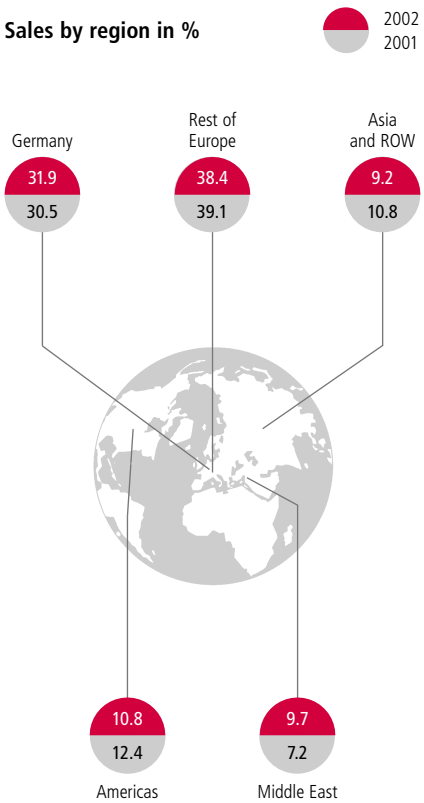
Biotest and the health care system. Biotest Group's product range encompasses therapeutic and diagnostic products and, to a lesser extent, medical devices.

The Pharmaceutical division focuses on products derived from human blood plasma for therapeutic applications complying with high ethical standards used in the treatment of immunological diseases and coagulation defects on a growing and attractive international market characterised by high barriers of entry.

In the Diagnostic segment, Biotest mainly concentrates on test systems for transfusions, transplantations, infectious disease diagnostics and hygiene monitoring.

Biotest started to strategically reposition itself in the second half of the 2002 financial year, concentrating its activities on its core business. The realignment of Biotest Group resulted in the separation from the Medical Devices division. The financial statements for the 2002 financial year were adjusted to the new organisational structure. We also intend to sell the company Diaclone SAS, which develops, produces and markets monoclonal antibodies for research and diagnosis.

Sales by region in %



Changeover to International Financial Reporting Standards (IFRS). Biotest Group changed its accounting policies to IFRS at the beginning of the 2002 financial year. The key figures for the previous year have been adjusted accordingly. In the course of this changeover, Biotest also decided to prepare its accounts in accordance with the cost of sales method.

2002 financial year characterised by special factors. Biotest Groups' 2002 financial year was marked by strategic realignment where a number of courses for the future were set. Parallel to a declining operating result, consistently high upfront costs for the investment programme in the Pharmaceutical division's production and for the switch to a range of automated product solutions in the Diagnostic division coincided with the requirement of a structural realignment of the Medical Devices division and a number of other one-time charges.

In light of these major challenges, a comprehensive restructuring programme was drawn up for the entire Group in the first quarter of 2003 with the aid of a renowned consultancy firm in order to ensure Biotest's future competitiveness. The separation from the Medical Devices division as well as restructuring costs and write-downs found expression in the 2002 financial statements.

Sales grow by 3.4%. Biotest was able to increase sales by 3.4% from € 249.3 million to € 257.9 million in the 2002 financial year. The continued operations generated a growth in sales of 2.2%. The Pharmaceutical division, the division with the highest sales, only slightly increased the previous year's level by 0.4% to € 166.7 million. Biotest's Diagnostic division recorded a constantly positive sales trend of plus 7.1%.

Non-core business divisions recorded sales growth of 30.8%.

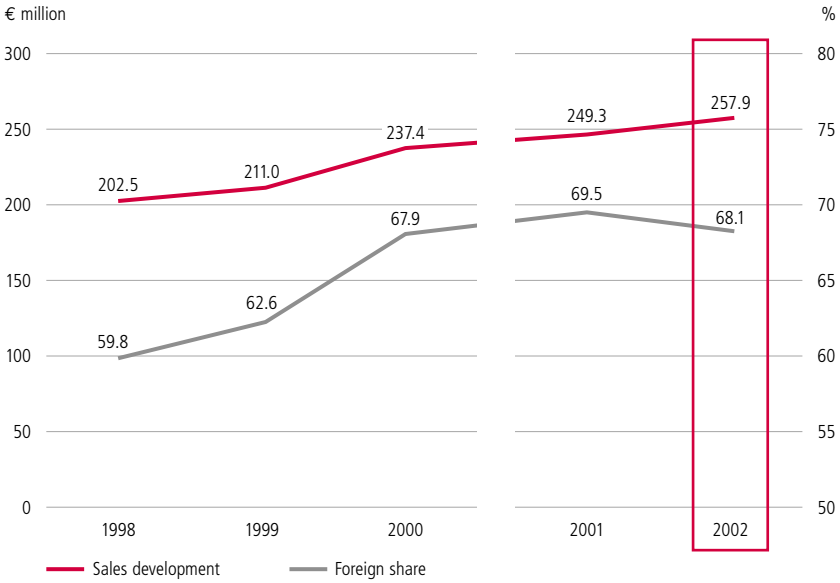
Domestic sales markedly up by 8.2 %. Sales in Germany continued last year's positive stabilisation trend. Despite difficult market conditions it was possible to increase sales by 8.2 %, or € 6.2 million in Germany; sales in the core business rose by 6.7 %. The highest sales growth was achieved in the Middle East, although a decline in sales was recorded in South America and Asia. As a consequence of the above-average growth in Germany, the foreign share of Group sales declined slightly to 68.1 %.

Group net loss for the year: € 20.0 million. Net loss for the year amounted to € 20.0 million as a result of declining operating results in the core divisions in connection with the already mentioned strategic realignment of Biotest Group and the ensuing losses in the discontinued operations, write-downs and restructuring costs.

In this context, we would like to emphasise that these are expenses which will provide considerable improvement to Biotest's future result. The operating result of the continued operations before special factors developed perceptibly favourable at € 8.8 million in the reporting period.

Dividend. The Board of Management and the Supervisory Board propose not to distribute a dividend for the 2002 financial year.

Sales trend (€ million) and percentage of foreign share (%)



Data before 2001 according HGB

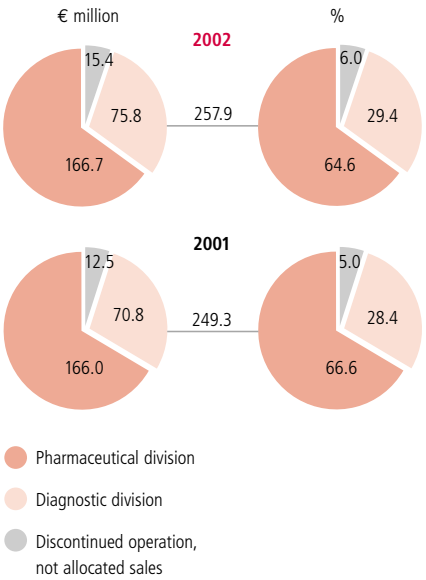
Business Development and Earnings Position

In the second quarter it was not possible to continue the promising start of the 2002 financial year when the sales development topped the already high level of the previous year. Although previous year's sales were once more exceeded in the third quarter, sales again dropped in the fourth quarter of 2002.

Sales by quarter were as follows:

	2002 (€ million)	2001 (€ million)	Change (%)
1st Quarter	67.8	62.6	+ 8.3
2st Quarter	65.8	67.0	– 1.8
3st Quarter	64.7	59.2	+ 9.3
4st Quarter	59.6	60.5	– 1.5
	257.9	249.3	+ 3.4

Sales by divisions
in € million (%)



The sales growth of profitable products only partially compensated temporary earnings and the liquidity strain resulting from the strategic realignment and the forward-pointing investment programme.

At the same time, the steady strengthening of the euro against the US dollar lead to pricing pressure on non-European markets. In the last quarter of 2002 we decided to divest the Medical Devices segment and other projects, and to concentrate on our core divisions.

Therefore the earnings position of continued and discontinued operations must be assessed separately. The continued operations include the activities of the Pharmaceutical and Diagnostic divisions, and of the Holding company including business activities of Diaclone SAS.

The earnings position in the continued operations developed as follows:

	2002 (€ million)	2001 (€ million)	Change (%)
Revenue	244.3	239.0	+ 2.2
Operating costs	– 235.5	– 221.4	+ 6.3
Operating profit before special factors	8.8	17.6	– 50.0
Special factors	– 10.0		
Operating profit	– 1.2		

Sales growth of 2.2 % was offset by a 6.3 % increase in operating costs.

In the Pharmaceutical division, the steady increase of the euro against the US dollar lead to strong pricing pressure in the non-European countries. Start-up costs for the validation of the new plasma fractionation plant additionally burdened the operating result for the 2002 financial year. The set-up of own plasmapheresis stations also had a negative impact on the 2002 result. Moreover, we recognised certain allowances for foreign accounts receivable.

The Diagnostic division was unable to launch the planned extensive marketing scheme for the fully automated blood group device, TANGO, in 2002. The 2002 financial year again proved to be a period of optimisation: As the purchased hardware and software components had not yet met the stability requirements of routine operation, an optimisation programme was launched in August 2002 which lead to an improved version of the device at the beginning of the 2003 financial year. The completion of TANGO and the set-up of an infrastructure for installing and servicing our automation products in the Diagnostic division led to a high cost burden but also form the basis for our future growth in an attractive transfusion diagnostics market.

On top of this, the operating profit of our core divisions was burdened by special factors. As book values of certain property, plant and equipment items were higher than the future cash flows allocable to these items, write-downs were recorded for these assets. These write-downs (impairment) burdened the operating profit with € 6.8 million.

In the fourth quarter of 2002, a renowned consultancy firm was mandated to review the operations and corporate structures at the Dreieich location. This analysis lead to restructuring measures which additionally burdened the result with € 3.3. million, but which laid the foundation for an improved cost structure and higher levels of efficiency in the future.

The earnings position in the discontinued Medical Devices division was mainly characterised by an operating loss and the write-down of assets of Biotest Medizintechnik GmbH which is in the middle of insolvency proceedings.

The operating loss of the discontinued operation amounted to minus € 5.6 million. Discontinuing this division will ease the strain on the Group's future earnings position.

The noticeable growth of financial liabilities as a consequence of the strategic investment programme resulted in a corresponding increase in financing cost.

Tax expenses and interest from a government tax audit for the years 1994 until 1998 additionally burdened the result in the amount of € 2.4 million.

Statement of Assets and Financial Position

Balance sheet total increases by 5.3%. Compared to the previous year Biotest Group's balance sheet total as at 31 December 2002 increased by 5.3% to € 372 million. Taking into account capital expenditure, regular depreciation and write-downs, property, plant and equipment including the leased plants of Biotest Pharma GmbH rose by just under € 12 million.

Whilst inventories remained at the previous year's level, trade receivables declined by more than € 2 million. This was mainly due to an active management of accounts receivable and write-downs in the amount of € 4 million.

The strong rise in other assets is mainly based on one item receivable from plasma sales and accounts receivable from a leasing company that have not yet been settled.

Balance sheet assets are as follows:

	2002 (€ million)	%	2001 (€ million)	%
Fixed assets	**147**	40	135	38
Inventories	**130**	35	129	36
Accounts receivable	**64**	17	66	19
Other assets	**23**	6	13	4
Cash and cash equivalents	**8**	2	10	3
Total assets	**372**	100	353	100

The shareholders' equity and liabilities side of the balance sheet is characterised by a significant decline in shareholders' equity as a result of the annual loss and the distribution of a dividend in July 2002. However, the equity ratio is still at around 30% even after a difficult year of restructuring and realignment.

The increase in accruals and provisions is primarily based on severance payments and social compensation plan benefits which have been determined, but not yet paid out, for personnel measures adopted at the Dreieich location.

Financial liabilities increased by € 34 million to around € 167 million due to short-term borrowing.

High priority was given to securing short-term financing needs in view of the high financing requirements resulting from the Pharmaceutical division's investment programme and the temporary distinct higher level of funds tied-up in current assets. For that purpose, a collateral trustee agreement, which ends on 31 December 2004, was entered into with a group of banks at the beginning of 2003. In this agreement, the banks declared their general consent to continue to provide existing short-term credit lines of around € 100 million after they have approved a restructuring concept prepared in co-operation with management consultants. At the meeting of banks on 9 April 2003 the banks, after hearing the results from the business concept review carried out by the consultancy firm mandated,

committed themselves to maintain the current credit lines until 31 March 2004, provided that, inter alia, Biotest achieves a turnaround in accordance with the plans verified by said consultancy firm, implements the restructuring measures set out in the restructuring plan and reduces the credit lines in 2003 by at least € 4.0 million and in 2004 by at least € 10.0 million. The above commitment is subject to approval granted by the banks' decision-making bodies. Credit lines are to be further reduced if the liquidity reserve exceeds € 5.0 million. The approval by the decision-making bodies of the banks involved is expected to be granted by 23 April 2003. This agreement provides Biotest with the possibility of continuing ongoing restructuring and strategic realignment activities.

Shareholders' equity and liabilities changed as follows:

	2002 (€ million)	%	2001 (€ million)	%
Shareholders' equity	**109**	29	131	37
Accruals and provisions	**59**	16	52	15
Current liabilities	**114**	31	83	24
Non-current liabilities	**53**	14	51	14
Other liabilities	**37**	10	36	10
Total liabilities	**372**	100	353	100

At year-end, unused credit lines to the tune of € 18 million were available at the Dreieich location.

Capital Expenditure/Depreciation and Amortisation/Cash Flow

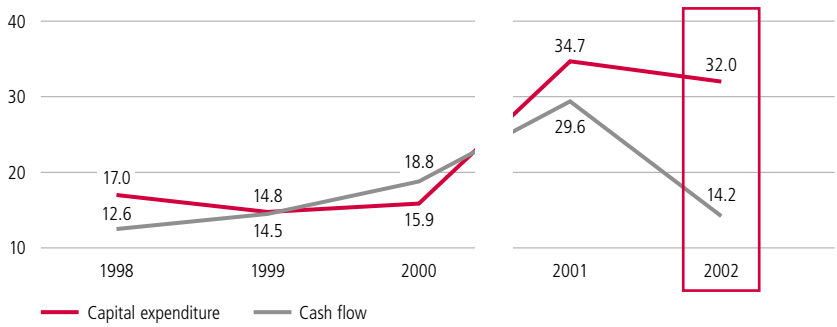
Investment volume just under € 32 million. In 2002, considerable investments, in particular in property, plant and equipment were recorded again. With € 26 million investments recorded in Dreieich, this location continued to be the focus of investment with the bulk of investments recorded at Biotest Pharma GmbH (over € 24 million).

An additional goodwill was added to intangible assets. In spring 2002, Biotest acquired a further interest of 9 % in Envitec-Wismar GmbH.

Total depreciation and amortisation amounted to almost € 20 million of which € 10 million were attributable to scheduled depreciation on property, plant and equipment. Fixed assets of Biotest Medizintechnik GmbH were written down (impairment) due to the fact that the company was eliminated from the scope of consolidated companies as it was subject matter of insolvency proceedings. Further write-downs concerned fixed assets of Diaclone SAS and some assets at the Dreieich location.

Total cash flow from earnings before interest and tax, depreciation and amortisation and the increase in long-term provisions, were, contrary to planning, lower than in the previous year (€ 14 million compared to € 30 million in 2001), and thus did not contribute to the company's internal financing. As unexpected changes in current assets moreover led to an outflow of funds to the tune of € 4 million, and € 12 million had to be paid in interest and tax, net cash used in operating activities amounted to € 2 million in total. Investments in fixed assets in the amount of € 26 million were hence financed through short-term bank loans and finance leasing.

Capital expenditure/Cash flow in € million



Data before 2001 according HGB; from 2001: according IAS; including leasing; operational cash flow

Research and Development

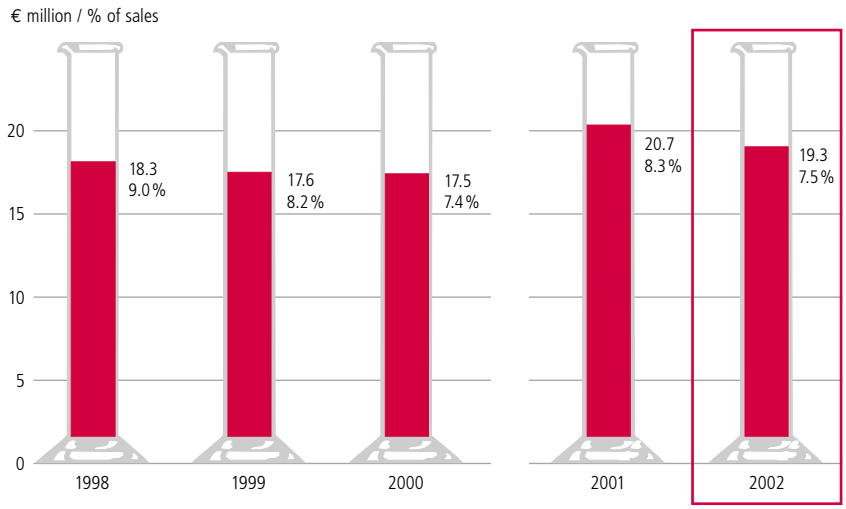
We spent € 19 million on research and development in the reporting period. The share in sales of this item amounts to 7.5 %.

With its research and development activities, the Pharmaceutical division concentrated on the further development and completion of the new generation of plasma products.

In 2002, research and development in the Diagnostic division again focussed on the technical improvement and functional refining of TANGO, the fully automated device for blood group diagnosis, and the development of new systems for hygiene monitoring.

Envitec-Wismar GmbH continued its projects for developing new oxygen sensors, the market launch of which is scheduled for the 2003 financial year. On top of this, development work on the legally admissible breath-alcohol-analyser and drug detection device continued as scheduled.

Research and development expense



Data before 2001 according HGB

Staff

Development of staff. On 31 December 2002 1,357 people were employed at the Group. This corresponds to 1,263 full-time employees. The annual average was 1,277 persons, 115 employees more than last year. The production areas alone required the creation of an additional 100 jobs.

The new jobs were created in the first nine months. Staff levels were reduced by Biotest Medizintechnik GmbH's elimination from the group of consolidated companies and fluctuation in employment.

The number of full-time jobs within the Group developed as follows:

	31.12.2002 Balance sheet date	2002 Average	31.12.2001 Balance sheet date
Distribution	**373**	383	370
Administration	**140**	145	143
Production	**635**	624	563
Research & Development	**115**	125	129
Group	**1,263**	1,277	1,205

Reduction of staff levels at the Dreieich location. The restructuring measures that were introduced at the end of the year to achieve higher profitability levels also included a scheme to reduce staff levels at Biotest AG and Biotest Pharma GmbH. However, this scheme does not affect the areas in which, owing to the expansion, jobs were created in the first nine months of the year. For this purpose, the co-ordination of conflicting interests and a social compensation plan was agreed upon with the works councils. A total of 108 jobs is to be shed in the divisions that will be continued. In the 2002 financial statements, costs for the social compensation plan have been recorded as restructuring costs. Implementation of corresponding measures started in the first quarter of 2003.

Staff cost. Expenses for salaries and wages, social security contributions and pension provisions and similar provisions increased by 7 % to € 75 million. This increase was caused by the creation of new jobs, the collectively agreed pay rise of 3.3 % for 10 months as well as severance pay. This figure does not take into account cost for the social compensation plan.

Training and education. The Group employed 26 vocational trainees as at 31 December 2002. Biotest offers vocational training for chemists, biology laboratory workers, information technology clerks, industrial clerks and specialist clerks for office communication.

Our job-related range of advanced education was in keen demand. In fourteen sessions, 63 senior staff members and junior staff made good use of a three-stage management lecture which focussed on "Personnel Management" and "Communication".

Employee appreciation. The Board of Management and the Managers of all Biotest Group companies would like to express their special appreciation to the staff for the achievements during the past year which was difficult and sometimes involved significant extra work for the employees due to Biotest's strategic realignment, several complex product launches and a large-scale investment programme.

Segment Reporting

Pharmaceutical division

Marked by strong expansion of capacities. Our innovative preparations for the therapeutic treatment and prophylaxis of severe infections, immunodeficiency and autoimmune diseases as well as the therapy of coagulation defects gives us the edge over our competitors as to product quality and dosage form, allowing us often to take the leading position in our markets. A liquid immunoglobulin preparation and a broad range of hyperimmunoglobulins as well as the world's only immunoglobulin product with IGM antibodies for the specific treatment of serious bacterial infections (sepsis) are amongst our most important products. The product range is rounded up by highly effective coagulation preparations that are well-tolerated, particularly when applied in long-term therapy.

The production units of the Pharmaceutical division are located at Biotest Pharma GmbH in Dreieich where the production method is in the process of being changed over to a new one, the so-called filter aid method, in an investment programme covering several years. This not only involves a considerable expansion of capacities, but a significant increase in yields and thus improved cost efficiency. This investment offensive is moreover aimed at bringing our production plants in line with the latest global regulatory requirements. Owing to the complexity and the length of the official approval process for the expansion of production, the sale of the products from the new plant will start only in 2004.

Whilst the Pharmaceutical division was able to achieve distinct sales growth in the past, the year 2002 was characterised by high pricing pressure on human albumins and coagulation preparations on some foreign markets. Hence, sales increased moderately by € 0.7 million to € 166.7 million. We were not able to meet the demanding sales objectives for the 2002 financial year.

Compared to previous years, the Pharmaceutical division recorded a much improved sales trend on its domestic market reflected in an increase of 8.7 %, whereas foreign sales dropped below their previous year's level. The exception in this trend was the Middle East in which we achieved the highest growth on a percentage basis.

Sales were generated in the following regions:

	2002 (€ million)	2001 (€ million)	Change (%)
Germany	52.6	48.4	+ 8.7
Rest of Europe	59.9	63.5	– 5.7
United States	13.5	16.8	– 19.6
Middle East	23.0	15.7	+ 46.5
Asia	13.6	15.3	– 11.1
Rest of the world	4.1	6.3	– 34.9
Pharmaceutical division	166.7	166.0	+ 0.4

The coagulation factor Haemoctin® SDH, used to treat haemophilia A, maintained its position as the Pharmaceutical division's top-selling product. A higher level of acceptance of the CP immunoglobulins was recorded in the reporting period. They increasingly replaced the first-generation preparations, in particular Hepatect®, a preparation used for reinfection prophylaxis after liver transplantations, and Intraglobin®.

Operating profit before special factors drops to € 8 million. The Pharmaceutical division's operating profit before special factors came to just under € 8 million after € 16 million in 2001. Adding the cost of the social compensation plan within the scope of restructuring measures taken in Dreieich and the write-downs on property previously used by the former Group company, Astrapin, in Pfaffen-Schwabenheim, the operating profit dropped by a further € 2 million to € 6 million. The operating profit of the distribution companies remained basically on the previous year's level.

Capital expenditure: Large-scale projects determine cost planning. The investment programme, which was launched three years ago and will continue until 2004/2005, ensures that production at Biotest Pharma GmbH will technologically be state-of-the-art. The new procedure ensures a higher possible number of registrations in Europe, increases also capacities and thus ensures a distinct improvement in the competitive position.

The new sterile final fill facility went into production in summer 2002. From a technological point of view, the new fractionation facility (CP-FH procedure with almost double the capacity) was completed in summer 2002. The validation process has already begun. Authorisation by the responsible authorities is not expected before the end of 2003 / the beginning of 2004. € 4 million were invested in the fractionation facility in 2002.

In 2002 we also started to expand the capacities of the manufacturing plants for the "Coagulation" product line. For that purpose we will have expensed around € 14 million by 2004, € 7.2 million in 2002 alone. The plant is scheduled to go into production in 2004. These increased capacities are intended to secure additional market shares and an improved cost efficiency in the coagulation production.

Expansion of the CP subunit facility was likewise commenced. This project will run until 2006 and has an envisaged investment amount of just under € 13 million of which over € 1 million were already invested in 2002.

This entails a total realignment of the ancillary production functions, such as capacities for processing intermediate products, sterilisation facilities, buffer solutions etc., which will require additional capital expenditure to the tune of € 16 million between 2002 and 2005. € 3.8 million of said amount have already been expensed in 2002.

We also invested € 5 million in plant and equipment of which € 3.2 million went into large volumes vessels for the coagulation plant.

Research and Development. Work on the registration documents for the latest generation of immunoglobulin preparations according to the CP-FH procedure was closely linked to the completion of the new fractionation and the corresponding qualification and validation measures as the entire production process is part of the product registration.

The registration documents were completed at the end of the year 2002 and submitted to the German registration authorities in January 2003. We expect these products to be registered by the end of 2003 or the beginning of 2004.

Clinical trials for extended evidence of quality of our coagulation preparation F VIII returned excellent results in 2002 so that registration efforts were stepped up in autumn 2002 to include certain European countries. The respective documents will be submitted in 2003.

Tests on the new F IX coagulation preparation for prophylaxis and treatment of bleeding in the context of haemophilia B were completed in 2002. Owing to a shift in priorities, it is now planned to submit the documents for registration in the first half of 2003.

The extensive measures for the improvement of processing and production runs which were introduced to strengthen our profitability levels were continued as scheduled.

Employees. A total of 38 new full-time jobs were created at Plasma Service Europe GmbH in the course of the year.

Diagnostic division

Marked by costs and competitive pressure. The Diagnostic division encompasses the products of Biotest AG, the production companies Heipha Dr. Müller GmbH and Viro-Immun Labor-Diagnostika GmbH as well on the US-American subsidiary Biotest Diagnostics Corporation. Sales and distribution of these diagnostics in Western Europe is carried out by Biotest's own distribution companies. The activities of the distribution companies, which previously belonged to the Medical Devices division, have been assigned to the Diagnostic division. The previous year's figures were adjusted correspondingly.

Sales activities focus on products for medical diagnosis in clinical laboratories, for blood donation services and private laboratories. On top of this, the division supplies products for hygiene monitoring – predominantly in the industrial sector. The economic environment of the diagnostics market is influenced by politically induced upward pressure on costs. The strong competition increases this pressure even further.

Biotest offers automated systems which allow customers to reduce their personnel costs. In both Germany and Europe, our market is currently undergoing a phase where laboratories consolidated mainly into larger laboratories which are more easily able to modernise, using automated large-scale systems more economically.

Biotest successfully migrated from a test to a system provider. We already provide different diagnostic target groups with several automated systems. In addition to TANGO, the system for blood group diagnosis, our product range includes systems for transplantation diagnosis and virological diagnosis as well as hygiene monitoring.

Growth was successfully achieved in transplantation diagnostics with modern DNA-technology products, in transfusion diagnostics and in virology.

The year 2002 was also marked by the optimisation of TANGO, the laboratory device for blood group diagnosis. The purchased hardware and software components could not yet meet the stability requirements of the tough routine production process. An optimisation programme launched in August 2002 lead to a stable and improved version of the device at the beginning of 2003 with which we endeavour to quickly tap into the new markets, in particular in France.

European growth stronger than domestic growth. The highly successful development at Heipha Dr. Müller GmbH (+7%) primarily contributed to the increase in domestic sales, whereas Biotest AG's sales in this business unit remained just below the previous year's level. 80% of the growth of the Diagnostic division was generated in other European countries, in particular in Great Britain, Hungary and Switzerland. Biotest AG's growth in the rest of the world was generated via commercial agents.

Sales broken down by region are as follows:

	2002 (€ million)	2001 (€ million)	Change (%)
Germany	24.4	23.8	+ 2.5
Rest of Europe	33.1	29.1	+ 13.8
Rest of the world	18.2	17.8	+ 2.2
Diagnostic division	75.7	70.7	+ 7.1

Operating profit before exceptional items higher than in 2001. The operating profit before exceptional items is € 0.2 million higher than the comparable previous year's amount. Higher in merchandise sales of the European distribution companies were mainly responsible for this improvement.

The one-off charges resulting from restructuring measures launched at the Dreieich location and the required write-downs on property, plant and equipment impacted the operating profit with minus € 4.3 million.

Cautious capital spending. Over € 3 million were invested in the Diagnostic division. Biotest AG invested € 1.6 million in property, plant and equipment. Heipha Dr. Müller GmbH invested around € 1 million in plants and in the completion of the new building at its headquarters.

Research and Development: focus on product advancement. Last year's concentration of research and development projects on the business activities transfusion and transplantation was consistently pursued in 2002 as well.

In transplantation (tissue typing) we were able to successfully conclude the development of an automated, molecular biological diagnosis system. This product was launched according to schedule and is now more efficient which in turn reduces our manufacturing costs and enables our customers to achieve a higher throughput of specimen compared to other established systems. Transfusion activities again concentrated on TANGO, the fully automated blood group device. In addition to improving the device's functionalitities we started to prepare the registration of the devices and reagents on the US market. This project is carried out in co-operation with Olympus America Inc. We are planning on submitting the registration documents in autumn 2003, following the conclusion of a multicentric study.

In the area of hygiene monitoring, we continued to develop a new sampler of airborne micro-organisms for special clean rooms (isolators). Together with the corresponding usage accessories, this device will complement the range of products in spring 2003.

Employees. Unchanged from the previous year, the distribution companies employed around 130 full-time employees in the Diagnostic division.

Other divisions

Considerable cost burden due to discontinuation and write-downs. Activities of the discontinued operation are combined in the former Medical Devices division. They do not include merchandise sales recorded by Biotest's distribution companies. Discontinued operations include Biotest Medizintechnik GmbH and Envitec-Wismar GmbH together with its subsidiary.

After weighing capital requirements against existing credit lines, we decided to dispose of these companies in autumn 2002. The previously tied-up capital that has now become available will be used to finance the core business.

In the course of 2002, the loss recorded at Biotest Medizintechnik GmbH again increased significantly against the previous year, amounting to € 2.3 million by the end of October. As sales negotiations with potential investors dragged on, and success was not expected in the foreseeable future, we filed for insolvency in November 2002. Insolvency proceedings were commenced in January 2003. As Biotest does not expect any inflow of funds from the sale of Biotest Medizintechnik GmbH's assets, an additional loss of € 3.6 million was incurred.

In the reporting period, Envitec Group recorded a substantial growth in sales. Earnings were at the previous year's level. Negotiations with investors are in full swing.

Our separation from certain companies also affects Diaclone SAS. Due to the fact that the company does not qualify as an independent division and does not count towards the core business, it is therefore included in the Holding division. Diaclone SAS is also earmarked for sale due to the reasons mentioned above. Its net loss amounted to € 0.5 million as a major order was not delivered until the first quarter of 2003 upon request by the customer. Without this deferment, Diaclone SAS would at least have reported a balanced result. A purchase price was already agreed with the purchasing company at the balance sheet date. As the purchase price falls short of the book values, property, plant and equipment were written down by € 3.6 million (impairment).

Risks in Future Development and Risk Management

Entrepreneurial activity is by definition associated with the taking of risks. In addition to avoiding unnecessary risks, the primary aim of the risk management system is to identify and actively control calculated business risks. Biotest always endeavours to improve their risk monitoring instruments and systems and provide management with more timely information.

Biotest disposes of budgeting and internal reporting systems on a monthly basis which ensure that the decision-making bodies receive timely and comprehensive information. The analyses furthermore enable management to react in a quick and timely manner. The monitoring systems also include limit systems, approval procedures for investments, for hiring additional employees and for any decisions which tie up funds as well as hedge transactions in the context of interest rate and foreign exchange management. Furthermore, a risk management committee analyses the risk situation in Biotest Group's core businesses every six months and provides the Board of Management with a summarised risk report.

Product and environmental risks are met by strict quality management. This includes certification of our activities in accordance with international standards, constant improvement of processes and facilities as well as the enhancement of products.

Possible liability risks and damages are covered by insurance contracts in order to eliminate or limit the resulting financial consequences for the company. The scope of insurance coverage is constantly reviewed and adjusted should the need arise.

The following individual factors influencing risks should be mentioned:

The market situation of plasma products in 2002 did not develop favourable for all areas in the Pharmaceutical division. Considerable price reductions for basic plasma products had to be tolerated on different international markets as additional capacities in the United States lead to an oversupply, in particular of human albumin. Demand for these preparations is subject to erratic fluctuations, therefore a constant price level could not develop, leaving us to expect a marked improvement in prices.

The situation regarding the availability of the raw material plasma has eased. However, we again expect difficulties in procuring this material in the future. In spring 2001 Biotest set about establishing a proprietary plasma collection unit which meanwhile already has four donor stations and developed rather positively during 2002. It was even possible to exceed the targeted quantities of self-produced plasma. The current performance and cost structure of the subsidiary Plasma Service Europe will in future allow the Pharmaceutical division to partially detach itself from the inherent price risk and, above all, supply risks on the market. A further expansion of proprietary raw material procurement is planned. On top of this, long-term supply contracts and co-operations will secure the supply of plasma.

The Pharmaceutical division currently incurred extremely high start-up cost for product registrations for the new cost-effective CP-FH manufacturing procedure. The most important investments have been accomplished in this context and we envisage to start production with the new process in 2004. There was, however, a delay. Originally we assumed that our new production plants would require only a simplified registration amendment. Yet in the end we had to file for a completely new registration with our regulatory authority (Paul-Ehrlich-Institut).

The new plant will provide larger capacities in accordance with state-of-the-art technologie. We will file for registration, fulfilling the latest requirements stipulated by the authorities.

As a consequence of the resulting increase in capacities, the improvement in yields and the reduction of processing times, the division should also be able to significantly reduce inventories of work-in-progress which constituted a burden in the reporting period.

Foreign tender business, in particular in emerging countries, has become increasingly important to Biotest Pharma. This type of business entails uncertainties regarding timing, winning or postponement of regional tender offers. Tender offers awarded to others due to reasons outside our sphere of influence may have negative effects on the development of the current year. This is why we have stepped up efforts to increase our direct marketing activities for the market outside the tender business, which also has the added bonus of a shorter period of credit allowed for payment. This, however, presupposes that we register our products in the major European markets in accordance with the mutual recognition procedure (MR). We expect to obtain such registrations after mid-2005 on the basis of the German registration of our new production facility which is envisaged for 2004.

Biotest's position in the important Italian market developed favourably in the course of 2002, although the market entry of competitors rendered us incapable of maintaining our privileged position provided by Hepatect® – a product for hepatitis prophylaxis. One competitor was awarded product registrations so that we do not expect further growth for 2003 and 2004. We will, however, be able to maintain our present strong market position owing to the high level of acceptance among patients in long-term therapy.

The Diagnostic division still faces a market characterised by cost-cutting measures in the highly industrialised countries, resulting in a decline of margins. Biotest's response to the market pressure is to develop ultra-modern, highly secure and inexpensive systems, such as TANGO (automated blood group device), QuickStep (tissue typing system) and Elpha (infectious disease diagnosis system), to meet the requirements of laboratory diagnosis functions.

The successful completion of the current optimisation of the system TANGO will make for a significant increase in revenue. However, the complex systems business incurred high upfront costs coupled with delays. Moreover, owing to service expenses which accompany each installation, any notable income effects will be delayed until several months after the devices have been installed. After the optimisation of hardware and software we now expect to launch TANGO on a broader market in 2003.

In view of maintaining the short-term credit lines, the banks involved in the collateral trustee agreement approved in the meeting of 9 April 2003 the restructuring and realignment concept prepared by the consultancy firm mandated. Authorisation of the agreement is subject to board and consortium approval. In meeting the stipulated targets we secure the sustained support of the banks and avoid jeopardising the continued existence of our company. No further risks that might jeopardise the company's existence were detected when we reviewed the current situation.

Outlook

Group revenue. Sales development was suppressed in the first months of 2003. Biotest Group recorded sales of just under € 64 million in the first quarter, of which € 60 million are attributable to the continued operations. However, in this context it must be noted that the aforementioned capacity limitations in the Pharmaceutical division, the uncertain timing of large tender transactions and long throughput times result in distinctly fluctuating sales in individual months.

On the whole, we expect a moderate growth in sales in the continued operations – the Pharmaceutical and Diagnostic division – for 2003.

Owing to still insufficient availability of immunoglobulin-products and pricing pressure on coagulation preparations and albumin on foreign markets, the Pharmaceutical division is likely to only achieve a slight increase in sales, in particular on its domestic market. Along with the new production capacities available by mid-2004, we envisage to achieve a strong sales increase by that time.

The Diagnostic division looks to generate moderate sales growth on its domestic and foreign market in equal shares.

This, above all, is true for the area of transfusion medicine with the system TANGO and the respective usage accessories. Despite initial difficulties experienced in the routine operation of TANGO and the corresponding delays regarding the extensive product launch, we expect to successfully complete the ongoing optimisation efforts and generate a favourable sales trend. Closely linked to this is of course an expected push in sales and earnings in this product area.

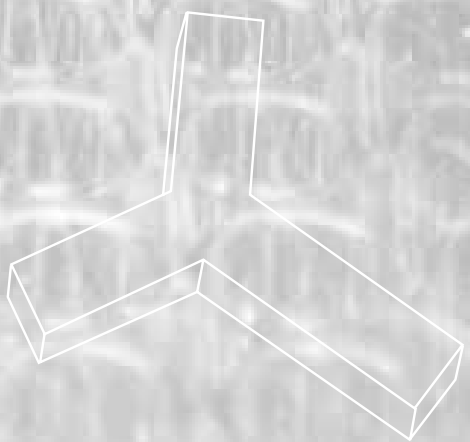
We also expect a positive sales trend in transplantation diagnosis as the successful establishment of the completed range of transplantation diagnosis tests on DNA-basis has, in conjunction with an open semi-automated system, achieved a high level of acceptance with customers and a corresponding demand and will continue to do so in the future.

Consolidated earnings. Costs for restructuring and cost-cutting measures launched at the end of 2002 were recorded in the balance sheet in the reporting period. Positive effects will mainly be felt in the second half of 2003, resulting in a substantial reduction of the cost burden. This is countered by the sustained high upfront costs for the strategic investment programme of the Pharmaceutical division, the effects of which will not be discernible in earnings until the second half of 2004. A temporary increase in interest cost and expenses on consultancy services in connection with the strategic reorientation will have an impact on earnings in 2003.

After the difficulties encountered in the reporting period, we expect a balanced result on the whole for 2003.

This is mainly due to the fact that the special factors which burdened 2002 no longer have an impact on the new financial year. Owing to the significant measures taken we expect earnings to be positive and to increase from 2004 onwards.

Further Information on the Financial Year



Further Information on the Financial Year

The Biotest Group Biotest AG, Frankfurt am Main

Germany

100 %	Biotest Pharma GmbH, Dreieich
100 %	Plasma Service Europe GmbH, Dreieich
98 %	Biotest Grundstücksverwaltungs GmbH, Dreieich
51 %	Heipha Dr. Müller GmbH, Eppelheim
51 %	Viro-Immun Labor-Diagnostika GmbH, Oberursel
78 %	Biotest Medizintechnik GmbH, Alzenau
60 %	Envitec-Wismar GmbH, Umweltschutz und Medizintechnik, Wismar
26 %	SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin, Berlin

Production and distribution

Sales and distribution

Research and development

Other

Rest of World

100 %	Biotest Pharmazeutika Ges.m.b.H., Vienna/Austria
100 %	Plasmadienst Tirol GmbH, Innsbruck/Austria
100 %	Biotest Italia S.r.l., Trezzano/Italy
100 %	Biotest Seralc° N.V., Kortenberg/Belgium
100 %	Biotest (UK) Ltd., Solihull/Great Britain
100 %	Biotest (Schweiz) AG, Rupperswil/Switzerland
100 %	Biotest S.a.r.l., Buc/France
100 %	Biotest Hungaria Kft., Budapest/Hungary
100 %	Biotest Diagnostics Corporation, Denville/USA
100 %	Biotest K.K., Tokio/Japan
100 %	Diaclone SAS, Besançon/France
60 %	Envitec-Denmark APS*, Copenhagen/Denmark

* fully-owned subsidiary of Envitec-Wismar GmbH Umweltschutz und Medizintechnik, Wismar as of: Dec. 31, 2001

(December 31, 2002)

Further Information on the Financial Year

Biotest Shares

No recovery on stock markets. The stock markets' promising start in 2002 was due to the expectations of an economic upturn in the US, accompanied by a recovery of prices on stock markets. But developments in the course of the year could not live up to these expectations. Sensational breakdowns of companies, accounting scandals and the scenario of an imminent intervention in Iraq unsettled investors. The realisation that future economic growth would fall tremendously short of forecasts resulted in an ever stronger downturn in equity market prices. Share prices once more fell dramatically in 2002 after having declined considerably in the two previous years. This was in particular true for the German stock market. Among international stock exchange indices, the German stock index DAX 30, for example, recorded the strongest downturn of minus 44 %.

In June the number of companies on the SDAX index was reduced from 100 to 50 to make this segment more attractive. Even though this index declined less than the DAX, it was nevertheless not spared with a minus of 28 %.

Biotest share not in line with market trends. Even though we started the year with a distinct increase in revenues, the prices of our two security categories developed in line with the trend of the stock exchange segment. Even further impetus was given to this trend in the second half of the year as we were faced with an unexpected decline in prices abroad of several preparations in the Therapy business area, in which in mid-2002 we had still envisaged increasing revenues and earnings. The unsatisfactory course of business, accompanied by correspondingly negative announcements in the last quarter in particular, resulted in distinct price declines of 62 % (ordinary shares) and 74 % (preference shares). At year-end, the shares declined to EUR 4.90 (ordinary shares) and EUR 3.07 (preference shares), respectively. We consider the Biotest share to be underrated at this level.

Average daily turnover again declined dramatically from the previous year to 3,050 ordinary shares and 3,534 preference shares, respectively.

Biotest shares broadly dispersed. Biotest AG's share capital amounts to € 20,480,000 and is divided into 4 million notional no-par value ordinary shares and 4 million notional no-par value, non-voting preference shares. The Dr. Schleussner Family holds 60 % of Biotest AG's ordinary shares and SüdKA Kapitalanlagegesellschaft mbH holds 5.357 %. The remaining ordinary shares and all of Biotest AG's preference shares are broadly dispersed across the stock exchange. Biotest AG's ordinary shares are traded with security identification number WKN 522720, ISIN DE0005227201, preference shares with WKN 522723, ISIN DE0005227235 on the official trading segment (amtlicher Handel) in Berlin, Düsseldorf, Frankfurt, Hamburg and Stuttgart.

Prime Standard listing. Upon realignment of the stock market, we applied for admission in the Prime Standard segment in December 2002. Biotest shares were admitted to this segment in January, and were suspended from membership in the SMAX at the same time. With the admission to the Prime Standard, we comply with distinctly higher reporting requirements than shares listed in the General Standard. This includes accounting in accordance with IRS, publication of quarterly reports and a financial calendar, a minimum of one analyst conference per year and ad-hoc disclosures in English as well.

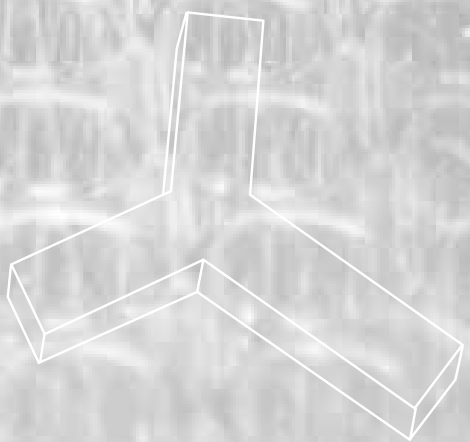
Being listed on the Prime Standard segment is, to us, the continuation of our internationally oriented investor relations policy. In addition to our analyst and press conferences in autumn and spring, we constantly publish up-to-date press releases. Moreover, we present all information on our company on our website www. biotest.com.

Key figures Biotest Shares		**2002**	2001	2000
Number of ordinary shares[1] per December 31		**4,000,000**	4,000,000	4,000,000
Number of preference shares per December 31		**4,000,000**	4,000,000	4,000,000
		8,000,000	8,000,000	8,000,000
Dividend		**–**	€ 2,240,000	€ 1,840,000
per share				
Dividend on ordinary shares (incl. tax credit)		**–**	€ 0.25	€ 0.20 (0.36)
Dividend on preference shares (incl. tax credit)		**–**	€ 0.31	€ 0.31 (0.44)
Earnings per share in €[2]		**– 2.56**	0.53	0.79
Additional dividend rights per preference share in €		**0.11**	0.06	
Earnings per preference share in €		**– 2.45**	0.59	
Cash flow[3]		**1.77**	€ 3.70	€ 2.35
Ordinary shares[1]	Closing price at year-end	**4.90**	13.40	15.10
	High	**14.57**	18.32	31.50
	Low	**4.83**	9.20	13.17
Preference shares	Closing price at year-end	**3.07**	12.10	14.20
	High	**13.75**	15.89	22.15
	Low	**2.95**	8.40	8.81

[1] 60 % of ordinary shares are held by the Schleussner family; 5,357 % held by SüdKA Kapitalanlagegesellschaft mbH
[2] before 2001: DVFA/SG earnings
[3] from 2001: operational cash flow before changes in working capital

Consolidated Financial Statements

According with International Financial Reporting Standards (IFRS)



Biotest Aktiengesellschaft, Group Income Statement for the Year Ended 31 December 2002

	Note	Continued operations		Discontinued operation		Total	
		2002 € thousands	2001 € thousands	**2002** € thousands	2001 € thousands	**2002** € thousands	2001 € thousands
Revenue		244,341	238,964	13,515	10,330	257,856	249,294
Cost of goods sold		–132,311	–121,743	–9,756	–7,282	–142,067	–129,025
Gross profit		**112,030**	**117,221**	**3,759**	**3,048**	**115,789**	**120,269**
Distribution expense		–61,175	–60,532	–2,739	–1,726	–63,914	–62,258
Administrative expense		–18,671	–17,520	–1,167	–782	–19,838	–18,302
Research and development expense		–17,971	–19,632	–1,311	–1,104	–19,282	–20,736
Other operating income	E1	6,304	7,514	938	638	7,242	8,152
Other operating expenses	E2	–11,675	–9,428	–3,089	–700	–14,764	–10,128
Profit from operations before special effects		**8,842**	**17,623**	**–3,609**	**–626**	**5,233**	**16,997**
Write-offs	E3	–6,758	–	–1,977	–	–8,735	–
Restructuring cost	E4	–3,283	–	–	–	–3,283	–
Operating profit		**–1,199**	**17,623**	**–5,586**	**–626**	**–6,785**	**16,997**
Net interest income	E7	–10,084	–8,301	–449	–402	–10,533	–8,703
Income from associated companies		41	33	–	–	41	33
Profit before tax		**–11,242**	**9,355**	**–6,035**	**–1,028**	**–17,277**	**8,327**
Income tax	E8	–2,350	–3,592	–170	–208	–2,520	–3,800
Profit after tax		**–13,592**	**5,763**	**–6,205**	**–1,236**	**–19,797**	**4,527**
Minority interest		–203	19	–37	–37	–240	–18
Consolidated net loss (2001: net profit)		**–13,795**	**5,782**	**–6,242**	**–1,273**	**–20,037**	**4,509**
Earnings per share in €	F10					**–2,56**	**0,53**
Additional dividend rights per preference share in €						**0,11**	**0,06**
Earnings per preference share in €						**–2,45**	**0,59**

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

Biotest Aktiengesellschaft, Group Balance Sheet as at 31 December 2002

Assets	Note	31.12.2002 € thousands	31.12.2001 € thousands
Intangible assets	F1	4,829	4,262
Property, plant and equipment	F2	110,383	101,999
Finance lease assets	F2	30,756	27,863
Investments in associates	F3	420	379
Other investments	F4	643	604
Fixed assets		**147,031**	**135,107**
Inventories	F5	129,896	129,104
Trade receivables	F6	63,571	66,021
Securities		–	1,764
Other Assets	F7	19,128	9,498
Cash and cash equivalents	F8	8,073	9,920
Current assets		**220,668**	**216,307**
Deferred tax assets	F9	**4,295**	**1,711**
Total assets		**371,994**	**353,125**
Equity and liabilities			
Issued capital		20,480	20,480
Share premium		78,964	78,964
Reserves		29,095	27,500
Consolidated net loss (2001: net profit)		–20,037	4,509
Shareholders' equity	F10	**108,502**	**131,453**
Minority interest		**2,292**	**1,296**
Provisions for pensions and similar obligations	F11	32,755	31,251
Provisions for taxes		3,015	1,909
Other provisions	F12	22,824	18,724
Provisions		**58,594**	**51,884**
Non-current liabilities	F13	52,717	51,278
Current financial liabilities	F13	114,703	82,250
Trade payables		22,053	21,400
Other liabilities	F14	11,149	11,311
Liabilities		**200,622**	**166,239**
Deferred tax liabilities	F9	**1,984**	**2,253**
Total equity and liabilities		**371,994**	**353,125**

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

Biotest Aktiengesellschaft, Statement of Changes in Equity for the Year Ended 31 December 2002

	In € thousands				
	Issued capital	Capital reserves	Accumulated differences from currency translation	Consolidate earnings and retained earnings	Total
Balance at 31. December 2000	**20,480**	**78,964**	**289**	**29,082**	**128,815**
Currency exchange differences	–	–	369	–	369
Group net profit	–	–	–	4,509	4,509
Dividend distributions for 2000	–	–	–	–2,240	–2,240
Balance at 31. December 2001	**20,480**	**78,964**	**658**	**31,351**	**131,453**
Balance at 31. December 2001	**20,480**	**78,964**	**658**	**31,351**	**131,453**
Difference from currency exchange	–	–	–674	–	–674
Group net loss	–	–	–	–20,037	–20,037
Dividend distributions for 2001	–	–	–	–2,240	–2,240
Balance at 31. December 2002	**20,480**	**78,964**	**–16**	**9,074**	**108,502**

Explanations on shareholders' equity are contained in the Notes under F10 Shareholders' equity.

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

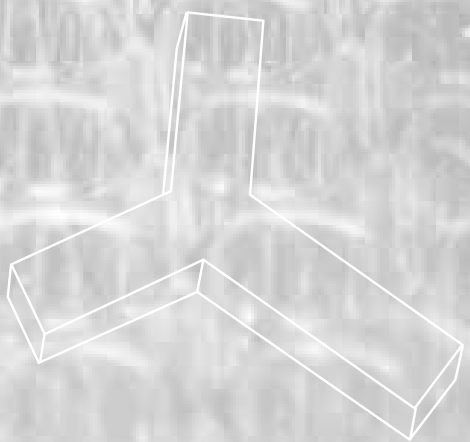
Biotest Aktiengesellschaft, Cash Flow Statement for the Year Ended 31 December 2002

	Note	2002 € thousands	2001 € thousands
Net profit before tax		–17,277	8,327
Depreciation and amortisation of intangible assets and property and equipment	F1; F2	19,570	10,178
Income from associates		–41	–33
Write-downs on investment securities		4	1
Gains from the disposal of fixed assets		–131	1
Increase in provisions for pensions	F11	1,504	2,422
Net interest income		10,533	8,703
Cash flow from operating activities before changes in working capital		**14,162**	**29,599**
Changes in other provisions	F12	5,261	–1,459
Increase in inventories, accounts receivable, and other assets		–9,584	–23,612
Increase in liabilities and other liabilities		453	9,868
Cash flow from changes in working capital		**–3,870**	**–15,203**
Interest paid		–9,790	–7,873
Taxes paid		–2,963	–5,293
Net cash used in operating activities (2001: Net cash from operating activities)		**–2,461**	**1,230**
Cash from the disposal of fixed assets		616	2,319
Cash used for investments in fixed assets	F1; F2	–30,801	–34,667
Cash used for the acquisition of additional shares		–1,238	–
Changes in other financial assets		–43	7
Decrease in cash and cash equivalents due to first-time consolidation		–19	–
Interest received		1,025	663
Net cash used in investing activities		**–30,460**	**–31,678**
Dividend payments for 2001		–2,240	–2,240
Cash changes in minority interests		830	–107
Cash changes from the sale of accounts receivable	F6	–1,326	6,309
Proceeds from borrowings	F13	44,982	29,874
Payments for redemption of debt	F13	–11,085	–5,289
Net cash from financing activities		**31,161**	**28,547**
Cash changes in cash and cash equivalents		–1,760	–1,901
Exchange-rate-related changes		–87	110
Cash and cash equivalents at beginning of period	F8	9,920	11,711
Cash and cash equivalents at end of period	F8	**8,073**	**9,920**

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

Notes to the Consolidated Financial Statements

of Biotest AG



Notes to the Consolidated Financial Statements

of Biotest AG

A General Information

Biotest Aktiengesellschaft (Biotest AG) is the Group's parent company with registered office in Frankfurt/Main. The Group's headquarters are located in Landsteinerstrasse 5, 63303 Dreieich, Germany. With its Pharmaceutical, Diagnostic and Medical Devices divisions, Biotest AG and its subsidiaries are active in research, production and marketing. The Pharmaceutical division is primarily represented by Biotest Pharma GmbH, producing and distributing banked serum, protein solutions, immunoglobulins and coagulation preparations. The products are manufactured on the basis of blood plasma and human blood. Plasma Service Europe GmbH, Dreieich and Plasmadienst Tirol GmbH, Austria support the supply of blood plasma within the Group. The Diagnostic division manufactures serology and microbiology products and is active in research and development in these areas. The products include test sera, culture media and hygiene monitoring devices as well as similar merchandise. In autumn 2002, it was decided to dispose of our third division, Medical Devices.

The consolidated financial statements of Biotest AG and its subsidiaries have been prepared in accordance with the accounting provisions published or adopted by the International Accounting Standards Board (International Financial Reporting Standards – "IFRS" – previously known as IAS). All International Financial Reporting Standards in effect at 31 December 2002 or 2001 and all Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" – previously known as "SIC") were applied in the preparation of the financial statements.

In accordance with SIC-8, the IFRS provisions were applied in the Group's 2001 financial year for the first time.

The Group applied IAS 39 (revised 2000), "Financial Instruments: Recognition and Measurement" for the first time in the 2001 financial year. The financial effects of this standard have been presented in the consolidated financial statements. All other new or revised standards applied after 1 January 2001 had no material effect on the presentation of the Group's financial position and performance.

The consolidated financial statements are consistent with the European Union's Consolidated Accounts Directive (Directive 83/349/EEC). Additional disclosure was made and information provided in accordance with the German Commercial Code (HGB) in order to obtain consolidated financial statements complying with the provisions of German Commercial Code.

As these consolidated accounts discharge us of the obligation to prepare consolidated accounts in accordance with the provisions of the German Commercial Code, we will not prepare such a set of accounts.

Amounts are stated in thousands of euros (€ '000), if not stated otherwise.

B Accounting and Consolidation Policies Inconsistent with German Law

Below, we disclose material accounting and consolidation policies which are inconsistent with German law.

Leasing. In some cases, IFRS provisions stipulate that leased assets which would still be accounted for by the lessor pursuant to the German Commercial Code are already accounted for by the lessee.

The company owning the economic interest in an asset and thus carrying the risks and rewards of utilisation of the leased asset must account for such leased asset.

Derivative financial instruments. According to IFRS, all derivative financial instruments must be recorded at market value which leads to the recognition of unrealised profits. The German Commercial Code provides for the recognition of unrealised profits only. If all documentation requirements have been satisfied and an effective hedging relationship is in place, a hedging relationship may be accounted for correspondingly, and partially unrealised profits and losses directly offset against reserves.

Deferred taxes. Pursuant to IFRS, deferred taxes must be recognised for all temporary differences (including quasi-permanent differences) between the tax base of assets and liabilities and the amounts accounted for in accordance with IFRS. The German Commercial Code provides for the choice of recognising deferred tax assets. Moreover, in contrast to the German Commercial Code deferred tax assets must be recognised for carryforwards of tax losses to the extent that these can be offset against future tax losses.

Inventories. Pursuant to IFRS the cost of work in progress and finished goods as well as self-constructed plants should comprise all costs. These also include overheads for which an option to capitalise exists pursuant to the tax laws. Raw materials, consumables and merchandise are only written off to lower replacement cost in the event that it is no longer possible to sell the corresponding finished goods at their cost of conversion.

Foreign currency exchange. Accounts receivable and liabilities in foreign currency must be valued at the prevalent rates at the relevant balance sheet date which, in contrast to the German Commercial Code procedures, results in the recognition of unrealised profits.

Provisions for pensions. Provisions for pensions and similar obligations are determined using the projected unit credit method, taking into account market rates and future increases in salary and benefit levels. Provisions for pension benefits must be set aside from the time the liability arises, taking into account current fluctuation rates.

Other provisions. IFRS provides for setting aside provisions for liabilities to third parties only. Contrary to the provisions of the German Commercial Code, it is not allowed to set aside provisions for future expenses, i.e. provisions for which no liability to parties outside the company exists. All long-term liabilities must be discounted.

First-time consolidation. Pursuant to IFRS (in contrast to the German Commercial Code) the book value method does not limit the recognition of undisclosed accruals and provisions upon first-time consolidation to the costs of purchase of the investment. A resulting difference on the liabilities side will be offset against capitalised goodwill and amortised over the average life of amortisable assets with an effect on the income statement in accordance with IFRS.

Minority interests. In contrast to the German Commercial Code, minority interests in subsidiaries' equity are not recognised as part of shareholders' equity but as a separate line item under shareholders' equity and above liabilities. Pursuant to IFRS, net profit attributable to minority interests reduces the net profit for the year.

C Material Accounting Policies

C1 Scope of consolidation. All material subsidiaries are included in Biotest AG's consolidated financial statements. Biotest AG directly or indirectly holds the majority of voting rights in 6 (2001: 7) German and 12 (2001: 12) foreign companies. In November 2002 Biotest Medizintechnik GmbH was eliminated from the scope of consolidated companies due to having filed for insolvency proceedings. The company's income statement has been included in the consolidated financial statements until the time of exclusion. The change in the scope of consolidation does not affect comparability with the previous year.

One company, SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin with registered office in Berlin, has been included in the consolidated financial statements as an associated company at equity.

The material companies included in the consolidated financial statements have been included in note G 5 of the notes to the consolidated financial statements. A complete listing of all companies in which an equity interest is held by Biotest Group is filed with the commercial register of the local court (Amtsgericht) of Frankfurt/Main under number HR B 27614.

The balance sheet date for the consolidated financial statements and all consolidated companies is 31 December 2002.

C2 Consolidation principles. Capital consolidation has been accomplished pursuant to the book value method, and costs of purchase have been offset against the market value of the shareholders' equity attributable to the parent company at the time of purchase on a pro-rata basis. Remaining differences are capitalised as goodwill and amortised over the expected useful life. Negative differences are offset against goodwill and released over the average life of the amortisable assets with an effect on the income statement.

The book value of investments in associated companies includes profits not yet distributed on a pro-rata basis from the time the material influence is exercised. Corresponding losses are offset against the book value of the investment on a pro-rata basis.

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

C3 Currency exchange. Currency translation follows the concept of the functional currency. When translating annual accounts of subsidiaries whose functional currency is not the euro, assets and liabilities have been translated using the mean rate of exchange at the balance sheet date and income and expenses have been translated using annual average rates. The resulting accumulated differences are recognised in a separate equity capital item without effect on the income statement.

Where monetary items (cash and cash equivalents, accounts receivable and liabilities) are recorded in local currency in the consolidated companies' individual balance sheets, these items are valued at the exchange rate as at the balance sheet date. Resulting currency differences are recorded under other operating income or expenses.

The following exchange rates were used for translating currencies of the most important countries.

	Average rates		Rates at the balance sheet date	
Equivalent for € 1	**2002**	2001	**2002**	2001
US dollar	**0.9449**	0.8957	**1.0487**	0.8813
Pound sterling	**0.6288**	0.6217	**0.6505**	0.6085
Japanese yen	**118.07**	108.73	**124.39**	115.33
Swiss franc	**1.4672**	1.5104	**1.4524**	1.4829
Hungarian forint	**242.89**	256.62	**236.29**	245.18
Danish krone	**7.4305**	7.4514	**7.4288**	7.4365

C4 Derivative financial instruments. To hedge interest rate and currency risks, the Group uses derivative financial instruments such as foreign exchange contracts, interest rate swaps and cross currency swaps. No derivative financial instruments were purchased for trading purposes.

However, as the strict formal requirements for hedge accounting are not met within Biotest Group even though it is Biotest's intention to hedge its activities, such instruments are accounted for in accordance with the provisions for trading derivatives. Derivative financial instruments are consequently recorded at cost of purchase first and then shown at market values afterwards. Changes in the valuation are reflected in the income statement correspondingly.

Market values of foreign currency forward transactions are determined on the basis of market conditions at the balance sheet date. The market value of interest rate swaps and cross currency swaps has been determined by banks.

C5 Intangible fixed assets.

C5.1 Goodwill. Goodwill arises on the acquisition of companies or shares in companies ("share deal") as well as on the acquisition of business divisions ("asset deal") from the difference between the costs of purchase (purchase price) and the fair values of acquired assets and liabilities. Goodwill is recorded at cost of purchase less accumulated amortisation. The goodwill recorded has useful lives of between 5 and 15 years.

Goodwill in the context of the acquisition of foreign companies is translated at the exchange rate at the time of first-time consolidation.

Any negative goodwill resulting from first-time consolidation will be amortised over the remaining useful life of the long-term assets of 45 years with an effect on income.

Associated companies included "at equity" in the consolidated financial statements are recognised at goodwill and changes thereof.

C5.2 Other intangible fixed assets. Other intangible fixed assets purchased for a consideration are recorded at the cost of purchase and are amortised over their estimated useful lives pursuant to the straight-line method. Where necessary, a write-down of these assets has been recorded. The useful lives last between 3 and 5 years.

C6 Property, plant and equipment. Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation has been effected on a straight-line basis over the expected useful life. The following terms were estimated for the individual items:

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

Write-downs are effected pursuant to IAS 36 to such an extent as necessary. Cost of conversion of self-constructed property, plant or equipment includes cost of materials and staff costs as well as adequate overhead costs on a pro-rata basis. Repair and maintenance expenses are recognised when incurred with an effect on income. Extensions and major improvements are capitalised. Interest costs are recognised as expenses.

Government grants reduce the cost of purchase or conversion.

C7 Leasing. Contracts for rented or leased fixed assets which transfer substantially all the risks and rewards incident to ownership of such asset are classified as finance leases. They are capitalised at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments in accordance with IAS 17. They are depreciated over their expected useful life. Write-downs are effected pursuant to IAS 36 to such an extent as necessary. Respective payment obligations from future lease payments are correspondingly recognised in the balance sheet as liabilities. The interest element of leasing payments is recorded over the term of the leasing contract with effect on income.

The assets capitalised in the context of finance leases are production plants.

If the condition that substantially all the risks and rewards incident to ownership of an asset are transferred to the Group is not fulfilled, such asset is recognised in the balance sheet of the lessor (operating lease). The leasing payments are recorded as expense when they are incurred.

C8 Impairment. Should certain facts or circumstances imply the impairment of long-lived assets, the recoverable amount of such assets is determined. If this amount falls short of the book value, a write-down will be recognised. With the exception of goodwill, write-ups are effected when the estimated recoverable amount exceeds amortised cost.

C9 Inventories. Inventories are carried at cost or recoverable net selling value at the balance sheet date. The latter is equal to the estimated selling price which may be recovered in the course of the ordinary business reduced by expected completion or disposal costs. The cost of purchase should be determined on the basis of the first-in, first-out method. Pursuant to IAS 2, cost of conversion includes costs directly related to the units of production. It also includes an adequate share of the overheads attributable to the production process.

C10 Trade receivables and other assets. Trade receivables and other assets are recorded at their nominal value. Receivables denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Foreign exchange rate gains or losses are recorded with effect on income or expenses. Default and transfer risks are accounted for by the recognition of allowances. The allowances are determined on the basis of experience and individual risk assessment.

C11 Cash and cash equivalents. The item cash and cash equivalents includes cash and current account balances as well as investments which can be disposed of at any time with times to maturity of less than three months.

C12 Pension provisions. Biotest Group operates several defined benefit pension plans. Such plans are valued on the basis of actuarial opinion in accordance with the so-called projected unit credit method. In this context, the pension expense for the financial year is projected on the basis of the approaches determined at the beginning of the financial year. The parameter used (interest rate, fluctuation rate, salary increases, etc.) are expected values. Any actuarial gains or losses at year-end will not influence the pension expense in the financial year but shall be amortised in the following year on a pro-rata basis (in accordance with the average remaining aggregate employees' overall length of service). In accordance with the corridor approach pursuant to IAS 19.92, the Group does not record amortisation amounts within a range of 10 % of the present value of the defined benefit liability.

A pension liability from a retrospective change of benefit obligations in any financial year should be determined separately and amortised over the period until the claims are vested. If claims are already vested at the time of the change, the pension expense is recorded in that period with effect on the income statement.

C13 Other provisions. In accordance with IAS 37 provisions should be recognised when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the outflow of resources. It is valued at the probable amount. Provisions are recorded at present value, taking into account their materiality.

C13.1 Liabilities for part-time work for elder workers. Material companies within Biotest Group are subject to collective wage agreements of the chemical industry and are consequently subject to the chemical industry's master agreement on part-time work for elder workers. Provisions for part-time work for elder workers are recognised for all employees which may start working on a part-time basis when approaching retirement during the term of the master agreement. The maximum thresholds for the employer's obligation are taken into account in this context. Amounts are valued at the present value of the probable benefit obligation. Past experience has shown that the thresholds stated in the collective wage agreements have been exhausted.

C13.2 Restructuring. Restructuring provisions have been recognised at a time at which the Group published a detailed and formal restructuring plan and started implementing the restructuring measures or, at which the affected employees were formally informed of material details of the plan. Detailed information of employee representatives (works council) is in this context tantamount to a notice to the individual employees affected.

C14 Financial liabilities. In the beginning, financial liabilities are recorded at the amount of the loan reduced by transaction cost and then stated at amortised cost using the effective interest rate method. Any difference between the net amount of the loan and the redemption value is recorded in the income statement over the term of the financial liability.

C15 Revenue. Revenue from the sale of products is recognised – less discounts and value added tax – at the time of transfer of economic ownership, i.e. at the time when risks and rewards were transferred to the buyer, based on the corresponding contractual agreements.

C16 Research and development cost. Research cost are recorded as expense at the time they are incurred. Development cost, too, are recorded as expense when incurred as it is not sufficiently certain that products may be marketed or production processes employed until they have been approved by the authorities and such approval is typically granted only at the end of the development process. The requirements for capitalisation pursuant to IAS 38 thus are not fully complied with. Development costs incurred after approval by the authorities are not material.

C17 Government grants for research and development. Government grants for research and development are recorded in the income statement at the time of the grant or in accordance with the research and development expenses incurred. They are recorded under other income and not offset against research and development expenses.

C18 Interest. Interest is recognised as income or expense when incurred. The share of interest contained in leasing payments for finance leases is recorded taking into account the effective interest rate method and recognised as interest expense.

C19 Taxes. Current income tax expense is determined and recognised on the basis of the corresponding national tax provisions of those countries in which Biotest Group operates.

The Group determines deferred taxes for all temporary differences between the tax base of assets and liabilities and the values to be stated in accordance with IFRS. Moreover, deferred taxes are as a general rule recognised for existing tax loss carryforwards.

The respective applicable tax rates or those rates which were already passed by parliament are used for the determination of current tax expenses and deferred taxes.

Deferred tax assets are recognised in an amount of which it can be expected at the balance sheet date with sufficient certainty that the respective entity will generate sufficient taxable income to be able to realise the tax benefits.

C20 Virtual stock option plan. In 2002, Biotest Group issued a virtual stock option plan for several senior employees. This plan may result in payments to senior employees on part of the Group, depending on the future development of the stock prices and taking into account the other provisions of the plan (qualifying periods). Potential liabilities of the Group during the term of the plan are accounted for by provisions. Against the backdrop of the share price level, no potential liability was present at the balance sheet date. Please refer to note E.5 for further details of the plan.

D Segment Reporting and Discontinued Operation

D1 Segment reporting. Information disclosed in the segment report have been prepared in accordance with IAS 14 "Segment Reporting".

Segmentation in the Biotest Group is primarily aligned along products; in this context, the company is divided into Pharmaceutical and Diagnostic divisions.

- **Pharmaceutical division:** The Pharmaceutical division focuses on therapeutic treatment of patients with products derived from human blood plasma.
- **Diagnostic division:** The Diagnostic division primarily produces and distributes diagnostic preparations for both the medical laboratory and for hygiene monitoring in the industry. Merchandise of the former Medical Devices division, such as blood bags, will in future be recognised in the Diagnostic division. The previous year was adjusted correspondingly.
- **Not allocated:** Assets not allocated include other financial assets, securities, cash and cash equivalents as well as the assets of Diaclone SAS. Liabilities, revenues and expenses not allocated include the holding function within Biotest AG and Diaclone SAS.
- **Discontinued operations:** This division comprises Biotest Medizintechnik GmbH which was already excluded from the scope of consolidated companies as well as Envitec-Wismar GmbH Umweltschutz und Medizintechnik which has been earmarked for sale. This division also comprises Envitec-Denmark APS, which is a fully-owned subsidiary of Envitec-Wismar.

The allocation of revenues to segments (primary segmentation) was effected in accordance with the division in which they originated. Revenues among divisions were not recorded.

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

Segment information by division

		in € thousands				
		Pharmaceutical division	Diagnostic division	Holding/not allocated	Discontinued operation	Total
Revenue with third parties	2002	166,659	75,746	1,936	13,515	257,856
	2001	166,004	70,746	2,214	10,330	249,294
Operating result	2002	5,807	–3,076	–3,930	–5,586	–6,785
	2001	16,464	978	181	–626	16,997
Income from associates	2002	–	41	–	–	41
	2001	–	33	–	–	33
Assets	2002	276,637	68,757	16,435	10,165	371,994
	2001	251,634	68,809	20,122	12,560	353,125
Investments in associates	2002	–	420	–	–	420
	2001	–	379	–	–	379
Capital expenditure	2002	27,097	3,217	52	1,599	31,965
	2001	24,734	5,470	180	4,283	34,667
Liabilities	2002	184,110	52,143	19,021	5,926	261,200
	2001	150,321	46,368	14,638	9,049	220,376
Depreciation and amortisation	2002	5,898	8,213	2,403	3,056	19,570
	2001	6,326	2,854	342	665	10,187
Cash inflow (outflow) from operating activities	2002	–7,160	1,279	1,425	1,996	–2,460
	2001	–1,099	545	202	1,582	1,230

In the 2002 financial year, the segments Pharmaceutical, Diagnostic and Holding/not allocated recorded write-downs of € 972,000, € 2,329,000 and € 3,457,000, respectively, whereas discontinued operations showed write-downs of € 1,977,000. In the 2001 financial year, no write-downs were recorded.

Segment data: breakdown by regions (in € thousands)

		Germany	Europe	United States	Middle East	Asia	ROW	Total
Revenue with third parties								
Continued operations	2002	77,199	94,179	26,094	24,998	16,556	5,315	244,341
Discontinued operation	2002	4,973	4,856	1,618	137	845	1,086	13,515
	Total 2002	**82,172**	**99,035**	**27,712**	**25,135**	**17,401**	**6,401**	**257,856**
Continued operations	2001	72,321	93,819	29,631	17,812	18,217	7,164	238,964
Discontinued operation	2001	3,656	3,584	1,375	106	509	1,100	10,330
	Total 2001	**75,977**	**97,403**	**31,006**	**17,918**	**18,726**	**8,264**	**249,294**
Assets								
Continued operations	2002	308,604	49,153	3,422	–	650	–	361,829
Discontinued operation	2002	9,605	560	–	–	–	–	10,165
	Total 2002	**318,209**	**49,713**	**3,422**	**–**	**650**	**–**	**371,994**
Continued operations	2001	284,884	51,365	3,644	–	672	–	340,565
Discontinued operation	2001	11,736	824	–	–	–	–	12,560
	Total 2001	**296,620**	**52,189**	**3,644**	**–**	**672**	**–**	**353,125**
Capital expenditure								
Continued operations	2002	28,909	1,279	176	–	2	–	30,366
Discontinued operation		1,599	–	–	–	–	–	1,599
	Total 2002	**30,508**	**1,279**	**176**	**0**	**2**	**0**	**31,965**
Continued operations	2001	29,128	1,047	191	–	18	–	30,384
Discontinued operation	2001	4,283	–	–	–	–	–	4,283
	Total 2001	**33,411**	**1,047**	**191**	**–**	**18**	**–**	**34,667**

D2 Discontinued operation. In Q4 2002, the Board of Management resolved in agreement with the Supervisory Board to discontinue the operations of the former Medical Devices division. The Board of Management envisages that the discontinuation will be concluded by the end of 2003.

This information was disclosed to the capital markets in the fourth quarter of 2002 (6 November). The companies Biotest Medizintechnik GmbH and Envitec-Wismar GmbH Umweltschutz und Medizintechnik as well as the subsidiary Envitec Denmark APS were assigned to the Medical Devices division. Biotest Medizintechnik GmbH filed for insolvency proceedings on 5 November 2002. Sales negotiations for Envitec-Wismar GmbH Umweltschutz und Medizintechnik are already underway.

At 31 December 2002, net assets of the discontinued operation amounted to € 4,239,000 (2001: € 3,511,000), including assets of € 10,165,000 (2001: € 12,560,000) and liabilities of € 5,926,000 (2001: € 9,049,000).

In the 2002 financial year, the discontinued operation's inflow of cash from operating activities amounted to € 1,996,000 (2001: € 1,582,000). Cash flows from investment activities and financing activities amounted to minus € 1,599,000 (2001: € 3,255,000) and minus € 296,000 (2001: 1,585,000), respectively.

D3 Changes in the scope of consolidated companies. Biotest Medizintechnik GmbH dropped out of the scope of consolidated companies after having filed for insolvency proceedings. The company contributed minus € 2,352,000 (2001: minus € 1,542,000) to consolidated earnings. At the time of deconsolidation, the company recorded assets of € 4,010,000 (2001: € 3,618,000) and liabilities of € 7,300,000 (2001: € 4,556,000).

E Explanatory Notes to the Income Statement

E1 Other operating income.

	2002 € thousands	2001 € thousands
Currency exchange gains	**2,836**	2,885
Release of provisions	**1,639**	1,184
Government grants	**633**	401
Gains from the disposal of fixed assets	**274**	69
Reversal of write-downs	**2**	1,126
Other	**1,858**	2,487
	7,242	8,152

Government grants primarily refer to research and development activities. Earmarked grants without repayment obligation have been allocated on an accrual basis, i.e. reported in the year during which costs were incurred.

E2 Other operating cost.

	2002 € thousands	2001 € thousands
Currency exchange losses	**4,741**	2,447
Write-downs of receivables	**3,978**	2,115
Insolvency expenses incurred by Biotest Medizintechnik	**1,798**	–
Transfers to provisions	**523**	562
Amortisation of goodwill	**341**	326
Losses from the disposal of fixed assets	**143**	70
Other	**3,240**	4,608
	14,764	10,128

E3 Write-downs.

	2002 € thousands	2001 € thousands
Continued operations		
Fixed assets Diaclone SAS	**3,687**	–
Property, plant and equipment Diagnostic division	**2,329**	–
Other assets	**742**	–
	6,758	–
Discontinued operation		
Fixed assets Biotest Medizintechnik	**1,977**	–
	1,977	–

In the financial year, the Group effected write-downs of individual assets in accordance with the requirements of IAS 36.

Subject to such write-down was one technology plant of the Diagnostic division. The amount of the write-down was determined on the basis of the future cash flow attributable to this plant. The gross surplus of funds was discounted at an interest rate of 11 % and compared to the book value.

Moreover, undeveloped real estate was written down to the selling price determined in the context of a report on the current market value, and a piece of real property earmarked for sale was written down to the reminder value as we were not able to sell it in the past two years.

Finally, Diaclone SAS has been identified to be a cash-generating unit pursuant to IAS 36 and the book values of property, plant and equipment were written down to the amount recoverable through sales negotiations.

E4 Restructuring.

	2002 € thousands	2001 € thousands
Continued operations		
Redundancy plans	**2.479**	–
Severance pay	**624**	–
Consultancy fees	**180**	–
	3.283	–

The restructuring programme was disclosed to the works council as early as December 2002.

E5 Staff cost. Staff cost are comprised of the following items:

	2002 € thousands	2001 € thousands
Wages and salaries	**61,322**	55,049
Social security cost	**10,355**	10,146
Pension cost	**3,381**	4,795
	75,057	69,990

Staff cost include severance pay to the tune of € 624,000.

Staff was employed in jobs equalling an average number of 1,277 (2001: 1,162) full-time jobs in the Group in the 2002 financial year. On 31 December 2002, staff was employed in jobs equalling an average number of 1,263 (2001: 1,205) full-time-jobs in the Group.

On 31 December 2002, the actual number of people employed by the Group amounted to 1,357 (2001: 1,289).

In February 2002, a virtual stock option programme was introduced with a term of three years (1 January 2002 until 31 December 2004). At inception, 24 employees (Board of Management and senior employees) participated in this programme and were awarded different numbers of value appreciation rights (overall 150,000 units). At 31 December 2002, the number of participants was reduced to 22 employees owning 135,000 value appreciation rights in the virtual stock option programme. After the end of the three-year term, the company will decide at its own discretion on an extension of the virtual stock option programme. The value of virtual shares is linked to the development of the Biotest ordinary share. The initial reference price is € 14.50. A right to compensation originally only arose if, during the three-year term of the rights, the market price of the Biotest ordinary share outperformed the course of the former CDAX Pharma & Healthcare index and if the market price of the Biotest ordinary share increased by at least 30 %. Deutsche Börse replaced the CDAX in March 2003 by a two-step model comprising 18 sector indices and 62 other, so-called Industry Groups. The prime sectors are based on the CDAX industry index history. A new index will be determined as benchmark for performance valuation. Compensation is limited to € 15.00 per value appreciation right.

At the balance sheet date, the Group had no obligations under this programme.

E6 Cost of materials purchased.

	2002 € thousands	2001 € thousands
Raw materials and supplies	**89,330**	95,372
Services purchased	**6,684**	8,454
	96,014	103,826

This improvement in the materials usage ratio is due to increased yields in the production of pharmaceuticals and to a partial transmission from plasma purchases to the supply with own plasma as Plasma Service Europe GmbH sets up plasmapheresis stations.

E7 Net interest income.

	2002 € thousands	2001 € thousands
Interest income	1,114	969
Currency gains from financing activities	202	15
Other income	308	97
Interest expenditure	–11,447	–9,784
Interest on prior years' tax audit	–700	–
Loss from the sale of securities	–10	–
	–10,533	–8,703

E8 Income tax. Income tax expense is broken down as shown below:

	2002 € thousands	2001 € thousands
Taxes in fiscal year	3,545	4,412
Current tax expense for prior years	1,854	–13
Current taxes	5,399	4,399
Effects from timing differences	–880	–1,147
Reduction of tax rate	–	576
Valuation of tax loss carryforwards	–1,999	–28
Deferred taxes	–2,879	–599
Income tax expense	2,520	3,800

Applying the expected tax rates of 37.9 % in 2002 and 2001, respectively, the tax expense for the 2002 and 2001 financial years will vary from the actual amounts as follows:

	2002 € thousands	2001 € thousands
Group profit before tax	–17,277	8,327
Expected tax income (expense in 2001) (37.9 %)	–6,548	3,156
Unvalued losses in the financial year	4,746	607
Current and deferred taxes for prior periods	3,454	–13
Tax effect from non-deductible expenses	1,268	487
Tax effect from the application of foreign tax rates	–7	–71
Tax effect from tax-free income	–179	–72
Tax credit from dividend distributions in Germany	–	–375
Other effects	–214	81
Income tax in accordance with income statement	2,520	3,800

The tax rate of 37.9 % is based on a corporate tax rate of 25 %, a solidarity surcharge of 5.5 % and the rate at which trade tax is levied by the municipality in which the individual companies are located (Group headoffice Dreieich). By passing the flood victim solidarity law on 19 September 2002 the corporate tax rate was increased by 1.5 percentage point for a period of one year. This increase was not taken into account as the effects are not material.

F Notes to the Balance Sheet

F1 Intangible assets. All assets listed below are allocable to non-current assets.

	in € thousands				
	Goodwill	Negative goodwill	Patents, licenses and similar rights	Advances made	Total
Cost of purchase					
Balance at 31 December 2001	3,131	–440	9,476	113	12,280
Additions	1,164	–	665	333	2,162
Book transfers	–	–	275	–100	175
Disposals	–	–	–21	–	–21
Disposals from changes in the scope of consolidated companies	–138	–	–156	–	–294
Currency exchange differences	–46	–	–43	–	–89
Balance at 31 December 2002	**4,111**	**–440**	**10,196**	**346**	**14,213**
Accumulated depreciation					
Balance at 31 December 2001	1,521	–49	6,546	–	8,018
Depreciation over the year	350	–9	1,076	–	1,417
Write-downs	98	–	65	–	163
Book transfers	–	–	155	–	155
Disposals	–	–	–18	–	–18
Disposals from changes in the scope of consolidated companies	–138	–	–156	–	–294
Currency exchange differences	–23	–	–34	–	–57
Balance at 31 December 2002	**1,808**	**–58**	**7,634**	**–**	**9,384**
Book value at					
31 December 2001	1,610	–391	2,930	113	4,262
31 December 2002	**2,303**	**–382**	**2,562**	**346**	**4,829**

Depreciation of the financial year is included in the following items of the income statement.

	2002 € thousands	2001 € thousands
Cost of goods sold	**231**	375
Distribution expense	**448**	454
Administrative expense	**313**	54
Research and development expense	**84**	105
Other operating cost	**341**	263
	1,417	1,251
Write-down (impairment)	**163**	–
	1,580	1,251

Scheduled amortisation of goodwill is included in other operating cost.

The item write-down (impairment) includes the remaining goodwill of Biotest Medizintechnik GmbH upon application for insolvency proceedings as well as the intangible assets of Diaclone SAS. All write-downs were recorded as expenses in the income statement.

F2 Property, plant and equipment. All assets listed below are attributable to non-current assets.

	in € thousands					
	Land and buildings	Machinery	Other plants, furniture and fixtures & office equipment	Leased assets	Payments in advance and facilities under construction	Total
Cost of purchase						
Balance at 31 December 2001	96,281	31,781	49,792	27,971	4,141	209,966
Additions	6,176	1,278	9,235	2,930	10,184	29,803
Book transfers	511	910	646	2,348	–4,590	–175
Disposals	–167	–262	–1,701	–	–	–2,130
Disposals from changes in the scope of consolidated companies	–	–167	–1,007	–1,287	–266	–2,727
Currency translation differences	–32	–86	–111	–	–	–229
Balance at 31 December 2002	**102,769**	**33,454**	**56,854**	**31,962**	**9,469**	**234,508**
Accumulated depreciation						
Balance at 31 December 2001	26,438	22,113	31,445	108	–	80,104
Depreciation financial year	2,474	1,811	4,595	1,278	2	10,160
Write-down (impairment)	3,946	1,512	1,009	1,097	266	7,830
Book transfers	–	–	–165	10	–	–155
Disposals	–138	–201	–1,309	–	–	–1,648
Disposals from changes in the scope of consolidated companies	–	–167	–1,007	–1,287	–266	–2,727
Currency exchange differences	–37	–67	–91	–	–	–195
Balance at 31 December 2002	**32,683**	**25,001**	**34,477**	**1,206**	**2**	**93,369**
Book value at						
31 December 2001	69,843	9,668	18,347	27,863	4,141	129,862
31 December 2002	**70,086**	**8,453**	**22,377**	**30,756**	**9,467**	**141,139**

State grants for the purchase or manufacture of assets reduce the costs of purchase or conversion. In the 2002 financial year such grants amounted to € 549,000 (2001: € 518,000).

Assets capitalised as finance leases primarily include plasma fractionation and sterile final fill production facilities of Biotest Pharma GmbH. The sterile final fill facility was completed in 2002 and depreciation was recorded in the reporting period. The plasma fractionation facility is scheduled to start operation in 2003. No depreciation has been recorded in 2002. The term of the leasing contracts for these two facilities extends over 8 years in each case. Biotest may terminate the contract with 3 months notice. The earliest possible date, however, is a date on which at least 40% of the contractual term has passed. Biotest has the right of termination at a date on which not more than 90% of the contractual term has passed only in the event that Biotest provides evidence of exceptional circumstances with regard to the possibility or ability to utilise the facilities. Upon expiration of the leasing contract, Biotest may purchase the facilities at market value.

At 31 December 2002, property, plant and equipment of a book value of € 58,641,000 (2001: € 54,902,000) served as collateral for liabilities to banks.

Facilities under construction primarily include payments in advance of € 8,846,000 for constructing a coagulation facility and realigning the accompanying production functions.

Write-downs were recorded in the context of buildings and machinery of Diaclone SAS which has been allocated to the Holding division as well as in the context of land and machinery in the Diagnostic division in Dreieich.

F3 Investments in associates. Investments in associates include a 26 % share of Biotest in SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin with registered office in Berlin. This investment is recorded at equity. At 31 December 2002, the aggregate amount of profits and losses taken into consideration in the book value of the associate since acquisition amounts to € 77,000 (2001: € 36,000). The associate is allocable to non-current assets.

F4 Other investments. Other investments comprise the following items:

	2002 € thousands	2001 € thousands
Loans to employees	**266**	236
Fixed-interest securities (held-to-maturity)	**210**	206
Bond funds (held-to-maturity)	**167**	162
	643	604

Other investments form part of non-current assets.

F5 Inventories.

	2002 € thousands	2001 € thousands
Raw materials and supplies	**35,602**	38,858
Work in progress	**68,478**	64,222
Finished goods and merchandise	**25,816**	26,024
	129,896	129,104

At the balance sheet date, the book value of inventories was recorded at the net realisable value of € 73,640,000 (2001: € 26,001,000).

Inventories of a book value of € 0 (2001: € 962,000) served as collateral for liabilities at the balance sheet date. Inventories with a reach of more than one year are recorded at a book value of € 6,525,000 (2001: € 7,774,000).

F6 Trade receivables. Trade receivables are without exception due within one year and comprise the following items:

	2002 € thousands	2001 € thousands
Accounts receivable, trade (gross)	**76,042**	77,030
Less:		
Sale of receivables	**4,983**	6,309
Accrual for bad debt	**7,488**	4,700
	63,571	66,021

Within the scope of a factoring programme, Biotest Pharma GmbH disposed of receivables to the tune of € 4,983,000 (2001: € 6,309,000) at the balance sheet date. The factoring programme provides for the sale of domestic accounts receivable from customers of impeccable creditworthiness up to a volume of € 5 million. Provided that the receivables are legally rightful, the bank undertakes the risk of the customer's inability to pay the receivables purchased (risk of default).

F7 Other assets.

	2002 € thousands	2001 € thousands
Income tax assets	**3,213**	1,906
Input tax and other tax assets	**3,583**	2,411
Accounts receivable from the sale of plasma	**5,846**	–
Accounts receivable from the leasing company	**2,330**	–
Accruals and deferrals	**1,196**	1,290
Down payments	**222**	642
Accounts receivable from associates	**83**	309
Other accounts receivable	**2,655**	2,940
	19,128	9,498

Other assets of € 0 (2001: € 140,000) refer to items with a term of more than one year.

F8 Cash and cash equivalents.

	2002 € thousands	2001 € thousands
Bank balances	7,701	9,716
Call deposits	211	151
Cash on hand	161	53
	8,073	9,920

F9 9 Deferred tax assets and deferred tax liabilities. Any deferred tax asset and any deferred tax liability are allocable to non-current assets and liabilities, respectively.

Deferred tax assets and liabilities recorded in the balance sheet refer to the following items:

	Assets		Shaeholders' equity and liabilities		Net	
	2002 € thousands	2001 € thousands	2002 € thousands	2001 € thousands	2002 € thousands	2001 € thousands
Intangible assets	124	127	4	4	120	123
Property, plant and equipment	–	49	16,499	14,715	–16,499	–14,666
Other investments	152	12	–	118	152	–106
Inventories	2,031	1,006	415	403	1,616	603
Accounts receivable	139	36	709	462	–570	–426
Provisions	2,483	3,392	–	–	2,483	3,392
Financial liabilities	11,393	9,849	–	1	11,393	9,848
Other balance sheet items	1,392	103	454	92	938	11
Tax value of the loss carried forward	2,678	679	–	–	2,678	679
	20,392	15,253	18,081	15,795	2,311	–542
Less netted deferred tax assets and liabilities	–16,097	–13,542	–16,097	–13,542	–	–
Deferred tax assets/liabilities	4,295	1,711	1,984	2,253	2,311	–542

Deferred taxes for tax loss carryforwards of € 4,079,000 (2001: € 776,000) have not been recognised as we currently do not expect to be able to use such loss carryforwards. Deferred taxes not recognised for loss carryforwards of € 3,534,000 (2001: € 580,000) are attributable to German companies and € 545,000 (2001: € 196,000) to foreign companies.

At present, loss carryforwards can be carried forward for an unlimited time in Germany. The loss carryforwards of the subsidiary Biotest Pharma GmbH have been valued despite the reported net losses as we envisage an improvement in the result in the future.

F10 Shareholders' equity. Subscribed capital is fully paid-in and remains unchanged at an amount of € 20,480,000 (ordinary shares: € 10,240,000; preference shares: € 10,240,000) at 31 December 2002. It has been divided into 4 million ordinary shares of no-par value and 4 million preference shares without voting right of no-par value. Certification of shares is precluded. Consequently, the theoretical par value of these shares amounts to € 2.56.

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

The share of ordinary shares of the Dr. Schleussner family remains unchanged at 60 %. 5.36 % of ordinary shares are held by Süd KA Südkapitalgesellschaft mbH. The remaining 34.64 % of ordinary shares and all preference shares are widely dispersed across the stock exchange. The proposal on the appropriation of profits does not provide for a dividend distribution for the year 2002. Preference shares carry minimum dividend rights of € 0.11 per share. Should holders of ordinary shares receive a dividend of more than € 0.11 per share, holders of preference shares moreover receive an additional dividend of € 0.06 per share. Dividends not paid on preference shares in any one year must be paid in the following year. If dividends are not paid in the second year either, the preference shares shall be furnished with voting rights (cf. Art 140 sec 2 of the German Stock Corporation Act – AktG).

Earnings per share are determined by dividing the consolidated profit attributable to all shareholders by the weighted average number of shares outstanding. In 2001 and 2002, no changes in the number of shares outstanding were recorded at Biotest AG.

	2002	2001
Consolidated earnings (in €'000)	**–20,037**	4,509
Additional dividend on preference shares (in €'000)	**–440**	–240
Consolidated earnings adjusted for additional dividend rights (in €'000)	**–20,477**	4,269
Number of shares outstanding (corresponds to weighted average)	**8,000,000**	8,000,000
Earnings per share (€)	**–2.56**	0.53
Additional dividend rights per preference share (€)	**0.11**	0.06
Earnings per preference share (€)	**–2.45**	0.59

There are no effects which may dilute earnings or the number of shares.

F11 Pension provisions and similar obligations. Depending on the local practice of the individual countries, Biotest Group has different pension schemes in place for its employees. The benefits are based on the employees' time of employment and salary. All benefits are based on defined benefit plans. Retirement benefit obligations are recognised for German employees. Similar obligations include foreign obligations which become due in the form of a one-off payment upon retirement.

The provisions for pensions and similar obligations consist of the following:

	2002 € thousands	2001 € thousands
Pensions	**31,686**	30,379
Similar obligations	**1,069**	872
	32,755	31,251

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

	2002 € thousands	2001 € thousands
Present value of retirement benefit obligations funded by provisions	**34,425**	34,033
Present value of retirement benefit obligations funded by pension liability insurance	**861**	834
Present value of plan assets (employer's pension liability insurance)	**–671**	–675
Present value of retirement benefit obligations	**34,615**	34,192
Balance of actuarial gains/losses not yet recognised in the balance sheet	**–1,860**	–2,941
Net value of amounts recognised at the balance sheet date	**32,755**	31,251

In the reporting period, the value of pension provisions has changed as follows on a Group level:

	2002 € thousands	2001 € thousands
Pension provisions on 1 January	**31,251**	28,829
Pensions payments in the reporting period	**–1,369**	–1,051
Decrease due to the deconsolidation of BMT	**–274**	–
Pension cost	**3,147**	3,473
Pension provisions at 31 December	**32,755**	31,251

Defined benefit plans caused overall expenses of € 3,147,000 (2001: € 3,473,000), comprising the following components:

	2002 € thousands	2001 € thousands
Current service cost	**1,206**	1,691
Changes in the fair value of plan assets (employer's pension liability insurance)	**4**	–13
Interest expense	**1,937**	1,795
	3,147	3,473

Gains and losses calculated in the pension expert opinion are not taken into consideration as the net value of unrealised gains and losses did not exceed 10 % of aggregate pension liabilities at the balance sheet date.

Pension liabilities of the financial year are included in the following items of the income statement:

	2002 € thousands	2001 € thousands
Cost of of goods sold	**427**	388
Distribution expense	**424**	700
Administrative expense	**204**	489
Research and development expense	**155**	101
Net interest income	**1,937**	1,795
	3,147	3,473

The calculations are based on the following assumed developments:

	2002	2001
Discount rate at 31 December	**5.8%**	5.8%
Salary progression	**3.0%**	3.0%
Pension progression	**2.0%**	2.0%

F12 Other provisions.

	in € thousands					
	Pre-retirement part-time work	Other staff-related cost	Outstanding invoices	Restruc-turing	Other	Total
Balance at 31 December 2001	**4,785**	**3,510**	**7,455**	**–**	**2,974**	**18,724**
Additions	1,357	3,199	5,020	3,130	4,961	17,667
Drawdowns	823	3,126	7,108	–	822	11,879
Releases	16	90	363	–	1,170	1,639
Currency expense differences	–	–25	–16	–	–8	–49
Balance at 31 December 2002	**5,303**	**3,468**	**4,988**	**3,130**	**5,935**	**22,824**

Of which short-term

As at 31 December 2001	14,552
As at 31 December 2002	**17,776**

In accordance with the collective agreement supporting **part-time work for elder workers** of the federal employers association of the chemical industry (Bundesarbeitgeberverband Chemie e.V.) which is effective until 31 December 2009, a corresponding provision was set up. The provision covers liabilities from current part-time work relationships (performance backlog, step-up amounts and severance pay, if any) and from expected future claims (step-up amounts and severance pay, if any).

Other staff-related provisions primarily consist of profit-sharing schemes, overdue holiday entitlements, anniversaries and contributions to employers' liability insurance association.

Provisions for outstanding invoices were mainly set up for services rendered by third-party fractionation companies not yet received.

Restructuring provisions include cost incurred in the context of the social compensation plan and other severance pay. The social compensation plan shall be carried out in the year 2003.

Other provisions include provisions for the negative market value of financial instruments, utilisation of guarantees, risks of litigation and similar items.

F13 Financial liabilities.

	2002 € thousands	2001 € thousands
Non-current liabilities		
Collateralised liabilities to banks	**27,372**	32,643
Unsecured liabilities to banks	**450**	440
Liabilities from finance leases	**24,895**	18,195
	52,717	51,278
Current liabilities		
Short-term portion of collateralised liabilities to banks	**7,654**	8,572
Other loans	**8,091**	8,265
Short-term portion of liabilities from finance leases	**5,406**	1,760
Unsecured liabilities to banks	**93,552**	63,653
	114,703	82,250

Please refer to G1 "financial instruments" for information on hedging currency and interest rate risks.

Terms and redemption terms of financial liabilities are as follows:

In € thousands	Total	< 1 year	1–5 years	> 5 years
Collateralised liabilities to banks				
EUR – fix at 4.9%	35,025	7,654	18,187	9,185
Other loans:				
EUR – floating at 4.5%	8,522	8,091	41	389
Liabilities from finance leases:				
EUR – fix at 7.7%	30,301	5,406	14,438	10,457
Unsecured liabilities to banks:				
EUR – floating at 9.8%	20,658	20,638	8	12
EUR – fix at 4.5%	51,463	51,463	–	–
CHF – fix at 2.3%	16,524	16,524	–	–
CHF – floating at 4.4%	4,887	4,887	–	–
USD – floating at 7.8%	37	37	–	–
YEN – floating at 6.1%	3	3	–	–
	167,420	**114,703**	**32,674**	**20,043**

Repayment schedule of liabilities from finance leases:

2002	in € thousands Payment	Interest	Redemption
Due in less than one year	7,270	1,864	5,406
Due in 1 to 5 years	19,723	5,285	14,438
Due in more than 5 years	11,465	1,008	10,457
	38,458	**8,157**	**30,301**

2001	in € thousands Payment	Interest	Redemption before set-off	Redemption after set-off
Due in less than one year	2,701	1,126	1,574	1,574
Due in 1 to 5 years	18,671	5,877	13,019	13,019
Due in more than 5 years	15,098	1,788	13,309	5,362
	36,469	**8,792**	**27,902**	**19,955**

In 2001, accounts receivable resulting from charging on of investment cost of € 7,947,000 disbursed by Biotest to the leasing company have been offset against corresponding leasing liabilities.

F14 Other liabilities. Other liabilities include the following items:

	2002 € thousands	2001 € thousands
Value added tax liabilities	**2,510**	2,458
Wage tax liabilities	**1,117**	791
Liabilities from other taxes	**41**	145
Social security liabilities	**1,669**	1,513
Other liabilities	**5,730**	6,342
Accruals and deferrals	**82**	62
	11,149	11,311

Other liabilities of € 52,000 (2001: € 0) have a remaining time to maturity of one year.

G Other Explanatory Notes

G1 Financial instruments. In the course of its ordinary operations and due to existing international delivery and service relations, Biotest is exposed to substantial currency and interest rate risks.

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

Contracts on financial derivatives are exclusively entered into with banks with impeccable creditworthiness.

Currently Biotest does not comply with all requirements of IAS 39 (revised 2000), 142–145 (Hedge Accounting). Hence, all profits and losses recorded when derivative financial instruments used to hedge interest rate and currency risks are marked to market have been accounted for with an effect on income.

Financial instruments are recognised when the corresponding contracts are entered into. Financial instruments are accounted for at cost upon first recognition and then valued at the corresponding market value as at the balance sheet date. Financial instruments are derecognised when the obligations under the contract have been fulfilled by both parties.

Derivative financial instruments are shown in the balance sheet under other assets and other provisions, respectively.

Credit risks. Biotest responds to credit risks with ongoing management of accounts receivable. Credit terms and other terms are based on the rating of the customers' creditworthiness. Moreover, part of the German accounts receivable of the subsidiary Pharma GmbH were sold to a factoring company.

For capitalised derivative financial instruments the risk of default in the context of financial derivatives does not exceed the positive market values. It amounts to € 44,000 (2001: € 0) for interest rate swaps and € 520,000 (2001: € 0) for foreign currency forwards. In order to minimise such risk of default transactions are only entered into with banks of impeccable creditworthiness.

At the balance sheet date, there were no significant customer groups representing a particular credit risk.

Interest rate risks. The company is also exposed to interest rate risks resulting from existing loans (please refer to section F13 for more details). Interest rate hedging instruments were entered into to minimise such risks.

The following interest rate hedging transactions were in place at 31 December 2002:

Subject matter	Nominal amount	Currency	Interest rate/coupon	Reference rate	Start of term	End of term	Value at 31.12.2002 in EUR
Purchased interest rate cap	5,112,919	EUR	5.50 %	6-month euro Libor	04.03.1998	04.03.2005	1,188
Sold interest rate cap	5,112,919	EUR	6.00 %	6-month euro Libor	21.07.1998	21.07.2008	0
Purchased interest rate cap	5,112,919	EUR	5.50 %	6-month euro Libor	07.09.1998	07.03.2005	0
Sold interest rate cap	7,500,000	EUR	4.52 %	6-month euro Libor	04.03.2002	04.03.2005	–283,054

Subject matter	Nominal amount	Currency	Paid	Received	Start of term	End of term	Value at 31.12.2002 in EUR
Cross Currency swap	10,000,000	CHF	3-month CHF Libor	5.25 %	04.04.2000	04.04.2007	44,215
Payerswap	5,112,919	EUR	5.11 %	6-month euro Libor	21.07.1998	21.07.2008	–371,000
Cross Currency swap	10,000,000 CHF/ 6,227,426 EUR	CHF	3.75 % in CHF	5.4 % (EUR)	15.02.2000	15.02.2005	–655,000

The market value of interest rate hedging transactions was determined by the banks appointed for this purpose. Market values at the rate at the balance sheet date were calculated on the basis of cash flows that were discounted using current market rates.

Foreign currency risks from operating activities. Biotest Group records foreign currency risks from purchases and sales in the course of its operations. With German companies, such risks result primarily from the US dollar, with the US subsidiary from the euro. Biotest responds to these risks with foreign exchange contracts to hedge the expected outstanding positions.

The following foreign exchange contracts were in place at 31 December 2002:

Subject matter	Nominal amount	Currency	Start of term	End of term	Value at 31.12.2002 in EUR
Foreign exchange contract, sale	1,000,000	USD	04.11.2002	04.02.2003	74,716
Foreign exchange contract, sale	1,000,000	USD	06.08.2002	08.08.2003	91,480
Foreign exchange contracts, purchase	4,545,000	EUR	2002	2003	354,003

The market value of foreign exchange contracts was determined as the difference between the rate at the balance sheet date and the exercise price stated in the contract.

The exchange rate risk of other receivables and liabilities denominated in Swiss francs, Pound sterling, Japanese yen or Hungarian forint is reduced by short credit terms on transactions within the group.

Embedded financial instruments. In the course of ordinary activities, Biotest is the contracting party for selling and procurement transactions denominated in USD. However, in certain cases the USD may not be the currency of the country in which the enterprise is domiciled.

Biotest recorded embedded foreign exchange contracts at the exchange rate at the balance sheet date. All existing orders were completed within one year.

At the balance sheet date, forward currency transactions were split from the existing underlying transactions as follows:

Subject matter	Nominal amount	Currency	Start of term	End of term	Value at 31.12.2002 in Euro
Embedded derivates	5,472,574	USD	2002	2003	–249,719

G2 Contingent liabilities. Contingent liabilities at the balance sheet date have been recorded as follows:

	2002 € thousands	2001 € thousands
Bill exposure	**–**	–
Guarantees	**50**	–
Indemnity agreements	**–**	–
Other contingent liabilities	**–**	–
	50	0

G3 Other financial commitments.

2002 (in € thousands)	in 2003	2004–2007	in and after 2008	Total
Order liabilities	8,918	316	–	9,234
Future payments from rent and lease contracts and operating leasing	3,869	5,261	1,167	10,297
	12,787	5,577	1,167	19,531

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

Biotest rents and leases operating equipment respectively. Operating leases include vehicles and office equipment with a base rental term of two to four years. Expenditure from rental and operating lease contracts amounted to € 4,790,000 in 2002 (2001: € 4,351,000).

G4 Related party relationships. Disclosure is required for Biotest Group's relationships to the associate SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin as well as to the members of the Board of Management and the Supervisory Board and their related persons.

G4.1 Associates. In the 2002 financial year, the Group recorded purchases of € 979,000 (2001: € 792,000) from the associate SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin. The latter company purchased goods and services from Group companies to the tune of € 289,000 (2001: € 285,000).

On 31 December 2002, the associate recorded a liability of € 83,000 (2001: € 306,000) to and accounts receivable of € 24,000 (2001: € 0) from the Group companies.

G4.2 Other related parties. The members of the Dr. Hans Schleussner family are deemed related parties for the purposes of IAS 24 as they hold an aggregate of 60 % of Biotest AG's ordinary shares. Purchase, loan, rent and consultant contracts or relationships exist in addition to below mentioned emoluments of the Supervisory and/or Advisory Boards. At the balance sheet date, the Group recorded liabilities of € 6,008,000 in the balance sheet (2001: € 6,319,000). Biotest's aggregate expenses amounted to € 545,000 (2001: € 666,000). Total income was recorded at € 0 (2001: € 65,000).

G4.3 Supervisory Board, Advisory Board and Board of Management.
Emoluments. The emoluments for the members of the Supervisory Board totalled € 75,000 (2001: € 19,000), total emoluments of the members of the Board of Management amounted to € 580,000 (2001: € 866,000). Emoluments paid to former members of the Board of Management amounted to € 179,000 (2001: € 178,000).

Provisions of € 2,268,000 (2001: € 2,205) have been set up for pension obligations to former members of the Board of Management. As at the balance sheet date, there were no loan claims against any members of the company's management bodies.

Emoluments paid to members of the Advisory Board amounted to € 14,000 (2001: € 16,000).

Board members. The members of the Supervisory Board, the Advisory Board and the Board of Managing Directors are listed below.

Board of Management.
Dr. phil. nat. Dieter Merz, chemist, Frankfurt/Main
Chairman

Prof. Dr. Gregor Schulz, physician, Umkirch
Deputy Chairman
(since 1 January 2003)

Dr. rer. pol. Manfred Hübener, businessman, Bad Homburg v.d.H.

Supervisory Board. The Supervisory Board members additionally serve on statutory Supervisory Boards and comparable control boards of commercial enterprises (information as at 31 December 2002):

Dr. phil. nat. Dr. med. h.c. Hans Schleussner, Frankfurt/Main
Chairman,
Celfa AG, Chairman of the Administrative Board

Dr. Jochen Hückmann, businessman, Frankfurt/Main
Deputy Chairman,
Managing Partner of Merz + Co. GmbH & Co. KG

Reinhard Eyring, lawyer, Kronberg/Ts.
b.i.s. börsen-informationssysteme AG, Chairman
Destag Deutsche Steinindustrie AG, Chairman
BGI zu Höne, Klußmann, Altpeter AG

Johannes Hartmann, clerk, Weiterstadt

Klaus Lobello, industrial employee, Dreieich-Sprendlingen
(until 12 July 2002)

Dr. Klaus Hübner, engineer (Diplom), Rostock
(since 12 July 2002)

Dr. Cathrin Schleussner, biologist, Neu-Isenburg

Advisory Board.
Prof. Dr. Helmut Determann, Weinheim

Consul Helmut Holz, businessman, Frankfurt/Main

Prof. Dr. med. Stefan Meuer, Immunological Institute,
University clinic Heidelberg

Dr. phil. nat. Dr. med. h.c. Hans Schleussner, Frankfurt/Main
Chairman of the Supervisory Board of Biotest AG

Dr. Martin Schleussner, Cologne
Managing Director of Folex Coating GmbH

Michael Thiess, Munich
Michael Thiess Management Consultants

Michael Freiherr Truchseß, Frankfurt/Main
Member of the Management of Deutsche Bank AG

G5 Material subsidiaries.

Company Name	Registered office	Interest held (in % of capital)	Shareholders' equity € mn	Profit after taxes € mn
Biotest Pharma GmbH	Dreieich/Germany	100.0	73.4*	–7.1
Biotest Grundstücksverwaltungs GmbH	Dreieich/Germany	98.0	1.7	0.2
Biotest Seralc° N.V.	Kortenberg/Belgium	100.0	1.6	0.1
Biotest S.a.r.l.	Buc/France	100.0	0.3	–0.2
Biotest (UK) Ltd.	Solihull/Great Britain	100.0	0.7	–0.1
Biotest Italia S.r.l.	Trezzano/Italy	100.0	9.5	2.1
Biotest K.K.	Tokio/Japan	100.0	0.0	–0.2
Biotest Pharmazeutika Ges.m.b.H.	Wien/Austria	100.0	3.7	1.2
Biotest (Schweiz) AG	Rupperswil/Switzerland	100.0	1.6	0.5
Biotest Hungaria Kft.	Budapest/Hungary	100.0	2.2	1.0
Biotest Diagnostics Corporation	Denville/USA	100.0	3.7	0.6
Envitec-Wismar GmbH Umweltschutz und Medizintechnik	Wismar/Germany	60.0	3.3	0.4
Envitec-Denmark APS**	Kopenhagen/Denmark	100.0	0.0	0.0
Heipha Dr. Müller GmbH	Eppelheim/Germany	51.0	1.8	0.4
Viro-Immun Labor-Diagnostika GmbH	Oberursel/Germany	51.2	0.2	0.0
Diaclone SAS	Besançon/France	100.0	3.2	–0.5
Plasmadienst Tirol GmbH	Innsbruck/Austria	100.0	0.6	0.3
Plasma Service Europe GmbH***	Dreieich/Germany	100.0	0.3	0.0

* Including a capital contribution of € 40 million earmarked for an authorised capital increase.

** Fully-owned subsidiary of Envitec-Wismar GmbH Umweltschutz und Medizintechnik.

*** Plasma Service Europe GmbH and Biotest Pharma GmbH entered into a profit and loss transfer agreement in accordance with the German Commercial Code.

Biotest Medizintechnik GmbH with registered office in Dreieich, Germany (share in equity: 78 %) was eliminated from the scope of consolidated companies following the application for insolvency proceedings.

As at 1 January 2002, we purchased 9 % of shares in Envitec-Wismar GmbH Umweltschutz und Medizintechnik.

G6 Pending and imminent litigation. Envitec-Wismar GmbH Umweltschutz und Medizintechnik set up a provision for pending litigation regarding patent infringement proceedings with an amount in dispute of € 288,000. The provision was set up in the same amount. An additional € 25,000 were set aside for cost of legal advice and representation.

A provision of € 353,000 was set up for an imminent litigation at Envitec-Denmark APS regarding pending infringement proceedings for which the amount in dispute has not yet been established.

G7 Events occurring after the balance sheet date. To secure short-term financing needs, Biotest AG entered into a collateral trustee agreement with the involved banks on 6 March 2003. In this agreement, the banks declared their general consent to continue to provide existing short-term credits of around € 100 million after they have approved a restructuring concept prepared in cooperation with management consultants. At the

meeting of banks on 9 April 2003 the banks, after hearing the results from an investigation on restructuring and strategic realignment carried out by the consultancy firm mandated, committed themselves to maintain the current credit lines until 31 March 2004, provided that, inter alia, Biotest achieves a turnaround in accordance with the plans verified by said consultancy firm, implements the restructuring measures set out in the restructuring plan and reduces the credit lines in 2003 by at least € 4.0 million and in 2004 by at least € 10.0 million. The above commitment is subject to board and consortium approval. Credit lines are to be further reduced if the liquidity reserve exceeds € 5.0 million. The approval by the decision-making bodies of the banks involved is expected to be granted by 23 April 2003.

All material assets of the companies Biotest AG (including the global assignment of trade receivables, assignment of all inventories, assignment of the complete plant facilities and equipment, assignment of purchase price claims regarding shares in other companies and pledge of shares in all directly held holding companies, assignment of various claims from group loans, pledge of all rights to trademarks, concessions, property rights, patent and licence rights as well as a global charge over property) and Biotest Pharma GmbH (including the global assignment of trade receivables, assignment of all inventories, assignment of the complete plant facilities and equipment, pledge of shares in Plasma Service Europe GmbH, pledge of all trademarks, concessions, property rights, patents and licence rights as well as a global charge over property) as debtors and the companies Plasma Service Europe GmbH (global assignment of trade receivables and assignment of all inventories) and Biotest Grundstücksverwaltungs GmbH (assignment of claims arising from loan agreements with Biotest AG and a global charge over property) as third-party guarantor are provided as collateral within the scope of the collateral trustee agreement. The creation of a global charge over property in the amount of € 100 million and the pledge of all shares in Plasma Service Europe GmbH was attested by a notary on 18 March 2003.

In the context of the collateral trustee agreement, the Dr. Schleussner family moreover agreed to increase the shareholder loans to € 10 million, to retain the loans in the company and to subordination.

The agreement enables Biotest to rigorously complete already commenced restructuring and strategic realignment measures on a sound financial base.

G8 Corporate Governance. Biotest AG submitted the declaration of compliance required pursuant to Art 161 of the German Stock Corporation Act (AktG) and made it available to the shareholders.

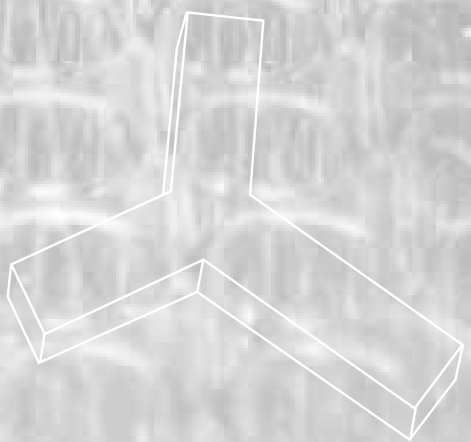
Dreieich, April 15, 2003


Dr. Dieter Merz


Prof. Dr. Gregor Schulz


Dr. Manfred Hübener

Auditor's Report



Auditor's Report

We have audited the consolidated financial statements of Biotest Aktiengesellschaft, Frankfurt/Main, comprising the group balance sheet, group income statement, statement of changes in equity, cash flow statement and Notes to the accounts for the financial year from 1 January to 31 December 2002. The company's Board of Management is responsible for the preparation and contents of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). It is our responsibility to express an opinion on the consolidated financial statements of the Group based on the audit we conducted.

We conducted the Group audit pursuant to German audit provisions in accordance with the generally accepted German auditing standards issued by the German Institute of Chartered Accountants (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Audit planning takes account of knowledge of the Group's business activity as well as its economic and legal environment and the anticipated margin of error. The audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. The scope of the audit also includes an assessment of the accounting principles used and significant estimates of the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

With due regard to the International Financial Reporting Standards (IFRS), in our opinion, the consolidated financial statements give a true and fair view of Biotest Group's assets, liabilities, financial position and profitability and the cash flows in the financial year.

Our audit, which included the Group Management Report prepared by the Board of Management for the financial year ending on 31 December 2002, raised no objections.

In our opinion, the Group Management Report gives a true and fair view of the Group's situation and of any risks inherent to future developments. Furthermore, we confirm that the consolidated financial statements and the Group's Management Report for the financial year ending on 31 December 2002 meet the requirements to release the Company from presenting consolidated financial statements and a Group Management Report in accordance with German law.

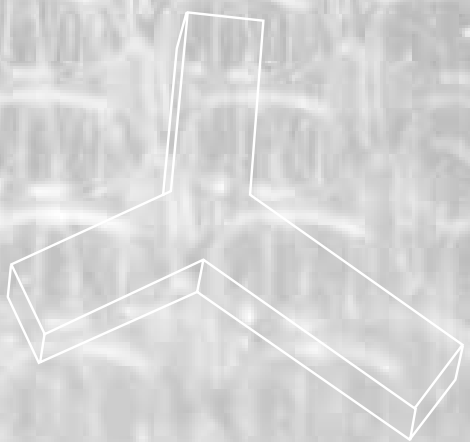
Without qualifying this opinion, we would like to point to the remarks in the Group Management Report in the sections "Statement of Assets and Financial Position" and "Risks in Future Developments and Risk Management": To maintain short-term credit lines and to ensure the continued existence of the Group the banks combined in the collateral trustee agreement must approve the restructuring and alignment concept as well as the archievement of the targets phrased there.

Frankfurt/Main, April 15, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Laubach	Walter
Auditor	Auditor

Corporate Governance



Corporate Governance

Corporate Governance. The term corporate governance stands for responsible management and control of companies geared towards the long-term generation of values. Material elements of sophisticated corporate governance are respecting shareholders' interests, an efficient co-operation of the Board of Management and the Supervisory Board as well as transparency in corporate communications.

In February 2002, a government commission appointed by the Ministry of Justice presented the German Corporate Governance Code. Pursuant to Art 161 German Stock Corporation Act (AktG), companies listed on a stock exchange are obliged to declare if and to what extent they have complied or do comply with the recommendations of the code each year. The declaration must contain information as to which recommendations were not or will not be applied.

We expressly welcome the code and its objectives. The Supervisory Board and the Board of Management decided that Biotest shall comply with the code with the exception of some minor exemptions. The joint declaration of compliance issued by the Board of Management and the Supervisory Board is reproduced below and has been published on the Internet under www.biotest.com.

Management and control of the company. Biotest AG's Board of Management manages the company in its own responsibility and thus is bound to the company's interests and obliged to increase the sustained company value. This is reflected in the restructuring programme "Biotest yield enhancement" which was introduced last year.

Biotest AG's Supervisory Board supervises and advises the Board of Management on issues regarding the management of the company and is involved in decisions of fundamental importance for the company. In order to increase efficiency of the Supervisory Board work and to deal with complex issues, Biotest AG's Supervisory Board has again established a General Committee and a Balance Sheet Committee.

In accordance with legal requirements, the Board of Management reports to the Supervisory Board in a regular, timely and comprehensive manner all issues of planning, business development, risk situation and risk management of relevance to the company and, together with the Supervisory Board, coordinates the company's strategic alignment. The chairman of the Supervisory Board keeps close contact with the Board of Management, in particular with the chairman of the Board of Management and together they discuss the company's strategy, business development and risk management. The Board of Management's disclosure and reporting duties have already been included in the operating procedures for the Board.

On pages 69/70 the members of the Board of Management and the Supervisory Board are listed together with their emoluments. The incentive programme introduced at the beginning of last year forms part of the emolument for the first and second management level and is linked to the development of share prices.

Transparency and accounting. Biotest AG informs its shareholders and the interested public on the situation and material changes in the company's business via Annual Reports, quarterly reports, ad-hoc disclosures and press releases on a regular basis. After having been listed in the SMAX Biotest was admitted to the Prime Standard segment in January 2003 and thus committed itself to increased disclosure duties. As at 1 January 2002, accounting and reporting procedures were changed over to IAS.

Biotest also publishes information on the company on the Internet under www.biotest.com Such detailed information is published in English as well.

Declaration of Compliance by the Board of Management and Supervisory Board of Biotest AG concerning the Recommendations of the Government Commission on the German Corporate Governance Code pursuant to Art 161 AktG and Art 15 EG AktG

The Board of Management and the Supervisory Board of Biotest AG hereby declare that the Recommendations of the Government Commission on the German Corporate Governance Code as published in the official section of the Electronic Federal Gazette (Elektronischer Bundesanzeiger) by the German Federal Ministry of Justice are complied with, with the following exceptions:

- The current D&O insurance policy for the members of the Board of Management and Supervisory Board taken out by Biotest AG does not provide for a deductible (section 3.8 para 2 of the Code). Biotest AG does not consider a deductible necessary for the members of the Board of Management and Supervisory Board to act responsibly and to be motivated in performing their duties.
- An age limit for the members of the Supervisory Board is currently not specified (section 5.4.1 para 2 of the Code). Biotest AG is of the view that setting an age limit would unreasonably restrict the authority of the shareholders to elect the members of the Supervisory Board.
- The compensation of the members of the Supervisory Board does not include compensation for holding the chair in, or being a member of, committees of the Supervisory Board (section 5.4.5 para 1 sentence 3 of the Code). As the Supervisory Board acts as a whole in fulfilling the essential tasks, Biotest AG does not, at present, consider a separate compensation for work in committees to be necessary.
- The members of the Supervisory Board do not receive a performance-related compensation (section 5.4.5 para 2 sentence 1 of the Code). Taking into account the function of the Supervisory Board to control and supervise the Board of Management, Biotest AG currently sees no need for an amendment in this regard.
- Currently, the Group financial statements are not yet published within 90 days after the end of the financial year (section 7.1.2 of the Code). The quarterly reports, however, are already published within 45 days after the end of the reporting period. It is planned to meet the deadline for publication of the Group financial statements in future.

Dreieich, April 25, 2003

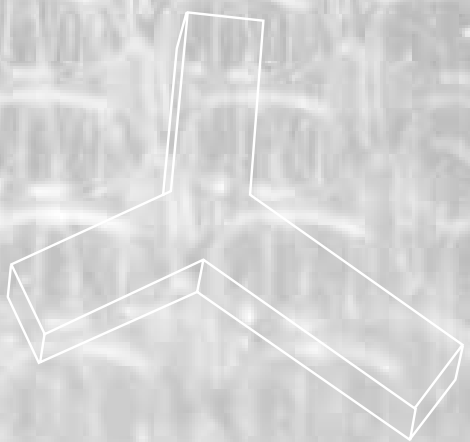
For the Board of Management

Dr. Dieter Merz

For the Supervisory Board

Dr. Hans Schleussner

Report of the Supervisory Board



Report of the Supervisory Board

The Supervisory Board has regularly monitored the work of and has rendered advisory services to the Board of Management in the 2002 financial year. The Supervisory Board was kept informed in five meetings by reports from the Board of Management, both in writing and verbally, on the company's current situation, scheduled changes in the business portfolio, and on measures for the improvement of the company's profitability (Biotest Yield Enhancement Programme). The Chairman of the Supervisory Board and the Board of Management, in particular, regularly discussed business matters and agreed on such matters.

The Supervisory Board received detailed information on the current situation and strategy of the three divisions as well as on scheduled projects and entered into attentive discussions with the Board of Management. All relative decisions were made unanimously by the Supervisory Board. The Supervisory Board furthermore received information on the company's risk situation on a regular basis and discussed and agreed measures with the Board of Management.

The company's tight financial situation is due to an extremely high level of capital expenditure on future business structure and extraordinarily high restructuring expenses. This led to an intensified dialogue between the Board of Management and the Supervisory Board in the past financial year. The company's restructuring activities, the reduction of personnel, efforts to resolve loss-making activities, disinvestments as well as the critical recognition of possible balance sheet risks led to a particularly high loss in the period under review. These measures, however, laid the foundation for a turnaround in the development of earnings in the financial years to come. Another issue which was discussed intensively between the Supervisory Board and the Board of Management was the collateral trustee agreement concluded with the banks providing financial means to Biotest and described in detail in the Board's Management Report.

The Supervisory Board has held detailed discussions with the Board of Management, the auditor and the tax consultant on the set of financial statements for Biotest AG and the Group. The auditor also reported on the result of his audit in the course of this debate.

Against the backdrop of the scheduled future increase in profitability. Group planning with focus on the year 2003 was discussed in detail with and approved by the Board of Management. It has been enhanced within the scope of restructuring and adjusted to Biotest's situation.

The Supervisory Board additionaly has two committees, the Presiding Committee and the Balance Sheet Committee. On top of the regular Supervisory Board Meetings, the Presiding Committee met the Board of Management on four additional meetings. The main issues on these occasions were the progress on scheduled disinvestments, the programme to incre-

ase earnings, measures to safeguard liquidity and personnel-related questions regarding the Board of Management. The Balance Sheet Committee came together on one additional meeting in order to mandate the chartered accountants for the 2002 financial year.

At its meeting on 25 October 2002, the Supervisory Board appointed Prof. Dr. Gregor Schulz as a full member of the Board of Management and deputy chairman of the Board. It is planned for Prof. Schulz to become chairman of the Board after the Annual General Meeting on 10 July 2003. At the same time, Dr. Merz will resign from the office of the chairman of the Board of Management and go into retirement on 30 September 2002. The Supervisory Board expresses its appreciation for the many years of successful and reliable participation in the Board.

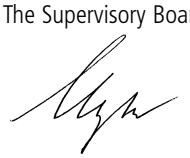
The company's Advisory Board met twice in the reporting period. At these meetings, the current situation and the divisional strategies were discussed.

Accounts, financial statements and consolidated financial statements, as well as the management report and Group management report for the 2002 financial year were examined by KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and have been approved with an unqualified opinion, accompanied by an additional comment. The Supervisory Board took note of the results of the audit and concurs with them. The auditor's report was presented to all members of the Supervisory Board. Upon conclusion of the auditor's audit of the set of financial statements, the consolidated financial statements and the management report no objections arise from the Supervisory Board. The Supervisory Board has approved the financial statements as well as the consolidated financial statements prepared by the Board of Management. The financial statements are thus approved.

The Supervisory Board would like to thank the Board of Management and all employees for their input and the work accomplished in the 2002 financial year.

Frankfurt/Main, April 25, 2003

The Supervisory Board

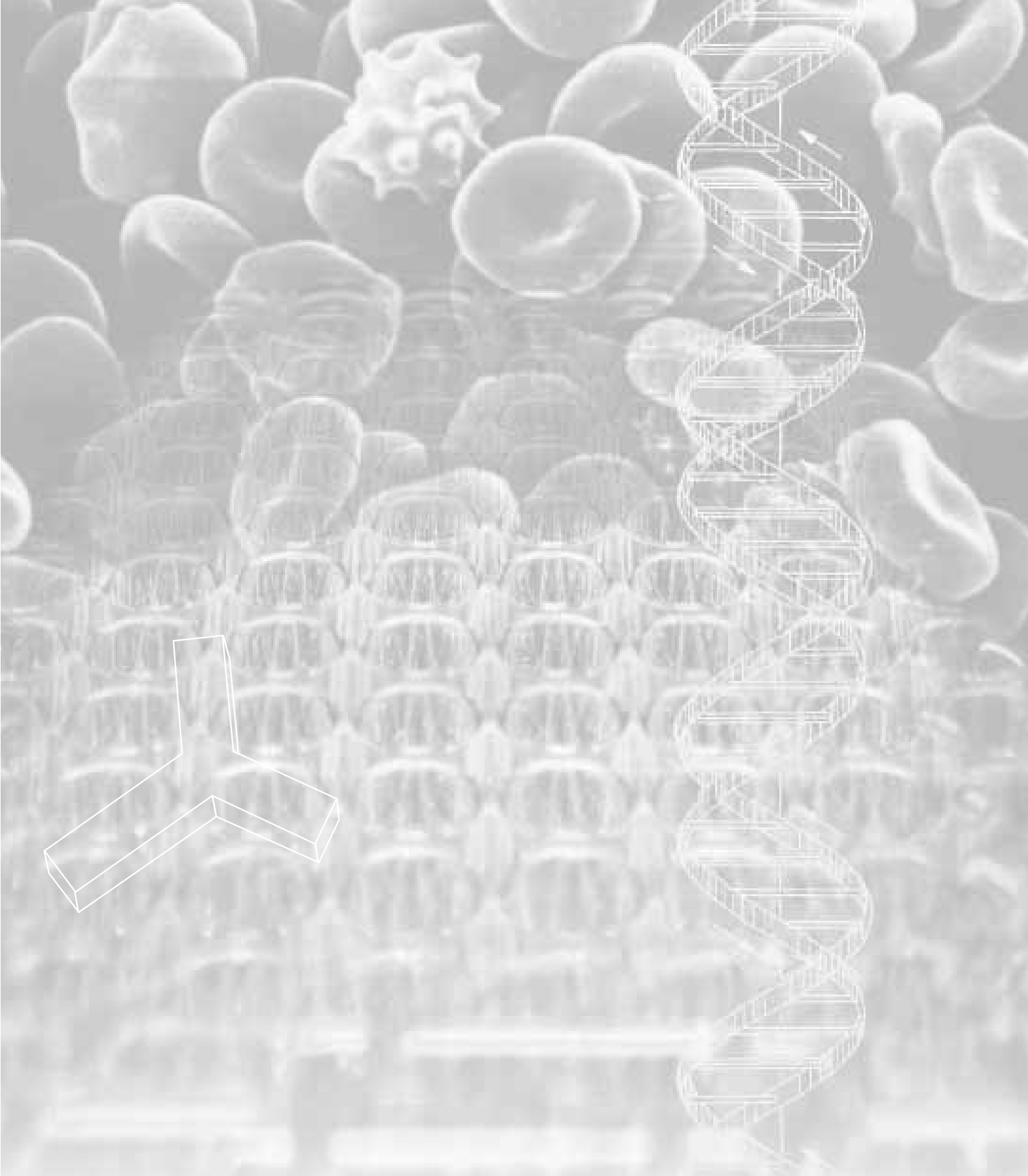


Dr. Hans Schleussner
Chairman

Glossary

Antibody	Antibodies are substances which are produced by the body to defend against attack by a foreign invading substance, the antigen
Biochip analysis	Most advanced method of bio molecular analysis allowing low-cost and fast results
Bio-sensor	Device for the electronic measurement of physical and chemical processes on and in the body
CP procedure	Biotest's new procedure for a gentle purification of immunoglobulins
Cytomegalovirus (CMV)	Belongs to the herpes group of viruses and is normally not of risk. It can, however, present a much-feared complication for patients with a weakened immune system.
DNA Test	Assay technique using molecular biologic analysis of genetic information (DNA) contained in cells
FDA	Food and Drug Administration; American controlling organization
FH procedure	New fractioning procedure with higher yields
Fractionation	Physical separation of substance mixes by means of distillation, centrifugation or chromatography
F VIII	Factor VIII for the treatment of hemophilia patients
F IX	Factor IX, similar to factor VIII for the treatment of coagulation disorders.
GMP	Good Manufacturing Practise = Regulations on the safety and quality in manufacturing pharmaceutical preparations
Hemoglobin	Pigment of red blood cells
HIG	Hyperimmunoglobulins (Cytotect®, Hepatect®, Varitect®).
IgM/Immunoglobulins	Protein molecules which make up part of the body's immune system
Immunoassay	Proof of antigenic substances in test tubes by means of antigen-antibody-reaction

Immune system	The sum of all factors which are responsible for the body's defence against infection and invading foreign substances.
Infectious disease diagnostics	The sum of all methods used to detect and diagnose infectious diseases
Monoclonal antibodies	Antibodies which can be traced back to one single originator cell and which bind specifically to one particular foreign substance (antigen). They are produced with the help of hybridoma cells.
Mutual recognition	EU countries approve the decision made about a medicinal product by another EU country
Orphan Drug	Drug for treatment of a rare disease; simplified registration procedure
Plasma	The clear yellow liquid which remains after separating all cell material from the blood. It contains soluble protein substances and salt.
Plasmapheresis	Generation of blood plasma while re-transfering red and white blood cells to the blood donor
Pulse oximetry	Transcutaneous (non-invasive) measurement of the degree of arterial oxygen saturation
Virus diagnosis	The sum of all diagnostic tests used to detect a viral infection
Viral inactivation	Preparations made from human blood always present a risk of transmission of viral infections. For this reason, inactivation methods have been developed to reduce this risk without harming the sensitive proteins.



Biotest AG
Landsteinerstr. 5, D-63303 Dreieich
P.O. Box 10 20 40, D-63266 Dreieich
Phone +49 (0) 61 03 / 8 01-4 35
Fax +49 (0) 61 03 / 8 01-8 80
E-mail: investor_relations@biotest.de
Internet: www.biotest.com

Handelsregister: HRB 27 614 Ffm.